

CHAPTER-VIII

Relations Between India and Malaysia: Narasimha Rao Era

Foreign Policy of Narasimha Rao Government:

Narasimha Rao assumed office at a time when the world had undergone complete change due to breaking of ideological barriers, the end of cold war and adjustments in power equations due to disintegration of Soviet Union. Serious economic difficulties and domestic turmoils also obliged India to make adjustments in its foreign policy. It tried to forge closer relations with USA and responded favourably to US proposals for military cooperation.

The relevance of non-alignment according to Rao had greatly increased in the new context in which independent decision-making was very important. Under Rao, India played more active role in the process of restoration of peace, security and stability in different parts of the world. Indian peace-keeping forces took leading role in the socio-economic development of Somalia. India has moved closer to resolving boundary question with China and the two agreed to reduce their military strength on the border. With US also India improved its relations despite differences on issues like NPT, Nuclear Weapons Free Zone in South Asia, Missile Programme, Special 301 etc. The two countries held Joint Naval exercises in May 1992. In 1995 the visits by US Defence and Commerce Secretaries led to conclusion of several Indo-US Cooperation agreements.¹

Relations Between the two Countries:

During this period India and Malaysia got close to firming up a new meaningful level of cooperation which marked the beginning of trading in defence technology, particularly airforce. The relevance of a new level of cooperation had been heightened by Malaysia's decision to buy the Russian-built MiG-29. It was not a big deal, but was an important step towards bringing the two countries to a new level of cooperation. Particularly when India had quite a good experience with the aircraft and might have perhaps recommended for the same. India's role further got new dimension as

it promised of extending servicing facilities and supplying of spares for the air-craft, which was in use by the Indian airforce. However, Malaysia was not altogether in happy mood with India due to the development in Vietnam. The Malaysian Prime Minister, who returned Kuala Lumpur on 25 April 1992 from a successful visit to Vietnam tried to play down the new understanding in the defence area, by not according sufficient priority to greater cooperation between India and Malaysia. He, however, welcomed India's new economic policies and expressed the confidence that they would facilitate a larger volume of bilateral economic exchanges. He also regretted the fact that India was buying less palm oil from Malaysia, but it could not be made up by expanding the volume of trade. He expressed confidence that India's new economic policies, which allow foreign investment, would attract a large number of financial and investment companies from Malaysia.²

Though relation between India and Malaysia has been sustaining over the years by a degree of correspondence in their world views and an element of complementarity between the two countries, yet there were differences too, as dramatised by New Delhi's recognition of the Vietnam-installed regime in Cambodia which Malaysia and many other nations felt lacked legitimacy. There was also a dissonance between a small free-wheeling economy vigorously using foreign trade as an engine of growth and one pursuing development in a relatively insulated environment. With changes however, in both the international environment and economic perspectives, the gap between the two countries had noticeably narrowed, opening up possibilities for cooperation that did not exist earlier. This was highlighted by Malaysia's decision to acquire MiG-29 interceptors from Russia a move that would had been unthinkable which Moscow's intensions in acquiring staging facilities for its ships and aircraft in Vietnam and in propping up the proxy regime in Cambodia were causing concern not only to Malaysia but to all its South East Asian neighbours. Given India's experience with this aircraft, it made good sense for Malaysia to seek its help in training and supply of spares-as indicated by its Dr. Mahathir, in an interview with Times of India. The scope for assisting the Malaysian military in other areas also increased considerably by the visit paid by its Defence Minister in 1992 to see Indian facilities for himself. This signified that the expansion of the Indian navy, already the largest among those of the Indian

Ocean littoral states, was seen in a non-threatening perspectives by South East Asia neighbours.³

However, Indo-Malaysian relations though good on the surface, are not as they should be. While there is no serious friction several Indian misjudgments in the past three decades have ensured that Kuala Lumpur rearrange her priorities in South Asia. New Delhi now worries that Malaysia deliberately looks to India's neighbours for closer rapport. The Malaysian Prime Minister Mahathir Mohd's official visit in February 1993 to Dhaka and Islamabad, routine as they were, points to changing relations with New Delhi more than is publicly acknowledged in either capital.⁴

