



Submission No 30

Inquiry into Australia's Relationship with Malaysia

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Australian Government

Invest Australia

Important Note: It must be stated that the information provided is the observation of Invest Australia staff, considering a wide set of sources including our dealings with potential Malaysian investors as well as information and opinion gained from the industry associations and government stakeholders. When collating the information below, views from the Department of Foreign Affairs and Trade, Austrade and the Australian High Commission based in Kuala Lumpur have also been considered.

Malaysia is a large investor in Australia with foreign direct investment growing strongly – from A\$1.4 billion in 2001 to A\$3.3 billion in 2005. At the end of 2005, the stock of total foreign investment from Malaysia in Australia was \$5.8 billion, making Malaysia the thirteenth-largest foreign investor in Australia. Traditionally Malaysian investment is focused more heavily on the developing nations in the Asia Pacific region including, India, China, Vietnam and Indonesia which explains why although high on the list, Australia does not make it into the top ten destinations for Malaysian investment.

Malaysian businesses established in Australia are active in resources, wholesale and retail industry, food and tobacco, finance, property and business services, but are increasingly developing interest in Australia's knowledge-based industries such as information technology, research and development and advanced manufacturing. Khazanah Nasional Berhad, Petronas Nasional Berhad, The Kuok Group and Sime Darby are some of Malaysia's largest companies that have invested in Australia.

It is evident from the excel spreadsheet provided that the industries and sectors of Malaysian investment are many and varied. Traditionally there has been a strong trend towards food manufacturing and manufacturing in the automotive industry. However this is expanding with time and change. There has been a recent trend in investment in the hotel/property industry from Malaysia in the past decade.

It is our observation that Malaysian investors are drawn to Australia because of the historical ties between the two nations. For many years Malaysian people have been studying in Australia and traveling to Australia for holiday purposes. Moreover, there is a large Malaysian community in Australia which further nurtures the feeling of familiarity and understanding between the two countries. Furthermore, Australia and Malaysia share a very similar legal and financial framework, which makes it easier for business from Malaysia to invest into Australia.

In our dealings with potential Malaysian investors, one of the main drawbacks for potential Malaysian investors is the Australian labor laws and the relatively high cost of labor, which although reasonable in comparison to other first world countries is markedly more expensive than Malaysia. The difference in labor costs is most evident in the traditional Malaysian sectors of manufacturing.

Please find below some information that Invest Australia has generated regarding Malaysian investment into Australia. Sources used include the ABS, the OECD, IBIS world, UNCTAD and DFAT.



Malaysia

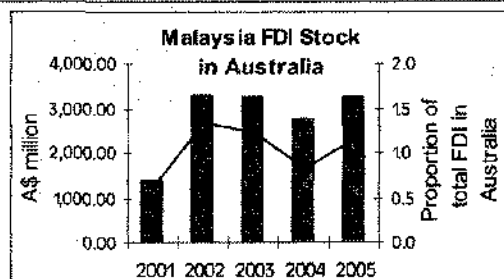
General Information

Capital:	Kuala Lumpur	Head of State:	H.M. the Yang Di-Pertuan Agong XII Tuanku Syed Sirajuddin Ibni Almarhum Tuanku Syed Putra Jamalullail
Official Language:	Malay	Head of Government:	Prime Minister YAB Dato' Seri Abdullah bin Ahmad Badawi
Population:	25.9 million (2005)		
Area:	330 000 sq km		
Exchange Rate:	A\$1 =2.8032 Ringgit (Dec 05)		

Recent Economic Indicators

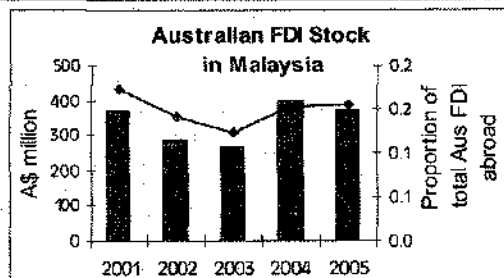
	2001	2002	2003	2004	2005 ^a	2006 ^a
GDP (US\$bn):	88.0	95.3	104.0	118.3	130.8	144.0
GDP per capita (US\$):	3,664	3,884	4,159	4,646	5,040	5,457
Real GDP growth (% change YOY):	0.3	4.4	5.4	7.1	5.3	5.5
Current Account Balance (US\$ bn):	7.3	8.0	13.2	14.9	20.4	21.5
Current Account Balance (%GDP):	8.3	8.4	12.7	12.6	15.6	14.9
Inflation (% change YOY):	1.4	1.8	1.1	1.4	3.0	3.1
Unemployment rate (%):	3.7	3.5	3.6	3.0	3.6	n.a
Outward FDI Stock (US\$bn):	18.9	28.3	29.7	13.8	n.a	n.a
inward FDI Stock (US\$bn):	53.3	56.5	58.9	46.3	n.a	n.a

