

AUSTRALIA – MALAYSIA RELATIONS, 2003 – 2013

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of the requirements for award of the degree of*

MASTER OF PHILOSOPHY

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DECLARATION

I declare that the dissertation entitled “Australia – Malaysia Relations, 2003-2013” submitted by me for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any other degree of this university or any other university.

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*DEDICATED IN THE MEMORY OF MY
GRANDFATHER, MY LOVING FAMILY AND
FRIENDS*

PREFACE

My interest in research started from my days of doing Masters. Though I had knowledge about the history and international relations of Southeast Asia but I knew very little about Australia's growing interest in the region. I was very keen on exploring this new region. During my M.Phil course work a year back while attending classes of Professor Ganganath Jha, Professor Manmohini Kaul, Professor G.V.C Naidu and Professor Shubhamitra Das, my interest grew towards this area and its link with the Southeast Asian countries. I became fascinated and intrigued as the study became more and more interesting. As I researched on how Australia's involvement with the Southeast Asia has evolved with time leading to shift in its foreign policy the study became more important for me. Exploring the hooks of Australia- Malaysia Relations after the post Mahathir era led to an in depth understanding of the bilateral relations that Australia shares with Malaysia.

The study of such a diverse and complex area and critically analyzing the plethora of issues and challenging the Australia's role in engaging with Southeast Asia was definitely an ambitious effort for me. I was extremely worried that I would not be able to do justice to this study which has a high contemporary relevance. It was only Professor Manmohini Kaul's intellectual guidance for my research study and end number of discussions that helped me to look forward on this topic. My Professor's careful reading and her valuable inputs pushed me to think with a clear mind and contribute in the world of research.

The study aims to understand the bilateral relations between Australia- Malaysia (2003-2013). However its comprehensive engagement and shift in its policy led Australia to engage with its neighboring countries which has brought in various changes in the world politics. The dissertation has four chapters and conclusion. The First Chapter provides an introduction to the Australia's engagement with Southeast Asia. The Second Chapter talks about how Mahathir has always been critical about Australia's stand and its west dominated culture followed by post Mahathir changes and political developments. The third chapter looks at the economic engagement. The fourth chapter examines the defence and security relationship between the Australia and Malaysia. The dissertation ends with the findings of the study.

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Staying away from my family and contributing to the world of academics has been difficult and this would not have been possible without the support and patience from my family. I remain grateful to my dad, mom and loving grandma to believe in me and help me in every way possible. I thank God everyday for giving me such a beautiful family.

I owe my sincerest gratitude to each and every teacher and professor right from my first day in kindergarten through school, college and now in university. They have helped me to grow academically and be an independent person.

I am very grateful to Professor Tridib Chakraborty during my days in Jadavpur University, it was his class lectures on Southeast Asia that my interest grew on this area and I took the step forward to contribute in the world of academics.

I am lucky to have friends who have been very supportive throughout my course work specially Rajarshi Bhattacharyya, Sohini Sinha, Varun Menon, Ankush Saha, Aagam Shah, Sunaina and Arun. My seniors have also been very helpful all throughout the process. I will always remain thankful to each and everyone for being a patient listener and encourage me to write my dissertation. I have been blessed immensely by the friendship I have made with each one of you.

A word of special acknowledgement to my department office staffs as they have always been helpful from the first day of my admission to JNU to complete any official work and till final submission of my dissertation.

Dad, words do fail to express my feelings for the endless love and appreciation as a daughter. You have been a great mentor in my life and I owe you a huge debt of gratitude. I hope to make you proud someday with my achievements in life and this dissertation is one such part of it.

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LIST OF ABBREVIATIONS

ACP	ASEAN Cooperation Plan
ADF	Australian Defence Force
AFP	Asia Forest Partnership
AMBC	Australia- Malaysia Business Council
AMI	Australia Malaysia Institute
ANZUS	Australia – New Zealand- USA
APEC	Asia Pacific Economic Cooperation
APT	ASEAN Plus Three
ARF	ASEAN Regional Forum
ARC	Australian Research Council
ASEAN	Association of Southeast Asian Nations
AFPC	Asia-Pacific Forestry Commission
AVCC	Australian Vice- Chancellors’ Committee
CT	Counter-terrorism
DAFF	Department of Agriculture, Fisheries and Forestry
DFAT	Department of Foreign Affairs Trade
DIMA	Department of Immigration and Multicultural Affairs
EAS	East Asia Summit
EU	European Union

FAO	Food and Agriculture Organisation
FDI	Foreign Direct Investment
FPDA	Five Power Defence Arrangements
FTA	Free Trade Agreement
ICT	Information and Communications Technology
JI	Jemaah Islamiah
JTC	Joint Trade Committee
KMM	Kumpulan Mujahideen Malaysia
MAAC	Malaysian Australian Alumni Council
MAACWG	Malaysian Australia Agricultural Cooperation Working Group
MABC	Malaysia- Australia Business Council
MAF	Malaysian Armed Forces
MAJADP	Malaysia-Australia Joint Defence Programme
MoU	Memorandum of Understanding
NATO	North Atlantic Treaty Organization
NTS	Non- Traditional Security
R&D	Research and Development
RAAF	Royal Australian Air Force
RMAF	Royal Malaysian Air Force
RMN	Royal Malaysian Navy
SEATO	Southeast Asia Treaty Organisation

SLOC	Sea Lanes of Communication
SPS	Sanitary and Phytosanitary
TAC	Treat of Amity and Cooperation
U.S.	United States
UN	United Nations
UNEF	United Nations Forum on Forests
WMD	Weapons of Mass Destruction
WTO	World Trade Organisation

Figure 1- MAP OF AUSTRALIA AND MALAYSIA



Source: <https://in.images.search.yahoo.com/images/view;>

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CHAPTER 1

INTRODUCTION

INTRODUCTION

Bilateral relations between two nations like Australia and Malaysia are viewed within the complex subject of International Relations. The dynamics of bilateral relations, between the two states is a sustained relationship, although the paradigm may differ from situation to situation. Some scholars have argued that good bilateral relations do not develop overnight; and has to go through a long process over years leading to effective diplomacy and to the quality of bonding. The main objective behind a country's interest in pursuing a bilateral relationship with another depends on its political, economic and its security needs. Therefore, it is important to indentify the determinants which lead to bilateral engagement between the two countries.

Both Malaysia and Australia have been facing various internal and external challenges as they seek to attain their goal of becoming one of the prosperous, developed countries that is influential in Southeast Asia or in the Asia Pacific. Malaysia faces the diplomatic challenges of promoting regional trade integration, maintaining security and stability, and creating an attractive climate for outside investment. Whereas Australia's foreign policy has gone through enormous changes as it is now deepening its relations with the Asian countries.