India lobbied the ASEAN countries to the dangers of China's presumed naval presence in the Bay of Bengal, but these countries are equally worried at India's naval build-up in the Andaman and Nicobar island, just over two hundred knots from the Indonesian, Thai, Malaysian coasts. The feeling persists that India comes to ASEAN countries for help or keeps the region informed only when it suits its purpose.⁵

The visit by the Malaysian Prime Minister, Dr. Mahathir Mohammed to New Delhi on 14th December, 1993 might have played a key role in bringing lasting peace to Kashmir. Had Indian policy makers summoned the initiative and the imagination of Malaysia and involved her in a joint effort to win over the East and South East Asian developing countries and had realized the idea of putting up a common front to draw the fullest benefit from their common advantages this, would have been a great political win-win situation for India.⁶

Dr. Mahathir, who was scheduled to attend the G-15 Summit, which had been postponed, discussed with the then Prime Minister Rao on the question of strengthening the G-15 grouping and activating the Non-Aligned Movement (NAM) in the context of the emerging trends in the post-cold war world. The two countries were on the same wavelength on Third World Issues and Mahathir, as a long-serving Prime Minister of a South East Asian nation with a dynamic economy, was a forceful advocate of the cause of developing nations. His view that "a unipolar world may not be good for smaller countries", testified to his concern about the interests of these countries. On the Kashmir

issue, while expressing support for UN resolutions at his press conference, Dr. Mahathir was emphatic that “no country should shelter or encourage terrorists”.⁷

However, despite the Malaysia’s support to India for various reasons became doubtful when in 1965 the then Malaysian government though standing by India, including in the debate at the UN security council of which Malaysia happened to be a member; Mahathir used the Islamic card in surgical precision and discarded the pro-Indian stance of the Tunku Abdul Rahman government. Pakistan by this logic had to be appeased and had ever since used this aspect to his advantage. While Mahathir took an increased hard-line and aggressive position on extending assistance to the Bosnian Muslims, it was difficult for him to stick to neutrality over Kashmir. Even the Malay bureaucracy particularly in the Foreign office had tended to be pro-Islamic and as a logical corollary tends to follow a pro-Pakistan position on Kashmir. It had been Mahathir’s political maturity that the neutral stance had been maintained.⁸

One of the lessons that India had derived from the attitude that Mahathir so far adopted to reduce the discussion in Malaysia on Indo-Pak issues to the essential minimum. The motive was to place before them a clear Indian position on sub-continental affairs with an emphasis that like the case with ASEAN, India clearly showed the intention to confine all contentious issues to the bilateral plan by refusing to involve any outside institutions, bilateral or multilateral, in the consultative process. It made travesty of the realities of Asian politics for India to be equated with Pakistan. For countries like Malaysia who had striven for the establishment of balances in their region to ensure peace and security, the refusal to recognise that they had common strategic concerns with India was a major handicap that needed to be corrected. To leave India out of the ARF because India and Pakistan had to be jointly considered for regional arrangements questions the practical considerations that had in first place led to the institution of the ARF process.⁹

On the economic front, the steps that India was taking to open up to the world made it easier to envisage more interaction with Malaysia on the basis of comparative advantage. India had long had joint ventures in operation but they had been handicapped

by some constraints in harnessing technology and resources from third countries to enhance their competitiveness. In the setting provided by recent economic reforms, making it feasible for Indian companies to link up with partners of their choice, there was scope for triangular arrangements which Malaysia might find useful in such areas as telecommunications, chemical engineering or machine-building. This apart, there continued the Indian participation in railway and power projects as in the past. Given Dr. Mahathir's personal commitment to South-South Cooperation, as highlighted by the key-role Malaysia was playing in G-15, India could be sure of getting a fair chance¹⁰.

India and Malaysia shared a common desire to promote economic liberalisation and needed to seek a regional forum for economic cooperation, Malaysia could foresee the day when the South Asian Association of Regional Cooperation Countries (SAARC), of which India is a member, would develop closer relations with other regional economic groupings. The signing of the agreement to set up a joint Commission for bilateral cooperation between the two countries served to enhance and strengthen further the existing good relations between the two countries. In 1992 an agreement was signed on behalf of the Government in which India was represented by the then minister of state for External Affairs, Mr. Eduardo Faleiro. The new pact was to give a venue for regular consultations between both Foreign Ministers on issues affecting the region.

