

Bilateral Agreements Between India And Malasiya

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Abstract: Bilateral agreements may be formed as business or personal agreements between companies or sovereign countries in the form of trade agreements. Bilateral relations between India and Malaysia are cordial. The existing bilateral mechanisms include bilateral agreements on Avoidance of Double Taxation and Prevention of Fiscal Evasion; In addition, a number of Government agencies of India and Malaysia have signed Memoranda of Understanding. A bilateral agreement is one in which the parties exchange promises for each to do something in the future. It is a contract in which both parties have promised to perform. A bilateral agreement is a binding contract between the two parties that have agreed to mutually acceptable terms. Bilateral relations between India and Malaysia are cordial: both the countries have interactions in various domains of economic, political, strategic, and cultural activities.

The existing bilateral mechanisms include bilateral agreements on Avoidance of Double Taxation and Prevention of Fiscal Evasion; Trade; Promotion and Protection of Investments; Economic and Technical Cooperation; Culture; Air Services; and Exemption of Visa Requirements for Diplomats and Officials. In addition, a number of Government agencies of India and Malaysia have signed Memoranda of Understanding. In this paper the research is done to know how India's bilateral trade with Malaysia has been growing at a high rate and the relationship between India and Malaysia with reference to import and export. The paper also highlights some genuine concerns regarding the new FTAs and also reveals the role of regional trade agreements.

Purpose

To find out and study the relationship between India and Malaysia and also the bilateral agreements between them and to analyze and scrutinize the impact of bilateral agreements in import – export trade between India and Malaysia.

Hypothesis

Ho – There is no significance relationship between India and Malaysia's bilateral agreement and import and export performance

H1 – There is a significance relationship between India and Malaysia's bilateral agreement and import and export performance

Keywords: Bilateral Agreement, Double Taxation, Fiscal Evasion.

I. Introduction

A bilateral agreement is one in which the parties exchange promises for each to do something in the future. It is a contract in which both parties have promised to perform. A bilateral agreement is a binding contract between the two parties that have agreed to mutually acceptable terms. The bilateral trade has grown robustly at a compounded annual growth rate (CAGR) of 29 % during the last five years and has crossed the USD 10 billion mark in 2008-09. Malaysian companies are keen to invest in India in construction, infrastructure, highways and services. But there are not many big investments by Indian companies in Malaysia. Several Asian countries and Asean as a bloc are now pursuing trade and economic frameworks and agreements with non-Asean countries. The global slowdown had its impact on the economy of almost all the countries, including India. The trade deficit in 2008-09 was much more (49.72 %) compare to the previous two years. As such India's trade deficit stood at Rs.533680 crores during 2008-2009 with values of exports and imports at Rs.840755 crores and Rs.1374436 crores respectively. that the position was better in 2009-10 as the trade deficit had decreased (2.90 %) compare to last year. This happened due to the negative growth of import during 2009-2010 (- 0.78 %). The trade deficit in 2009-10 was Rs. 518202 crores with values of exports and imports as Rs. 845534 crores and Rs. 1363736 crores respectively.

II. Review of literature

The bilateral free-trade agreements can undermine political support for further multilateral trade liberalization. If a bilateral trade agreement offers disproportionately large gains to key agents in a country, then their reservation utility is raised above the multilateral free-trade level, and a multilateral agreement would be blocked. (The American Economic Review ; pages Vol. 87, No. 4, Sep., 1997) . In the light of its legal basis, the clause fulfils a mere ‘negative’ or ‘sanctioning’ function or, by contrast, there is room for the pursuit of positive measures of active promotion of human rights that is the granting of technical and financial aid. (Elena Fierro, pages 41–68), Recently-concluded US Free Trade Agreements (FTAs) impose more stringent conditions than the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) requires. Although these 'TRIPs-plus provisions' are not technically incompatible with the Doha Declaration on Public Health, they can be considered as additional barriers for the entry of generic medicines. (Jean-Frederic Morin; pages 37 – 53) Bilateral agreements between countries with similar factor endowments are most likely to have this effect. It also follows that bilateral free-trade agreements can never increase political support for multilateral free trade. (The American Economic Review Vol. 87, No. 4, Sep., 1997)

