

Changing Role of State in a Globalised Economy: Case Study on Malaysia-India Companies

Perubahan Peranan Kerajaan dalam Era Ekonomi Globalisasi: Kajian Kes Syarikat di Malaysia dan India

SUSEELA DEVI CHANDRAN & RASHILA RAMLI

ABSTRACT

Globalisation has a significant impact on the role of nation-state. Hyper globalists, sceptics, and liberals in the realm of international relations theory, contend that globalisation renders the state irrelevant, diminishes the state's role, and erodes state power. The objective of this study is to analyse the impact of globalisation on companies in Malaysia and India. This article presents four case studies of companies operating in Malaysia and India to determine the impact of globalisation as well as evaluating the role of state and private sectors in moving forward economic cooperation. Given the structure of the goods and services trade between Malaysia and India, some analysts argue that the onus will be on the private sector to carry economic relations forward. This paper advocates that Malaysia strives to adopt a pragmatic approach, by trying to strike a balance between state intervention and withdrawal in economic matters, in order to achieve specific ends without affecting political stability and economic growth. In the case of Malaysia-India economic relations, it is apparent that the state is not only an important actor; but also a key driver. Indeed, the state is seen as a major supporter and beneficiary of economic and technological advances. Although challenges persist in terms of government regulations, bureaucratic red tape and state government policies, nevertheless business continues to thrive.

Keywords: Globalisation; role of state; Malaysia-India; companies; economic cooperation

ABSTRAK

Globalisasi mempunyai impak yang signifikan terhadap peranan kerajaan. Antara hujah yang dikemukakan oleh para pendokong globalisasi, skeptik dan para liberal dalam bidang teori perhubungan antarabangsa termasuklah bahawa globalisasi menyebabkan kerajaan menjadi kurang signifikan justeru mengakibatkan penghakisan kuasa kerajaan. Objektif kajian ini adalah untuk menganalisa impak globalisasi terhadap beberapa syarikat di Malaysia dan India. Makalah ini membentangkan empat kes kajian tentang syarikat-syarikat yang beroperasi di Malaysia dan India untuk menentukan impak globalisasi terhadap syarikat serta menilai peranan kerajaan dalam memajukan kerjasama ekonomi. Berdasarkan struktur perdagangan barangan dan perkhidmatan antara Malaysia dan India, segelintir penganalisis berpendapat bahawa kerjasama ekonomi bergantung kepada sektor swasta kedua-dua negara untuk memacu perhubungan ekonomi. Dapatan kajian menunjukkan bahawa Malaysia lebih cenderung untuk mengamalkan pendekatan pragmatis, bagi mencapai matlamat tertentu tanpa menjejaskan kestabilan politik dan perkembangan ekonomi antara kedua-dua kerajaan. Maka, adalah nyata bahawa kerajaan bukan sahaja faktor yang penting malah ia juga merupakan pendorong utama dalam perhubungan ekonomi Malaysia-India. Kerajaan dilihat sebagai aktor utama dan bermanfaat dari segi kemajuan ekonomi dan teknologi. Walaupun terdapat pelbagai cabaran dari segi dasar kerajaan, birokrasi dan polisi kerajaan, kerjasama ekonomi antara Malaysia dan India masih mampu berkembang maju.

Kata Kunci: Globalisasi; peranan kerajaan; Malaysia-India; syarikat; kerjasama ekonomi

INTRODUCTION

Economic and trade relations have always been the driving force in Malaysia-India relations dating to the pre-Christian era (Indian High Commission of Malaysia 2014). The current involvement of Indian companies in Malaysia is extensive in many sectors, while Malaysian companies are becoming increasingly active in India. Since the year 2000, Malaysia-India ties across the board have triggered new dimensions in bilateral commercial and economic relations. The Prime Ministers of both countries have set a US\$20.0 billion trade target to be achieved by 2015. In 2013, trade with India amounted to US\$13.38 billion (RM42.12 billion), an increase of 2.4% as compared to 2012. The Free Trade Agreement signed between Malaysia and India in 2011 contributed to this increase in volume and value by removing many trade barriers. Trade between Malaysia and India is one major area in which the level of bilateral economic cooperation can be clearly seen in an extremely positive light (Sikri 2013). However, in the era of globalisation, Malaysia and India as most of other countries in the world, face the same dilemma on how to cope with globalisation which is often seen as spearheading a new idealism of economic openness, political transparency, and open global culture (Kay 2004). Stiglitz (2002: 9) describes globalization as a phenomenon whereby

“it is the closer integration of the countries and peoples of the world which has been brought about by the enormous reduction of costs of transportation and communications, and the breaking down of artificial barriers to the flows of goods, services, capital, knowledge, and (to a lesser extent) people across borders”.

This article, however does not dwell on a discussion on the concept of globalisation. This is because the term ‘globalisation’ remains till today as one of the most complex and disputable concepts (Hirst & Thompson 2002). Given that there are differing perspectives emanating from various disciplines, a methodical explanation and precise expose of globalisation cannot be accomplished in a comprehensive way especially in a journal paper. As far as the realm of international politics is concerned, globalisation remains as an ill-defined concept although most refer to politics and/or political economy in some form or manner. Therefore, in the context of this paper, it analyses one of the central questions of globalisation from the perspective of international relations i.e. the implications of globalisation on state power and governance, especially on Malaysia-India economic cooperation from Malaysia’s perspective.

