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Mr. Sirajuddin Qureshi,
Co-Chairman India- Malaysia Joint Business Council;

Distinguished guest,

Ladies and Gentlemen.

1. I am very pleased to be in New Delhi, my first stop on this visit to India. I must thank the Federation of Indian Chambers of Commerce and Industry and the Confederation of Indian Industries for lending your support to the Malaysian officials from the Ministry of International Trade and Industry and the Malaysia External Trade Development Corporation (MATRADE) in organising this event.

2. Our economic relationship has been growing from strength to strength and this event this morning serves to reinforce the importance of this relationship. It is an honour for me to address this gathering of the Indian business community and share with you my thoughts on the direction that this relationship should take.

3. Malaysia and India are strategically located in the region and this has, and will continue, to influence the trade and cultural links between the two economies. Malaysia and India also share a common stance and have cooperated on a sustained basis in various international fora including the Non-Aligned Movement, the Commonwealth, G-15, G-77, and the World Trade Organisation.

4. The ties established thousands of years ago have laid the foundation for our political, economic and social ties today. Businesses should leverage on these historical ties to exploit the opportunities in both countries.

Ladies and Gentlemen,

5. Economists have long recognised that there are considerable gains to be obtained from moving from self-sufficiency to international trade. A key factor in Malaysia's development has been the deliberate and consistent export-led strategy. This has borne out well for Malaysia, one of the world's most open economies, where international trade assumes a vital development role. The integration of Malaysia into the global economy has contributed towards the economic growth of the country. Total exports, as a percentage of Gross Domestic Product, increased from 77.7 per cent in 1996 to 107.9 per cent in 2005, while imports grew from 77.8 per cent to 87.8 per cent. The extent of Malaysia's link with the global economy is also reflected in its position as the 19th most globalised country, based on A.T. Kearney's 2005 globalisation index.

6. India too is now on the path towards greater participation in international trade. The recent economic reforms in India have focused on external sector reforms with greater degree of openness, and trade and investment liberalisation. The impressive development and wealth creation taking place in India underscores the benefits that can be reaped from actively participating in the international economic system.

7. It is in this regard that the Malaysian and Indian business communities must capitalise on the strategic advantage of sharing expertise and resources. The best companies are the best collaborators. This is especially so given the strong global networks that each can bring to this relationship. Both Malaysia and India have excellent connectivity to the region and the rest of the world. India has strong ties with the South African Customs Union countries as well as partners in South Asia; while Malaysia has ties with ASEAN and West Asia. The business communities of both Malaysia and India should explore these networks and supply chain relationships to expand trade and investment opportunities beyond our individual boundaries. Such collaboration would further intensify economic activity among our business communities as we leverage on our connectivity to springboard into new and emerging markets.

8. Even as Malaysia and India work towards trade and economic expansion beyond our borders, there is much potential for the development of trade and investment between Malaysia and India. Malaysia's trade with India in 2005 totalled US\$5 billion or only 1.9 per cent of Malaysia's total trade. Malaysia's exports to India totalled US\$3.9 billion, and imports, US\$1.1 billion. In 2005, India was Malaysia's 14th largest trading partner, 10th largest export destination and 15th largest source of imports.

9. The level of trade between both countries, however, does not reflect the strength and diversity of both our economies. Trade is still confined to a limited range of products. Malaysia's major exports to India in 2005 were crude petroleum and petroleum-based products, which together accounted for 45.4 per cent of total exports. Other main export items were electrical and electronic products, chemicals and chemical products, and palm oil.

10. Major imports from India were chemicals and chemical products, representing 17.9 per cent of total imports, metal products, machinery, appliances and parts, meat, and iron and steel.

11. On the investment front, Malaysia is host to a number of the major Indian companies, including TCL Industries, Ranbaxy, PAN Century, SM Chemicals and Godrej. For the period 2001 to 2005, a total of 31 projects with Indian participation were approved, with capital investments totalling US\$243million. These investments are concentrated in chemicals and chemical products, petroleum products, food, beverages and tobacco and non-metallic mineral products.

12. Malaysia's investments in India from 1998 to 2005 totalled US\$141 million. India is the 20th largest destination for Malaysia's foreign investment while Malaysia is

India's 19th largest source of FDI. The major areas of Malaysia's investments in India are in the construction sector, software production, electrical and electronics as well as rubber products.

13. In both Malaysia and India the services sector is targeted for growth and development. There is an array of services in which both countries can collaborate and trade. India and Malaysia have strong complementarities in services, which can be further explored through collaboration in all sectors and modes. The areas of significant interests are: ICT & ICT-related services, tourism, financial services, transport, construction services, Business Process Outsourcing (BPO), after sales services, education and training services, health and diagnostics services and consultancy services.

14. The Malaysian Government has given priority to the ICT sector with the Multimedia Super Corridor, or MSC Malaysia, leading in the development of this sector. Because Malaysia believes that the successful development of human resources for the MSC is of strategic importance, the Government offers special financial and non-financial incentives to investing companies that are conferred MSC-status. As at May 2006, 52 Indian companies have been awarded MSC-status. These companies are mainly involved in life sciences, computer and systems security, content development-commerce services, mobile and wireless technology, software development for business and engineering applications and systems integration.

