

## Security and defence ties

### **Background and strategic imperatives**

- 3.1 Malaysia's geo-strategic location makes it important to Australia's defence and security planning and to the region as a whole. Geographically, Malaysia is centrally positioned within Asia, and is strategically located on Australia's northern air and maritime approaches. It is also located astride the important sea lanes of the Malacca Straits and the Sulu and Celebes Seas.
- 3.2 Australia and Malaysia have historically enjoyed a strong defence relationship. Australian troops fought alongside Malaysians during the Malayan campaign of World War II, and as part of a Commonwealth force to defeat the Malayan Communist insurgency during the Malayan Emergency (1950-1960) and during the period of Confrontation (1963-66).

### **Malaysia-Australia Joint Defence Programme**

- 3.3 The Malaysia-Australia Joint Defence Programme (MAJDP) provides a framework for a broad range of bilateral defence interaction. The programme, formally commenced in 1992, includes annual combined field exercises, the training of Malaysian military personnel in Australia, and the attachment of Armed Forces personnel from each

country to the other.<sup>1</sup> According to Defence's submission, the MAJDP 'emphasises mutual benefit and reciprocity, and focuses on jointly identifying mutual priorities for the future.'<sup>2</sup>

## Five Power Defence Arrangements

- 3.4 The Five Power Defence Arrangements (FPDA) is another important plank of Australia's defence and security relationship with Malaysia. The FPDA was formally established in 1971 and commits Australia, along with New Zealand and the UK, to assist Malaysia and Singapore against external aggression. More recently, the focus of the FPDA has been expanded to address non-conventional threats facing the region such as terrorism and maritime piracy, and is an important stabilising force in the region.<sup>3</sup>
- 3.5 Defence explained to the Committee the value of the FPDA and importance of UK involvement:

FPDA exercises provide the five-member nations with valuable, realistic and professional training in war fighting; training which is difficult for our military forces to obtain elsewhere ... The valuable experience gained through simultaneous surface and air combat provides real benefits to all FPDA member nations and remains an important component of current and future FPDA engagement.

The UK will take the lead for the inaugural Exercise Suman Protector in 2007 ... [it] is a command post exercise and will exercise higher headquarters functions supporting a Combined Joint Task Force Commander in a multinational coalition environment.

... the United Kingdom will deploy a 620-strong contingent to Malaysia ... the large size of United Kingdom deployment is such that no other FPDA member nation could be capable of contributing to future iterations of the Exercise and is another indication of the high value the United Kingdom places on its participation in the Arrangements.<sup>4</sup>

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1 DFAT, *Submission No. 11*, p. 77.

2 Defence, *Submission No. 13*, p. 94.

3 DFAT, *Submission No. 11*, p. 77.

4 Defence, *Submission No. 26*, pp. 234-5.

## The Malacca Strait

- 3.6 Malaysia sits astride the Malacca Strait, through which 50 000 ships, half of the world's seaborne oil shipments and a quarter of its maritime trade pass every year. Piracy is a serious problem in the area, and recently concerns have been raised that terrorist activities might occur in the Strait.<sup>5</sup> Through both bilateral and multilateral channels, Australia has offered and given assistance to Malaysia, and to other littoral states Singapore and Indonesia, in enhancing the security of the Malacca Strait. FPDA exercises now include a maritime security scenario.<sup>6</sup>

## Strategic and officer-level dialogue

- 3.7 Australia and Malaysia share an active strategic dialogue, both bilaterally and multilaterally. The Defence Ministers of both countries meet formally at the triennial FPDA Defence Ministers' Meeting, and informally in other years. The Chiefs of Defence Forces meet annually at the FPDA Defence Chiefs' Conference, and inaugural Navy to Navy talks were held in 2005. In 2005 DFAT led, and the Department of Defence participated in, the Regional Security Dialogue with Malaysia.<sup>7</sup>
- 3.8 There is also an active senior officer visit programme between the two countries. In 2006, Malaysia's Chief of the Defence Force, Secretary, Chief of Navy and Chief of Army visited Australia, while Australia's Minister for defence, Chief of the defence Force and Secretary visited Malaysia. There are also frequent senior officer meetings at regional fora.<sup>8</sup>

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5 Damon Bristow, 'The Five Power Defence Arrangements', *Contemporary Southeast Asia* 27(1) 2005, p. 8.

