



Submission No 22

Inquiry into Australia's Relationship with Malaysia

Organisation: Department of Foreign Affairs and Trade

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JSCFADT's Inquiry into Australia's Relationship with Malaysia

DFAT's attendance at public hearing
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Questions requiring follow-up

INVESTMENT

- a. Can you provide information on inward investment into China compared with South-East Asia. (*Mr Jull*)

FDI inflows, by region and selected countries, 1994-2005 (US\$Billion)

	1994-99 (annual average)	2000	2001	2002	2003	2004	2005
China	40.7	40.7	46.9	52.7	53.5	60.6	72.4
South-East Asia	27.4	23.5	19.6	15.8	19.9	25.7	37.1

In 2005, about two thirds of Foreign Direct Investment (FDI) inflows in Asia went to China (US\$72.4 billion) and Hong Kong (US\$36 billion). The South-East Asian subregion received US\$37 billion, led by Singapore (US\$20 billion) and followed by Indonesia (US\$5 billion), Malaysia and Thailand (US\$4 billion each).

(Source: World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development, United Nations Conference on Trade and Development)

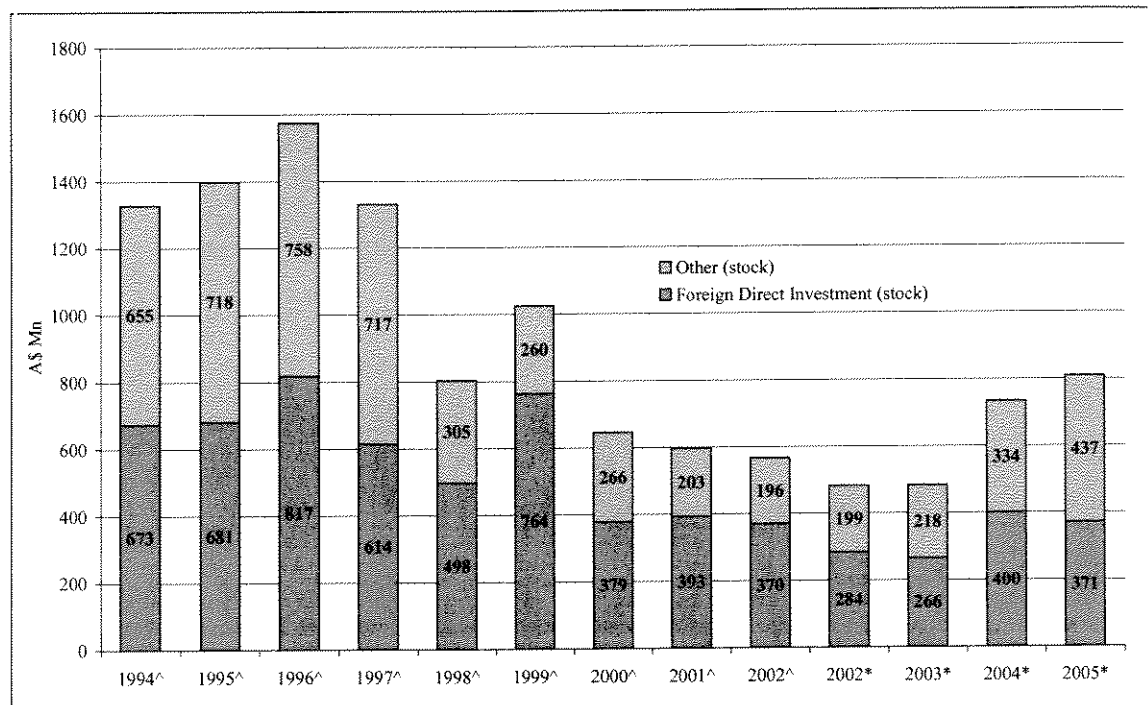
- b. What level of capital flight has there been out of Malaysia since the Asian financial crisis? (*Mr Thompson*)

The International Monetary Fund (IMF) estimates that portfolio capital outflows from Malaysia equated to about US\$10.5 billion between July 1997 and the end of August 1998. The Malaysian Government imposed capital controls in September 1998 (which have since been eased). Foreign investment into Malaysia recovered quickly relative to other South-East Asian countries affected by the financial crisis and has been on an upward trend since 2000, although ASEAN-5's (Indonesia, Singapore, Malaysia, Thailand, the Philippines) share of Asia-bound FDI shrunk from 51 per cent in 1990 to only 11 per cent in 2001.

(Source: International Monetary Fund Working Paper 06/51, 1 February 2006)

c. Is Australian investment into Malaysia at all-time low? (Senator Ferguson)

According to the latest ABS data, in 2005, the stock of Australian foreign direct investment (FDI) in Malaysia was \$371 million. However, in 2003, the stock of Australian FDI in Malaysia was \$266 million¹.



