
The Parliament of the Commonwealth of Australia

Australia's relationship with Malaysia

Joint Standing Committee on Foreign Affairs, Defence and Trade
Foreign Affairs Sub-Committee

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Foreword

It is fitting that this report into Australia's relationship with Malaysia is tabled in the year which marks 50 years since Malaysia achieved independence. The relationship, however, is older dating from at least the 19th-century when Malays participated in the pearling industry in Australia's northern waters.

Australians fought alongside Malaysians in the 1941–42 Malayan Campaign in World War II, and assisted the newly independent Malaysia in the 1960s during confrontation with Indonesia.

The current links between Australia and Malaysia are multifaceted and occur at many levels – from formal government and Parliamentary relations, through the interactions between organisations, to the informal interactions between individuals.

Australia–Malaysia relations received a significant boost when in April 2005 the Malaysian Prime Minister, Dato' Seri Abdullah Badawi visited Australia. Reciprocal visits by Australian and Malaysian Government Ministers are frequent and inter-government cooperation and consultation exist at many levels.

An important step in the development of the relationship was the creation in 2005 of the Australia-Malaysia Institute. Its aim includes increasing knowledge and promoting understanding between the people and institutions of Australia and Malaysia, and enhancing people-to-people links.

At the private sector level there is the Australia-Malaysia Business Council (AMBC) which was established in 1998. Besides promoting trade, investment, economic co-operation and tourism between the two countries, the AMBC aims to foster friendship and cultural understanding.

Australia's defence relationship with Malaysia is underpinned by the Five Power Defence Agreement which also includes New Zealand, Singapore and the United

Kingdom. The Australian Defence Force also has a continuing presence at Malaysia's Butterworth airbase.

The bilateral defence relationship is overwhelmingly positive and provides substantial benefits for Australia. 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.

Australia and Malaysia enjoy a significant trading relationship with total two-way trade amounting to \$11.35 billion in 2005–06. Malaysia has become Australia's second-largest trading partner in ASEAN and ninth largest trading partner over all.

Trade between Australia and Malaysia is complementary – Australia exports to Malaysia, natural resources, dairy products and sugar, whereas Australia imports from Malaysia crude petroleum, furniture, and electronic products. Malaysia, however, enjoys a significant balance of trade in its favour especially in the merchandise sector.

A growing niche market for Australian primary producers is Halal-certified products. The Committee has made two recommendations aimed at facilitating the process of Halal certification and export of Halal produce to Muslim countries.

The Committee has identified and discussed several challenges facing trade and investment with Malaysia. These include: competition for the investment dollar from China; intellectual property protection and the counterfeiting of goods; Malaysia's foreign equity rules; and the accreditation of educational courses and qualifications.

The Committee is aware that these issues form part of the current free trade agreement negotiations between the two countries. From the evidence provided, the Committee believes that both Australia and Malaysia are approaching these negotiations in good faith with real progress being achieved.

Census figures show that the Malaysian community is the 12th largest national group in Australia with Malaysian born people living mainly in Victoria, New South Wales, Western Australia, and Queensland. The Committee received evidence that Malaysian born people are one of the best groups in Australia for integrating into the community.

Malaysia is the seventh most important source country for visitors to Australia. A recent innovation for these visitors has been the introduction of an Electronic Travel Authority which can be obtained over the Internet. Of concern to the Committee, however, is an increase in the numbers of Malaysian passport holders

being denied entry, and the proportion of Malaysian visitors breaching their visa conditions.

The Committee has recommended that the Department of Immigration and Citizenship review the reasons for these increases and provide strategies to the Minister for addressing the problem.

Australia and Malaysia share a strong history of educational links, dating back to the 1950s and the Colombo Plan. Australia is the largest overseas provider of education services to Malaysia and Malaysia rates as Australia's fifth largest source for offshore student enrolments in 2005.

Education is clearly both a vital platform for the broader bilateral relationship and economically beneficial for Australia. It is estimated that there are some 250 000 Malaysians who are alumni of Australian educational institutes, who have helped develop strong ties between Australia and Malaysia across society, business and politics.

It is important that universities, business and government continue to encourage Australian students to study in Malaysia, and provide financial or professional support in doing so. Malaysia is a strategically important country for Australia and it is important that interest in and understanding of Malaysian cultures and religions be fostered amongst Australians.

Like other aspects of Australia's relationship with Malaysia, research and development collaboration has changed over the years. Initially it was developed towards building capacity in a newly independent nation, but now it is directed towards solving issues of mutual interest. There is potential for Australia to increase its contribution to Malaysian research and development efforts because Malaysia intends to increase research and development spending as a proportion of gross domestic product from the current 0.69 per cent to 1.5 per cent in 2010.

A theme pervading this report is that Australia's relationship with Malaysia is changing – from one of support in the early years, to the present collaboration of important trading nations. The relationship will continue to mature and change. Doubtless there will be challenges, but the Committee is confident the goodwill exists to overcome them.