6 Defence, *Submission No. 26*, p. 234.

7 Defence, *Submission No. 13*, p. 95.

8 Defence, *Submission No. 13*, p. 95.

## Training and educational exchanges

3.9 A large number of Australian Defence Force (ADF) and Malaysian Armed Forces (MAF) personnel are stationed in either Malaysia or Australia. There are 12 MAF officers on long term postings to various ADF sites around Australia, and six ADF officers on long term postings in Malaysia. According to the Department of Defence, the postings

... contribute to the close personal links between members of the ADF and MAF, and provide service personnel with insight into each other's practices and perspectives.<sup>9</sup>

3.10 There are also extensive bilateral educational exchanges, which help foster understanding of each nation's strategic concerns, develop closer personal ties and maintain regular contact that builds confidence for cooperation in other areas. In 2006, Malaysia was offered 99 positions for short term ADF training courses and 11 postgraduate scholarships for defence related study. The number of courses and scholarships offered was more than was offered to any other country.<sup>10</sup>

## Military bases

3.11 Australia is currently the only country with forces permanently based in Malaysia. In 1958 Air Base Butterworth, although owned by the RAF, was placed under Royal Australian Air Force (RAAF) control as part of the Commonwealth Strategic Reserve. Following this, the RAAF 78 Fighter Wing, comprising 3 and 77 Squadrons flying Sabre aircraft, and also 2 Squadron flying Canberra bombers, was established in Butterworth.<sup>11</sup>

3.12 In 1970, following the return of ownership of Butterworth to Malaysia, Australia was granted permission to continue using the base. Two RAAF Mirage fighter squadrons were deployed to Butterworth, and Mirage fighters remained at the base until 1988.

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9 Defence, *Submission No. 13*, p. 95.

10 Defence, *Submission No. 13*, p. 95.

11 Defence, *Submission No. 13*, p. 96.

Today, approximately 51 ADF personnel, supported by various aircraft, are stationed at Butterworth.<sup>12</sup>

- 3.13 The Australian military presence at Butterworth provides tangible benefits for Australia. It enhances Australia's ability to conduct maritime surveillance activities in the region, in particular through RAAF AP-3C surveillance flights under Operation Gateway.<sup>13</sup>
- 3.14 It also provides valuable experience for ADF personnel by allowing them to interact with the MDF, and developing understanding of Malaysian and regional culture. Rifle Company Butterworth is comprised of approximately 120 ADF personnel on a 13 week rotation at Butterworth, facilitating the development of proficiency in infantry tactics and exposing personnel to a foreign regional environment.<sup>14</sup>
- 3.15 The ADF's presence at RMAF Butterworth is also of substantial strategic value. It acted as a transit hub during the Vietnam War and played a key role in the evacuation of Australian nationals from Cambodia in 1997. In 2004, RMAF Butterworth operated as a forward logistics hub for ADF operations in Aceh, with the ADF's existing facilities, locally deployed civilians and deployed units facilitating and enhancing Australia's rapid and successful response to the 2004 tsunami.<sup>15</sup>

## Military exercises

- 3.16 Australia and Malaysia participate in a range of military exercises together, both bilaterally and multilaterally. The Army exercise Southern Tiger, Haringaroo, is held three times a year, while the bilateral Navy exercise Mastex is conducted annually. Regular special forces exercises are also conducted.<sup>16</sup>
- 3.17 Multilaterally, both countries participate in land and maritime exercises under the FPDA, and Malaysia has been invited to participate in the Australian-led multilateral air exercise Pitch Black. Naval engagement occurs during the RAN-led multilateral maritime exercise Kakadu, and the Royal Malaysian Navy (RMN) has been

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12 Defence, *Submission No. 13*, pp. 96-7.

13 Defence, *Submission No. 13*, p. 97.

14 Defence, *Submission No. 13*, p. 97.

15 Defence, *Submission No. 13*, p. 97.

16 Defence, *Submission No. 13*, p. 96.

invited to participate in the multilateral submarine exercise Pacific Reach which will be held in Australia in 2007.<sup>17</sup>

## Defence industry cooperation

### Nature and extent

- 3.18 As Malaysia's economy has grown, so too has interaction between Australian defence industry and the MAF. Recent examples of defence industry cooperation include the production of:
- aircraft and helicopter parts and support;
  - personnel protection equipment;
  - night vision devices; and
  - propellant for small arms ammunition.<sup>18</sup>
- 3.19 Malaysia is currently seeking to upgrade its maritime capability in defence and in the newly established Malaysian Maritime Enforcement Agency, and Australian companies are well placed to cooperate in areas including:
- shipbuilding;
  - design, repair and maintenance;
  - sub-sea communications technology;
  - surveillance and tactical data systems;
  - risk management and response systems and services; and
  - battery propulsion products.<sup>19</sup>
- 3.20 In August 2005, Western Australia's Department of Industry and Resources led a marine and defence trade mission to Kuala Lumpur, which identified up to \$1 billion worth of potential business.<sup>20</sup>

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17 Defence, *Submission No. 13*, p. 96.

