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Malaysia-India Economic Cooperation: Fixing the Jigsaw Puzzle

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Abstract

The objective of this paper is to discuss the impact of globalisation on economic cooperation between Malaysia and India. It analyses to what extent globalisation has brought about closer integration between Malaysia and India and the role of the state in stimulating this bilateral cooperation. First, the paper provides a brief background on the economic cooperation. The second section provides a critical assessment of the literature on globalisation and role of the state. The third section evaluates the role of the state as one of the key drivers in directing and promoting economic relations between Malaysia and India.

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Keywords: Economic cooperation; globalisation; Malaysia-India relations; trade; role of the state

1. Introduction

In a report released by the Malaysia External Trade Development Corporation (MATRADE) in 2013, Malaysia is the 12th most competitive economy in the world for doing business, partly attributed to the nation's advanced foreign trade policy and open market (See MATRADE http://www.matrade.gov.my/en/malaysian-exporters/services-for-exporters/trade-a-market-information/trade-statistics). In fact, India has consistently been an important trading partner for Malaysia. Since 1998, India has been Malaysia's largest export destination in the South Asian region (MITI Report 2013). Bilateral trade between Malaysia and India is on an upward trend. From 2003-2013, trade has increased by more than four-fold. In 2013, trade with India amounted to US\$13.38 billion (RM42.12 billion), an increase of 2.4%

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as compared to 2012. Exports contracted by 12.2% to US\$8.17 billion (RM25.74 billion). Imports recorded a tremendous increase of 38.8% to US\$5.21 billion (RM16.38 billion) (MITI Report 2013). Although economic and commercial relations are emerging as the mainstay of the bilateral relationship, the existing volume of trade between Malaysia and India can be still improved. Hence, Malaysia is working closely with India to achieve the growth in the necessary sectors. Trade and investment with India have been in Malaysia's favour since 1992when India opened up its economy and adopted the Look East Policy (LEP) in 1991. For the year 2013, India was one of the trading partners that recorded expansion in trade with Malaysia. Figure 1 shows that the balance of trade which is in favour of Malaysia from the year 2003 (US\$ 1.9 billion) to 2013 (US\$ 3.0 billion), has been on an upward trend. However, the trade and investment with India have been in Malaysia's favour. Besides engaging in trade, Malaysia and India are also active investment partners. Malaysia and India are important destinations for Foreign Direct Investment (FDI). Both countries have adopted proactive investment policies and measures to attract FDI inflows. Both countries are also becoming increasingly significant sources of outward investment.

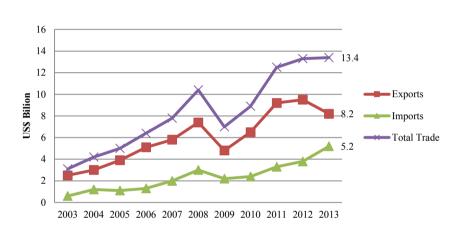


Fig. 1. Malaysia-India Bilateral Trade (2003 - 2013)

Source: Ministry of International Trade and Industry, Malaysia

Although two-way investment flows between Malaysia and India have so far been limited, the continuous investment flows and increase in bilateral trade in recent years indicate that there is potential for increased investment flows between the two countries. It is interesting to see how in the era of economic globalisation the respective governments are expanding to increase the nation's economy, while transnational actors such as multinational corporations, institutional investors and also non-governmental organisations, undoubtedly influence the national policy. This is because there has been much debate about whether globalisation is undermining state sovereignty and the role of the state itself.

2. The Debate: Globalisation and State Power

The standard argument concerning the impact of globalization on the nation-state holds that the new globalised economy allows companies and markets to allocate the factors of production to their greatest advantage, and without the distortions of state intervention (Hirst & Thompson, 1999). It is further argued that the process of globalization is increasing the integration of economies, polities, and cultures, producing a tendency toward uniformity and 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, to harmonize conflicting interests, and to control political processes as well as cultural values and practices within national boundaries (Ardic, 2009). It is also

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