Hon. David Jull, MP
Chair, Foreign Affairs Sub-Committee



Membership of the Committee

Chair Senator A B Ferguson

Deputy Chair Hon. G J Edwards, MP

Members Senator the Hon N Bolkus -
from 01/12/04 to 30/06/05

Senator A Bartlett - from 9/12/05

Senator G Campbell -
from 23/06/05 to 28/11/05

Senator P M Crossin -
from 01/12/04 to 06/12/04
and then from 28/11/05

Senator the Hon P Cook -
from 06/12/04 to 30/06/05

Senator A Eggleston

Senator B Harradine -
from 01/12/04 to 30/06/05

Senator S Hutchins

Senator D Johnston

Senator L J Kirk

Hon B G Baird, MP

Mr R C Baldwin, MP -
from 01/12/04 to 26/05/05

Mr P A Barresi, MP

Hon K C Beazley, MP -
from 01/12/04 to 08/02/05

Mr M Danby, MP

Mrs P Draper, MP

Mrs J Gash, MP

Mr S W Gibbons, MP

Mr B W Haase, MP

Mr M J Hatton, MP - from 08/02/05

Senator K Lundy - from 01/12/04 to 23/06/05	Hon D F Jull, MP
Senator the Hon. J A L Macdonald - from 01/12/04 to 23/06/05 and then from 08/02/07	Hon J E Moylan, MP
Senator C M Moore - from 23/06/05	Hon G D Prosser, MP
Senator M A Payne	Hon B C Scott, MP
Senator N Scullion - from 17/08/05 to 8/02/07	Mr R C G Sercombe, MP
Senator N J Stott Despoja	Hon W E Snowdon, MP
Senator R S Webber - from 23/06/05	Dr A J Southcott, MP - from 9/02/06
	Mr C P Thompson, MP - from 26/05/05
	Mr M B Turnbull, MP - from 01/12/04 to 09/02/06
	Ms M Vamvakinou, MP
	Mr B H Wakelin, MP
	Mr K W Wilkie, MP



Membership of the Sub-Committee

Chair Hon D F Jull, MP

Deputy Chair Senator L Kirk

Members	Senator A Bartlett (<i>from 8/2/06</i>)	Mr P A Barresi, MP
	Senator A Eggleston	Mr M Danby, MP
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	Senator S Hutchins	Hon G J Edwards, MP (<i>ex officio</i>)
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	Senator M Payne (<i>from 2/12/05</i>)	Mr R C G Sercombe, MP
	Senator N J Stott Despoja	Hon W E Snowdon, MP
	Senator R S Webber (<i>from 17/08/05</i>)	Dr A J Southcott, MP (<i>from 23/02/2006</i>)
		Mr C P Thompson, MP (<i>from 26/05/2005</i>)
		Mr M Turnbull, MP (<i>until 9/02/2006</i>)
		Ms M Vamvakinou, MP
		Mr B Wakelin, MP
		Mr K W Wilkie, MP



Sub-Committee Secretariat

Secretary Dr Margot Kerley

Inquiry Secretary Dr John Carter

Research Officers Mr Sam Byfield

Administrative Officers Ms Emma Martin

Ms Leannah Auckram



Terms of reference

The Joint Standing Committee on Foreign Affairs, Defence and Trade shall inquire into and report on Australia's relationship with Malaysia, with special emphasis on:

- bilateral relations at the parliamentary and government levels;
- economic issues, including trade and investment;
- cultural and scientific relations and exchanges; and
- defence cooperation and regional security.

The Committee will consider both the current situation and opportunities for the future.



List of abbreviations

ADF	Australian Defence Force
ADIESA	Australian Defence Information and Electronic Systems Association
AEEMA	Australian Electrical and Electronic Manufacturers' Association
ALO	Airline Liaison Officers
AMBC	Australia-Malaysia Business Council
AMI	Australia-Malaysia Institute
AMIC	Australian Meat Industry Council
ANSTO	Australian Nuclear Science and Technology Organisation
AQIS	Australian Quarantine and Inspection Service
ARC	Australian Research Council
ASEAN	Association of South East Asian Nations
AVCC	Australian Vice-Chancellors' Committee
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DAFF	Department of Agriculture, Fisheries and Forestry

DCITA	Department of Communications, IT and the Arts
DEST	Department of Education, Science and Training
DFAT	Department of Foreign Affairs and Trade
DIMA	Department of Immigration and Multicultural Affairs
DITR	Department of Industry, Tourism and Resources
ETA	Electronic Travel Authority
EU	European Union
FDI	foreign direct investment
FMD	foot and mouth disease
FPDA	Five Power Defence Arrangements
FTA	free trade agreement
GRA	Global Research Alliance
ICT	information and communications technology
ITAR	international traffic in arms regulations
JPA	Malaysian Public Service Department
JSCFADT	Joint Standing Committee on Foreign Affairs, Defence and Trade
MAACWG	The Malaysia–Australia Agricultural Cooperation Working Group
MABC	Malaysia–Australia Business Council
MAF	Malaysian Armed Forces
MAJDP	Malaysia–Australia Joint Defence Programme
MEAA	Media, Entertainment and Arts Alliance
MoU	Memorandum of Understanding
NCGP	National Competitive Grants Program

NHMRC	National Health and Medical Research Council
R&D	research and development
RAAF	Royal Australian Air Force
RMAF	Royal Malaysian Air Force
RMN	Royal Malaysian Navy
SIRIM Berhad	Standards and Industrial Research Institute of Malaysia
SPS	Sanitary and Phytosanitary



List of recommendations

4 The trading and investment relationship

Recommendation 1

The Department of Agriculture, Fisheries and Forestry promote in international fora the adoption of a transparent and efficient international Halal standard.

Recommendation 2

The Department of Agriculture, Fisheries and Forestry, in consultation with interested parties, provide options to the Minister for developing a single Halal certifying body within Australia. The operations of the certifying body should conform to the principles of transparency and accountability.

5 Migration and people movement

Recommendation 3

The Department of Immigration and Citizenship review:

- the reasons for the increase in Malaysian overstayers; and
- the reasons for the increase in the number of Malaysian passport holders being refused entry to Australia.

The Department should report to the Minister, providing strategies, with associated performance targets, for addressing the problem.