Going back to the history of bilateral relations between these two countries Australia and Malaysia, they have had long standing connectivity. Malay has been vital to Australia's security as seen during its dispatch of forces in the 1950s (Alves 1993). Australian attitude to developing situation of confrontation between Malaysia and Indonesia during 1963 confirmed Malaysia's relevance to Australia. Malays had participated in the pearling industry of Australia's north coast, most of the descendants today form an important part of Darwin's multicultural society (Young 1994). Australia's troops had fought alongside Malaysia on a number of occasions, during the World War II (McDougall 1972). Australia played a role with the establishment of the Federation of Malay in the year 1957 and also sponsored Malay's application for membership of the United Nations. Thus in spite of Australia's long standing institutional and people to

people links with Malaysia; it has had more bilateral difficulties with Malaysia than with any other country. When the Cold War was about to end Australia's foreign policy started improving relations with the Newly Industrialised country of East Asia and Southeast Asia. Cold war definitely brought a shift from geopolitics to geo-economics as more bilateral engagement started happening with the Asian countries. Australia's strategy has been to win acceptance in the Southeast Asian region through a series of multilateral and bilateral engagements. It has aimed to create a closer and warm relations thus reduce tensions and promote better understanding and help resolve regional conflicts and boosting Australia's export market.

Evans and Grant stated that *“Australia’s interests manifestly lie in encouraging the emergence, both in economic and security terms, of a strong sense of Asia Pacific community, and building the institutions to advance it – a community, moreover, of which Australia is unequivocally seen to be a part, and in which we are accepted as an involved, engaged and active partner.”*

(Evans and Grant 1995: 14)

This study will focus on the bilateral relations after Prime Minister Mahathir Mohammad retired in 2003. Some irritants seemed to destabilize closer engagement between the two countries during Mahathir's administration (McDougall 2006). Australia was excluded from a range of regional organisations such as the Asia-Europe Meet and annual ASEAN plus summits (to which China, Japan and South Korea had been invited), and blocking links between the ASEAN Free Trade Agreement and the Australia-New Zealand Closer Economic Relationship. Since the time Abdullah Badawi replaced Mahathir in 2003, bilateral relations have moved ahead in a new positive direction. Constructive steps were taken to improve the bilateral relationship, this became apparent with the the Malaysian Prime Minister Abdullah Badawi undertaking an official visit to Australia in April 2005. Henceforth diplomatic visits started taking place frequently and issues relevant to agriculture, fisheries and forestry started getting more priority.

Australia took interest in the ASEAN plus three summits with the establishment of the East Asian Summit (2005), a trading link between Australia-New Zealand was established in 2010 (the ASEAN–Australia–New Zealand Free Trade Agreement), and also a bilateral trade agreement was achieved in 2012 (the Malaysia–Australia Free Trade Agreement (MAFTA)). MAFTA is a comprehensive, high-quality agreement that opens avenues for the Australian economy to further integrate into the fast-growing Asian region. Malaysia is Australia’s 9th largest trading partner, with two-way trade worth \$17.1 billion in the financial year of 2012-2013.¹ It is a fact that bilateral trade is supported by very strong people-to-people links and substantial cooperation in many other areas, including education, defence, counter-terrorism, police links and immigration, technologies, human right issues, climate change, trade and commerce and many other traditional and non-traditional security issues.

Interestingly the defence links have always remained very strong even during the Mahathir era. Bilateral defence activities have been conducted under the Malaysia-Australia Joint Defence Program (MAJDP) which includes training of Malaysian military personnel in Australia and annual combined field exercises. The relationship has faced many challenges but it has outgrown starting from criticizing the Malaysia’s human rights record during the time of proposed “Malaysia solution” which involved the housing of the refugees in Malaysia (Synder 2006). The relationship between both the countries is based on practical cooperation including the Australian presence at the Royal Malaysian Air Force (RMAF) Base at Butterworth, and common membership of the Five Power Defence Arrangements (FPDA). In the year 2011 the FPDA celebrated its 40th anniversary and it provides a valuable framework for conducting combined training exercises and has expanded its goal to address non-conventional security threats affecting the region, including terrorism and maritime security.²

¹ Government of Australia, Department of Foreign Affairs and Trade, Malaysia Country Brief, Overview [Online: web] Accessed 11th February, 2015 URL: <http://www.dfat.gov.au/geo/malaysia/Pages/malaysia-country-brief.aspx>

² Ibid.

As stated earlier certain irritants appeared during 1981-2003, however in substantial terms the relationship continued to remain strong. Australia's led security partnership with the countries of Southeast Asia has been a major move in its foreign policy. It has been pointed out by an expert "*Australia is now accepted by the regional countries as a key player in the emerging new "Asian Architecture"*" (Kaul 2012). Though political stability and economic growth should be the primary objectives in Australia's relation with Southeast Asia, it is important to study the foreign policy of Australia which is guided by a commitment to multilateralism, regionalism and a strong bilateral relation with its allies. How far potential cooperation between these two countries is realised can be studied by looking at the domestic politics of the two countries and also the number of ministerial visits and dialogue exchanges taking place. Australia has remained an important destination for Malaysian students as a huge number of exchange programs take place and every year the rate of Malaysian students in Australia has been increasing. Malaysian students pursue higher education in Australia mostly because of the scholarships and also the Government encourages such programs for healthy bilateral relations. The Australia-Malaysia Institute established in the year 2005 by the Australian Government was another step to enhance more people to people connection and institutional links with Malaysia for better mutual cooperation.³ It offers grants, visits among the young professionals. Australia is now playing a major integrative role even if both the countries had bitter past.

