

## Whither India-Malaysia Relations?

Mustafa Izzuddin

### Summary

*The recent bilateral spat between India and Malaysia has brought into sharp focus whether India-Malaysia relations have begun to falter under the administrations of Malaysian Prime Minister Mahathir Mohamad and Indian Prime Minister Narendra Modi. While India-Malaysia relations will continue to wax and wane so long as Modi and Mahathir remain leaders of their countries, there is no imminent risk of diplomatic rupture. Modi and Mahathir should visit each other's country to underscore the importance of India-Malaysia relations in the foreign policies of their respective countries. Both India and Malaysia should focus on what matters: economic engagement, military and defence cooperation and cultivating their diasporic connection.*

### Tilting from India to Pakistan

Even before Malaysian Prime Minister Mahathir Mohamad weighed in on domestic controversies in India that reportedly afflict Muslims (namely, the amendment to the Citizenship Law that excluded Muslims and the revocation of Article 370, which led to him accusing India of “invading and occupying” Muslim-majority Kashmir), he did not prioritise Malaysia’s relations with India, as he was keen on stepping up engagement with Pakistan after Pakatan Harapan won the 2018 general election.

To be sure, Mahathir reversed the foreign policy of Najib Razak’s government which navigated Malaysia’s foreign policy so close to India that it came at the expense of Pakistan. Hence, Mahathir rebalanced Malaysia’s relations by centring Malaysia between the two South Asian countries, but with a tilt in favour of Pakistan. This was despite substantive progress in India-Malaysia relations under Modi and Najib from 2014 to 2018, to the extent that the bilateral relationship was hailed as the best it has ever been in modern times, chiefly after the end of the Cold War. As such, Modi made a strategic decision to detour from his visits to Singapore and Indonesia to congratulate Mahathir in Malaysia on his electoral win so as to keep India-Malaysia relations on an even keel.

Malaysia’s inclination towards Pakistan can be attributed to Mahathir’s propensity for closer relations with countries either in the developing or Islamic world, both of which Pakistan qualifies. It was a return to the past where there was a bent towards Pakistan during Mahathir’s 22 years as prime minister of Malaysia from 1981 to 2003. Mahathir has yet to visit India after he won the 2018 election, although Modi had detoured to visit Malaysia. In contrast, Mahathir had visited Pakistan in 2019, reciprocating Pakistani Prime Minister Imran Khan’s visit to Malaysia in 2018.

Khan’s latest visit to Malaysia in 2020 was a diplomatic exercise in damage control after he bowed out of the Kuala Lumpur Summit, reportedly due to the pressure exerted by Saudi

Arabia. He wanted to ensure that Malaysia's tilt towards Pakistan and Mahathir's rebalancing act between India and Pakistan continued in Islamabad's favour, including on Kashmir, and to capitalise on Pakistan's 'Muslim brotherliness' to fulfil its aspiration to become a full dialogue partner of the Association of Southeast Asian Nations (ASEAN), just as India has been since 1995.

## **The Domestic Rationale**

Mahathir's India-targeted criticism was directed at the domestic populace in Malaysia, and not because he despised India. Mahathir in fact supported India to become a full dialogue partner of ASEAN in 1995, delivered the inaugural India-ASEAN Lecture when he visited India in 1996 and earlier received the Jawaharlal Nehru award for international understanding in 1994.

Consonant with this domestic rationale was Mahathir stepping up efforts to shore up Pakistan's domestic Malay support base after it lost several by-elections. Mahathir also sought to burnish his own Islamic credentials in order to ward off criticism that he is not Islamic enough to be the prime minister of Malaysia.

Just as Modi and his allies have undertaken efforts to shore up the Hindu support base in India, Mahathir has sought to do the same with the Malay-Muslim support base in Malaysia. The rise in Hindu nationalism in India and the attendant rise in Islamophobia provided Mahathir and his allies with political fodder for building up their support among Malay-Muslims in Malaysia by criticising India's treatment of Muslims. Mahathir's reluctance to extradite preacher Zakir Naik to India, which, in turn, strained India-Malaysia relations, also gained traction with the conservative domestic Malay-Muslim populace. Mahathir factored domestic sentiments into his strategic calculus, resulting in clawing back engagement with India but stepping up engagement with Pakistan.

## **The Economic Imperative**

As much as Putrajaya may prefer Islamabad to New Delhi under a Mahathir-led government, Pakistan is no economic substitute to India, which boasts the largest economy in South Asia and is also one of the world's fastest-growing trillion-dollar economies. Realising the immense economic potential in India, Malaysia stepped up economic engagement when it signed a Comprehensive Economic Cooperation Agreement (CECA) with India in 2011. Malaysia also keenly supported the actualising of the ASEAN-India Free Trade Area (AIFTA), which came into effect in 2010.