THE DEBATE: GLOBALISATION AND ROLE OF STATE

In the realm of international relations, the standard argument concerning the impact of globalization on the nation-state presumes that the new globalised economy allows companies and markets to allocate the factors of production to their greatest advantage, without the distortions of state interventions (Hirst & Thompson 1999). It is further claimed that the process of globalization increases the integration of economies, politics, and cultures, intensifying the tendency towards uniformity and escalating the domination of transnational capital, ideas, symbols and values on a world scale. Thus, global forces are seen to be eroding the ability of individual nation-states to regulate economic activity, harmonize conflicting interests, and control political processes as well as foster cultural values and practices within national boundaries (Ardic 2009). It is also strongly advocated that growing interdependence and the pressures of globalization impact the nation-state, and modern conditions reveal new identities, meaning that the nation-state is no longer the only option for loyalty or the primary basis of identity (Lakiv 2011). The prevailing view is that the era of the nation-state is over, and that national-level governance is ineffective in the face of globalised economic and social processes (Hirst & Thompson 1999). Although the perspective on the implications of globalisation on state power and governance is acknowledged, nevertheless, based on Malaysia-India bilateral relations, it can be upheld that states still do play an important role in various sectors.

Various observers claim that contemporary globalization has deprived the state of its sovereignty (Scholte 2000). Many international relations analysts have linked the growth of global relations to the ‘diminished nation-state’, ‘the decline of the nation-state’ and ‘retreat of the state’. Other writers have also termed it as ‘the extinction of nation-states’. It is asserted that in the face of unprecedented globalization, states can no longer be sovereign in the traditional sense of the word – i.e. a state cannot in contemporary globalizing circumstances exercise ultimate, comprehensive, absolute and singular rule over a country and its foreign relations (Scholte 2000). Nation-states are perceived to become the local authorities of the global system, to provide the infrastructure and public goods that business needs at the lowest possible cost (Hirst & Thompson 1999). Ardic (2009) highlights that both the autonomy and sovereignty of the nation-state have been weakened by globalization through the spawning of various international and transnational institutions since World War II. Another viewpoint alleges that globalization has

taken world politics away from the state-centric to a multi-layered paradigm. The authority of a state is more diffused across sub-states (municipals and provincials) and supra-states (regional). The contention is that although contemporary globalization has not threatened the existence of the state, the process has stimulated changes in its forms and functions (Scholte 2000).

ECONOMIC GLOBALIZATION UNDERMINING ROLE OF STATE

The current economic globalization involves production, distribution, management, trade and finance. The key characteristics of economic globalization may involve the following: MNCs, foreign direct investments (FDI), transformations in financial markets such as increased financial flows, integration of national capital with international financial capital, the character of markets, commodities, production and business organization shift to global perspectives, high levels of trade (trade liberalizations), and global markets for many goods and services (facilitated by internationalisation of production, transportation and communications infrastructures) (Hirst & Thompson 2002). It is claimed that a global economy has emerged, in which distinct national economies pursuing domestic strategies of economic management are increasingly becoming irrelevant. The world economy has internationalized its dynamics in which transnational corporations exercise significant control, and nation-states are no longer its principal actors or major agents (Mittelman 1997).

Based on these features of economic globalisation, there are arguments that economic globalisation challenges the state especially the activities of the multinational corporations (MNCs), massive international financial flows and growth of international trade – which are supported by rapid technological advancement and development of communications. According to Sassen (1997), “In reducing the existing regulators role of states was the necessary mechanism... cities that are strategic sites in the global economy, tend to become disconnected from their region and even nation”. National governments are no longer in control of the dissemination of ideas, cross border transfers of capital, development of technology, mobility of labour, trade flows or accumulations of economic assets. It is argued that national governments now have less influence on business transactions as globalisation fosters increasing interdependence and greater international competition. It is further postulated that in economic globalisation, national governments will lose control over national economic policies and their own economic future. For instance, when deregulation and transnationalization are key characteristics of the economy and industries are driven by multinational companies without strong national attachment, this leads to the inevitable conclusion that the role of state is

no longer important (Sassen 1997). Therefore, economic globalisation is triggering the demise of independent sovereign states, thus resulting in the diminution of the state. This argument is explicitly presented in various works as mentioned above (Sassen 1997, Mittelman 1997). The general thrust of the above analysis on the link between globalisation and the nation-state is that economic globalisation extends the economy beyond the boundaries of the nation-state, thus, undermining its sovereignty.

THE COUNTER ARGUMENT: STATES STILL MATTER

The prevalent belief that the process of globalization has been undermining the role of the nation-state either in economic, political or/ and cultural aspects has been challenged by the proponents and advocates of the nation-state such as the neo realists and constructivists. Scholars like Hirst and Thompson (1999) have insisted that globalization has done nothing to undermine sovereign statehood. Rather the critical dispute is usually on the degree to which this process has been influential, with proponents of the idea of the retreat of the state somewhat exaggerating its demise. Mann’s (insert the year) argument is that a modern state fuses a range of functions together within a ‘single caging institution’ and that this institution is still in a sense maturing rather than being in the last gasp of senility and decrepitude. He stresses that the role of the state is in a healthy shape (Holton 1998). Moreover, the global cross-border mobility of certain kinds of economic processes is, for example, more easily perceived and policed by nation-states than other institutions.