It could be said that Australia's geography and small population have been the key factors in advancing a policy of economic integration with the Southeast Asian region. Instances from the past which clearly shows both the countries have been highly critical of each other's policies (McDougall 2001). Paul Keating has accused the Malaysian Prime Minister for boycotting the APEC 1993 Seattle meeting (Snyder 2006). Also the 1986 punishment of drug smuggler, the Australian Broadcasting Corporation's TV program *Embassy*, etc all such instances led to the differences of opinions and thus the relations between Australia and Malaysia suffered. With time the differences have been

³ Government of Australia, Department of Foreign Affairs and Trade, *Malaysia Country Brief*, [Online: web] Accessed 11th February, 2015 URL: <http://www.dfat.gov.au/geo/malaysia/Pages/malaysia-country-brief.aspx>

washed away followed by changes in their foreign policies. It can be argued that Malaysia may not replace Indonesia as Australia's immediate neighbour but it will continue to have a strong people to people engagement which is more than Australia has with any other Southeast Asian country. The importance of bilateral resurgence in the pursuit of positive foreign policy is witness to the change that is Malaysia's perception of Australia as a regional power and the need to engage rigorously in terms of constructive engagement. This research study will focus on the basic developments and cooperation that has been taking place after 2003 and how it has brought changes in the relation. It will deal with the foreign policies of both the countries and the agreements signed to understand the complex relationship. It will also review Australia's engagement with the Southeast Asian countries in the form of non- traditional security issues in general and with Malaysia in particular. Though the global power structure offers an atmosphere for greater strategic relationship between Australia and Malaysia, there are certain divergent viewpoints between them that can affect the continuing strength of the relation. Therefore this study will look at the basic determinants like the political, economic, defence, security, etc that has led to a strong bilateral relation between Australia and Malaysia post Mahathir period till present.

Review of Literature

In the light of the mentioned Australia-Malaysia bilateral relations, the literatures are reviewed to be able to understand the basic considerations of the relationship of the two countries. The available literature on the bilateral relations can be divided into various themes: the first theme deals with Australia's engagement with the Southeast Asian countries in general. The second theme looks at the historical and political developments between Australia and Malaysia. The third theme deals with the economic engagement. The fourth theme looks at the security and defence dimension. With the books and articles used in this research will focus on the foreign policies of both the countries. On the other hand it will provide a broader scope on how the bilateral engagement between the two countries have outgrown and will also debate the current bonding. To analyze a

bilateral relation it is very important to explore the domestic politics and also the historical, geographical and strategic linkages.

1.1 Australia's engagement with Southeast Asia

Australia attaches prime importance to Southeast Asia. Historical events show that countries of Southeast Asia have campaigned that Australia is not an Asian country because it did not behave like one. **(Paul Erik, 1999)** has highlighted that there have been many changes in Australia's identity and also how it engaged itself with Southeast Asia. The pattern of confrontation with Southeast Asian leaders has led to a major ideological divide. There have been conflicts ranging from opposition to Australia's policy for a closer economic partnership with the region, to attacks against the country's civil society. He argues that Australia always had a more western influence and because of its strong "white policy" the Southeast Asian countries kept it away from their circle. He even points out that Australia had gained enormous amount of criticism from the ministers of Malaysia and other Southeast Asian countries due to its inhuman treatment of the aborigines. However Cold war and Globalisation brought in a change and more economic engagement started taking place. He argues that Australia led security partnership with Southeast Asia has been a major move in the balance of power game in the Asia Pacific region. But the military links between Australia and Southeast Asia highlighted the dangers in the relations between liberal democracies and authoritarian regimes. Due to Australia's balance of power policy it has taken a soft stand on human rights abuse in Southeast Asia under the umbrella of cultural relativism. At the end the author suggests that political stability and economic growth must be the primary objectives in Australia's relation with Southeast Asia. Australia has witnessed various transformations. **(Hal Hill, 1994)** point out that Australia has witnessed transition from a highly regulated and protected economic policy and also its place in the world. Australia being a part of the Western cultures has been loyal to the Western alliance but geographically it is part of Asia therefore its engagement with Southeast Asia has been quite debatable. Focusing on the recent trend Australia is more like a "Middle Power"

who is trying to build its relations not only with the neighbouring countries but also having tight security arrangements with US and hand in hand it is growing economic ties with China. Keeping in mind, the strategic uni-polarity, economic multi-polarity, a shift in the global power balance from Europe to Asia and lastly transnational terrorism – Australia has made a stand of its own. **(Gareth Evans, 1995)** states that Southeast Asia has tested Australian foreign policy. Therefore Australia's shift in perception and appreciation was seen in the policy of "comprehensive engagement" with Southeast Asia.

1.2 Historical and Political overview

Australia being situated at the doorstep of Southeast Asia has a strong historical connectivity. Historically, it is seen that whenever Australian security was threatened, it emanated through Southeast Asia. **(Ravindra Verma, 1974)** has dealt with the historical linkages and the beginning and crystallization of Australia's relation with Southeast Asia. He has examined the interests, attitudes and policies of Australia during its crucial period of signing the Manila Pact 1945-1954. He argues how the emerging of Australia's neighbourhood had an impact on the Australia's policy. He not only studies the policies but provides us with the strategic, economic, political, demographic changes that brought in Australia after the war period. This effect has been long lasting because the treaties signed during that time results in the closeness of Australia today with the Southeast Asian countries.**(T.B. Millar,1978)** highlighted that how Australian government portrays the world and their attitudes have been from colonial origins to the present. It talks about the various actions and reactions that have led changes in the making of foreign policy of Australia. The author focuses on the development of external relations of Australia. Australian foreign policy in the second half of the 20th century has been a series of compromises between historical and geographical factors. The ANZUS treaty made Australia to be well protected in its geographical vulnerability. He argues about the special relationship with Malaysia and Singapore offered a cultural and political stability for the society of Southeast Asian states which had sought to foster occasionally and selectively. Both Malaysia and Singapore have been consistent recipients of Australian aid under the Colombo Plan and also through various multilateral programs. Australia's

connection with Southeast Asian states have evolved over time under different treaties and thus reflected on the foreign policy of the country. (Stuart Macintyre, 2004) talks about Australia were the last continent to be settled by Europeans, how they have imposed themselves on the land, focusing on the historical developments to the political connections and technological advancements. The author highlights Australia's changing role in the 21st century. Australia's political environment has affected its foreign policy and therefore connections with the Asia Pacific countries have altered and taken a new dynamic role. He debates how Australia has been reinventing itself and bringing home new possibilities for it to explore in the fast growing world. However Australia has experienced difficulties with Malaysia. In 1986 Malaysia had objected to Australian attempts to the death penalty for two convicted Australian drug smugglers who were commuted to life imprisonment. Political cultural tension was a part of this incident. In 1990 Australian Broadcasting Commission (ABC) was critiqued for screening the fictional series "Embassy". This program focused on an Australian diplomatic mission in "Ragaan", a country which had many similarities with Malaysia and thus Malaysian critics accused the ABC of having an orientalisng approach. (Derek McDougall, 2006) points out that Howard's statement in December 2002 that he would support pre-emptive strike against the terrorists in other countries brought in negative reaction from Mahathir and other regional leaders. During the 22 years at Malaysia's helm, Mahathir made Australia his 'whipping boy'. He rebuked Canberra for its colonial heritage and role as America's deputy sheriff, stoking Malaysian pride and scoring strategic points in the process. While the overall bilateral relationship was steady, in the background, Mahathir never shied away from publicly undermining Australian initiatives, often straining relations in the process. His notorious snubbing of the 1993 APEC summit, led then-PM Paul Keating to label him 'recalcitrant'. However the political cultural tensions reduced after Abdul Badawi assumed office. He assumed more of a consensual approach in both domestic politics and foreign policies.