Malaysia had taken a number of policy actions to promote in concrete terms greater South-South Cooperation. This was evident by the growing trade and economic cooperation within its own sub-region as well as the intermediate region. Following the signing of the pact, officials of the two countries held their first meeting and issued a joint communiqué in future. The meeting deliberated on new areas of cooperation; including health, human resources development, science and technology, agriculture, tourism, transportation, power generation and transmission, petroleum and Petrochemicals. Many issues related to the forthcoming G-15 Summit in Senegal, the recent Non-aligned Summit in Jakarta and for enhancing South-South Cooperation were also focused by the two sides. The agreement also provided another avenue for regular consultations between the Ministers of the two countries not only on bilateral matters but

also on issues that affected the region and the other countries. It was a real manifestation of a South-South Cooperation, one of the goals of Malaysia's foreign policy. India meanwhile had awarded a contract to Telecom Malaysia Berhad to provide mobile telephone services in Calcutta and thus opened a new chapter in bilateral trade and investment.¹¹

With the signing of a defence-related Memorandum of Understand (MoU) in between India and Malaysia, Delhi had both made military in roads into the ASEAN and pushed the fledgling Indo-US defence Cooperation for Asia-Pacific-Indian Ocean region a step further. In the military sense, the MoU assisted Kuala Lumpur in the transformation of a largely, counter-insurgency force into a modern conventional army. After the cessation of the 41 year old insurgency by CPM and the North Kalimantan Communist Party (NKCP) in 1989, which coincided with the demise of the cold war, Malaysia drew up its new national strategy, referred to as vision-2020 by the Malaysian President, Dr. Mahathir Mohammed. From the defence point of view as encapsulated in vision -2020, the sixth Malaysian plan (1991-95) with an allocation of MR \$ 6 billion for modernisation of Malaysian Armed Forces (MAF) sought the 1988 MR \$ 4.8 billion Malaysia-British MOU meant for the country's biggest arms purchases.

And this important need of the MAF was sought to be fulfilled through the MoU signed with India. The Malaysian Defence Minister, Mr. Datuk Seri Najib Tun Razak, during his March 1992 Delhi visit had sought military logistics and product support from India to create a modern MAF with sufficient fire power and mobility. Also discussed was the issue of assured logistic support in case Malaysia bought Russian aircraft, which were available at half the price of comparable western aircraft. Indo-Malaysian defence cooperation was really a result of the new politico-strategic realities, in which the breakdown of ideologically charged world power balance, emergence of ethnic and sub-nationalities in the turbulent Asia-pacific region resulting in accelerated inter-state rivalries and increased regional power centres and diminishing US defence budget had both spurred an arms race in the region and the need for more cooperative security agenda amongst ASEAN nations.¹²

India and Malaysia also signed five Memorandum of Understanding (MOU), including an investment protection agreement and for cooperation in highway construction. These agreements were signed in the presence of visiting Indian Prime Minister, P.V. Narashimha Rao and his Malaysian Counterpart Dr. Mahathir Mohammad. The comprehensive investment protection agreement, the first of its kind that Malaysia had entered into with a South-Asian nation, sought to give national treatment to companies from either nation. The agreement was signed by minister of State for External Affairs, R.L. Bhatia and Mr. Dato Seri Rafidah Aziz, the Malaysian minister of International Trade and Industry. Both the countries also signed a MoU under which the Malaysian Government would offer its expertise in the construction of parallel super national highways.¹³

The Indian defence Minister, Sharad Pawar, signed a memorandum of understanding on defence cooperation in Kuala Lumpur in February putting on a formal level what has been the norms since Malaysia's independence in 1957. Indian naval officers helped staff the fledgling Malaysian navy, and Malaysian Soldiers, Sailors and airmen continue to be trained in India. Malaysia wanted Indian assurance to service the aircraft and train the technical crew before it would even consider the Mig-29 jets for its airforce. These would continue but within a conscious Malaysian desire for firmer links with Bangladesh and Pakistan.¹⁴