Wolf (2001) claims that today’s growing integration of the world economy, characterised by rapid communications, high immigration flows, market liberalizations and global integration of the production of goods and services is not unprecedented. Wolf further suggests that despite the many economic changes that have occurred over the course of a century, neither the markets for goods and services nor those for factors of production appear much more integrated today than they were a century ago. He further provides a counter argument to the view that the diminishing cost of communications, transportation, and advancement in telecommunications technology have contributed immensely to the globalisation process. According to Wolf, it is the policy, and not technology that has determined the extent and pace of international economic integration. The change in policy that contributed towards global integration is the growth of international institutions since World War II.

Similar to Wolf’s (2001) work, Wong (2004) provides Malaysia’s perspective and its engagement with globalisation. In his article, ‘Mahathir, Malaysia and Globalisation: Challenging Orthodoxy’, Wong’s central premise is that Malaysia as a nation-state

furnishes a reminder that states will continue to matter and play an important role despite the seemingly unstoppable force of globalisation. According to Wong (2004), globalisation is a multi-dimensional concept. However, there is a broad consensus in Malaysia that globalisation is not a uniform concept and it has far-reaching effects on the daily lives of Malaysians. Wong's work which emphasizes the role of the state with reference to Malaysia in the era of globalisation is relevant to obtain a proper understanding of issues, approaches, trends and developments in Malaysia-India bilateral relations.

Hirst & Thompson (1999) insist that nation-states are still the most powerful actors especially in the economic sphere. According to them, the economy today is more international than global, primarily because nation-states still have relevance in terms of maintaining both their domestic economies and their economic relations beyond national boundaries. The authors present a five-point criticism of globalisation theories:-

- a. The present international economy is not unique in history;
- b. Genuinely transnational corporations appear to be relatively rare;
- c. Capital mobility is exaggerated, while foreign direct investment is highly concentrated among the advanced industrial countries;
- d. Trade, investment and financial flows are concentrated in the triad – Europe, Japan and North America;
- e. Major economic powers have the capacity, if they coordinate the policy, to exert powerful governance over financial markets and economic tendencies.

Hirst and Thompson (1999) do not deny that the growth in trans-border political issues could erode the distinctions between domestic and foreign affairs such as overlapping interests in issues such as environment, health, trade and finance. Hence, they suggest that there is a need for trans-boundary coordination and control. Similarly, related arguments have reaffirmed that global flows do not necessarily undermine the state and indeed, may in some cases strengthen it. It is important to highlight that states have differential capacities to respond to globalization.

All states have in one way or another confronted the issue of diminution of sovereignty in their own manner. According to Holton (1998), nation-states have been major players in the formation and funding of the regulatory bodies although nation-states today are facing the dominant influence of non-governmental actors, which is affecting the regulatory capacity of the state and damaging the traditional concept of sovereignty in the context of the state. As Mann (2001) suggests,

globalization has a differential effect on states and the effects are uneven. For example, economic globalization may undermine some nation-states in the administration of certain aspects of their economies, but at the same time, national governments function as a medium for the regulation of increasingly globalized economic relations as well. He draws four conclusions in relation to the impact of globalization on the nation-state: (i) it has differential impacts on different states in different regions, (ii) some global trends weaken, others strengthen nation-states, (iii) some national regulations transform into international and transnational regulations, and (iv) some trends simultaneously strengthen both the nation-state and transnationalism.

CASE STUDY ON MALAYSIA-INDIA COMPANIES

In an endeavour to analyse the role of nation-states in economic globalisation realm, profiles of selected Malaysian and Indian companies are presented in this article. Two Malaysian companies operating in India and two Indian companies operating in Malaysia were selected as notable examples on how state acts as a facilitator and key driver in moving forward the economies of both nations. The two Malaysian companies are Scomi Engineering Berhad and IJM (India) Infrastructure Limited, whereas the two Indian companies are Indian International Limited (IRCON) and RECRO (Malaysia) Sdn Bhd. These companies were chosen namely because they are the leading companies and have a good track record in operating in Malaysia and India respectively. When the Indian government started its economic liberalisation process and opened its economy, India realized that its infrastructure was lagging behind in comparison to other countries. In its bid to fast track infrastructure development, India decided to invest in infrastructure and allow foreign companies to participate in construction industry through its own Look East Policy (LEP) in 1992. LEP is an active economic policy of engagement with Southeast Asia and East Asia to encourage trade links with individual partners and to provide foreign employment opportunities for India's own expanding work force. Malaysia as a country that practises open market, welcomes foreign investment (Noorah, Norain & Sharifah Rohayah 2013) and Malaysian companies took advantage of this economic liberalisation process and started to venture into India. Since then, India has been Malaysia's largest export destination in the South Asia region. Bilateral economic ties in terms of trade and investment has increased by more than four folds from 2003-2013. In the investment area, Malaysia primarily focuses on roads and highways, telecommunications, oil and gas, power plants and human resources.