18 Defence, *Submission No. 13*, p. 97.

19 Western Australian Department of Industry and Resources, *Media Release, 15/9/2005* <<http://doir.wa.gov.au/businessandindustry/6035CB077F3946D1967D281A6559DF2E.asp>> , accessed 9/10/2006

- 3.21 A supplementary submission from the Department of Industry, Tourism and Resources (DITR) advised the Committee that a number of potential shipbuilding contracts had resulted from the visit, some of which were 'currently under negotiations.'<sup>21</sup>
- 3.22 Defence noted that it provided encouragement and support for Australian defence industry participation in the Malaysian Multirole Support Ships acquisition programme. There have been a range of Ministerial communications with Malaysian counterparts supporting Australian company efforts, and on going consideration, at Malaysia's request, of a Government-to-Government arrangement covering the Malaysian acquisition.<sup>22</sup>
- 3.23 Defence continued that purchase of the multirole ships from an Australian company would be on a commercial basis, but that a Government-to-Government arrangement could potentially be undertaken under the existing MAJDP. This would cover such matters as research and development cooperation, joint training and doctrinal development, and technology transfers.<sup>23</sup>
- 3.24 Other States have been active in developing a defence industry relationship with Malaysia.
- 3.25 In April 2006, the Deputy Premier and Minister for Industry and Trade of the South Australian Government, accompanied a South Australian trade mission to Malaysia, which coincided with the Defence Services Asia Exhibition in Kuala Lumpur. During his visit he also met with Hon Rafidah Azaz, Malaysia's Minister for International Trade and Industry, who later paid a visit to South Australia in August 2006.<sup>24</sup>

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20 Western Australian Department of Industry and Resources, *Media Release, 15/9/2005* <<http://doir.wa.gov.au/businessandindustry/6035CB077F3946D1967D281A6559DF2E.asp>> , accessed 9/10/2006

21 DITR, *Submission No. 25*, p. 229.

22 Defence, *Submission No. 26*, p. 233.

23 Defence, *Submission No. 26*, p. 233.

24 Government of South Australia, *Submission No. 24*, p. 220.

3.26 The Northern Territory Government stated that the Northern Territory's developing defence industry is

... well placed to contribute to appropriate exports to Malaysia and provide support services in Australia to Malaysia's defence forces involved in joint exercises and undertaking defence-related activities in our region.<sup>25</sup>

## Challenges and successes

3.27 The Australian Defence Information and Electronic Systems Association (ADIESA), told the Committee that some members of ADIESA and other companies working in the same area report that dealings with the Malaysian Government and Malaysian companies have been positive. 'They are a joy to work with; they are welcomed into the country; they do exceptionally well.' The witness noted that, while the value of contracts is modest, Australian defence industry has 'some quite important influence in the development of Malaysia's own ICT and electronic infrastructure.'<sup>26</sup>

3.28 On the other hand, some companies had reported difficulties. The witness cited the problem of some companies disengaging when asked for various inducements 'to assist decision makers to facilitate a decision in favour of company X.'<sup>27</sup>

3.29 ADIESA also told the Committee that some of its members had complained about the slow nature of decision making; for instance, when a Malaysian company was reluctant to express concerns or to raise problems concerning the contract or with the engineering design. This was cited as an example of the importance of cultural understanding not only within business but more broadly within the bilateral relationship.<sup>28</sup>

3.30 The South Australian Government also expressed concern concerning the Malaysian requirement that all government agencies procure supplies and services from local sources. This was particularly detrimental to the South Australian defence industry, and the South Australian Government suggested that it be addressed in the proposed FTA.<sup>29</sup>

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25 Northern Territory Government, *Submission No. 20*, p. 177.

26 Mr Brett Biddington, *Transcript 16 October 2006*, p. 25.

27 Mr Brett Biddington, *Transcript 16 October 2006*, p. 25.

28 Mr Brett Biddington, *Transcript 16 October 2006*, p. 26.

29 Government of South Australia, *Submission No. 24*, p. 222.



## Committee comment

- 3.31 Evidence given at this inquiry has indicated that the bilateral defence relationship is overwhelmingly positive and provides substantial benefits for Australia. There is a strong foundation for this relationship to develop further.
- 3.32 The continued stationing of ADF personnel at RMAF Butterworth is of significant value to the Australia–Malaysia relationship. Not only does it provide useful mutual understanding at the military level, but also at the cultural level.
- 3.33 Malaysia’s strong military professionalism and capacity ensures it is able to respond effectively to military and humanitarian tasks and cooperate with the ADF to address security challenges. The benefits flowing from the close defence relationship were demonstrated in East Timor, with Malaysia willing and able to operate with the ADF under Australian command.