Notes: [^] Financial year data at 30 June; ^{*} calendar year data at 31 December.

In the above chart, "other" investment typically comprises holdings of equity securities (e.g. shares), debt securities (e.g. commercial bonds) and financial derivative assets.

(Source: Department of Foreign Affairs and Trade; Invest Australia; Australian Bureau of Statistics)

¹ Prior to 2005, Australian investment abroad was reported on the basis of the historical cost of a given investment. Since 2005, the ABS has moved to the IMF recommended approach of reporting on the basis of the current market value of a foreign direct investment. The ABS has only applied this methodological revision to investment data from 2001 onwards, which reduces the validity of undertaking comparisons of investment data before and after 2001.

AVIATION

- d. **Qantas has some problems with Jetstar Asia over the Singapore-Kuala Lumpur route. Has this been raised with the Australian Government and have we done anything about it? (Mr Jull)**

Qantas has a 49 per cent shareholding in Jetstar Asia Airways Pte Ltd (Jetstar Asia), an airline company incorporated in Singapore.

In early 2005, Qantas first informed the Department of Transport and Regional Services (DOTARS) that Jetstar Asia was experiencing difficulty obtaining satisfactory rights under Singapore's bilateral air services arrangements with other countries, including Malaysia, to operate between Singapore and Malaysia (and other countries). Qantas has not asked DOTARS to formally intervene on its behalf on this issue. Issues affecting the operations of Singaporean and Malaysian airlines between those two countries are strictly matters for bilateral discussion between the Governments of Singapore and Malaysia.

Australian carriers have rights from both countries to operate between Singapore and Malaysia as part of a through international service, should they wish to exercise them.

(Source: Aviation and Airports Division, Department of Transport and Regional Services)

CONSULAR

- e. **Are there any Australians in prison at the moment in Malaysia? (Senator Moore)**

As of 13 November 2006, there are three active arrest cases in Malaysia, however, court proceedings are still continuing and no sentences have been handed down by the courts. In two of the cases, the Australians are on bail (not in detention or jail). In the third case, an Australian is in detention pending finalisation of police investigations and an application for bail.

(Source: Consular Operations Branch, Department of Foreign Affairs and Trade)

PUBLIC DIPLOMACY

f. Can you provide more information about the department's International Media Visits Program? (*Senator Webber*)

The International Media Visits (IMV) Program helps generate informed international media coverage on Australia, our economic strength and key foreign and trade policy objectives. The department brings senior international journalists and commentators to Australia as IMV visitors, providing targeted programs according to their interests. In the 2005-06 financial year, the department arranged 13 visits involving 36 media representatives. Visitors are selected on the basis of their ability to influence and contribute to improved international understanding of Australia's foreign and trade policy. Visitors appreciated the opportunity to interview ministers, officials and members of the business and academic communities, leading to strong coverage of Australia in influential (print and television) media outlets.

Highlights included visits by: two groups of trade and economic editors from China with specific interest in the Australia-China FTA process; a media contingent from Iraq, a senior editor from Papua New Guinea timed to coincide with the 30th anniversary of PNG's independence; a group of East Asian media in advance of the first East Asia Summit – which was a valuable opportunity to promote Australia's interests in regional cooperation, security, trade, counter-terrorism and disaster management; and four senior defence journalists from Malaysia, Thailand, Cambodia and Indonesia to observe the 'Pacific Protector 06' counter-proliferation exercise. Subsequent reporting by the defence journalists provided informed coverage of Australia's contribution to regional security.

(Source: Images of Australia Branch, Department of Foreign Affairs and Trade)

g. Is the Australia-Thailand Institute considering starting visit exchange programs with a media component? (*Senator Webber*)

In September 2005, the Australia-Thailand Institute sponsored an Assistant Group Editor of the Bangkok-based The Nation Multimedia Group to visit Australia under its visit exchange program.

(Source: Australia-Thailand Institute, Department of Foreign Affairs and Trade)

TOURISM

h. Was the “Where the bloody hell are you” campaign used in Malaysia and can we provide more details on tourism statistics? (*Mrs Draper*)

Tourism Australia’s “Where the bloody hell are you?” campaign has not been used in Malaysia, but will be launched in the 2006-07 financial year and presented in an appropriate manner for the Malaysian market.

In 2005, there were 166,000 visitors from Malaysia to Australia. For the first nine months of 2006, there were 103,500 visitor arrivals from Malaysia, down 13.5 per cent on the same period in 2005.

According to the Malaysian Tourism Board, there were 265,346 visits by Australians to Malaysia during 2005, up 30 per cent from 2004.

