



It is with great pleasure that Australia-wide Business Training Pty Ltd (awbt) welcomes and appreciates the insight provided to the readers of *Business Insights* in this edition by Peter Kane, Australia's Senior Trade & Investment Commissioner in Malaysia.

*The commercial links between Australia and Malaysia are strong and getting stronger as the result of a relationship that has been built on mutual respect, friendship and a desire to capitalize on the respective strengths of our two nations.*

*Australia has long-standing and enduring links with Malaysia through education, defence, tourism, cultural exchange, trade and investment.*

*Furthermore, Malaysia is an important and valued regional neighbour and economic partner for Australia, as Malaysia is Australia's 10th largest trading partner overall and our nation's 11th largest destination for exports.*

*Also despite the effects of the Global Financial Crisis (GFC), Malaysia's strong commercial framework has allowed it to weather the storm relatively well and as the world economy prepares for growth, Malaysia is positioned to take advantage of the economic opportunities.*

*Additionally, the various measures and incentives that have been recently implemented by the Malaysian Government in response to the GFC, not only makes it easier for Australian businesses to consider establishing commercial operations in Malaysia, but also helps them to reach a broader global market.*

*The framework that has been created in Malaysia provides a win-win scenario for both Malaysian and Australian businesses and investors that are keen to take advantage of the country's strategic geographic position and access to markets within the ASEAN region and other international destinations.*

*As Australia's Senior Trade & Investment Commissioner, Peter Kane and his staff in Malaysia assist and facilitate business opportunities between Australia and Malaysia and awbt wholeheartedly thanks Peter and the Austrade team for their encouragement and support in facilitating our business endeavours in Malaysia.*

*Later this month, Peter will be returning to Australia after four years of service for Austrade in Malaysia and we all sincerely wish him well and continued success in the future.*

*Larry Gould*  
Chief Executive Australia-wide  
Business Training



**Peter Kane**

Senior Trade & Investment Commissioner,  
Austrade Kuala Lumpur

## Australia / Malaysia Trade – a long history and opportunity aplenty

**At the end of my four year assignment in Malaysia, it is time to take stock of the business relationship between Australia and Malaysia - and of some of the factors at play recently, including the impact of the Global Financial Crisis (GFC).**

While no economy has been unaffected by the GFC, the Asian region as a whole has been cushioned from the worst of the crisis by economic growth that has been well above the world average. Low levels of debt in Asia have assisted considerably.

To counter the GFC effects, Malaysia has put in place a number of stimulus measures, including spending packages announced by the Government in November and March. These total RM 70 billion (A\$25 billion), significant in a GDP of about RM 620 billion (A\$220 billion). The latest Malaysian Government estimates put growth in 2009 in the range of -4% to -5%, a far cry from the +6% average of recent years. This outlook is considerably worse than in some of Malaysia's regional neighbours such as China and India but better than many other countries.

Singapore finds itself in a position similar to Malaysia, indicating that those countries that are most heavily internationalized (measured by trade levels: GDP), are being hard hit by the GFC. This is a reversal of the pattern we have seen in recent decades when the most globally engaged economies have generally done better as world trade outstripped world GDP growth. I expect, however, that in the longer term, those countries such as Malaysia that export a high percentage of their GDP will return to economic growth above the global average.

As challenging as the GFC has been, business between Australia and Malaysia remains strong, underwritten by decades of close ties in a number of spheres, including education, defence and tourism. Important, too, has been the interdependence of the two economies around commodities trade.

Both governments are pushing ahead with policies designed to lift trade and investment. Each is pursuing free trade agreements, including our bilateral Malaysia, Australia FTA (MAFTA).

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## Australia / Malaysia Trade – a long history and opportunity aplenty (*continued*)

The recently concluded ASEAN Australia New Zealand (AANZFTA) agreement is the biggest Australia has signed. It brings together 12 economies with a combined GDP of A\$ 3 trillion. Significant tariff reductions and freeing up of services trade, together with more protection for foreign investors are features of the agreement.

Today more than 3500 Australian businesses export to Malaysia. Many of the exporters entering the market in recent years are supplying services, complementing the more established trade in goods.

Austrade staff across Southeast Asia, are seeing evidence of exporter determination to not only hold on to their customers, but to grow business elsewhere in the region.

This is the early stage of a wave of businesses having a cross-regional focus, a development that will quicken with implementation of the ASEAN-Australia New Zealand FTA.