SCOMI ENGINEERING BERHAD

Scomi Engineering Bhd., a subsidiary of Scomi Group, is a lead provider of public transportation solutions through the design and manufacture of coaches, rail wagons, monorail systems and special purpose vehicles. Its monorail SUTRA, which stands for Scomi Urban Transit Rail Application is Scomi's answer to fast growing cities where transit corridors are limited in space and dense in nature (Scomi Engineering 2013). In 2008, Mumbai Metropolitan Region Development Authorities (MMRDA) proposed to implement a proven and established monorail system in various parts of Mumbai Metropolitan Region (MMR). Scomi Engineering, in collaboration with its consortium partner, Larsen & Toubro secured the Mumbai Monorail project from the MMRDA for an amount of USD 545.02 million or RM1.846 billion. The Mumbai Monorail Project was the first monorail job for Scomi outside Malaysia. Scomi's expertise in offering end-to-end solutions in monorail systems and their competitive pricing has opened up a plethora of opportunities for them in India. However, Scomi which falls in the category of "B2B" (Business to Business), made a greater effort to garner recognition and to create awareness and understanding among consumers in India in order to procure goodwill and acceptance. This is because, monorail had already become an international trendsetter but to garner acceptance in India, it had to establish its conceptual framework in India, where developments in urban infrastructure are hard-earned and time consuming exercise, and the task called for perseverance, commitment and long term efforts.

Therefore, Scomi had the zeal to present monorail as a "must have" MRTS in the country. Scomi, along with their partner took on the challenge with a determined fervour aiming to make Scomi synonymous with infrastructural innovation in India. But this was not easy. Scomi was a new brand to India, and the product that Scomi was offering to the masses was completely unknown. The focus was aimed at achieving a firm positioning in the industry. Scomi undertook an extensive stakeholder mapping for the company to create brand awareness and embarked to educate the stakeholders on the new mode of transport in India. This was imperative to the communications campaign that was shaping up for Scomi. In the endeavour to create a proper perception about monorail and its operations in India, Scomi generated adequate brand awareness activities to build and retain the credibility for the brand. Currently, Scomi is actively focusing on pursuing opportunities for construction of monorail systems in cities like New Delhi, Bangalore, Chennai, Kerala, Hyderabad, Pune and Kochi. Scomi had been shortlisted with IL & FS Transportation Network Ltd (ITNL) for the Chennai monorail project. In Tamil Nadu, India's fifth most populous state, Scomi is one of two

bidders that have been shortlisted for a RM4.65 billion monorail project that involves a 57.1 km line, whereas the projects in Kerala and New Delhi involve a total of 33km of rail lines (Kaur 2013). According to the CEO of this company, the support and interest given by the Malaysian government is definitely a push factor for this company to secure more projects in India. Moreover, all the high level visits from both governments do make an impact and ease the private business community. Given all these projects in the pipeline, Scomi Engineering Berhad hopes to continue to secure its name and position as one of the successful companies in India.

IJM (INDIA) INFRASTRUCTURE LIMITED

IJM (India) Infrastructure Limited (IJMII) is a Malaysian multinational company, which is a subsidiary of IJM Corporation Berhad (IJM) Malaysia. IJM, whose core competency is construction, is one of Malaysia's largest and most diversified construction groups, with world-wide presence and specialized in the areas of construction, property development, manufacturing, quarrying, plantation, and international ventures (IJM (India) 2013)). IJMII has been actively participating in the high growth opportunities offered by Indian infrastructure industry, more specifically in the construction sector. IJMII's main thrust is in construction and upgrading of highways and property development, including world class townships and commercial buildings utilizing modern technology and equipment. In India, IJMII has made significant inroads into the construction of major highways, by securing five tolls concessions across the country on a Build-Operate-Transfer (BOT) basis. IJM won its first bid in 1998 for the Mumbai-Pune Expressway and Chennai Bypass Phase 1. Since then, IJM started winning jobs in India on road constructions. Later, the Indian government started to open up the road sector to privatization. IJM tendered for toll roads and was awarded jobs. IJM still holds concessions on five toll roads in India. Progressively, IJM started to venture into building materials and property business. IJM maintained a good business until the 2008 world economic crisis, when its business prospects were interrupted by escalating prices of building materials and other items as well as the rising interest rates in India. Nevertheless, IJM had a good run in its investments in India, especially in the infrastructure sector.

INDIA'S INVESTMENT IN MALAYSIA

At present, there are more than 77 Indian companies including 70 Indian joint ventures operating in Malaysia. Cumulatively, Indian investments in Malaysia from 1980 to 2012 totalled US\$1.3 billion. From 2007-2013, a total of 38 manufacturing projects with Indian participation were implemented with total investments of US\$1.02 billion (RM3.36 billion). These projects have

created 9,594 jobs (Ministry of International Trade and Industry (MITI) 2014). Implemented projects are mainly in the following sectors: paper printing and publishing; textiles and textile products; plastic products; scientific and measuring equipment; fabricated metal products; furniture and fixtures; and basic metal products. Indian public and private sectors companies have an impressive track record in Malaysia. Among these, Indian International Limited (IRCON), under the Ministry of Railways, Government of India and Recron (Malaysia) Sdn. Bhd, an Indian private company have successfully established their footholds in Malaysia and are reckoned as successful companies in Malaysia. As a case study, below are the profiles of both companies and their success in doing business in Malaysia.