The close ties between India and Malaysia, particularly in the fields of industry, trade and technology, was set to be strengthened as a result of the discussions with the visiting Malaysian Prime Minister. A major part of Mahathir's talks with Prime Minister Rao and other leaders was devoted to bilateral issues. The two countries have a history of fruitful collaboration in several joint industrial ventures. MoU to promote new joint ventures in the private sector in railway construction, telecommunications, rubber, professional education and air-conditioning industry as well as an agreement on technical cooperation were signed during the visit. The importance attached by Malaysia to the economic aspects of cooperation between the two countries was reflected in the large team of businessmen who accompanied Mahathir. In an address to the Confederation of Indian Industry and at a press conference, Mahathir observed that "the opening up of

India's market under the policy of economic liberalisation had increased the scope for economic cooperation between the two countries".¹⁵

Premier Dr. Mahathir was of the view that India could help his country to develop technology needed for launching mini-satellites. Indian Space Research Organisation (ISRO), which had taken up the task of developing Space technology required in the sphere of mini-satellite. It was reported on January 19, 1995, that ISRO was to collaborate with the newly formed Maxstar, or the Malaysia space and telecommunication Research Consortium which was to undertake \$20 million mini-satellite programme that would enable "Scientific Research Activities in and from space". The consortium which would 'design, manufacture and launch' was to link the country's five universities, the Binariang BND, the space Science division and Malaysia's Institute of micro-electronics.¹⁶

India although wished to buy Malaysian palm oil over the next two years but it had turned down Malaysia's offer of a 258 million Malaysian dollars (US \$ 100 million) credit facility. Indian High Commissioner Mr. Rajendra Rathore categorically declared that India would buy 300,000 tones of palm oil per annum in cash, and hoped that an agreement towards this might prove effective. Primary Industries Minister Datuk Seri Dr. Lim Keng Yaik then visited India and the issue of the purchase of palm oil was expected to be discussed. He clarified that India did not back out of the deal to sign up for the US \$ 100 million credit facility offered after it had obtained lucrative civil contracts in Malaysia. The clarification was to have much future bearing on Trade and Investment opportunities in India as it was given to the Federation of Malaysian Manufacturers in Kuala Lumpur.

As India was a large importer of Malaysia's palm oil, a number of projects were given to Indian-based companies. It had nothing to do with the credit facility. At the time when Malaysia offered the credit facility, India's foreign exchange standing was quite good unlike before when it had to cut down on palm oil purchase due to its foreign exchange constraints. The volume of palm oil India had agreed to buy was in fact lower than the average purchase of about 500,000 tones of palm oil per annum. This means that

India will still purchase more palm oil over and above the agreed volume. FMM International Affairs Committee Chairman Datuk Mutafa Mansur assured that Malaysia would send a trade delegation to India with the view to promote trade and investment.¹⁷

India had confirmed its commitment to buy 300, 000 tones of palm oil from Malaysia. This was agreed upon at the two-day First Ministerial meeting of the joint Commission between the two countries which ended on 3rd November 1992. Foreign Minister Datuk Abdullah Ahmed Badawi told reporters at the conclusion of the meeting that India's commitment to continue importing palm oil from Malaysia reflected the growing bilateral relations between the two countries. He said despite improvement in its domestic oil seeds production and the trade balance of \$ 98 million in Malaysia's favour, India was keen to see the volume of trade between the two countries growing. He said this augured well for the two countries which had expressed a strong desire to diversify and broaden trade relations in view of the vast opportunities created with the rapid economic and industrial development in Malaysia and the liberalisation of the Indian economy. Expressing satisfaction over the outcome of the meeting, Abdullah said its success was an encouraging example of cooperation among South-South Countries.

