

Doing Business in India and Malaysia: Opportunities and Prospects

At the 5th Session, presentations were made by **Dr Ram Upendra Das**, Senior Fellow, Research and Information System for Developing Countries (RIS) India, **Mr Umang Sharma**, Chairman, Consortium of Indian Industries Malaysia (CIIM), Malaysia, Chairman and **Datuk Bhupat Rai M Premji**, Deputy President, Malaysia-India Business Council, Malaysia. The session was moderated by **Tan Sri Dr Ramon Navaratnam**, Corporate Advisor, The Sunway Group, Malaysia. **Dr Jorah Ramlan**, Senior Analyst, ISIS Malaysia, reports.



(From left) Ram Upendra Das, Ramon Navaratnam, Umang Sharma and Bhupat Rai M Premji

In his introductory remarks, the moderator emphasised three main points: the thriving relationship between India and Malaysia that has advanced steadily over recent years; the desirability of exploiting further opportunities; and the need to identify new ways forward. He explained that the session was designed to explore how the two nations have sought to remain competitive in the global economy.

Dr Ram Upendra Das in his presentation entitled 'India and Malaysia Economic Relations: Opportunities and Way Forward,' dealt with five major topics: the context; the conceptual basis, liberalisation and the need for safeguard

mechanisms, empirical evidence, and India-Malaysia economic co-operation. In particular, Das discussed the opportunities and challenges in conducting business in both India and Malaysia. He also examined the implications of preferential trade agreements between India and Asean and, more specifically, between India and Malaysia.

In discussing the context, Ram talked about trade development relationships, regional economic cooperation, and rules of origin as a developmental tool. He discussed the growth in the number of regional trade agreements (RTAs), the intra-regional trade of major RTAs, and types of regional trade agreements. In 2009, the

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number of RTAs for the EU, Nafta, Afta, CEFTA, MERCOSUR, and ANDEAN were 15, 3, 10, 7, 4, and 5, respectively, while the percentages of their exports to total exports were 65 per cent, 58 per cent, 25 per cent, 14 per cent, 12 per cent, and 12 per cent, respectively.

In considering the conceptual basis of the relations, the speaker emphasised economic security, which has three dimensions: development, conflict and a value system. He analysed the nature of trade and development relationships, including rules of origin, trade-investment linkages, static and dynamic gains and the need for safeguards. On this last point he elaborated on the types of safeguard and how they can be developed through different mechanisms, including tariff liberalisation, tariff rate quotas, trade remedial measures, and state trading.

Das provided empirical evidence of global growth asymmetries and regional integration, and statistics on the trade in goods and services that indicate the urgent need for investment co-operation agreements to be concluded. The opportunity to expand trade facilitating mechanisms and technology co-operation should be seized. It would also be advantageous to increase co-operation in human resources. He suggested that the way forward should include addressing constraints on trade transactions and optimizing the benefits of increased business.

The moderator expressed concern that the proposed FTA had not yet materialised, and he said there should be an inquiry as to who had defaulted in this regard.

The second speaker, **Datuk Bhupat Rai M Premji** said that while in Singapore, there are

some 3,000 Indian companies, in Malaysia, there are only approximately 200.

In listing the challenges facing potential Malaysian investors in India, he referred to the intimidating procedures confronting them. He described the situation there as inefficient and dilatory, and characterised by a slow-moving bureaucracy. The tax rates lacked uniformity, differing between states, and were exceedingly high in general.

This was a significant deterrent to business. There were also problems relating to caste, and the number of official languages. It was pointed out that there are 17 official languages in India. He highlighted the low productivity of Indian workers, and referred to the lack of infrastructure, which could do with modernisation.

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In acknowledging the competitive market among Asian countries, Premji spoke on the importance of identifying an appropriate and reliable partner in India prior to investing.

He outlined a number of areas where there are opportunities for expanding business between India and Malaysia. Over the next five years, India intends to spend 50 billion rupees on roads, 50 billion on property development, and 15 billion on airports and power plants. He referred to a case study on IJN Corp. in Hyderabad which reflects a long-term commitment with strong top management. Among the

commitments was to train Indians in Malaysia before taking them back to India to be employed in development projects. This is a success story for a Malaysian company in the India-Malaysia business co-operation and an example to other Malaysian companies interested in investing in India.

The next speaker, **Mr Umang Sharma**, noted that India's economy is both domestic-driven and services-driven. By contrast, Malaysia's economy is dependent on the manufacturing sector.

In line with this, Sharma listed several areas of opportunity for increased mutual trade between the two countries. India excels in human capital development. It has an expanding infrastructure, needs greater power supplies, and needs to educate an ever-increasing population.

The country is placing considerable emphasis on the biotechnology and service industries. Small and medium enterprises provide an engine of growth; India has an estimated 26 million SMEs and 60 million employers who generate 40 per cent of the nation's gross domestic product (GDP). In addition, India's central location within Asia is an advantage to both the East and the West.

He pointed out that India faces many challenges in doing business in Malaysia. Despite acknowledging that Malaysia has a large population, he felt that the country suffers from an acute shortage of human resources in certain critical areas, such as for example in the supply of engineers. He further pointed out that in Malaysia certain types of projects are restricted to locals.

There are also concerns regarding immigration laws, such as difficulty in obtaining information in general, and issues such as employment for spouses in particular. He categorised Malaysia as being not investor-friendly. Problems include difficulty in obtaining business visas. Applicants are often granted only social visit visas. This usually creates unwarranted situations in the course of conducting business. There are also language barriers with difficulties encountered in areas such as road signs and tax forms.

In conclusion, a lack of information regarding Malaysia and its business opportunities appears to be hindering Indian investors from further investing in Malaysia

Sharma suggested that one of the best ways to identify business opportunities in India was to visit the country. He recommended disregarding the Chennai district and looking at other areas. It would be wise to study particular segments in relation to a particular industry focus. He spoke favourably of Malaysia's regional development plans, such as the Iskandar project but extensive information is required to be disseminated as most Indian investors are still in the dark regarding this project.

He also referred to the Malaysia My Second Home (MM2H) programme, which he believed might be of interest to Indian investors but which is also not well known in India. In conclusion, a lack of information regarding

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Malaysia and its business opportunities appears to be hindering Indian investors from further investing in Malaysia.

In his closing remarks, the moderator commented that the speakers had addressed many practical aspects of doing business in the two countries. The new Indian High Commissioner to Malaysia could assist in developing new business strategies, he said. He added that when new lessons are learned they should be put into practice to enhance the India-Malaysia business co-operation.

There was a question and answer session in conclusion, with recommendations that included:

- Introducing a centre for India studies in Malaysian universities;
- Establishing a University Chair;
- Promoting the Malaysian Indian Business Co-operative (MIBC) as an information centre in collaboration with the Ministry of Trade and Industry (MITI) Malaysia;
- Expediting identified measures such as visits by MITI to India in order to capitalise on business potential;
- Establishing a Malaysia-India Council to provide information about Malaysia to the Indian general public and academics for investment, tourism, and education purposes, and
- Identifying MIBC as the vehicle to lead in the effort to further strengthen the Malaysia-India relationship.

These recommendations would require reciprocal efforts, and thus should be implemented correspondingly, to achieve the desired results.