INDIAN INTERNATIONAL LIMITED (IRCON)

IRCON International Limited is a company under the Ministry of Railways, Government of India and has been actively engaged in the development of railways in Malaysia since 1988. Originally under the name Indian Railway Construction Company Limited, it is a leading turnkey construction company that is well known for activities and services in the infrastructure sector. IRCON was set up to utilise the Indian Railways' experience in extending assistance to developing nations to install or maintain their own railways and also to execute railway projects for the private sector. However, railways (new railway lines, rehabilitation/conversion of existing lines, station buildings and facilities, bridges, tunnels, signalling and telecommunications, railway electrification, and wet leasing of locomotives), highways, EHV sub-station (engineering, procurement and construction), and metro rails are the core competence areas of IRCON. IRCON projects in Malaysia are solely government-to-government deals. Hence, all the projects undertaken by IRCON in Malaysia are projects awarded by the Ministry of Transport, Government of Malaysia to Ministry of Railways, Government of India.

IRCON has a long association with Malaysia dating back to 1988, when it executed the rehabilitation of railway track from Paloh (Johor state) to Singapore and the Slim River (Perak state) to Seremban (Negeri Sembilan state). To-date, IRCON has successfully completed and commissioned several railway projects in Malaysia, which includes track rehabilitation of about 441 kilometres and construction of new tracks for more than 232 kilometres. It has also undertaken track and bridge work, and refurbishment of KTMB's 22 class locomotives. It has completed and commissioned 11 major railway projects valued about RM 694.7 million. IRCON has completed 31.5 km. rail link which costs US\$ 121 million between Senai Station and the port at Pelabuhan Tanjung Pelepas (PTP) in January, 2002. IRCON is also supplying locomotives on hire and maintenance basis to KTM Berhad (Malaysian Railways)

since July 1993. IRCON has a record of 98 percent availability of these locomotives for Malaysia. Besides this, 20 technicians from India are assigned to assist and maintain the locomotives. IRCON in 2008 was awarded the Seremban-Gemas Railway Double Tracking Project worth over US\$ 1 billion and was completed in 2010. This project was considered one of the major projects in Malaysia. Currently, IRCON is undertaking the construction of tracks, electrification and signalling, and telecommunications on turnkey basis between Seremban and Gemas railway tracks. Considering infrastructure as one of the important requirements for a growing economy like Malaysia, IRCON is confident to continue its good record of securing projects in Malaysia in future (Indian International Limited IRCON 2013).

RECRON (MALAYSIA) SDN BHD

Another company that is doing extremely well is Recron (Malaysia) Sdn Bhd. Recron is a member of the Reliance Group. Recron, incorporated in 2007, acquired the assets of Hualon Corporation (Malaysia) Sdn Bhd. In December 2007, Recron started operating the assets. By June 2008, all the assets were transferred to Recron. Recron is the largest Indian company in Malaysia. It has a 200-acre manufacturing facility in Nilai which is reckoned as the world's largest integrated polyester and textile complex (Recron 2013)). It has a 40-acre manufacturing facility in Malacca for value added production. State-of-the-art technologies and experienced workforce are inherent strengths of Recron. Among the product portfolio includes: PET resin, polyester chips, polyester filament yarns, cotton blended yarns, woven fabrics, and nylon yarns. With 7,500 employees from eight different nationalities, Recron is a US\$1 billion company with 90% of its sales turnover derived from exports, mainly to the Middle East and Asia Regions, whereas 10% is from within Malaysia (Recron 2013). According to Rao (2013) the Head of Management Service Division (Recron), investment in Malaysia has been encouraging because of the whole hearted support from the government agencies such as insert its full name (MIDA) and insert its full name (MITI) which has enabled companies like Recron to perform well in Malaysia.

CHANGING ROLE OF STATE

Given the above four profiles of Malaysian and Indian companies, it is evident that it is the support of the government that has facilitated companies to seize opportunities for investment. This study explains interstate relations from an eclectic perspective i.e. adopting the neo-realist and constructivist angle. The neo-realist school, upholds the concept of international system as anarchy and focuses on state as the main actor although

they acknowledge the existence of other actors such as International Organisations (IOs), Multinational Corporations (MNCs) and Transnational Corporations (TNCs). As for constructivism, the emphasis is on the social context of international relations, which shapes the identities, beliefs, interests and actions of state actors. In the case of Malaysia-India bilateral relations, one important consideration that drives strong cooperation between Malaysia and India, is the leadership factor. Many analysts believe that the strong bond between the two leaders, particularly between Prime Minister Dato' Sri Mohd Najib and former Prime Minister of India, Manmohan Singh has been the turning point for enhanced economic relations that currently exist in Malaysia-India relations. In fact, analysts perceive that the growth in Malaysia-India economic relations is essentially a tribute to the political leadership of both countries. Many leaders from various groups (governmental, private and business community) concur that the Najib-Manmohan Singh factor has been the key driver in enhancing the economic sector. Compared to Prime Minister Abdullah Badawi (October 2003- April 2009), Prime Minister Dato' Sri Mohd Najib was able to establish warm relations with the Indian Prime Minister. In fact, Malaysia-India commercial relations recorded all-time low in 2003 when Abdullah Badawi negated a US\$121 million railway contract awarded to IRCON. This contributed to the reluctance of Indian investors to put their money into Malaysia. Moreover, only five of the 135 joint-venture memoranda of understanding signed by Malaysia actually took off, accounting for only 0.80% of the total number of joint ventures agreed on between 1991 and 2000. All this changed when Prime Minister Dato' Sri Mohd Najib took over the leadership. It was also during Dato' Sri Mohd. Najib's premiership that he embraced the idea of strategic partnership with India. Many private sector leaders from Malaysia and India believe that the Najib-Manmohan Singh factor is very significant and has been the driving force for the enhanced Malaysia-India economic relationship. Malaysia has been consistently in dialogue with India to move things faster in terms of business and trade. Among the main achievements of Prime Minister Dato' Sri Mohd Najib in bringing Malaysia-India relations to a higher and significant level is the signing of the strategic partnership, which contributed towards having a common economic agreement which included the MICECA, Malaysia-India CEO Forum and finally, diversification of relations to include defence, socio-cultural exchange, tourism and education in the bilateral relations. Since then the Malaysian government has taken India seriously and revised the double taxation agreement, and signed the air services agreement, thereby improving the connectivity between Malaysia and India. It is unlikely that this special relationship will change especially under India's new leadership. Prime Minister Modi's objective to improve infrastructure definitely augers well with Malaysia's agenda of