India’s Exports and Imports with Malaysia

S.No.	Year	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
1.	EXPORT	590,192.56	1,033,728.54	1,578,036.20	1,350,392.32	1,806,659.10
2.	%Growth		75.15	52.65	-14.43	33.79
3.	India's Total Export	57,177,928.52	65,586,352.18	84,075,505.87	84,553,364.38	114,264,897.18
4.	%Growth		14.71	28.19	0.57	35.14
5.	%Share	1.03	1.58	1.88	1.60	1.58
6.	IMPORT	2,395,876.10	2,417,613.44	3,259,156.48	2,449,403.25	2,974,590.44
7.	%Growth		0.91	34.81	-24.85	21.44
8.	India's Total Import	84,050,631.33	101,231,169.93	137,443,555.45	136,373,554.76	168,346,695.57
9.	%Growth		20.44	35.77	-0.78	23.45
10.	%Share	2.85	2.39	2.37	1.80	1.77
11.	TOTAL TRADE	2,986,068.66	3,451,341.98	4,837,192.68	3,799,795.56	4,781,249.54
12.	%Growth		15.58	40.15	-21.45	25.83
13.	India's Total Trade	141,228,559.85	166,817,522.10	221,519,061.32	220,926,919.14	282,611,592.75
14.	%Growth		18.12	32.79	-0.27	27.92
15.	%Share	2.11	2.07	2.18	1.72	1.69
16.	TRADE BALANCE					

17.	India's Trade Balance	-26,872,702.81	-35,644,817.75	-53,368,049.58	-51,820,190.38	-54,081,798.39
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EXPORTS (including re-exports)

Exports during August, 2011 were valued at US \$ 24312.53 million (Rs. 110084.22 crore) which was 44.25 per cent higher in Dollar terms (40.26 per cent higher in Rupee terms) than the level of US \$ 16854.16 million (Rs. 78486.28) during August, 2010. Cumulative value of exports for the period April-August 2011 -12 was US \$ 134502.54 million (Rs. 602031.90 crore) as against US \$ 87218.51 million (Rs. 401671.07 crore) registering a growth of 54.21 per cent in Dollar terms and 49.88 per cent in Rupee terms over the same period last year.

IMPORTS

Imports during August, 2011 were valued at US \$ 38354.15 million (Rs.173663.00 crores) representing a growth of 41.82 per cent in Dollar terms (37.89 per cent in Rupee terms) over the level of imports valued at US \$ 27044.49 million (Rs. 125940.50 crores) in August, 2010. Cumulative value of imports for the period April-August, 2011-12 was US \$ 189393.77 million (Rs.847987.07 crores) as against US\$134928.14 million (Rs. 621089.45 crores) registering a growth of 40.37 per cent in Dollar terms and 36.53 per cent in Rupee terms over the same period last year.

Bilateral Relations

Bilateral relations between India and Malaysia are cordial: both the countries have interactions in various domains of economic, political, strategic, and cultural activities; and have cooperated in a sustained basis in various international fora including the NAM, the Commonwealth, G-15, G-77, the United Nations and the World Trade Organization (WTO).The existing bilateral mechanisms include bilateral agreements on Avoidance of Double Taxation and Prevention of Fiscal Evasion; Trade; Promotion and Protection of Investments; Economic and Technical Cooperation; Culture; Air Services; and Exemption of Visa Requirements for Diplomats and Officials. In addition, a number of Government agencies of India and Malaysia have signed Memoranda of Understanding. These are in the areas of mutual cooperation in investment, construction, privatization and management of seaports, information technology, civil service personnel management and public Administration.

Projections of Gains from Trade

Investment

India and Malaysia are important destinations for foreign direct investment (FDI). Both countries have adopted proactive investment policies and measures to attract FDI inflows. Both countries are also becoming increasingly significant sources of outward investment. Although two way investment flows between India and Malaysia have so far been limited, the continuous investment flows and increase in bilateral trade in recent years indicate that there is potential for increased investment flows between the two countries. These investments were mainly in the construction and other services sectors, in particular, the utilities and transportation sub-sectors. The study shows that there is potential in two-way investment flows in a number of sectors in both countries. These include power, roads, ports, telecommunications and civil aviation, IT sector, services like education, tourism, R&D, design and prototyping, regional distribution centers among others. This can include technical cooperation in skills development and training, development of specific industries (e.g. high-tech start-up companies, ICT, R&D), and facilitating technology development and transfer. For example, India has strong capabilities in re-engineering manufacturing processes in pharmaceuticals, engineering and design capabilities, R&D capabilities and innovative scientific manpower.

