

Implications of India's Free Trade Agreement with Malaysia

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India-Malaysia Free Trade Agreement came into effect on 1 July 2011. This agreement is aimed at boosting trade ties between the two countries. It will give an impetus to the Indian export industry and likewise create 13,000 job opportunities in Malaysia. Given that there is a huge Indian Diaspora in Malaysia, it will in turn benefit India. Bilateral trade between the two countries is likely to double over the next few years from USD 7 billion to 15 billion dollars by the end of 2015. An earlier agreement for freeing trade in goods with ASEAN had come into effect from 1 January 2011; the new pact with Malaysia will lead to tariff liberalisation beyond the India- ASEAN Free Trade Agreement.

The Malaysian government has enlisted around 739 products from India's draft exclusion list which implies that these goods can be imported on low or no duty to India. This includes essential items such as chemical substances, medicines and drugs that will be highly beneficial to India, causing a fall in prices and making them affordable. The two countries have also mutually agreed to work together towards the development of hydrocarbons and renewable energy resources and to collaborate in the banking and information technology sectors. The agreement seeks to facilitate greater Foreign Direct Investment (FDI) in each other's country through the liberalisation of their respective investment regimes. The highlight of the agreement is the prospect of reduction of crude oil prices due to diminished tariffs on imports of crude oil from Malaysia.

Improved trade relations can also be seen as a positive signal towards closer political relations not just with Malaysia but also with the other ASEAN countries. This fits in well with India's overall policy towards the region.

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