Mr Badawi stated that it provided an impetus to the development of good relations between the two countries and the opportunity to consult each other on issues which affect the political and security well-being of our region. He said the meeting had paved the way for Malaysian businessmen to seek new investment opportunities in the liberalised Indian economy. Likewise, Indian businessmen were welcome to invest in resource-based industries, engineering-based auxiliary and supporting industries, manufacturing of precision products, hotels and film making. He said if India continued to maintain its competitive edge more projects would be won by Indian-firms especially in the fields of science, technology, transportation, petroleum and petro-chemicals. India's minister of state for External Affairs, Mr. Eduardo Faleiro, described the meeting as "very successful" and said it should be held annually to further strengthen the existing areas of cooperation and explore new areas in the spirit of South-South Cooperation. He said although India was moving more in the direction of Self-sufficiency, it would continue to maintain its traditional areas of cooperation.¹⁸

While Malaysian could benefit from the on-going trade and economic liberalisation measures in India, Indians could avail themselves of opportunities in Malaysia resulting from the seven years of strong and broad-based economic growth. The cross-flow of Malaysian and Indian investment provided the much needed anchor to enhance the economic links. On the occasion Dr. Mahathir clearly encourages private sector by stating that the current efforts to liberalise further the two countries respective economics, the private sectors of the two nations must not let the opportunity slip. He said they must look beyond their traditional partners and take advantage of the mechanism already in place to facilitate trade and investment between the two countries.

Though the quantum and value of Malaysia-India trade had increased steadily upto-US \$ 769 million (RM 1.92 billion) last year (1992) and Malaysia imported US \$ 250 million worth of goods from India and exported US \$ 138 million to it during the first eight months this year (1993). There still remained, many areas which Malaysian and Indian businessmen had not tapped. In 1992, about 83 percent of Malaysia's export to India were made up of primary commodities such as petroleum, palm oil, sawn timber, tin and rubber, while about 45 percent of Malaysia's imports from India comprised commodities which included meat, animal feed, vegetables and tubers, rice, wheat, spices and other agricultural products. Also, the level of the two countries bilateral trade represented only a small proportion of their respective global trade. It was the time for Malaysian and Indian businessmen to increase their respective investments in their counterpart's country. Th Prime Minister believed there were many more Indian industrialists who had the technology and capability to participate in a wide range of industrial ventures in Malaysia. "Your strength in engineering based ancillary and supporting industries could fit in well with our own efforts at developing corresponding sectors in Malaysia", he said.

This provided the necessary linkages to the established electronic, electrical and motor-vehicle industries such as electroplating, heat treatment, stamping, precision machining, mould and die sub-components, precision plastic moulding and packaging for sensitive electronic components. Indians also had the capability to strike partnerships with Malaysian industrialists in the manufacture of industrial machinery and parts,

machine tools and related engineering industries. Meanwhile, Malaysian entrepreneurs with overseas experience in the development of export processing zones, the construction of hotels, and tourist resorts, the provision of telecommunication services , banking as well as the traditional area of plantation managements, could find partners in India to take advantage of the liberalisation measures taken by the Governments of India and Malaysia. India and Malaysia continued to explore the viability of concluding other economic agreements on a Government to Government basis to provide greater confidence among entrepreneurs of the two nations to engage in joint commercial ventures with greater intensity.¹⁹

Prime Minister Dr. Mahathir Mohammed and his Indian Counterpart, P.V. Narasimha Rao, emphasised the need for closer cooperation between Malaysia and India in their bilateral ties. During four-day visit, the two leaders met several times and agreed that to upgrade their relations there must be more exchange of visits, instead of formal ones by the Prime Minister, to familiarise themselves with their countries. "There is much that the two countries can learn from each other and there are many areas in which we can cooperate", said the Malaysian Prime Minister at a Press Conference marking the end of his visit to India. The two counterparts agreed that there could be more economic cooperation and trade between the two countries, especially when India was liberalising in economy and opening up its markets. The possibilities of joint ventures between Malaysian and Indian business concerns were better than ever before, especially in such areas as telecommunications and transportation.

They believed that there must be more cooperation between us as, after all, we are strong believers of South-South cooperation. The Prime Minister had proposed to the Indian government that there be cooperation between the two countries in the area of privatisation as Malaysia had a lot of experience in it. "We can have exchange of ideas on privatisation and Malaysian concerns can also take part in the privatisation programme being undertaken in India", he said. On the Proton Saga entering the Indian market, he said that in principle the leaders of the two countries had agreed on this but what needed to be done by Malaysia was to study how it could make the car more competitive as India was also producing cars-the Maruti.