Services

Both India and Malaysia are becoming important exporters of services. The potential for further expansion of the services sector remains high, and is now accorded priority in national economic development programmes of both countries. According to the WTO, India and Malaysia were respectively ranked 10th and 30th largest exporter, and 12th and 29th largest importer of commercial services. The inclusion of services in the Comprehensive Economic Cooperation Agreement (CECA) will benefit both countries. The sectors of mutual interest include medical, healthcare and diagnostics; advertising; audio-visual (including film making, production and related services); education; computers, IT and telecommunications; financial; tourism and travel; transport; architectural, construction and engineering; distribution; human resource development; and accounting and taxation services. For maximizing the gains from this agreement, the study emphasized that the India- Malaysia CECA should aim at: (i) instituting intra-modal and intra-sectoral cooperation and synergies; (ii) extensive use of ICT to effectively leverage the existing complementarities in the two economies, in

particular in the manufacturing and construction sectors; (iii) harmonization of standards; and (iv) mutual recognition of qualifications of professional service providers. It is also noted by the study that areas of economic cooperation of mutual interest which both India and Malaysia can exploit and foster closer collaborations include, financial services; ICT particularly in software development; biotechnology; education; tourism; transport; human resource development; healthcare; pharmaceutical; cooperatives; energy; SME development; government procurement; competition policy; Intellectual Property Rights (IPR) and agriculture.

Recent Economic Reforms

(a) India

India has been engaging more intensively in recent times with her trade and economic partners under various institutional frameworks. The recent economic reforms in India have concentrated on external sector reforms with greater degree of openness, and trade and investment liberalization. Some of the highlights of the policy reforms are:

- Elimination of quantitative restrictions, licensing and discretionary controls over imports since 1991;
- Elimination of import licenses for imports of capital goods, raw materials and components;
- Reduction and rationalization of Customs and Excise duties;
- Liberalization of policy regimes for foreign direct investment;
- Adoption of a market-based exchange rate system;
- Simplification of procedures to reduce transaction costs;
- A thrust to export of services from 2003; and
- Introduction of major EDI initiatives.

(b) Malaysia

Highlights of the economic measures undertaken by Malaysia in order to remain resilient to global economic changes and maintain competitiveness include:

- Liberalization of the equity policy for the manufacturing sector. Foreign investors are allowed to hold 100 per cent equity for all investments in new as well as expansion/diversification projects, irrespective of the level of exports, except for some limited sectors;
- implementation of the Financial Sector Master plan (FSMP), launched in 2001, to facilitate the development of a more competitive, resilient and dynamic financial services environment with best practices to support the transformation of the economy into one that is more competitive and resilient;
- strengthening of the capital market through the implementation of the Capital Market Master plan guidelines which will further promote the development of a vibrant and dynamic capital market, and enhance the pivotal role that the capital market plays in facilitating effective capital formation to meet the country's economic needs, and in creating a supportive environment for the efficient mobilization of domestic savings;
- Introduction of National Vision Policy (NVP) focusing on the development of a knowledge-based society, generating endogenously-driven growth, and achieving at least 30 per cent Bumiputera participation by 2010;
- introduction of package of New Strategies aimed at stimulating economic growth through promotion of private sector investment, strengthening competitiveness, development of new sources of growth and enhancing the effectiveness of the delivery system, in May 2003;

Defence Cooperation: India-Malaysia Defence relations have steadily grown over the years. A MOU on Defence Cooperation was signed in 1993. The Malaysian Defence Minister had visited India in 2006 and Indian Defence Minister visited Malaysia in January 2008. Malaysia-Indian Defence Cooperation meetings at the level of Defence Secretary from Indian side and Secretary General from Malaysian side are held regularly; the eighth meeting of the MIDCOM was held in March 2010.

Service Chiefs from both countries have regularly exchanged visits; in 2009 India's Chief of Naval Staff visited Malaysia and the Chief of the Royal Malaysian Air Force visited India. The IAF Training Team deployed in Malaysia from February 2008 trained Malaysian pilots on the SU-30SKM aircraft for two-and-a-half years. India is also participating in the Cooperative Mechanism on the Straits of Malacca and Singapore (SOMS) and contributed to two of the six IMO Projects (Project 1 and Project 4) for enhancement of navigational safety and environmental protection in the Straits. Indian and Malaysian ships make port calls at each other ports. Indian Coast Guard ship Sankalp made a port call in March 2011 to Port Klang and INS Ranvijay made a port to Kota Kinabalu in May 2011.

