

THE DIALOGUE SESSION WITH THE CONFEDERATION OF INDIAN INDUSTRY NEW DELHI, INDIA, 20 DECEMBER 1996

It is an honour and a privilege for me to be given this opportunity to address this distinguished gathering of members of the Indian and Malaysian business and industrial community. I wish to thank the Confederation of Indian Industry (CII) for the initiative to organise this function which has brought together the business communities of our two countries to discuss and share views on issues of common interest in order to further strengthen trade and economic relations between India and Malaysia.

2. I would also like to express my gratitude to the Government of India for the very warm welcome extended to me and members of my delegation since our arrival in this country. My visit this time, though a brief one, is to touch base again with the government officials as well as business and industrial leaders of India. In the past years, there have been exchanges of visits, at both official and business levels, aimed at exploring ways in which we could build on the close rapport which have always existed between our two countries. At the regional as well as international fora, delegations of our two countries have engaged in bilateral discussion on matters of common interest.

3. When I met the Honourable Prime Minister H.D. Deve Gowda during the G-15 Summit at Harare last month, we had very useful exchanges of views on the whole spectrum of bilateral relations as well as regional and international issues of mutual concern. We paid particular attention to matters on trade and economic relations between our two countries so that more conducive framework could be worked out to enhance cooperation in the economic sector.

4. India and Malaysia have enjoyed excellent bilateral relations based on mutual trust that has evolved through historical, cultural and commercial associations. The long-standing economic ties between our two countries goes back to when the Indians first came to the Malay Archipelago in the second century, calling it the 'Suvarna Dripa' or the Golden Peninsula. These Indian sailors who braved the Indian Ocean were traders in quest of spices and gold. By the 15th century, the Coromandale coast of India was exporting food staples to the region. Along came the Gujarati merchants, then the traders and jewellers from Bombay.

5. Those early contacts with India not only encouraged the exchange of goods but also provided a conduit for cross-cultural exchanges in the literary and technical fields. Though these links have strengthened over the years, our two countries still have to work very hard to nurture and shape our commercial relations to higher levels, befitting the long-standing cultural and economic relationships.

6. The quantum and value of our bilateral trade has increased steadily over the years, and today, India is Malaysia's major trading partner in South Asia. Last year, total trade between our two countries grew by about 41 percent to US \$1,385 million from US\$983 million in 1994. For the first eight months of this year, the level of two-way trade between India and Malaysia stood at US\$1,347

million, with imports of Indian goods amounting to US\$496 million and exports of Malaysian products to India totalling US\$851 million.

7. The bulk of India' s exports to Malaysia was made up of food products, vegetables, roots and tubers, textile yarn and aluminium. Malaysia' s major exports to India have traditionally included palm oil and palm oil products, petroleum and crude rubber. In 1996, rice acquired greater importance in India' s list of exports to Malaysia.

8. While overall trade between India and Malaysia has certainly grown in percentage terms, the present volume is still small. India' s imports from Malaysia account for less than 1.9 percent of its total imports and represents a meagre 0.9 percent of Malaysia' s global exports. Similarly, India' s exports to Malaysia are just 1.6 percent of its total exports and constitute less than 0.7 percent of Malaysia' s global imports. The long and close relationships and proximity of our two countries should have generated a higher volume of trade, involving a wider range of products than is currently the case.

9. On the investment front, I note that Indian investors had participated in Malaysia' s industrialisation process. The first Indian joint venture in Malaysia was established in 1968. A host of other joint ventures followed. Between 1980 and 1995, a total of 96 projects involving a capital outlay of US\$423 million from India were approved. For the period January-September 1996, another 7 projects with a total proposed capital investment of US\$25.2 million have been approved.

10. The majority of these investments was in a wide range of industries like palm oil refining, pharmaceuticals and steel furniture making and railway projects. To date, cumulative Indian investment in Malaysia is estimated to be over US\$400 million, making it the fifth largest investor in Malaysia.