On the progress of talks on servicing and production of components for Malaysia's MiGs, Dr. Mahathir said "we have stopped at that as we have not got the jets yet". To a question on whether Malaysia would help India become a member of the Asia Pacific Economic Cooperation (APEC), the Prime Minister said that from the name itself it was limited to a geographical area. He said APEC was meant only for Pacific Rim nations, although he failed to understand why only some countries were members and other countries, like those in the South Pacific, Russia and others in Latin America, were not. Although Malaysia welcomed closer ties with India, he said he was certain the South Asia Nation would face stiff resistance if it tried to become a member.

Visa restrictions on South Asian were to be relaxed to spur a slow-starting drive to attract visitors. Culture, Arts and Tourism Minister Sabbarruddin Chik said he had submitted a proposal to the Home Ministry to waive the conditions of the Visa ruling visitors from India, Sri Lanka, Bangladesh and Pakistan. Prime Minister Mahathir Mohammed who was also the Home Minister Affairs Minister, gave his word to discuss the matter further, it was reported on 18th January 1994²⁰.

Malaysia had emerged as a major economic power in the Asia-Pacific region. Endowed with bountiful mining, fisheries, plantations and timber resources, buttressed by a sound infrastructure and ancillary services and state-supported domestic entrepreneur class, the Malaysian economy had shown an impressive Gross Domestic product (GDP) growth rate of 7% per annum since its independence in 1957. Although a member of APEC, Malaysia had been striving for an Asian only alternative and championing the cause of the East Asian Economic caucus (EAEC) to reduce the over bearing presence and growing dominance of USA and Australia in the Asia pacific region.

India till then had four decade of economic interactions with Malaysia. Although India's total trade in terms of both volume and value had grown significantly since the last decade, it had consistently witnessed a trade deficit against Malaysia. In 1994-95, India's imports from Malaysia reached \$ 486.7 million as against its export of \$ 284.5 million and showed a substantial trade deficit of \$ 202.2 million. This trade gap was on account of massive import of vegetable oil alone which increased by 194.2% in

1994-95. It might be noted that trade deficit in 1993-94 was hardly \$ 1.3 million. Apart from trade, Indian entrepreneurs had been actively participating in Malaysia's industrial and service sector. Till the end of 1994, Malaysia with 42 joint ventures and two wholly owned subsidiaries topped the list of Indian joint ventures abroad. These joint ventures were in the areas of light engineering goods, textile and allied products, chemicals, pharmaceuticals, leather and rubber products, oilseeds crushing, palm oil refining, glass and glass products, pulp and paper products, cement, hotels and restaurants and consultancy services.²¹

A multi-pronged approach was thus required to strengthen Indo-Malaysian relation:

Firstly, India had to firmly prove its credentials to be a 'Dialogue Partner' of ASEAN.

Secondly, in the Unipolar world, regional security issues were gaining as much importance, if not more, as economic inter-linkages and complementarities between various countries. The two countries needed to explore commonality of interests in regional security matters and evolved a viable strategy for mutual benefit. For South East Asian countries, the immediate security problem seemed to be how to contain the growing power of China. It was against this background.

Thirdly, Indian Prime Minister Rao's visit was utilised to convey to the Indian community settled in Malaysia that they identified themselves with the country in which they had been staying and contributed their mite for the fuller development of its economy.²²

New Delhi and Kuala Lumpur on 3rd August 1995, called upon the countries in the region to forge an Asian identity by pooling their resources and expertise to meet future challenges. Prime Minister, P.V. Narasimha Rao, who held two rounds of talks with his Malaysian Counterpart, Mahathir Mohammad in Kuala Lumpur felt a beginning could be made with Malaysia's sharing its experience in economic transformation and the strides made in the financial sector. India could reciprocate with its experience in the

development of human resources and technological capabilities. Rao and Mahathir were of the view that the democratic experience of India and the successful economic development of Malaysia should form the basis for better growth of a multi-ethnic society in both countries. The meeting between the two leaders lasted for more than an hour. The two leaders discussed about the government level and industry level cooperation, the economic and trade partnership, infrastructural areas, space programme, microsatellite programme, model of the INSAT-2 Satellite, ISRO, the Indian space industry between the two countries. Rao said that India was particularly keen on cooperation with Malaysian companies, which had developed considerable experience over the past few years in the areas.²³