development. Hence, the new combination of Modi-Najib is likely to continue and benefit both states.

Besides the Najib-Manmohan Singh factor, the support from the government agencies such as the Ministry of Trade and Industry (MITI), Malaysian Industrial Development Authority (MIDA), Malaysia External Trade Development Corporation (MATRADE) and Immigration Department of Malaysia has also been encouraging. Biennial foreign office visits and professional consultations, including on regional and strategic issues of mutual interest - between the Secretary General of the Ministry of Foreign Affairs of Malaysia and the Secretary of the Ministry of External Affairs of India - affirm their commitment to further strengthen bilateral trade, intensify investment cooperation and deepen their economic engagement as the core of the strategic partnership. MIDA is responsible for facilitating and promoting foreign and domestic investments in the manufacturing and services sectors. Besides a global network of offices, MIDA has branch offices in various states to assist investors in the establishment and operation of their projects. MIDA provides assistance to investors from the pre-establishment stage (e.g. in obtaining approvals and incentives) through to the post-establishment stage (e.g. overcoming any problems that may arise in the implementation and operation of their projects).

Another government agency that plays an important role in trade promotion is MATRADE, which is often the first reference point for enquiries and visits by foreign importers. MATRADE also assists Malaysian companies to establish their presence overseas and promote their profiles in foreign markets through various promotional drivers including participation in trade missions, specialised marketing missions and international trade fairs (MATRADE 2012). As a point of reference, MATRADE has its offices in Mumbai and Chennai to facilitate Malaysian and Indian business communities in India. Besides this, the Malaysian government also provides support to facilitate a smooth pathway for the Indian IT expatriates to come and work such as visa approvals. The Malaysian government ensures that any problems faced by the Indian expatriates can be resolved. As a matter of fact, under the Prime Minister Dato' Sri Mohd Najib's administration a special ministerial post was created to facilitate and enhance the economic relations between Malaysia and India. Former Works Minister of Malaysia, Dato' Seri Utama Samy Vellu has been appointed as Special Envoy Minister for Infrastructure to India and South Asia. Many officials in Malaysia and India believe that Dato' Seri Utama Samy Vellu is another driving factor to deepen cooperation between these two countries. With his vast political, technical and cultural experience, Dato' Seri Utama Samy Vellu did not only bring in a lot of projects for Malaysia, but also demonstrated that the human personality is an important element in the Malaysia-India relationship.

There are also two other entities leading the present Malaysia-India trade and investment from the Malaysian side, namely the Malaysia-India Business Council (MIBC) and Malaysia-India CEO Forum. These two bodies were formed as part of the strategic partnership collaboration and can be considered as the prime movers of Malaysia-India economic relations. MIBC is a Malaysian company with an interest in India. It was founded in 2010 and operated completely by the private sector with very little intervention from the government, except when assistance is needed. The formation of MIBC was to fill the gap that existed in the trade links between Malaysia and India. This was because until MIBC was formed, most trading and investments were made through chambers of commerce such as Malaysia Associated Indian Chamber of Commerce and Industry (MAICCI) and State Chambers. MIBC was established to cater for bigger companies and at the same time to help facilitate trade and investment between both countries. Hence, one of the objectives of MIBC is to promote and foster bilateral trade, services and investment between Malaysia and India. MIBC also undertakes the liaison role with the government agencies of Malaysia such as MITI to improve the trading and commercial links between Malaysia and India. It was formed principally to take care of Malaysian companies that are trading or investing in India by providing or setting the right environment under which trade and investment could take place for both countries. According to the President of MIBC, Tan Sri Krishnan Tan, Malaysia encourages investors to invest in other sectors in India besides infrastructure, such as education and medical services. One promising sector is the Small and Medium Enterprises (SME). MIBC believes that SME business provides a huge market for Malaysia and India. MIBC wanted Malaysia-India trade relations to be put in a proper context to indicate that India is an important market for Malaysia. One of the roles that MIBC played was to lobby for the establishment of strategic partnership between Malaysia and India which was signed in 2010 as well as the establishment of the Malaysia-India CEO Forum.