1.3 Economic interaction between Australia-Malaysia

(Jiro Okamoto, 2010) points out that Australia's foreign economic policy towards ASEAN has been an important element in regional economic cooperation. He highlights in his book that how decisive factors like changes in the international and regional environment and the replacement of a dominant policy coalition with another in Australia's policy process. Political engagement represents the compulsion, as Australia emerging as "the middle power" cannot afford to alienate its immediate neighbours. The bitter relationship that existed between the Prime Ministers faded away with time because both the countries realized a more matured and constructive engagement is more important to redefine their security concern in the Asia Pacific region. Malaysian Prime Minister Abdul Badawi in his political statement have stressed on mutually beneficial relation to be maintained with its neighbours.

(Mirzan Mahathir and Fazil Irwan, 2007) points out that Malaysia's nation-building effort has been a unique experiment. Due to its distinct ethnic groups, since independence it has been a colossal task for Malaysian society to build up its economic strategy. Despite several shortcomings, Malaysia has hitherto been relatively successful in building a competent economic model based on a complex formula of multi-racial unity in the country. The article highlights that over fifty years Malaysia aimed at strengthening ties with her Asian neighbours based on self- interest and mutual political, social and economic benefit. 1969 event was a watershed moment in the history of Malaysia. Therefore the New Economic Policy (NEP) was formulated after consultation with a diverse group of advisers to address the pressing issue of poverty, of the linking of race with economic function and also equal participation of each ethnic group in the nation's economy. The New Economic policy had a clear target to fulfill thus leading to socio-economic changes and development in the Malaysian society. It also encouraged Malaysian economy to expand its trade ties with the neighbours. The article points out with the economic growth broader interests and responsibilities in the global economic

governance and also in the security resources like food, energy, health etc. The government continues to encourage investments overseas although it aims to bring in more new industrial and service centers in Malaysia. **(Daniel E. Charette, 2006)** highlights that Malaysia is one of the export-dependent developing countries with a high degree of integration in the global economy. Malaysia, due to its economic downfall has taken confidence building measures in the banking and corporate sectors, diversification of the domestic economy through a focus on commodity and service expansion, and the implementation of more prudent macroeconomic policies. Malaysia's open trade policy and its investment in the electronics and electrical manufacturing sector, reaped benefit and exporting its way to middle income status during the time of global demand. The pragmatic solution for Malaysia was relying on the FDI in the manufacturing sector. The contemporary economic development in Malaysia is focused on the evident virtues and dangers of a developing country's economy. **(Derek McDougall, 2006)** argues that there is a traditional economic connection between Australia and Malaysia. Australia's major exports to Malaysia are copper, aluminum, coal, milk, ice cream etc. Malaysia on the other hand exports crude petroleum followed by telecommunications equipment. MAFTA (Malaysian- Australian free trade agreement) benefits the exporters, importers and consumers by opening markets and free trade and investment between the two countries. Many scholars have argued that the economic connection has been growing between the two countries as MAFTA is a comprehensive, high-quality agreement that further integrates the Australian economy into the fast-growing Asian region.

Asian Century White Paper 2012, points out that Australia is in a good position to make the most of the opportunities that will flow from the Asian century. Australia has one of the strongest economies in the world and a bright outlook. The rate of unemployment is low in the country providing good job facilities to its citizens. Trade is high and inflation is contained. As the global centre of gravity shifts, the tyranny of distance is being replaced by the prospects of proximity. Australia is located in the right place at the right time—in the Asian region in the Asian century. For several decades, Australian businesses, exporters and the community have grown their footprint across the region.

Today, for Australia, the minerals and energy boom is the most visible, but not the only, aspect of Asia's rise.

1.4 Security and Defence links

(Craig A. Snyder, 2006) points out that Howard government's mismanagement of various security and defence policies was a major concern. Australia's closeness with the United States and its role of "Deputy Sheriff" and the unwieldy approach that was taken by the Australian government in its security policies had caused unnecessary tension and mistrust between Southeast Asian states. Australia's Asia- Pacific regional security policy has seen a balancing between two competing policy approaches one seeking protection from threats in the region by powerful friends and the other of "constructive engagement" with the region. The author highlights that Australia's refusal to sign the ASEAN Treaty of Amity and Cooperation at the 2004 ASEAN SUMMIT in Laos and launching of pre-emptive strike was seen as evidence of Australia's aggressive policy with regard to the region. But in 2005, Australia changed its policy towards signing the TAC with laying certain conditions. Australia caused further tension when it announced 1000 nautical mile Maritime Information Zone. It was stated that entering the "zone" all ships travelling to Australia would provide information about its crew, identity, cargo, location, destination, etc. But this approach received high criticism from both Malaysia and Indonesia. Therefore many scholars have argued that Australia needs to build positive relations with the states in the region at both the political and military level to mitigate their concerns.

Australia's defence heritage lies with the security concerns of the first white settlers **(Ross Baggage, 1990)**. Its security tradition, concepts, structures have mostly been inherited from the forward defence era which ended in the 1970s. Since then, Australia's defence planners have been focusing on a self-reliance defence policy. Australia's strategic perspective has been broadened with time. The major challenge that Australia faced in the past was that it lacked confidence to defend itself. Australia has faced a

number of threats due its instability. Therefore, reconstructing of its defence policy made Australia an emerging nation in the 21st century. **(Norman D. Harper, 1955)** has dealt with the complex fact about Australia's position in the surrounding region. Its role as an Asian and a Western power has always been a contradictory factor. History shows Australia's connection with the Southeast Asian region has been altered through time. Australia has been involved in various security affairs with the Southeast Asian region and its geographical position as an extension of Asia gives her a special role in Asian affair.

