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Striving for growth

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WITH a population of nearly a billion, India's growth rate started picking up seven years ago after it embraced bold economic reforms, bringing it close to the league of Asian Tigers.

It no longer strives for self sufficiency but aspires for economic growth and self-reliance. There is a broad consensus among the people that no matter which party governs, India's reforms will continue at a brisk pace.

The reforms have improved the people's quality of life besides generating about six million jobs per year. Today, India has a 300-million strong middle class with considerable purchasing power. The consumer has a great variety to choose from, be it fast food, cars, television or computers.

The Indian economy is poised for continued growth, aided by a stable policy environment that pays special heed to the fundamentals and the system's ability to maintain a sustainable pace.

Indian exports have grown fast in the post-liberalisation period, averaging 20 per cent in three years beginning 1993-94. They were aided by a stable exchange rate mechanism, increased competitiveness of Indian goods and decline in the interest rate of export finance.

In a move to eliminate delays, bureaucratic red tape and corruption, companies no longer need licences to operate. Foreigners are welcomed to make investments and are even allowed to hold majority stakes in local firms.

The reforms were initiated by the then Prime Minister P V Narashima Rao between 1991 and 1996, which brought new companies and products to India. The new government under current Prime Minister Atal Behari Vajpayee has sent an unequivocal message over its commitment to reforms.

India's large domestic market and the growing middle class indeed attracted considerable foreign investments and some of the largest companies in the world. Looking at the immense potential presented by the vast sub-continent, more multinational giants are investing in India. They include information technology heavyweights IBM and Hewlett Packard, car manufacturers General Motors and Toyota, and food companies such as Coca Cola and McDonalds.

Currently the annual foreign capital inflow into India is about US\$10 billion and the government plans to attract more investments. India showed its economic resilience during the regional financial and economic crisis, with its rupee unaffected by the sharp gyrations experienced by the other Asian currencies.

India is Malaysia's largest trading partner in the region. From January to November last year, total trade between the two countries amounted to RM8.9 billion. Malaysia's exports which totalled to RM7.1 billion include palm oil, petroleum products, transport equipment, palm olein, cork and wood. Imports from India amounted to RM1.8 billion and they comprise mainly meat, non-ferrous metal, iron, steel, vegetables, fruits, textiles and yarn.

India's rapid pace of liberalisation offers tremendous opportunities for Malaysian businessmen. During the visit of the then Prime Minister Rao to Malaysia in 1995, he said there was room for greater cooperation between the two countries. He added that India could learn a lot from Malaysia especially in the privatisation process it had just started. Malaysia has

had a headstart in the privatisation policy.

Rao said with the private sector taking over the running of infrastructure facilities in India, the government could concentrate on developing the rural areas. The visit resulted in the signing of 10 documents paving the way for greater bilateral cooperation. The process of bilateral economic cooperation was taken a further step during the visit of Prime Minister Mahathir Mohamad to India in December 1996 where he was accompanied by a large commercial delegation.

Malaysia has identified several priority areas for investment in India. They are in the electronics sector, roads and highways, mineral extraction, textiles and garments, sports equipment, finished rubber products, precision engineering, oil and gas, and power generation.

Infrastructure projects such as power and telecommunications have also been opened for private investment. Foreign telecommunication companies now have the opportunity to participate in the fixed line and cellular phone sectors.

Similarly, power generation, which was dominated by public sector institutions like the National Thermal Power Corporation and the National Hydro Power Corporation, is being supplemented by independent power projects.

The Indian High Commissioner to Malaysia, P S Sahai, says India has always looked to Malaysia for investments and expertise in infrastructure projects as this is Malaysia's forte.

Valued at more than US\$5 billion, the bulk of these infrastructure projects comprise power plants, airports, ports, roads and bridges. Other projects are industrial townships and technological parks, leisure and entertainment facilities, tourism sports as well as commercial complexes.

Sahai says Malaysia and India have the potential to work together in the high technology industry as well as human resource development. 'India could also emerge as an important partner for Malaysia in the development of the Multimedia Super Corridor,' he adds.

Sahai says India has a great deal to offer to Malaysia in terms of investment and expertise in information technology, in line with Malaysia's ambitions in the multimedia sector.

He adds that in line with this ambitious plan, India could provide trained personnel. 'India's renowned force in engineering and programming is prepared to collaborate with Malaysia in providing the required training facilities,' says Sahai.

Other areas of possible cooperation include heavy engineering, development of small- and medium-sized industries and other high technology projects including space sciences.

The High Commissioner says India hopes to see more joint ventures with Malaysia in the engineering sector and collaboration among SMIs. In this endeavor, the Indian government has taken several steps including organising visits by its chief ministers from different states to Malaysia to promote the respective states to potential investors. 'We are hoping that the chief ministers and mentris besar from Malaysian states will come to India for similar purposes,' adds Sahai.

However, he says one should not expect an immediate financial gain in ventures initiated by Indian companies as this would most likely be in the technology sector. 'The potential benefit to Malaysians presented by these investments however, will involve the creation of value-added outputs.' With the recovery of the Malaysian economy, there has been renewed interest by Malaysian companies in India. The former Malaysian High Commissioner to India, Datuk Marzuki Mohamad Noor, said recently some of the proposals that were put on hold during the economic crisis are being taken up.

He said Malaysia has a strong interest in India's infrastructure sector and is looking at airports, which India proposes to privatise. The national car maker, Proton, is also looking at India and is carrying out preliminary studies.

Marzuki said ties between the two countries, cemented by hundred years of association, remained strong. In the 1970s, Indian investors were the first to venture into the textile, palm oil and other sectors in Malaysia. Today they are in more high tech areas such as machine tools, medicine, information technology and software development.

There is now also reverse investment as Malaysian companies go to India to take part in infrastructure projects such as power, road and ports.

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