The Malaysia-India CEO Forum was established during the India's Prime Minister, Manmohan Singh's visit to Malaysia in 2010. Both countries established the Malaysia-India CEOs Forum comprising 18 CEOs from both countries, and was jointly launched on 27 October 2010 by the Prime Ministers of Malaysia and India to develop and enhance partnership and cooperation at the business levels. The CEO Forum executives meet twice a year and have informal meetings in between whereby both executives deal with issues and resolve problems. The idea for doing this is to overcome impediments and smoothen pathways to facilitate trade and investment for the private sectors. This forum also serves to disseminate information to people on the opportunities and potential areas of investment. For instance, during

the 2013 conference that was held in Kuala Lumpur, CEOs from Malaysia decided to obtain some direct information from their Indian business counterparts on matters related to trading and investment in India such as the business environment in India, what to do and not to do, clarifying positions in relation to opportunities and issues related to Indian legislations. This forum serves as an advisory body to accelerate bilateral economic relations. Many issues are quietly taken up by the CEO Forum such as on visa problems relating to work permits and issues related to pharmaceuticals. For example, in the pharmaceutical sector, Malaysia faced some problems arising from rules and practices. CEO Forum brought it up to the attention of the Indian government and clarified the matter. Given that most Malaysian businessmen have to deal with the rules and regulations of various state governments of India as well as the federal government, CEO Forum's role is seen as a facilitator. Also, at present the role of CEO Forum is to remove misperceptions regarding the business environment (in India in particular) and providing exposure for the investors on the Malaysian and Indian economy.

Another feature of how the Malaysian government encourages insert its full name (FDI) and attract MNCs was through labour policy and industrial relations laws. The government of Malaysia had introduced and amended few laws and policies regarding labour matters. For example, the adoption of a capital-intensive export-oriented industrialization strategy in the 1990s, saw the introduction of a law to reduce trade union power through the encouragement of enterprise unions, measures to address labour shortages through progressive government policies and strategies to improve the functional flexibility of the labour. Implementation of all these policies was in line with Malaysia's globalization process which benefited Malaysia's economic relations with other nations.

CONCLUSION

The most profound effect of globalization is to see how Malaysia and India position themselves in the global economy. Besides increasing its GDP via trade and investment, economic growth had also expanded, thereby allowing both governments to provide the right environment for private links to be established. According to Tan Sri Ajit Singh (State his portfolio that merits a reference to him), without proper laws and rules, established by the government, it would be difficult for private companies to do any economic activities. Therefore, it is also important to highlight that the role played by the governments (in this case, Malaysia and India) as another element that contributed to the success of embracing globalization. For instance, Malaysian government had to ensure to

limit the influence of global forces and at the same time deploy policies that are beneficial to the country. The nation pursued export promotion policies through FDI-led industrialization approach. Export Processing Zones (EPZ) were established by the government. Firms operating in these zones can import raw materials and intermediary goods at duty free prices provided they export their entire output. This policy had attracted much FDI which placed Malaysia high amongst developing countries in the rankings, according to the globalization index, of trade and FDI (Mamman et al. 2012). In the case of Malaysia-India, there are so many agreements concluded and arrangements established by the governments just to provide a conducive atmosphere for the business community. Thus, the role of globalization has contributed in increasing the economic activities between Malaysia and India.

The state of economic cooperation between both countries today needs a continued positive thrust and stable progression to achieve substantial mutual benefit. There is still a tremendous scope for trade and economic cooperation between the two countries. Trade and industry associations, such as the Confederations of Indian Industries in Malaysia (CIIM), the Malaysia-India Business Council (MIBC), and the Confederation of Indian Industries (CII) must collaborate to bring Malaysia and India closer together. It is important that these associations give some valuable input to encourage companies to do business in both countries and provide insights to companies. From the Malaysian point of view, the business chambers in India can play a key role in sharing the views of their member entrepreneurs and captains of industry on what needs to be done by the Malaysian government in order to attract investments. This is where such agencies play an important role to provide accurate analysis and timely assessment for businessmen from Malaysia and India. Besides this, the role of the private sector is also important to augment the economic relations between Malaysia and India. It will depend on private sectors from both countries to carry the torch of economic relations forward. Given the structure of trade in goods and services between Malaysia and India, it will be necessary for the private sector to take the lead role although the government will still continue to be the facilitator.

The historic and cultural ties between India and Malaysia provide further support to the case for forging a strong two-way economic relations. For a long time Malaysia did not capitalize on India despite the common history, shared heritage and the presence of the Indian diaspora. Malaysia did not foresee the potentials in India until the last five to ten years; Malaysia has now realized the presence of the huge market of India. Under the present administration, especially under Prime Minister Dato' Sri Mohd Najib Tun Razak and Narendra Modi, one can recognise the increasing trajectory in the Malaysia-India relations that is growing and becoming

more significant. Prime Minister Dato' Sri Mohd Najib believes that it is imperative that Malaysia leverages on the historical linkages and develop strategic partnership that is forward looking, comprehensive and mutually beneficial. Hence, Malaysia should work on its policy to attract India and invest in India. Similarly, India adhered to a closed market before it adopted the liberal policy. Now, India has also realized the opportunities that Southeast Asian countries can offer to India. Furthermore, India's close engagement with ASEAN is an important factor in increasing Malaysia's trade with India. Given that Malaysia is the coordinating country within ASEAN for trade with India, Malaysia can exploit this position to forge stronger alliances and fortify its strong relationship with India. On the other hand, Malaysia also realizes that it is not easy to do business with India. There are a lot of challenges, in terms of government regulations, bureaucratic red tape and state government policies, and obstacles especially in obtaining licenses from time to time. Nevertheless, business strives in spite of these challenges. As mentioned by the Malaysian Secretary General to the Ministry of International Trade and Industry, the relations between the business communities will continue to grow and doing business with India has improved and will continue to expand bilaterally.