(Shane Paltridge, 1965) has shown us that Australia's geographical position on the perimeter of Southeast Asia has made it aware of the relative weakness and imbalance of the indigenous military resources in the area. Therefore Australia has been very keen in expanding the military resources rapidly, due to the need and the desire of the local people for economic development and social welfare. Australia's policy for years has been containment of the Communist Chinese threat in the region. The article shows that Australia has always felt that there is a clear need of sustained and coordinated allied defence effort in Southeast Asia; therefore the government has played a positive and active part in the development of regional collective security. **(Derek McDougall, 2006)** highlights the historical links of Australia through the areas of security, economics and education in his article. He addresses the question whether and how past Australian links with Southeast Asia through the British Empire and Commonwealth have been a continuing influence on Australian relation with the region. He points out that while some Australians were involved in economic activities in Malaya but the main connection with this area during the imperial era was through defence. In the year of 1949 Australia became involved in joint defence planning arrangements with Britain and New Zealand known as ANZAM (Australia, New Zealand, and Malaya). At the time of independence in 1957 Anglo-Malayan Defence Agreement (AMDA) provided the basis for continuing defence links and Australia was associated. There was strong security links between both the countries in the past despite there have been tensions. There have been a number of issues that occurred in Australia- Malaysia relations during the post Mahathir period. Malaysia has gone to length to exclude Australia from the Association of Southeast Asian

Nations (ASEAN) and also had challenged the role of the Asia-Pacific Economic Cooperation (APEC) with the proposed East Asia Economic Caucus (EAEC) which excluded Australia. However with time the relation has been fixed and there are various amount of cooperation on international issues which has an important security focus. The role of ASEAN forum – including Australia’s position as an ASEAN dialogue partner (started in 1974), its membership of the ASEAN Regional Forum (since established in 1994), accession to ASEAN’s Treaty of Amity and Cooperation in 2005, joining the East Asian Summit (2005), and the ASEAN Defence Ministers Plus (2010). Other important security dimensions such as APEC and the Commonwealth, and annual bilateral meetings between foreign ministers highlights the roots of the engagement.

(J.N. Mak, 2004) points out that Malaysia’s defence and security cooperation has been pragmatic, reflecting in both economic and political reality. Its aim has been to secure Southeast Asia, making a strong and effective ASEAN community and a strong Malaysia. Its strong defence link with Australia was important for the Malaysian Armed Forces because it provided a range of training, logistics, intelligence exchange, defence science and other support activities. Secondly, the author points out that the connection was important for keeping the US committed indirectly to Malaysia due to the ANZUS treaty. It is a fact that Australia- Malaysia military linkage was the result of a conscious Australian policy to develop its own defence capabilities. However, the *Australian Defence Review* first chose Indonesia as the most crucial for the Australian security. Due to diplomatic problems with Indonesian military the Australian Defence Force emphasized more with Malaysia and Singapore. Thus, the FPDA allowed Malaysia and Singapore to develop their armed forces at their own required time. The author draws a complete picture of the domestic politics along with the security and military cooperation and hence he further argues about the engagement with the United States in his article. Malaysia also had antiterrorism agreements with the United States and Australia and they have been very effective.

On the other hand the deepening relations with the Asian countries have reflected in Australia’s foreign policy through its comprehensive approach towards the “new

regionalism in Asia” (Rita Camilleri, 2007). In this article, both Australia and Malaysian media has been given importance. Due to the misunderstanding coupled with accusations of cultural insensitivity existed in both the countries. Mahathir’s departure from political centre brought in a change of atmosphere in the bilateral relations. Abdullah Badawi’s two day visit after acquiring office was the first such visit in twenty one years. The shift to a conciliatory attitude complemented the new leader’s non-confrontational style revealing a more amenable personality. It reflected a clear wish for Australia and Malaysia to move away from the negative tones that developed during Mahathir’s rule. Between the two regions, the author like other scholars argues the fact that security and trade will continue to attract more attention.

Defence White Paper of 2013, states that “Australia’s most basic strategic interest remains the defence of Australia against direct attack, and security, stability and cohesion of our immediate neighbourhood.” Australia has strong historical defence links with Malaysia. Even though there was exchange of critical dialogues among the ministers, the defence engagement was never halted. Starting from the battlefield of World War two, the Malayan Emergency, and Confrontation, it has further grown through the Five Power Defence Agreement, Malaysia Australia Joint Defence Program, etc. It has matured with time and Australia maintains one of the most long-lasting and strongest defence relationships with Malaysia. This strong mutual history forms the bedrock of the defence relationship today and this will continue to do so.

In the literature review, a very selective reading of various dimensions of this bilateral engagement has been made to point out the crux that has affected the relation. However Australia has curved different dynamic angles in its foreign relations and with time to time changes in the world affairs it has also revised its regional and global outlook. Australia’s hunger for expanding its energy resource will always be a challenging issue in the Southeast Asian region. In order to understand the nature of the relationship between Australia and Malaysia from 2003 to 2013 it is necessary to examine the relationship under three broad categories namely Political, Economic, Defence and Security. The study, therefore has taken into considerations these areas to examine the nature of the

relationship and accordingly present its findings and also Problems and Prospects of the relationship in the foreseeable future.

As far as the path and trajectory of this relationship is concerned, there is a lot of debate and some analysts argue that the relation has improved but Malaysia will never be able to take the role of Indonesia as its immediate neighbour. However the relation between Australia and Malaysia has nurtured well. It is the prime focus to bring out the various dimensions of this relation and therefore this study of Australia- Malaysia post Mahathir period will allow to do so.

Rationale and Scope of Study

The present study focuses on the relation between Australia and Malaysia post Mahathir period till 2013. This is a study on the political, economic, security cooperation dimensions between both the countries. Today the relation has a different picture altogether. Australia's constructive engagement with that of Southeast Asian countries has brought in a new dynamic atmosphere.

The study highlights the core objectives behind this engagement. Especially focusing on the bilateral partnership with Malaysia shows the different aspects of socio-cultural engagement and also its strong defence links. The study clearly examines the change that has brought after Mahathir retired from his post and how the relationship has nurtured. Australia's interest in the Southeast Asian countries shows how strongly it is urging for this engagement. The high visibility of these initiatives marks a change for the bilateral relationship and therefore this study is important to know both the Australian and Malaysian society at large and also the thinking potential of the different leaders in power. Many of Australia's challenges in the years ahead will mirror those of other Southeast Asian nations. Most importantly of all, the study will try to answer the questions regarding the vitality and viability of this bilateral engagement between both

the countries. Security cooperation and defense and military engagements are other dimensions of this study. Education, socio-cultural investments, science and technology and other investments are also part of this study to provide a broad view of the relation which is achieving a new ball game.