Riding on the CECA bilateral agreement and the AIFTA, India rose to become Malaysia's largest trading partner in South Asia, while Malaysia became India's third largest trading partner in Southeast Asia, after Indonesia and Singapore. As per the latest data in 2019, the total bilateral trade between India and Malaysia amounted to US\$17.2 billion (S\$24 billion).<sup>1</sup>

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<sup>1</sup> "Malaysia extends 'sweet offer' to India to address trade imbalance", *New Straits Times*, 15 October 2019. <https://www.nst.com.my/business/2019/10/530288/malaysia-extends-sweet-offer-india-address-trade-imbalance>.

In 2017, when India and Malaysia celebrated 60 years of diplomatic relations, the governments of Modi and Najib discussed fulfilling US\$5 billion (S\$7 billion) worth of two-way investments.<sup>2</sup> This has made India one of Malaysia's most important sources of foreign direct investment, particularly in the manufacturing sector. India remains one of the top 20 investors in Malaysia today.<sup>3</sup>

As much as Mahathir is a known iconoclastic statesman on the international stage, he is also an economic pragmatist. Mahathir's criticism of India's domestic policies to him does not equate with downscaling Malaysia's economic engagement with India. In fact, Mahathir dialled back his initial criticism of India's domestic policies when he realised that India's boycott of palm oil exports – Malaysia being the largest supplier of palm oil to India – would have a chilling effect on Malaysia's domestic economy and the attendant employment in the palm oil industry.

As is routine from Mahathir's playbook, however, he resumed his criticism after some degree of normalcy returned through diplomatic channels, including the offer to buy more sugar from India to help resolve the palm oil spat. However, the Bharatiya Janata Party (BJP)-led government was not prepared to play this political game with Mahathir and, hence, decided to restrict trade, with a view of forbidding palm oil exports from Malaysia to India.

In response, Malaysia is seeking to convince India to reverse its latest palm oil sanctions through the diplomatic channels of its foreign ministry whilst the trade and industry Ministry is looking to diversify Malaysia's palm oil exports, Pakistan being an option. Malaysia's goal, however, is to normalise palm oil exports to India, given the importance to its economy and being a lucrative export destination after the European Union imposed a ban on palm oil use.

India should see Malaysia as vital to fulfilling its ambition to become a US\$5 trillion (S\$7 trillion) economy by 2024 as part of its 'Act East' policy. Similar to elsewhere in Southeast Asia, India's economic engagement with Malaysia lags behind China, behooving the Modi government to scale up India-Malaysia economic relations. This dovetails with India giving more weight to bilateral economic engagement with individual Southeast Asian countries after it withdrew from the multilateral mega free trade agreement the Regional Comprehensive Economic Partnership.

As Malaysia is not a member of the India-fronted Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Indian policymakers may want to enlarge its membership by including more countries from Southeast Asia besides the existing members, Thailand and Myanmar. As Malaysia under Mahathir has been sceptical of China's intentions behind its grand Belt and Road Initiative, BIMSTEC could prove to be an attractive

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<sup>2</sup> "India, Malaysia to discuss \$5 billion investments during Najib Razak's visit", *Live Mint*, 30 March 2017. <https://www.livemint.com/Politics/SPRGPvKSHd17Eum0ZGFJ6N/India-Malaysia-to-discuss-5-billion-investments-during-Naj.html>.

<sup>3</sup> "India to remain an important fdi source for Malaysia – MIDA", *Borneo Post*, 15 February 2019. <https://www.theborneopost.com/2019/02/15/india-to-remain-an-important-fdi-source-for-malaysia-mida/>.

option for Malaysia to boost its connectivity not only with mainland Southeast Asia but also South Asia.

To step up its engagement in the Bay of Bengal, Malaysia need to focus on the state of Penang, especially in upgrading the deep-water Penang seaport, which can serve as a critical node linking the Straits of Malacca to the Bay of Bengal in the eastern part of the Indian Ocean. For centuries, the Bay of Bengal was a critical maritime artery for the movement of people and trading goods, Calcutta to Penang being one such route, and Tamil Nadu to Penang along the Coromandel Coast being the other. Due to this interconnectedness, Penang became a maritime hub of economic activity, which eventually produced a vibrant Indian diaspora that still exists today in the state.

Restoring the importance of Penang in the Bay of Bengal necessitates Malaysia and India to cooperate on joint projects in the maritime domain so as to benefit geo-strategically and geo-economically from a bustling Penang port. Malaysia can give India an investment opportunity to augment its Penang port, thereby looking beyond China for investments. Investing in the Penang port should resonate with the Indian government as it dovetails with Modi's own maritime strategy for 'port-led development', which, in turn, is a central plank of India's coherent policy for the Indian Ocean known as SAGAR (Security and Growth for All in the Region).

## **Defence and Security Cooperation**

On defence and security, Mahathir is a neoclassical realist. He is fully cognisant of the transformative geopolitics in the Indo-Pacific region and the implications on smaller countries such as Malaysia and its domestic milieu. Hence, the great strides made so far by India-Malaysia cooperation in the defence and security sectors after a defence cooperation agreement was signed in 1993 will likely continue as per normal, the bilateral spat notwithstanding.