11. As for Malaysian investment, there are several Malaysian companies already operating in India. Since 1991, the Indian Government has approved the establishment of 44 Malaysian-Indian joint-ventures in India. These projects include investment in software production, telecommunications, food processing, oil palm plantations and manufacturing of electronic items. It is noteworthy that Malaysia today ranked among the top 10 investors in India.

12. Certainly, the current level of economic cooperation between our two countries can be expanded further. The Governments of India and Malaysia have already put in place the necessary framework agreements to enhance commercial relations. These include an `Air Services Agreement' ; `Avoidance of Double Taxation Agreement' ; `Economic and Technical Cooperation Agreement' , and the latest one which was signed in Kuala Lumpur last year, an `Investment Guarantee Agreement' .

13. Our two Governments will continue to strengthen the existing institutional arrangements, where necessary, to give confidence to the private sectors of both countries to undertake business on a sustained basis. The private sectors of India and Malaysia, therefore, should regularly review the opportunities and

policy changes with a view to intensifying joint ventures and commercial links.

14. Malaysia adopts a liberal approach to economic management and development. We maintain an open economy, and coupled with pragmatic and transparent trade and investment policies, we have managed to sustain a relatively high growth of around eight to nine percent per annum for the past decade. As a result of the positive revisions of its policies, Malaysia has largely been successful in attracting foreign direct investments, particularly in the export-oriented industries.

15. We in Malaysia have found that foreign investment has helped to transform our economy. Investments have provided jobs, foreign exchange, transfer of technology, expanded our industrial base and provided linkages between the agricultural and industrial sectors. It also spawned the growth of medium and small-scale industries. From these small beginnings, Malaysian companies have acquired the confidence and expertise to expand at home and to invest in other developing countries.

16. The Second Industrial Master Plan (IMP-2, 1996- 2005) which was launched recently, is a testimony of the Government' s commitment to make Malaysia a fully developed industrialised country by the year 2020. Priority is now accorded to high-tech manufacturing and I am sure there will be many areas we can learn from each other through the sharing of experiences, pooling of expertise and exchange of complementary technical capabilities.

17. Malaysia actively encourages its private sector to trade and to invest in other countries of the South because we believe in prospering our partners in order to prosper ourself. Malaysian companies have responded to this call and have successfully ventured into the South markets and accumulated considerable experience in highway construction, housing and hotel development, power supply, oil and mineral exploration and telecommunications. Malaysian companies have also successfully ventured into the services industries like banking, hotels and tourism related projects.

18. We in Malaysia, note with interest the vast strides that India has made in the transformation of its economy. The pragmatic approaches taken by the Indian Government and the liberalisation programmes since 1991 have certainly made a positive impact on the country' s development. We are happy to note that in 1995/96, both imports and exports rebounded strongly and that the growth in GDP was higher than that achieved last year.

19. The opportunities for greater economic interaction between India and Malaysia are vast. The Malaysian economy which is fast expanding offers good markets for export and a source of supply for India for a broad range of primary and manufactured products.

20. In addition, Malaysia can offer India a gateway to the regional market in South-East Asia, a region which has recorded one of the fastest growth rates in the world. The area' s foremost regional organisation, ASEAN, is also making real

strides towards the realisation of the ASEAN Free Trade Area (AFTA), which will further enhance economic development of its member states.

21. Once again, I would like to emphasise that business-led growth is crucial in India-Malaysia relations, and no amount of blueprints and action plans can succeed if they are not anchored on the enterprise of the captains of trade and industry. Thus, the private sectors of our two countries have to be proactive in following up leads through the exchange of visits and networking through Industry and Trade Associations.

22. Allow me, once again, to express my deepest gratitude to the organisers for the excellent reception and my greatest appreciation to the Government of India for the hospitality accorded to me and my delegation. I look forward to receiving your business delegation in Malaysia next year when Kuala Lumpur hosts the next G-15 summit, which would provide us yet another opportunity to continue our consultations on issues of mutual interest as well as the promotion of bilateral relations.