The dissertation will be based on a thematic pattern and it is divided into five chapters. The first chapter titled as “Introduction” will be tracing on the history of linkages between both the countries. It will further look into the theoretical understanding of this engagement. The second chapter titled as “Political relations between Australia and Malaysia post Mahathir period” will deal with the immediate changes that took place in the foreign policy approach. It will focus on the political developments of both the countries. It will talk about the number of ministerial and diplomatic visits that took place. It will deal with the party politics of both the countries and how the leaders thought of engaging into a mutually beneficial relationship. The third chapter “Australia-Malaysia economic and trade relations” talks about economic engagement of both the countries, thoroughly mapping out the trade and investments and the agreements signed. There will be focus given to the current FTAs and bi-lateral trade agreements which are now playing an important role between the two countries. The fourth chapter “Australia-Malaysia defence and security engagement”, will deal with the defence cooperation between both the countries. It will also focus on the various traditional and nontraditional security issues. The key areas like education, socio-cultural engagement, science and technology, terrorism, human rights, etc will be also studied. It will also talk about Australia’s possibilities of regional expansion in the Southeast Asian region. The final chapter will make an assessment of all the developments that has been taking place and where it leads to and what can be the effect on this growing relationship. It will also discuss on the implication of this growing closeness on the other Southeast Asian nations and what it holds for the future. It will summarize the dissertation and give my own analysis and conclusion.

CHAPTER 2

POLITICAL RELATIONS BETWEEN AUSTRALIA AND MALAYSIA POST MAHATHIR PERIOD

POLITICAL RELATIONS BETWEEN AUSTRALIA AND MALAYSIA POST MAHATHIR PERIOD

Australia's relationship with Malaysia is multifaceted and this is reflected at various levels whether they are political, economic, defence or people to people connect. This connection between the two countries goes way back. Malaysia has been strategically important to Australia even though they had differences among the ministers, bilateral relations was to extend remained unaffected especially if we look into the defence relations after Mahathir's term the relation had a boost. Things changed after Malaysian Prime Minister Dato' Seri Abdullah Badawi visited Australia in April 2005.

Australia's link to Southeast Asia has been one of Australia's ambitious role and also a major move in its foreign policy (Paul 1999). Though Australia's security ties with Indonesia is stronger but the connection it shares with Malaysia has been tested over time. Despite the irritants, the two countries have evolved their engagement into a new paradigm. Australia was always in the news due to misunderstandings that sparked between Mahathir during his long twenty- two years term as Malaysia's Prime Minister (Camilleri 2007: 26). Australia had strategic interest however the relationship was taken on a different level that led to many disturbances between both the countries. Racist immigration policies of Australia, Howard Government had more interest with the Western world and its inclination towards them had made Australia to be more obsessive for the U.S. and that made the relation more disturbing (Camilleri 2007: 28). The relation reached new heights after the Mahathir term. The relationship re-invigorated with Abdullah Badawi coming to power and positive initiatives was taken to strengthen the bilateral relationship (Snyder 2006: 334). From the experts point of view it is described that the two countries had presumed a "new détente" which was very much evident (Camilleri 2007: 28).

Malaysian Foreign Minister Syed Hamid Albar wished to make the bonding even stronger in terms of defence and education and that would lead to more people to people connection. Australia's refusal to sign the Treaty of Amity and Cooperation was another fact that led to doubts about the membership of East Asia Summit. End of 2004, ASEAN

members, New Zealand, South Korea, Russia and Japan were all part of the Treaty of Amity and Cooperation. Australia's Prime Minister felt that though it was a non-aggressive pact which act as a code of conduct for governing relations, it was unrelated to free trade and also irrelevant to Australia (Camilleri 2007:28). Australia's perception of things was more on a different level. Its relations were affected due to Asian prejudices, differences of opinions and interests (Hogue 2001).

Howard was seen to be stating the fact that "*it was an old document of declining relevance*"(Camilleri 2007: 28).

However the tensions did not affect much in developing a relation as Abdullah's visit to Australia in 2005 came out with positive changes and increasing amount of cooperation. Though Australia wanted to be part of the East Asian Summit held in 2005 but signing the Treaty of Amity and Cooperation (TAC) it was not much interested. As a matter of fact it was the time when Australia's role in the region remained mainly undecided. Australia had varied interests and therefore it wanted to extend its limitations, grow as a great player in the region. Many scholars therefore debated about Australia's role in Asia (Camilleri 2007:28). Going back Australia and Malaysia relations had suffered due to the APEC and EAEG issue (Dhillion 2009). However things were more on a different tone when Mahathir, wanted Japan or China to lead the EAEG instead of US leadership of APEC. Being a great leader Mahathir wanted to build a community which is known as the East Asian Community where countries like China, Japan, and Indonesia would have its place. On the other hand U.S. continued to push APEC and its demand was that it would include as a member in the grouping of Asia Pacific. Japan having steering differences it made a clear point that this would hamper the formation of APEC and therefore it chose to remain outside of EAEG.

"Most of the region is now a market place, filled with the ringing sound not of bugles and bullets, but of bazaar bargaining and stock market babble, of pile-

driving steam hammers, of roads and harbors and magnificent edifices, of progress and growth.”⁴

However in August 1995 meeting of ARF in Brunei, there were many doubts raised by Australia and thus it is a known fact that Australia was kept outside the Malaysian plan for the East Asia Economic Grouping. Mahathir was also noted saying that it would be a “Caucus without the Caucasians” and therefore he excluded Australia from East Asian Economic Caucus (Kaul 2012: 234).

The EAEG therefore came into being and Mahathir argued that –

“be it in the ASEAN Regional Forum (ARF) or in the process, or even in the meeting which Asians are planning to hold with Europeans. ASEAN must not permit this....in economic relation and on issues of international trade, ASEAN should not allow others from outside the region to set the pace for cooperation in the context of APEC.”⁵

Malaysia thus suspended all sorts of non-essential cooperative ties with Australia in the march 1991 and it came to the news that later Malaysia had launched a campaign known as “buy Australia last campaign” (Dhillion 2009). Keating’s exchange of real harsh words put strain to the relationship and thus Mahathir felt that “white Australia” looking down on “Asian values” (Kaul 2012). In July 27, 2005 Foreign Minister Downer went to Laos and signed the non-aggression pact and this led to an invitation to the East Asia Summit (EAS). However Howard has said “we’re East and West”, that he meant was Australia can be part of any place in the region (Camilleri 2007: 30). Abdullah’s visit to Australia bought in hopes in the bilateral relations. In the meeting held, in 2005 between the two Prime Ministers bilateral trade agreements, defence, counter- terrorism and cooperation on many levels were discussed.

⁴ Mahathir Mohammad, Speech at the First East Asian Young Leaders Congress on East Asian Peace, Stability and Prosperity, delivered at Kuala Lumpur on August 5, 1994.