Accordingly, both countries will stick with the Malaysia-India Defence Cooperation Meeting and will also carry on with their joint military exercises to test the interoperability of their navies, armies and air forces. Malaysia has also been invited by India to take part in the biennial multilateral naval exercise at the Andaman and Nicobar Islands called MILAN in March 2020.

India should also encourage Malaysia to participate in the sequel to the maiden trilateral naval exercise called the Singapore-India-Thailand Maritime Exercise (SITMEX) which is aimed at buttressing India's maritime links with Southeast Asian countries whilst contributing to maritime security through the utilisation of the Andaman Sea, a critical geostrategic waterway. As India intends to multilateralise the SITMEX in the future by including more countries from maritime Southeast Asia, Malaysia is an 'oven-ready' option.

India and Malaysia are also keen to cooperate in the areas of counterterrorism, cybersecurity and humanitarian assistance and disaster relief, India's military assistance to Malaysia to locate the missing Malaysian Airlines flight MH370 in 2014 being a case in point.

As Modi's government is keen to promote its domestic 'Made in India' arms industry, Malaysia can be courted to purchase India's military exports. In fact, defence planners in Malaysia have expressed interest to purchase India's Tejas (radiance in Sanskrit) multipurpose combat aircraft.

Malaysia's concern about Chinese assertiveness in the South China Sea, given that it is a claimant to the dispute, suggests that it would welcome enhanced defence relations with India. For India, Malaysia can serve as a strategic front by which it can expand its defence and security footprint in Southeast Asia.

### **The Diasporic Connection**

Malaysia is distinct for being home to not only the largest Indian diaspora but also the largest Pakistani diaspora in Southeast Asia. As the BJP-led government is keen to court the Indian diaspora more aggressively than previous administrations, such as by celebrating Pravasi Bharatiya Divas (Non-Resident Indian Day), Malaysia should naturally be at the top of their list.

With Buddhism being the second largest religion in the country, Malaysia can also be important to India's conduct of cultural diplomacy through the lens of Buddhism for tourism purposes. Modi's 'Buddhist Circuit' initiative, which seeks to double foreign tourist arrivals and revenue by connecting ancient Buddhist heritage sites across India, should resonate with the Buddhist adherents in Malaysia.

Keeping on good terms with India could herald a domestic benefit for the governing coalition come election time. Engaging India could be an important way to win over the Malaysian Indian electorate who comprise around seven per cent of the country's population, and their vote could be critical in the outcome of closely fought electoral seats. In fact, Najib made a trip to India in the election year of 2018 to court the Indian vote, but his effort in that instance was futile in the end.

### **Quo Vadis, India-Malaysia Relations?**

India should recognise Malaysia as an important Southeast Asian country which can serve as a crucial strategic gateway to engaging ASEAN, whilst strengthening its 'Act East' policy. It would, therefore, be a mistake for India to continue its policy of restricting palm oil exports, as this decision does not foster a positive diplomatic climate to improve India-Malaysia relations.

Rather, policymakers in Delhi should reverse the retaliatory action to curb palm oil exports from Malaysia. Delhi's focus should be on economic engagement, military and defence cooperation and courting the Indian diaspora, instead of being fixated on Mahathir's criticism, which was aimed not at India necessarily so much as for domestic consumption.

For its part, Malaysia must understand that Mahathir's critical remarks on a country like India will have consequences, and has, in fact, elicited a strong and swift reaction from the Indian government. Pakistan may be an attractive proposition to Malaysia, but it is clearly

not in a position to replace India in Malaysia's engagement with South Asia. Malaysian policymakers must realise that India remains the South Asia's gateway, and hence, India-Malaysia relations must be prioritised and nurtured accordingly.

Malaysia's game plan for its South Asia policy should be to keep India-Malaysia relations on a progressive path while courting others in South Asia, Pakistan being a priority, followed by Sri Lanka and Bangladesh.

While there is no imminent danger in India-Malaysia relations rupturing, the bilateral friction is set to continue so long as Modi and Mahathir remain leaders of their respective countries. The more there are domestic policies enacted by the Modi-led BJP government that affect Muslims, the more Mahathir will likely speak out against perceived anti-Muslim acts of bigotry.

Should Modi and Mahathir visit each other's country, with Mahathir going first to India as Modi visited Malaysia, this will provide a diplomatic outlet at the highest level to mend fences and intensify efforts towards making India-Malaysia relations more significant in each other's foreign policy. Otherwise, unless a new political leadership comes along, India-Malaysia relations will continue to wax and wane in the next decade.

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Dr Mustafa Izzuddin is a Research Fellow at the Institute of South Asian Studies (ISAS), an autonomous research institute at the National University of Singapore (NUS). He can be contacted at [isasmi@nus.edu.sg](mailto:isasmi@nus.edu.sg). The author bears full responsibility for the facts cited and opinions expressed in this article.