REFERENCES

- Ardic, N. 2009. Friend or Foe? Globalization and Turkey at the turn of the 21st century. *Journal of Economic and Social Research* 11(1): 17-42.
- Hirst, P, & Thompson, G. (2nd ed.). 1999. *Globalization in Question: The International Economy and The Possibilities of Governance*. Cambridge: Polity Press.
- Hirst, P, & Thompson, G. 2002. The future of globalization. *Cooperation and Conflict: Journal of the Nordic International Studies Association* 37(3): 247-265.
- Holton, R. J. 1998. *Globalization and the Nation-State*. London & New York: Macmillan Press Ltd & St. Martin's Press, Inc.
- IJM (INDIA) Infrastructure Limited. 2013. *Profile of Current & Completed Projects* <http://www.ijmindia.com/>. Retrieved on 5 August 2013.
- IRCON International Limited. 2013. *About IRCON*. <http://www.ircon.org/content.aspx?Title=57> Retrieved on: 10 August 2013.
- Indian High Commission of Malaysia. 2014. *Country Report: India-Malaysia Overview*. <http://www.indianhighcommission.com.my/Bilateral.html>. Retrieved on: 15 February 2014
- Kaur, S. 2013. Scomi Engineering to bid for RM5b projects in India? *New Straits Times*. 16 November.
- Kay, S. 2004. Globalization, Power, and Security. *Security Dialogue* 35(9): 9-25.

- Lakiv, N. 2011. Is globalization a challenge or a threat to nation-states as a dominant form of polity? *Western Balkans Security Observer*, no.21. http://www.academia.edu/2066273/Is_globalization_a_challenge_or_a_threat_to_nation-states_as_a_dominant_form_of_polity Retrieved on: 9 September 2014
- Malaysia External Trade Development Corporation 2012, *Malaysia External Trade Statistics MATRADE*. Kuala Lumpur: MATRADE
- Mamman, A., Baydoun, N., Sulaiman, M., & Ismail, I. 2012, 'Globalization and its consequences: Malaysian managerial perspectives and implications'. *Asia Pacific Business Review* 1(1): 1-27.
- Mann, M. 2001. Has globalisation ended the rise and rise of the nation-state? In D. Held & A. McGrew (eds.), *The Global Transformations Reader*, Malden, MA: Polity Press.
- Ministry of Trade and International Industry (MITI). 2012. *Summary of Malaysia-India Bilateral Trade and Investment*. <http://www.miti.gov.my/cm/content> . Retrieved on: 3 September 2013
- Mittelman, J. (ed.). 1997. *Globalization: Critical Reflections*. London & New York: Lynne Rienner Publishers Inc.
- Nooriah Yusof, Norain Mat Lazim & Sharifah Rohayah Sheikh Dawood. 2013. Pelaburan Asing dan Pencapaian Pembangunan Seimbang di NCER: Satu Ulasan Kritis. *Akademika* 83(2&3): 25-38.
- Rao, G.P. 2013. Interview with Manager, Management Service Division, RECRON Malaysia on 20 August 2013. Kuala Lumpur.
- Recron (Malaysia) Sdn Bhd. 2013. *About Us: RECRON- World's largest integrated polyester & Textile Company*. www.recronmalaysia.com. Retrieved on: 6 August 2013
- Sassen, S. 1997. Whose city is it? Globalization and the formation of new claims. Colombia University Materials Online, New York, USA. www.uni-stuttgart.de/soz/avps/lopof/ak-publikationen.sasses.pdf. Retrieved on: 12 September 2014.
- Scholte, J. A. 2000. *Globalization: A critical introduction*. New York: Palgrave.
- Scomi Engineering. 2013. *About Scomi Engineering: Overview* <http://www.scomigroup.com.my/about/profile.asp> Retrieved on: 30 June 2013.
- Sikri, V. 2013. *India and Malaysia: Intertwined Strands*. State the name of city, Singapore: ISEAS & Manohar.
- Stiglitz, J. E. 2002. *Globalization and its Discontents*. New York : W.W. Norton & Company.
- Wolf, M. 2001. Will the nation-state survive globalization? *Foreign Affairs* 80(1): 78-190.
- Wong, L. 2004. Mahathir, Malaysia and Globalization: Challenging Orthodoxy. <http://globalization.icaap.org/content/v4.2/wong.html> Retrieved on: 22 June 2012.
- Suseela Devi Chandran (corresponding author)
Institut Kajian Malaysia dan Antarabangsa (IKMAS)
Universiti Kebangsaan Malaysia
43600 Bangi
Selangor
E-mail: saisuseela@gmail.com
- Rashila Ramli
Institut Kajian Malaysia dan Antarabangsa (IKMAS)
Universiti Kebangsaan Malaysia
43600 Bangi
Selangor
E-mail: rashila@ukm.edu.my
- Received: 23 March 2015
Accepted: 7 July 2015