⁵ Mahathir Mohammad, Speech titled “ASEAN: Shaping a Regional Order” delivered at the 5th meeting of the ASEAN Heads of Government at Thailand on December 14, 1995.

Abdullah made comments in the media stating that *“we are inclined to believe that Australia is not really centering on Asia or East Asia but has more concern with reflecting the views as expressed by the United States”* (Camilleri 2007:31).

Australia’s geographical location, gives it a special role in the Asian affairs. There has been instances in the past, that led to some Malayan leaders often stating the fact that “Australia is an Asian state and also Indonesian counterparts have made statements like “You are our natural door to the west ... Australia should not try to be western power divorced from Asia but an Asian power with western traditions, ties and advantages” (Harper 1955:212). Australia’s, foreign policy has always been concerned of the fact that it could bridge between Asian and Western cultures. However looking at the past Australia had been seeking support from the “mother” Britain and “uncle” United States due to its geo-physically positioned in the environment of hostility (Singh 2007). Australia’s age old “White Australia Policy” marked its great history. However adopting the multiculturalism Australia opened doors and it departed from what it is called is “assimilation” policy approach (Singh 2007). The transformative changes that Australia brought reflected in its closeness with the Southern Asian countries. History says that during British period, Penang 1786, Singapore 1819, Malacca 1824, which were known to be the Straits Settlements, Chinese immigrants was very much significant in these areas. Australians however involved in these areas through economic relations, mainly during the imperial era it had a defence relations (McDougall 2006). However Japan became the threat at that time and Australia’s Government placed faith on Singapore for protecting itself and also other parts of the region. In 1942, Singapore fell and it was Japanese threat that occupied Malay Peninsula through the sea. The sinking of HMS Prince of Wales and HMS Republic by Japanese aircraft led to Britain’s defeat on strategic scale (McDougall 2006).

It was thus Australia looked upon the U.S. Its relation with the West led it to orient towards a western culture and value system. Australia’s relation with the Southeast Asian region has gone through a test of time. It has led to multiple changes and the process is still ongoing. The relation has brought about a lot of negative and positive impact globally. Southeast Asia is a diverse zone in terms of culture, religion, politics,

geography, security etc. it has witnessed colonial experience and therefore it has evolved with time and changes have been brought about. There are few common security experience which is derived from its strategic geography and experience in the past followed by economic developmental challenges. The threat of major powers experienced has led to border disputes, long standing misunderstandings, and also encouraged Southeast Asian armed forces to have defensive stand. Southeast Asian states had built a lot of cooperative mechanisms to deal with the external aggressions. It has also participated in a range of several international organizations to balance its power.

However Australia's relation with Malaysia showed that it went through a roller coaster ride leading to anti- Australian feeling among the people. There was all sorts of agitation been expressed during the Mahathir's term specially he led the protests over the "Howard Doctrine" followed by East Timor intervention of Australia in the year 1999 and also the controversy of the "Deputy Sheriff" (Snyder 2006). But Australia has tried to engage with the Southeast Asian on a more independent way. Many of Southeast Asian states have been supported by Australia in terms of crisis. Australia policy which was west oriented has brought about a feeling at a time within the Southeast Asian countries that it was not really interested in its neighbourhood. However, with wars overtime and transformation of the Asia Pacific region Australia changed its perception. As the Asia-Pacific became more diverse in nature and rapid economic development was seen in the ASEAN nations. It drastically restructured the domestic economy and ushered for trade liberalization with the countries of Asia- Pacific.

2.1 Australia – Malaysia Historical Relations

As stated by an expert, "*Since the end of Second World War, the region of Southeast Asia has undergone tremendous changes, the most fundamental being the establishment of politically independent nation states*", (Chakraborti 2007). Malaysia also faced several challenges looking at the history Australia had been supportive to Malaysia as its troops fought along during the Second World War (Harper 1955). However in 1945, Sandakan death marches in Sabah that led to death of around 1,787 Australian prisoners of war,

where reports said that six Australian had survived (Funston 2013). This incident gained attention as it was Australian troops led to recapturing of Sabah and Sarawak and this military cooperation is one aspect in the relation between the two countries that existed in the past and is strong even in today's time.

In spite of the military support differences of opinions and incidents in the past reflected on the relation. As in 1986, Prime Minister Bob Hawke's term when two Australian for drug offense which was "barbaric" in nature, on the other hand Mahathir mistook it to be the description of Malaysians. However in 1988, Mahathir was criticized airing the SBS documentary that featured logging in Sarawak, *Slow Boat to Surabaya* (Funston 2013). Incidents kept on happening and media of the two countries became skeptical of each other.

Malaysia's relation with Australia started downgrading more as in the incident of May 1988 when Mahathir got a letter from 105 parliamentarians for mass arrests as he used the Internal Security Act for arresting people related to his party United Malays National Organisation (UMNO) and other social activists due to problems within his party. Mahathir responded very critically stating that it was their internal matter and Australia's interference was not accepted (Lopez 2009). To an extent Malaysia's foreign policy at a time was been described by many that it is guided by "pragmatic neutrality" (Lopez 2009) and Mahathir remained faithful to this policy. In 1990, bilateral relations froze and official visits were called off as ABC TV program, *Embassy* was seen to ridicule Malaysia.⁶ Things were revolved only when PM Hawke dissociated from all media hyped reports. If we compare Australia's relation with Indonesia on the other hand is closer, complex but sometimes it is also turbulent in nature. However the relation till today remains to be important in the foreign policy of Australia (Hogue 2001:60). Australia has witnessed evolutionary changes over the years. Australia's place in the Asia- Pacific region is decided on its pace of movement in the region and also its neighbours accepting it in the right place.

⁶ Embassy is a TV program that in Australia broadcasted by the ABC Television since 1990-1992. The program was set in the embassy of Australia of a fictional Southeast Asian country called Ragaan that was located in the half way to the Malay Peninsula between Thailand and Malaysia.

2.2 Comprehensive Engagement

“Southeast Asia has tested Australian foreign policy. We have tended to accept it as the touchstone of our success or failure in adapting to our region. It has thus borne the brunt of our own uncertainty; for not all Australians have been convinced that adapting to our regional environment is desirable, even if achievable. Some have believed that security demanded we keep our distance. Others have simply found it difficult to identify with the Third World conditions of parts of Southeast Asia. Others again have felt that the cultural changes required are so substantial that, even by trying to adapt, Australians would lose their identity.”