(Source: Department of Industry, Tourism and Resources; Tourism Australia; Malaysian Tourism Board)

ALUMNI

- i. How many Ministers in the Malaysian Government received their education in Australia? (*Mr Jull*)

List of Federal Ministers and State Chief Ministers in Malaysia who received their education in Australia

	ALUMNI	INSTITUTION
1.	YB Dato' Sri Mohd Effendi Norwawi <i>Minister in the Prime Minister's Department</i>	University of Tasmania
2.	YB Datuk Dr. Maximus Johnity Ongkili <i>Minister in the Prime Minister's Department</i>	La Trobe University
3.	YB Dato' Seri Syed Hamid Bin Syed Jaafar Albar <i>Minister of Foreign Affairs</i>	Geelong Grammar School
4.	YB Dato' Mustapa bin Mohamed <i>Minister of Higher Education</i>	University of Melbourne
5.	Dato' Seri DiRaja Mohammad Tajol Rosli bin Tan Sri Mohd. Ghazali <i>Chief Minister of Perak</i>	University of Melbourne
6.	YAB Dato' Haji Abdul Ghani bin Othman <i>Chief Minister of Johor</i>	La Trobe University
7.	YAB Dato' Seri Idris bin Jusoh <i>Chief Minister of Terengganu</i>	Blackburn High School
8.	YAB. Datuk Musa Haji Aman <i>Chief Minister of Sabah</i>	Edith Cowan University
9.	YAB Pehin Sri Dr. Haji Abdul Taib Mahmud <i>Chief Minister of Sarawak</i>	University of Adelaide
10.	YB Tan Sri Datuk Amar Dr. George Chan Hong Nam <i>Deputy Chief Minister of Sarawak</i>	University of Sydney
11.	DYMM Tuanku Syed Faizuddin Putra Ibni Tuanku Syed Sirajuddin Jamalullail <i>Head of State: Perlis Indera Kayangan</i>	La Trobe University

(Source: Australian High Commission, Malaysia)

BIOFUELS

- j. Can you provide me with information on Malaysia's biofuel policies. Is there any internal mandating of biofuels in Malaysia? Is Malaysia's focus and emphasis on the export of biofuels rather than domestic consumption? Does Malaysia provide any export incentives/assistance for biofuel exports? (Senator Ferguson)**

Malaysia is developing a National Biofuel Policy, which encompasses the formulation of a *Biofuel Act* as well as incentives to encourage private sector involvement. The legislation is scheduled to be tabled in Parliament in late 2006.

As part of the 2007 Budget, it was announced that Bank Pembangunan Malaysia would establish a RM500 million biodiesel fund to assist in the further development of the biodiesel industry. In March 2006, the Government launched a RM7 million program to promote the use of ENVO Diesel (B5 blend of biodiesel).

Five biodiesel companies with Australian equity interests have been granted manufacturing licences in Malaysia:

- Sterling Biofuels International through its wholly-owned Malaysian subsidiary, SPC Biodiesel Sdn Bhd, will construct and operate a 100,000-tonne per annum biodiesel plant in Lahad Datu in the Malaysian state of Sabah.
- Mission Biofuels through its wholly-owned Malaysian subsidiary, Mission Biotechnologies Sdn Bhd, is proposing to establish a 100,000-tonne per annum biodiesel refinery in Kuantan, Malaysia. Mission Biofuels intends to sell biodiesel into the European market.
- Jupiter Biofuels, a wholly-owned Australian company is due to commence construction of a 250,000-tonne per annum biodiesel (palm oil) refinery in Kuantan, Malaysia, in 2007.
- Biodiesel SP Sdn Bhd, which has a 25 per cent Australian equity interest.
- PME Biofuels Sdn Bhd, which has a 90 per cent Australian equity interest.

(Source: Australian High Commission, Malaysia; Department of Industry, Tourism and Resources; Malaysian Budget 2007 – Treasury Malaysia; Malaysian Industrial Development Authority)

k. Does biofuel trade feature in the Malaysia-Australia Free Trade Agreement negotiations? (*Senator Webber*)

The Malaysia-Australia Free Trade Agreement negotiations on goods market access are comprehensive and cover all goods, including biofuels. The negotiations on market access are still at an early stage and have not yet focused on individual sectors, such as biofuels. Australia is seeking reduction and elimination of tariffs on all goods.

(Source: Asia Trade Taskforce, Department of Foreign Affairs and Trade)

STATE GOVERNMENT REPRESENTATION

l. Which State Governments (Departments of Economic Development) have representative offices in Malaysia? (*Mr Jull*)

Western Australia has an International Trade and Investment Office based in Kuala Lumpur.