Malaysia, with an economy only one fifth the size of Australia, is our 11th largest source of investment.

Their interests have been mainly in property, tourism, infrastructure, distribution and manufacturing.

In 2006 the overall picture looked quite lop-sided with Malaysia having invested A\$5 billion in Australia.

Whilst Australia reciprocated with less than A\$1 billion invested in Malaysia.

Then last year the biggest Malaysian investment deal in Australia was concluded when Petronas agreed to buy 40% of Santos' coal seam gas project in Queensland. Just last month the joint venture announced plans to export 2-3 million tpa of gas to Malaysia from 2014.

In the meantime, some balance has been brought to the two-way investment picture. Over the past three years, in a marked change in sentiment, Australian companies have been investing across a number of sectors of the Malaysian economy – services (ANZ, IAG, Macquarie, Media Monitors, Advanced Well Technologies), minerals processing (Lynas Corporation) and oil and gas (BHP Billiton).

In what will be Australia's biggest investment in Malaysia, Rio Tinto has plans to build a large aluminum smelter in Sarawak, based on the State's hydro power.

Australian investors have been attracted by a low cost structure, excellent infrastructure, Malaysian Government incentives and a strategic location in Asia.

### *What next for Australian exporters?*

Agricultural and mineral commodities, food and beverages, technology used across many industrial sectors, and a wide range of services all have achieved success and have excellent prospects for the future.

Three sector specific opportunities for Australia follow.

## Financial Services

The Australian financial services industry is acknowledged globally as mature and dynamic. It has assets of A\$4.3 trillion, four times Australia's GDP.

Underpinning much of our financial services strength is the growth of its investment funds sector. Australia has one of the largest pools of funds under management globally, currently valued at A1.3 trillion. As the Malaysian population grows in sophistication and wealth, Australian expertise will be in greater demand.

The Australian financial services sector also recognizes that Malaysia has considerable expertise in financial services, particularly in the area of Islamic banking and insurance. This provides an opportunity for more business to be done.

## SMEs & Franchising

SMEs are the lifeblood of the Australian economy and the traditional generators of employment and jobs. The sector contributes more than 30% of Australia's GDP and employs half the country's workers, or 5.5 million people. Per head of population, Australia is the world's most franchised country and reflects the passion of Australians to start, operate and own their own business. It is estimated that there are 63,500 franchise business outlets operating in Australia together employing over 400,000 people.

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## Australia / Malaysia Trade – a long history and opportunity aplenty *(continued)*

Here too is another potential opportunity for Australia to export its knowledge, expertise and experience in franchising as Malaysia's entrepreneurial population seeks to explore self employment prospects.

### Education & VET

Education is our most valuable export to Malaysia and underlines the role that services can play in the future of the bilateral business relationship. But education's value goes way beyond the \$ value we normally ascribe to exports. It underwrites so many of the positives in our wider relationship. It is the platform on which we have built the very strong people to people relationship with Malaysia.

The education ties go back decades to the early 1950's, when the pioneering Colombo Plan first brought Malaysian scholars to Australia on Australian Government scholarships and now over 250,000 Malaysians have graduated in Australia.

Each year, 20,000 plus Malaysian students travel to Australia to enhance their learning, particularly in our higher education institutions. Australian students, too, have started to come to study in Malaysia, further enriching ties between Australia and Malaysia.

Chances are that if you are an Australian university qualified Malaysian working in Kuala Lumpur, the person sitting alongside you studied in Australia too.

A growing sector of opportunity for Australia in Malaysia is vocational and educational training (VET). Already 2,000 Malaysians are undertaking VET studies in Australia and other programs may be delivered in Malaysia.

This opportunity will grow further as more and more Malaysian businesses adopt a strategic approach to the learning and development (L&D) of their staff, linking work based skills programs to the achievement of required business outcomes.

I am confident that we will see more engagement between Australian and Malaysian education and other services providers.

### Conclusion

The past 18 months have been stressful for economies globally. Hopefully, by the end of 2009 we will have seen the worst of the GFC.

With more certainty, though, I can say that the Australia-Malaysia business relationship will come through these troubled times intact and positive about the future.



**Peter Kane** took up his appointment as Austrade's Senior Trade Commissioner in Kuala Lumpur in 2005.

Since the mid 1990s he has been Senior Trade Commissioner at four other posts, Seoul, Toronto, New Delhi and Milan.

Peter also had offshore experience as Dalgety Australia's European Manager based in Hamburg in the 1980s.