

Introduction

Background to the inquiry

- 1.1 The Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) regularly reviews Australia's relationships. In recent times it has focused on Australia's near neighbours such as Papua New Guinea, Indonesia, and New Zealand. This is the first review undertaken by the Committee of Australia's relationship with Malaysia. For this reason the scope of the inquiry has been broadened to include areas such as intergovernmental relations, defence cooperation, and links between education and research institutions.

Importance of the Australia–Malaysia relationship

- 1.2 Australia has a significant trading relationship with Malaysia. Malaysia is Australia's third largest trading partner in ASEAN and eleventh largest trading partner overall. Australia is Malaysia's eighth largest export market and twelfth largest import source. Trade between the two countries is complementary – Australian exports to Malaysia include raw materials, primary produce, and educational

services, while imports from Malaysia include crude petroleum, electronic equipment, and furniture.

- 1.3 Figures for 2005–06 show that Australia’s merchandise exports to Malaysia amounted to some \$2.5 billion, while imports from that country amounted to \$6.7 billion. Imports included over \$1.5 billion worth of computers, telecommunications equipment and integrated circuits.
- 1.4 Trade in services shows a slight balance in favour of Australia. Exports to Malaysia amounted to \$1.2 billion, principally education related travel and personal travel, while imports amounted to \$0.8 billion, principally transportation and personal travel.¹
- 1.5 Australia has strong defence links with Malaysia through the Malaysia-Australia Joint Defence Programme, and the Five Power Defence Arrangements which involve the UK, New Zealand, Singapore, and Malaysia. The relationship includes the training of Malaysian military personnel in Australia, combined exercises, and an Australian presence at RMAF Butterworth in Malaysia. Australia and Malaysia also signed an agreement in 2002 to cooperate in combating international terrorism.²

A brief history of Australia's relationship with Malaysia

- 1.6 Australia and Malaysia have had a long-standing relationship 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 again in the 1950s when Australians contributed to the Commonwealth force which defeated the Malayan Communist insurgency. Australian troops also assisted during the period of confrontation with Indonesia in the 1960s.
- 1.7 Australia was also involved during the time of Malayan independence from Great Britain in 1957. A former Governor-General of Australia, Sir William McKell, helped draft the Malaysian Constitution and Australia also sponsored Malaysia subsequently

1 DFAT, *Country Fact Sheet Malaysia*, <<http://www.dfat.gov.au/geo/fs/mlay.pdf>>, accessed January 2007.

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

joining the United Nations. Malaysian troops have also served alongside Australian Defence Force personnel in East Timor.³

- 1.8 Since that time, Australia and Malaysia have enjoyed an enduring and developing trading relationship, albeit sometimes enlivened by an occasional political difference.

Conduct of the inquiry

- 1.9 On 31 May 2006, the Minister for Foreign Affairs, the Hon. Alexander Downer MP referred to the Committee, an inquiry into Australia's relationship with Malaysia. The Minister noted that the inquiry was timely and relevant for Australia's trading interests. He added that the inquiry would generate public interest in a region where Australia had an expanding market and commercial presence, and would also help to identify future market priorities and opportunities for Australian exporters and investors.
- 1.10 The Committee advertised the inquiry in *The Australian* on 28 June 2006. Letters inviting submissions were sent to relevant Ministers, Commonwealth agencies, State Premiers and a wide range of organisations with an expected interest in Australia's engagement with Malaysia. A press release was widely distributed.
- 1.11 The Committee received 36 submissions (listed at Appendix A), 7 exhibits (listed at Appendix B) and took evidence from 47 individuals and organisations during public hearings in Canberra, and Sydney (listed at Appendix C).

Structure of the report

- 1.12 Chapter 2 discusses country-to-country links, from high level government-to-government interactions to those between local government and individuals.
- 1.13 Australia's defence relationship with Malaysia is covered in Chapter 3. Key to the relationship is the Five Power Defence Arrangement and Australia's presence at RMAF Butterworth.

3 DFAT, *Submission No. 11, Vol. 1*, p. 75.

- 1.14 Chapter 4 includes a discussion of Australia's trading and investment relationship with Malaysia. Australia has a trading balance surplus in primary produce, but a deficit in manufactured goods. The chapter concludes with a discussion of the proposed free-trade agreement with Malaysia.
- 1.15 Immigration and people movement is discussed in Chapter 5. The chapter includes consideration of tourism issues and border security.
- 1.16 Chapter 6 concerns the provision of education services and linkages between education institutions of the two countries. The education sector is a vital platform for the bilateral relationship as many leaders in Malaysia are Australian alumni.
- 1.17 The report concludes in Chapter 7 with a discussion of research and development collaboration between Australia's premier research institutions and their counterparts in Malaysia. The collaboration has changed over the years as the Malaysian economy has matured and is now directed at solving practical problems of mutual benefit.