When Dr. Mahathir became the Prime Minister of Malaysia, he pursued the policy of equating India and Pakistan when it has come to regional issues. Sometimes in its handling of bilateral matters, a preference had to be extended to India for political or economic reason. Of course, this had not been a uniform practice. Whenever Malaysia had stood to benefit in economic or commercial terms in its dealings with India, it had disregarded the policy of equality. However, when it came to ASEAN, the equation of India and Pakistan had been taken to illogical extremes. Dr. Mahathir has disregarded the logic that any EU-Asia summit which leaves out India could hardly pretend to qualify as representative. India was acknowledgedly one of most promising big emerging economies. It was slated to play a major role in the global economic scene as an engine of growth in keeping with the recognition that shall be one of Asia's economic dominance leaving India out therefore could only be on account of political considerations and in the absence of sound economic logic.²⁴

An agreement was also signed between the Measat Broadcast of Malaysia and Doordarshan to operate multi-channel Satellite broad cast and communication services in India. Antrix, the commercial wing of the Indian Space Research Organisation (ISRO) had entered into an agreement with Malaysia Telecommunication Research Consortium for providing technical training and consultancy services to the Malaysian company. Four agreements in the private Sector were also signed. Meanwhile, Penang

Port Private Ltd. (PPSB) was to sign an MOU with Indian authorities to conduct a feasibility study on the privatisation of the Madras Port.²⁵

Malaysia was prepared to invest about \$ 12 billion in India over the next 10 years as it saw a lot of opportunity generated by the economic reforms. Malaysia's Works Minister Samy Vellu, the only Indian origin Cabinet Minister in the Malaysian Government said. Mr. Rao's visit to Malaysia is considered "very important and historic" and that the country was keenly following the path of economic modernisation charted by his government. Mr. Vellu signed on behalf of his government a MOU with Minister of State for Surface Transport, Jagdish Tytler to provide Malaysian expertise in the development of India's highway system. He made no bones of the fact that Malaysia had a great deal of interest in the highway project, though he denied that the government was pushing the case of Renong which was of the 26 international bidders for the project. He, however, justified Malaysian interest claiming Renong had in a way initiated interest in India in highway development.²⁶

Mr. Rao's visit to Malaysia had been highly successful both in its bilateral aspects and in furthering India's economic interests. Mr. Rao himself had pointed out that his discussions with his Malaysian counterpart, Dr. Mahathir, and other leaders were "very substantial" and it should give a "meaningful impetus" to Indo-Malaysian ties in various fields. Both the countries have much in common. Both are vibrant democracies caring for their people of different religions. Both the leaders who had interacted at various international gatherings and fora, had similar views on many international issues, and were vigorous proponents of South-South Cooperation. It was natural that their discussions in Kuala Lumpur touched on a wide gamut of bilateral and international affairs and on the new opportunities for closer economic cooperation opened up by India's liberalization policies.

The number of economic agreements signed during the visit included one on investment protection, incorporating the principle of Most Favoured Nation (MFN) treatment. The first of its kind signed by India with an Asian country, it had no doubt to give an impetus to Malaysian investments in India. Another agreement related to

Malaysia collaboration in India's ambitious programme of expansion of the national highways. As a result, Indo-Malaysian economic cooperation expanded not only in the development of the infra-structure, including power, telecommunication and ports, but also in other sectors like oil and natural gas. The relations with the ASEAN, of which Malaysia is an influential member, naturally figured in the Prime Minister's discussions with Dr. Mahathir.²⁷

However, the bilateral economic relations between India and Malaysia progressed satisfactorily, bilateral merchandise trade alone expected to be US\$1.1 billion in 1995-96, as compared to US\$0.5 billion in 1993-94, they remained much below potential. The 1996 Malaysia's budget provided a good opportunity to further accelerate economic relations for this.