15. The expanding Indian economy offers opportunities for the Malaysian and Indian companies to explore collaborative initiatives in many areas. Currently Malaysia's involvement in India is mainly in the construction sector, particularly in the building of highways. I believe this can be expanded to other areas such as property development, construction of infrastructure such as airports, seaports, power plants, water and sewage treatment, telecommunications, logistics including tourism and education.

Ladies and Gentlemen,

16. Despite the historical links and some level of improvement in our economic engagement, the data point to the fact that there is much that can be done to expand trade and investment between Malaysia and India. During the visit of the Honourable Dato' Seri Abdullah Haji Ahmad Badawi, Prime Minister of Malaysia, to India and his meeting with the Honourable Dr. Manmohan Singh, Prime Minister of India on 20 December 2004, it was decided that a Joint Study Group be set up to explore the feasibility of comprehensive economic cooperation between the two countries. The study has been completed and I hope that this Malaysia and India can be working towards a Comprehensive Economic Cooperation Agreement, of which will be a Free Trade Agreement.

17. A substantive agreement will enhance bilateral relations. The FTA should be considered not just as an economic but also a strategic agreement. It should not be approached as a zero-sum game, where winner takes all. Rather, it has the potential

to do just the opposite through the creation of strategic economic alliances, enhancing value-creation, expanding trade and investment opportunities and ultimately wealth creation. The prevailing drive of a comprehensive FTA should be the balance of benefits for both sides. The role of Government is to ensure such engagements are accompanied by the required reforms and mechanisms to ensure balanced socio-economic development and broad-based benefits.

18. It is in this spirit that I note the work that has gone into the negotiations between ASEAN and India for the establishment of the ASEAN-India Free Trade Area. This FTA will create a market of 1.6 billion. Understandably, there are sensitive sectors for both India and ASEAN, which may require special treatment and flexibility. But of importance is the focus on the larger goal and the disciplines that Governments must put in place to facilitate business expansion and ensure competitiveness.

19. ASEAN has deepened its internal integration while enhancing relations with its major trading partners through comprehensive economic partnership agreements. ASEAN is committed to open regionalism that enhances integration within the region and yet remains open to other trading partners.

20. Within the region, several measures are being taken to realise the ASEAN Economic Community (AEC) to create a single ASEAN market and regional production base by year 2020. The deepening of economic integration within the region is to ensure ASEAN remains a competitive location for foreign direct investment. Continuous efforts are taken to eliminate non-tariff barriers and other restrictive measures which limit the expansion of trade and add to business transaction costs. The measures taken have in large part led to the expansion of intra- and extra-ASEAN trade and investment.

21. ASEAN's total trade in 2004 grew by 24.5 per cent, from US\$790.9 billion in 2003 to US\$985.6 billion. Japan the United States of America the European Union and China together accounted for 70.4 per cent of ASEAN's total trade in 2004. Intra-ASEAN trade amounted to US\$221.6 billion.

22. Based on the latest available data, ASEAN's trade with India totalled US\$17.6 billion or 1.8 per cent of ASEAN's total trade in 2004. Of these, exports amounted to US\$10.9 billion, and imports, totalled US\$6.7 billion.

23. For the period of January-June 2005, ASEAN's trade with India totalled US\$11.7 billion or 2.0 per cent of ASEAN's total trade, with exports and imports of US\$7.2 billion and US\$ 4.5 billion, respectively.

24. Total Foreign Direct Investment inflows to ASEAN rose by 39 per cent from US\$18.4 billion in 2003 to US\$25.7 billion in 2004. Intra-ASEAN FDI flows amounted

to US\$2.4 billion. For the period of 1995-2004, India's FDI into ASEAN amounted to US\$736.8 million, which accounted for 0.3 per cent of total FDI in ASEAN.

25. The data again point to the fact that there is scope for enhanced ASEAN-India engagement. Both sides should use the ASEAN-India FTA mechanism to facilitate this process. The Indian business community should take advantage of the developments in ASEAN and consider Malaysia as a strategic business partner within the larger ASEAN market with a combined population of 551 million and total GDP of US\$797 billion.

Ladies and Gentlemen,

26. On the multilateral front, Malaysia is concerned about the lack of progress in the WTO Doha Development Agenda negotiations. Crucial deadlines of April 2006 on Agriculture and Non-Agriculture Market Access have been missed. This is especially disconcerting, given that Ministers had agreed to a work plan at the 6th Ministerial Conference in December 2005, for the successful conclusion of the negotiations by the end of this year. Failure to reach a conclusion will have serious implications on the rules-based multilateral trading system and adversely impact developing countries like India and Malaysia.

27. Malaysia holds the view that for developing countries like India and Malaysia, the results of the WTO Doha Development Agenda negotiations must reflect effective and operational special and differential treatment. If the Doha Development Agenda is to be a developmental round, the needs and aspirations of developing countries have to take centre-stage. Ultimately, these negotiations must translate into increased economic expansion and wealth for all members of the WTO. Developing countries must benefit and their responsibilities and obligations must be commensurate with their level of development.

Ladies and Gentlemen,

28. Malaysia and India must continue to collaborate on all fronts, whether bilateral, regional or multilateral. There is much that we can do together to influence the course of global business and the economic well-being of our citizenry.

29. I consider this opportunity to interact with the Indian business community an important part to my visit to India because ultimately, it is the members of the private sector who ultimately translate all Government initiatives into business realities.

Thank you.