Malaysian Foreign Direct Investment in Australia



	Stock of Malaysia FDI in Australia \$A m	Proportion of total FDI stock in Australia (%)	Country Rank total FDI in Australia
2001	1,374	0.6	12
2002	3,309	1.3	11
2003	3,232	1.2	12
2004	2,785	0.8	12
2005	3,259	1.2	10

Australian Foreign Direct Investment in the Malaysia



	Australian FDI stocks in Malaysia \$A m	Proportion of total Australian FDI stock abroad (%)	Country Rank total Australian FDI abroad
2001	370	0.2	12
2002	284	0.1	15
2003	266	0.1	15
2004	400	0.2	14
2005	371	0.2	16



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PARENT COMPANY NAME	COMPANY NAME IN AUSTRALIA	INDUSTRY/ACTIVITIES IN AUSTRALIA	CURRENT INVESTMENT IN AUSTRALIA
Arian Motors	Arian Motors	Automotive, Manufacturing	Head Office in Victoria
Malaysian Airlines	Malaysian Airlines	Airtravel	Offices around Australia
MoBif	MoBif Australia Pty Ltd	Internet telephone provider	Offices at the Gold Coast & Brisbane
Selangor properties	Selangor properties	Property, education, HR	51% in Queen St Mall construction- Noosa apartments
Metacorp	Metacorp Australia	Engineering, property, construction	50% in Whitsundays, developer of Apartments in Airlie beach
Mulpha International	Mulpha International	Construction, property, Natural resources	hotels, car parks
Melewar Industrial group	Melewar Industrial group	Iron, steel, gas, power, oil	Gindalbie metals which it owns 23.5%
Petronas	Petronas	Gas pipeline	25% share of natural gas market in Australia, 7000ks of gas transmission
Sime Darby Group	Hastings Deering/Catapillar	Plantation group, food, oil & fats, development	Caterpillar, Hastings Deering Group, Peugeot Australia
Intelligent Capital	Insynchro Australia	Advanced manufacturing, Communications, Outsources and Transition Services	Primevera distributes solutions targeted to finance, insurance & telecommunications. Primavera works with InSynchro Aust.

Polyaire	Polyaire Australia Pty Ltd	Airconditioning , and Airconditioning products	Head office in Adelaide, 13 other offices around Aust
Johan Holdings	Solohart Industries Pty Ltd	Trading of engineering products & systems	no current interest in Australia
YTL Corporation Berhad	YTLPI Pty Ltd	Utilities, Cement manufacturing, property development, Technology development, hotels	33.5% of ElectraNet-power grid in SA
Ta Ann Holdings	Ta Ann Holdings	Trading of logs, timber, plywood, palm oil, reforestation	Veneer mill in Tasmania
Navis capital partners	Navis capital partners	Private equity investments in buyouts, recapitalisations, financial restructuring	Europcar, Wendy's ice cream, Dome coffee
D'Tandoor	D'Tandoor	Indian restaurants	restaurants in Sydney and Perth
Khazanah Nasional Berhad	Khazanah Nasional Berhad	Finance, telecommunications, utilities& ICT	31.36% Proton Australia
TAMCO Corporate Holdings Berhad	TAMCO Australia Pty Ltd	Manufacture & testing of high current LV distribution switchboards	TAMCO electrical industries Australia head office in Victoria
IJM	IJM	Construction, manufacturing, plantations	Numerous properties that IJM have developed
The Kuok Group	Kerry Australia	Trading, Shipping, Food, Finance, Media, Hotels, Manufacturing	Docklands development in Victoria, CSR Kuok, Kerry Australia group
KNM Group		Investment holding, engineering, international procurement, oil, gas	WE Smith engineering, HEA Pty Ltd, Process Heat Transfer, Hudson Products Pacific
Proton Holdings Berhad	Proton Cars Australia Pty Ltd	Manufacture, assemble and selling of motor vehicles	Proton Australia
MMC Corporation Berhad		Port operations, toll operations, natural gas distribution, construction	51% ownership in Transfield services Australia

Wah Seong Corporation	Delco Australia Pty Ltd	Oil & gas related activities, engineering and procurement	Delco Australia which is involved in gas pipelines
IGL oil & gas consultants		provides services to the energy sector feasibility, start-up support	Office in Perth, and numerous project with Aussie companies
Supermax Corporation	Medirite Supermax Australia	Manufacture of latex gloves	Medirite Australia- manufacture of healthcare products
IFCA Berhad	Byte Power group & Customer Systems International	R & D of software applications, networks, operating systems, maintenance	Byte Power Group Ltd & Customer Systems International Pty Ltd
Unilever Malaysia Berhad	Unilever Australia Pty Ltd	Manufacture of food and Beauty products	Unilever Australia which is wholly owned by Unilever Malaysia