Economic and Commercial Cooperation: Economic and commercial relations are emerging as the mainstay of the bilateral relationship. Malaysia is the second largest trading partner for India within ASEAN, and India is the largest trading partner for Malaysia from among the countries of the South, excluding China. With the coming into- force of the ASEAN-India FTA in Goods from 1 January 2010, the bilateral economic engagement is expected to get a further fillip. During the visit of Prime Minister Dr. Manmohan Singh in October 2010,

India and Malaysia have signed an agreement signaling the conclusion of negotiations on a Comprehensive Economic Cooperation Agreement (CECA) as a single undertaking covering goods, services, investment and other areas of cooperation.

The first-ever India-Malaysia CEOs Forum, comprising 18 CEOs from both sides, was jointly launched on 27 October 2010 by Prime Ministers Dr. Manmohan Singh and Dato' Seri Mohd Najib to develop enhanced partnership and cooperation at the business level. The Second meeting of the CEOs Forum took place in Mumbai on 20 May 2011 and the third meeting is expected to take place in November 2011, Kuala Lumpur.

Malaysian construction companies' largest presence outside Malaysia is in India. They have completed 52 construction projects worth US\$ 2.34 billion in India, while 35 projects of similar value are under various stages of implementation. Under a partnership with Malaysian Airports, GMR completed airport in Hyderabad in 2008, and the second one in Delhi in July 2010.

Tourism & Connectivity: Air links have improved significantly following a bilateral agreement in 2007 to progressively increase the seat capacity to six major destinations in India and a provision for multiple destinations and designating any number of airlines to operate on the India-Malaysia routes. At present, there are 114 flights between two countries, of which 93 are operated by Malaysian airlines and 21 by Indian airlines. India is the sixth largest source country for inbound tourism to Malaysia with about 700,000 Indian tourists visiting Malaysia in 2010, an increase of 9% over figures of 2009. Malaysia is the tenth largest source country for foreign tourists visiting India with 120,000 Malaysians visiting India in 2009. With the signing of the MoU for cooperation in the field of tourism, there would be greater people-to-people contact and also greater flow of tourists from both the countries.

Labour & Expatriates: There are about 150,000 legally recruited Indian workers in Malaysia in both the skilled and semi-skilled category. This includes about 10,000 expatriated employed in IT, manufacturing, banking, etc. A bilateral MoU on Employment and Welfare of Workers signed in January 2009 establishes an institutional framework to deal with issues concerning Indian workers. Two Joint Working Group meetings at the Secretary-level were held in March 2009 and April 2010.

Education & Cultural Cooperation: About 2000 Indian students are studying in Malaysia, while an estimated 3000 Malaysian students are studying in India. An MOU on Higher Education was signed on 20 January 2010 during Prime Minister Dato' Seri Najib's visit to India. India offers about 30 slots under ITEC and 25 under the Colombo Plan. A new Indian Cultural Centre (ICC) has been opened in Kuala Lumpur on 10 February 2010 to promote cultural relations with Malaysia. A Cultural Exchange Programme (CEP) for 2010-13 was signed on 27 October 2010 during the visit of Prime Minister Dr. Manmohan Singh to Malaysia.

Regional and Multilateral: India and Malaysia cooperate in a number of multilateral and regional for as such as UN, NAM, WTO, ASEAN, ARF, East Asia Summit (EAS), Commonwealth, Indian Ocean Rim for Regional Economic Cooperation, etc.

III. Conclusion

Thus the paper concludes that there is a relationship between India and Malaysia's bilateral agreement. And also evaluate the export - import performance of India and Malaysia. Malaysian companies are keen to invest in India in construction, infrastructure, highways and services. But there are not many big investments by Indian companies in Malaysia. In the recent years, trade growth has been high. It is also noticed that both bilateral exports and imports are characterized by high concentration. Malaysia and India are also expanding linkages within the context of programmes initiated under the ASEAN-India partnership. The potential for further expansion of the services sector remains high, and is now accorded priority in national economic development programmes of both countries.

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