

16/05/2001

India offers Malaysia a US\$50m credit line to boost bilateral trade

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THE Indian Government will offer a US\$50 million (US\$1 = RM3.80) credit line to Malaysia to import projects-related and industrial goods from India to stimulate bilateral trade between India and Malaysia.

Announcing this yesterday, visiting Indian Prime Minister Atal Bihari Vajpayee said the move would complement efforts to achieve a target of doubling trade between the two countries by 2004.

He said the target is achievable if both sides diversify and deepen their trade basket.

"While we must have a long-term vision, let us together set a target of doubling our trade in the next three years.

"To give an impetus to these efforts, my Government has decided to offer a line of credit of US\$50 million for imports of projects and industrial goods into Malaysia from India," he said in his keynote address at the Malaysia-India Business Forum in Kuala Lumpur.

Also present at the forum was Prime Minister Datuk Seri Dr Mahathir Mohamad.

Addressing some 800 participants, Vajpayee said there is a need for a close association between the governments and business organisations from both countries to ensure that the expansion in trade and investment can be realised.

The primary challenge, he said, would be to reduce the awareness gap about business opportunities in both countries.

He said Malaysia would be India's gateway to Association of South-East Asia Nations' (Asean) population of about 500 million, just as India offers Asean a fast growing market of one billion people.

Malaysia is now India's largest partner in Asean with a trade turnover of about US\$2.5 billion, he said.

He noted that although the country is also the eighth largest investor in India in terms of approvals, the actual investment remains only about US\$50 million.

"This represents a realisation ratio of under 4 per cent," he said, urging Malaysian businessmen to exploit more fully the expanding investment opportunities in India.

Vajpayee identified information technology (IT) and other knowledge-based ventures such as bio-informatics and biotechnology as providing the biggest opportunity for both India and Malaysia.

"Our areas of strength in IT are complementary. While India has proven strengths in software development and IT education, Malaysia has a well-developed hardware sector," he noted.

He said 14 Indian companies are already in operation in the Multimedia Super Corridor but more companies are keen to locate their development centres in Malaysia.

These firms, he said, would like to be directly engaged rather than being sub-contractors for providing software solutions to the complex needs for the rapidly growing Malaysian economy.

"This would result in significant savings for Malaysia and demonstrate the benefit of South-South co-operation even in the new economy.

"Such opportunities would also help the IT business in our two countries to mitigate the adverse effects of the current slowdown in the developed economies," he said.

Vajpayee also said that Malaysian firms can participate more actively in

the large scale programme of infrastructure development such as the national highway development project, which seeks to link all the four corners of India with the East-West, North and South corridors.

He also identified energy as a promising sector for greater India-Malaysia partnership.

While there is already active collaboration between the Indian Oil Corporation and Petronas in certain areas, he said there is considerable potential for expanding the cooperation to cover the entire range of the hydrocarbon business, including third country ventures.

Vajpayee also promised that India will review the import duty on crude palm oil (CPO), after considering solidarity with its Asean friends.

He explained that India has to impose the present import tariff on CPO to protect the interest of its farmers who have experienced difficulties like Malaysia is experiencing from the commodity's falling prices.

"We would do so (review the duty) in a way which would safeguard the interest of our farmers and yet facilitate the import of Malaysia's CPO for our under utilised refineries," he said.

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