



Submission No 24

Inquiry into Australia's Relationship with Malaysia

Organisation: Government of South Australia

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Hon David Jull MP
Chair
Foreign Affairs Sub-Committee
Joint Standing Committee on Foreign Affairs, Defence and Trade
Parliament House
CANBERRA ACT 2600

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David,
Dear Mr Jull

I refer to your letter dated 19 August 2006 to the South Australian Premier, Hon Mike Rann, regarding the Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into Australia's relationship with Malaysia. As Minister for Industry and Trade, I am responding on behalf of the South Australian Government.

South Australia enjoys a close relationship with Malaysia, which has been developed through diplomatic, cultural and commercial linkages.

Government-to-Government links between South Australia and Malaysia are strong. There have been numerous official Government visits between South Australia and Malaysia. In April 2006, I accompanied a South Australian trade mission to Malaysia, which coincided with the Defence Services Asia Exhibition in Kuala Lumpur. During my visit, I also met with Hon Rafidah Aziz, Malaysia's Minister for International Trade and Industry, who paid a visit to South Australia in August 2006.

South Australia and Malaysia have a long history of cultural linkages. For example, the City of Adelaide and the City of Georgetown, Penang have had a long-standing sister city relationship since 1973. There have been activities organised between Adelaide and Georgetown since then. The relationship was established initially for cultural exchanges between the two cities. However, in the last decade or so it has been extended to include some trade elements.

In the professional training area, South Australia and Malaysia also enjoy a constructive and close exchange relationship. For example, the South Australian Children, Youth and Women's Health Services (CYWHS) and the Malaysian Government signed a *Letter of Intent* in April 2005. The *Letter of Intent* was signed at a ceremony in Sydney, which was attended by the Malaysian Prime Minister and will start a process that will allow health and medical specialists in both countries to further their training and gain valuable knowledge through collaboration.

Private sector linkages with Malaysia are equally strong. The Australia Malaysia Business Council (SA) Inc. actively promotes trade between South Australia and Malaysia. The Council organises trade delegations to Malaysia on an annual basis. Three South Australian universities have established alumni associations in Kuala Lumpur. Malaysian students and several prominent Malaysians have been educated through the *Colombo Plan* scholarship scheme. A notable example is the Chief Minister of Sarawak, YAB Tan Sri Taib Mahmud.

Trade and Economic Relations

Malaysia is an important trading partner for South Australia. In 2005-06, two-way merchandise trade between South Australia and Malaysia was valued at \$538.8 million, which was 18 percent higher than the previous financial year. South Australia recorded a trade surplus of \$276 million over this period.

In 2005-06, Malaysia ranked as the 7th largest export destination for South Australian goods. South Australia exported over \$400 million worth of goods to Malaysia, reflecting an increase of 23 percent (or \$75 million) from the previous year. The State's leading exports to Malaysia were refined copper (up 24 percent to \$264 million), combined confidential items (mainly bulk grains) (up 66 percent to \$46 million) and waste and scrap of alloy steel (up 50 percent to \$21 million).

Over the same period, Malaysia ranked 13th in importance as a South Australian import source. The State imported \$131 million worth of goods from Malaysia, representing an increase of 6 percent (or \$8 million) from the previous year. The State's top imports from Malaysia were radio receivers and sound recording apparatus (down by 23 percent to \$22 million), parts and accessories for machines for reading, transcribing and processing data (up significantly by 6000 percent to \$6 million) and wooden framed seats (down 16 percent to \$6 million).

Education and tourism are the State's largest services sectors in terms of export values, and Malaysia is an important market for these sectors. In 2005-06, South Australia welcomed 8,900 visitors from Malaysia. In the 2005 calendar year, South Australian education institutions hosted over 2,000 Malaysian students, which made Malaysia the second most significant source country for overseas students. Several South Australian institutions have established campuses or had twinning arrangements with Malaysian education institutions in Malaysia.

A number of South Australian businesses have established joint ventures in Malaysia covering agrifood, health, building materials, IT and consulting. Malaysian firms are investing in the manufacturing, call centre, construction and hotel industries in South Australia. Malaysian trade authorities have already expressed interest to work with the South Australian Government in promoting collaboration and joint venturing between Malaysian and South Australian companies. I trust the near future will see increasing two way investment between Malaysia and the State.

Key South Australian Issues

In November 2004, the South Australian Government made a submission to the Hon Mark Vaile on a possible free trade agreement with Malaysia (copy attached). The submission raised a number of market access issues and concerns for South Australia, which included recognition of qualifications and licenses to practise, movement of business people, government procurement, investment policy, and rules of origin. Key South Australian industry-specific issues relating to manufacturing, wine, creative industries were also highlighted in South Australia's original submission.

During the consultation process towards the preparation of this submission, the South Australian Government identified further issues which are complementary to the issues specified in the State's original submission.

Halal Certification

Malaysia has developed 'Halal' certification, a total quality health and sanitary system which involves adopting procedures for slaughtering, processing and other related operations as prescribed by Islamic rules. This system certifies products such as meat and poultry products, pharmaceuticals, toiletries, cosmetics and confectionery.

There is increasing demand for South Australian Halal products in Malaysia. However Halal certification remains an issue because there are numerous certifying bodies in Australia. The submission calls on the Federal Government to work with the Malaysian Government and endorse one certifying body to simplify the process and build a brand for exporters to use as a marketing tool.

Government Procurement

The Malaysian Government intends to maintain the requirement that all government agencies procure supplies and services from local sources. This requirement has limited opportunities for South Australian industries, particularly the defence industry, to enter or expand in the Malaysian market.

The South Australian Government raised this issue in its original submission. However, I believe it is worth reiterating here. As you might already know, during the Australia-Malaysia FTA negotiations, Malaysia has been reluctant to discuss government procurement issues. The South Australian Government would like to see the Federal Government continue to push for the inclusion of commitments on government procurement in the FTA.

As I have already stated, South Australia enjoys a close and friendly relationship with Malaysia and I strongly believe that our bilateral relationship will continue to be enhanced through our ever-increasing cultural, commercial and diplomatic exchanges.

In addition, the Government of South Australia welcomes ongoing consultation between the Commonwealth Government and Australia's states and territories during the Australia-Malaysia FTA negotiations. This said, the South Australian Government will not support any FTA at any cost. I thank you for the opportunity to present the South Australian Government's views on our relationship with Malaysia.

Yours sincerely



Kevin Foley MP
DEPUTY PREMIER
MINISTER FOR INDUSTRY AND TRADE