First, Malaysia needed to reduce services deficit, on the one hand, and the needed to deepen and widen trade-related commercial infra-structure between the two countries, on the other hand, coincided. To increase direct trade, greater cooperation between Penang and Port Klang in Malaysia and Madras and Vishakhapatnam ports in India was required. Both countries needed to explore on an urgent basis the feasibility to establish a presence of financial institutions such as commercial banks in the country. Any regulatory or other hurdles which might have existed in this regard needed re-examination. Indian financial institutions needed to consider the feasibility of benefiting from opportunities in Labuan, Malaysia's off shore financial centre.

Second, focused on collaboration with India's pharmaceutical companies and with its health care sector, including corporate hospitals, could assist in Malaysia's need to keep health care costs affordable. More innovative schemes of collaboration in training of doctors and other medical professionals needed to be devised.

Third, Malaysia's need moved up the technological ladder, on one hand, and India's drive to commercialize and globalize the output of its extensive R & D network, on the other, could be synthesised for mutual benefit. Such collaboration could improve the competitive edge of both countries. As Malaysia continued to upgrade its automobile sector, the role of electronics in this sector increased sharply. This involved application of

information technology, particularly Software. India was internationally acknowledged to be a 'smart source' in this area.

Fourth, Malaysia's ambition to be the primary location in South East Asia for the training technology personnel could be advanced through speedy implementation of the MoU signed between the two countries in August 1995.

Fifth, Malaysia's abundance of gas reserves and power and India's reserves of iron ore and bauxite, along with its capability in steel, aluminum and fertilizer technology could be matched to undertake trade-generating investments. India itself could be the primary for the output of such ventures.

Finally, opportunities for collaboration existed in newer areas such as multimedia, space technology and entertainment. Capabilities of India's film broadcasting and music industry could be matched with Malaysia's need to substantially increase the production of local programmes to fill the enhanced channel capacity on both radio and T.V.²⁸

To conclude with we find that the relationship got tremendous boost during Narasimha Rao's regime. However the relationship sometimes was jolted due to circumstances prevailing in South East Asia. The major strain that developed between the two countries was over the issue of Cambodia. India however, later justified its move and tried to persuade Malaysia to resolve the crisis. Infact Malaysia's concern was fully justified by India and the former got convinced by India's justification.

Further India's Naval build up in Indian Ocean was also resented by the South East Asian nation particularly Malaysia. India's strongly defended itself to ward off the worries of its South East Asian friends by alerting them against Chinese naval presence in the region. India then diplomatically advanced the offer of military assistance to Malaysia which was a great achievement for India in terms of its non-threatening presence in Indian Ocean. During Narasimha's regime Kashmir issue was fully supported by Malaysia which despite its Islamic colour made India a close ally.

It was during Narasimha's tenure that on the economic front the two countries mooted the idea of ASEAN Market on the basis of European Market. The idea of South-South Cooperation was also mooted in his regime. Trade and Commerce also got tremendous boost in his period, many joint ventures were established and made fully operational during his period.

References:

1. Prakash Chander and Prem Arora, International Relations, New Delhi, 1999, p.708.
2. Times of India, New Delhi, 26 April 1992.
3. Ibid, 30 April 1992.
4. Economic & political weekly, April 3,1993 p. 569.
5. Ibid.
6. Sunday Observer, 14 December 1993.
7. National herald, New Delhi, 16 December 1993.
8. Pioneer, New Delhi, 5 August 1995.
9. Ibid.
10. Times of India, 30 April 1992.
11. New Straits Times, Kuala Lumpur, 3 November 1992.
12. Financial Express, New Delhi, 4 February 1993.
13. Times of India, 4 August 1995.
14. Economic & political weekly, No.4.
15. National Herald, 16 December 1993.
16. Asian Recorder, 12-18 February 1995.
17. New Straits Times, Kuala Lumpur, 18 August 1992.
18. Ibid.
19. Ibid., 15 December 1993.
20. Ibid., 16 December 1993.
21. Asian Recorder, 12-18 February 1994.
22. Pioneer, 28 July 1995.
23. Asian Recorder, 27 August-2 September 1995.
24. Pioneer, 5 August 1995.
25. Times of India, 4 August 1995.

26. Pioneer, 5 August 1995.

27. National Herald, 8 August 1995.

28. Financial Express, 6 December 1995.