(Evans and Grant 1995:194)

Australia being a geographically remote country, but its imaginative and effective diplomacy made it possible to have a significant and respected place both in Asia- Pacific and also the outside world. Australia’s keen interests demanded that their relationship with Southeast Asia can be broad based. Foreign Minister Gareth Evans in his 1989 statement described Australia’s policy of “comprehensive engagement with Southeast Asia (Evans and Grant 1995: 195). It was clearly meant that engagement is mutual commitment that is in every sense equals.

- It is to build diverse and substantive linkages with Southeast Asia in order to have a positive relationship based on national interests.
- To have a positive regional association i.e. ASEAN and also APEC which would lead to social and economic developments.
- Have shared security interests.
- Working together for regional affairs.

Australian officials since the late 1980s have clearly realized that their new approach towards Southeast Asia is quiet unavoidable. With the end of Cold War, Australia attempted to upgrade and maintain relations with regional states. Its approach towards

Southeast Asia is rather affirmative. Australia has made a genuine effort for getting accepted as a regional partner. Thus Australia has been participating in the activities of ASEAN and it had been the first to establish a formalized dialogue partner in 1974. Australia's engagement with Southeast Asia has taken the relationship to a new level and this is seen to be reflected in its foreign policy. Australia in order to succeed in its regional diplomacy it has to build upon a thorough knowledge of the region around. It has to therefore understand the complexities of this engagement towards Southeast Asia. Its altering of foreign policy towards Southeast Asia reflects its diplomatic position and also gives a view of its security angle in the region. It has been a total reorientation in Australia's external affairs. Australia faced with uncertainty tires to seek security from its long lasting friend the U.S. However a new era brought in a new strategy that led Australia to engage and change its international personality and also its view about the outside world.

2.3 Shifts in Australia's Foreign Relations

Through the late 1980's Australia has been trying to engage itself in the form of "security regionalism" to develop cooperative relations with the Asia Pacific countries (McDougall 2001). However incident of 1999, involvement in East Timor (INTERFET) International Force East Timor led to a difficult phase in its efforts to engage with the Southeast Asian countries (McDougall 2001). Under the Hawke and the Keating Labor Government Australia emphasized on continuing importance of its security relationship. Australia faced several criticisms from many Southeast Asian countries like Indonesia, Malaysia. Mahathir in his several statements have mentioned that Australia is not projected to be "Asian" in any way thus its attempts to involve in the Asian affairs was side tracked. Australia has always been vulnerable to the rise of Asian hostile powers like Japan was the major concern in the first half of the 20th century. Thus it always had its shoulder tilted towards the British. In the late 1960s and 1941 Australia regarded U.S. as its security partner. Since U.S. gave protection forming the ANZUS treaty in 1951 that led Australia to look upon it as a prime protector. From 1970s Australia adopted "self reliance" strategy (McDougall 2001).

However U.S support was important for Australia but it also needed to provide its own protection. The Australian strategy of ‘forward defence’ as its military basis in Southeast Asia was undermined by the withdrawal of British from Suez Canal (Babbage 1990). The Whitlam Labor Government’s foreign policy (1972-75) emphasized on independent Australian policy (McDougall 2001).

However Australia’s policy was always contradicting its ministers that were in power. The Hawke Labor Government stressed on building relations with the neighbours. The relationship should be more multidimensional and not restrict to only military engagement as earlier. Even during the Keating Labor Government 1991-96 the security regionalism was given importance. In the year 1995, Gareth Evans stated saying that Australia should be regarded as an “East Asian hemisphere” (McDougall 2001). In 1989, Australia took the foot forward in establishing the APEC (Asia Pacific Economic Cooperation). As it would be giving the opportunity to liberalize its economy that would allow Australia to have a stronger and better position in the global world. However Samuel Huntington argued that Australia was about to turn into a “torn country” as it was moving away from its western influence and engaging into the Asian zone (McDougall 2001). Thus it was his “clash of civilization” debate which showed Australia’s attempt to disrupt civilization and dividing views that would bring in more conflict and tensions in the atmosphere (McDougall 2001).

However looking at the Defence White Paper 2000, the Strategic Review of 2003, 2005 Australian Government had repeatedly announced changes in Australia’s strategic concept. It announced a shift in its policy of the Australian Defence Force to a well structured and better policy to participating with the coalition forces in its neighbourhood (Snyder 2006 :324). Australia’s Asia-Pacific security policy had always been traditionally balancing on two approaches one form seeking protection in terms of threat and other engaging with the region.

Earlier its deepening relation with U.S. had brought in complications in the relation with its neighbourhood. But many policy makers have been supportive of Australia’s role in the regional security issues. It had sought to explore its multilateral approaches from Asia. Australia supported the ASEAN Regional Forum (ARF) and also the “Second

Track” which is the Council for Security and Cooperation in the Asia Pacific (CSCAP) (Snyder 2006 :325). However it was the Howard Government who further exacerbated Australia’s concern on “ Deputy Sheriff” and pre-emptive strike doctrine as it was the country which had rejected in signing of the 2004 ASEAN Treaty of Amity and Cooperation (TAC) in Laos and also the establishment of the Maritime Information zone of 1000 nautical miles(Snyder 2006:329). It was seen as an aggressive act of Australia’s policy by many countries. Many said that the disapproval of Howard Government of not signing the TAC was mainly linked with the pre-emptive strike policy. In the Bernama Daily Malaysian news 2004, Badawi stated that Australia’s act of not signing the TAC was “so far there has been no (negative) impact but if it is prolonged and if Australia takes action that cause adverse results, the relations would be affected because they consider themselves free to act since they have not signed the TAC” (Snyder 2006:329). Badawai showed his disappointment on this act of Australia.⁷

Also Indonesian Foreign Minister in Burell 2004 Marty Natalegawa made a statement that “the best way for Australia to dispel fears of its intentions about pre-emptive strikes was to sign the TAC” (Snyder 2006:329). It was only when ASEAN leaders told the Howard Government that it could take part in East Asia Summit 2005 on the condition that it had to sign the TAC. Thus in 2005 July Australia signed the TAC or it would have been left out of East Asia Summit. In December 2005 Australia took part in the East Asia Summit (EAS).

Australia’s announcing of 1000 nautical miles “zone” brought in serious disappointments from Southeast Asian countries. Indonesia, Malaysia reacted on it strongly. Australia’s this reputation in the region was damaged to an extend but in July 2005 reconstructing the Australian Maritime Information Zone to Australian Maritime Information System and making 500 nautical miles where the ships could enter was acknowledged by the Howard Government (Snyder 2006).

⁷ Bernama Daily Malaysian News (2004), “Malaysia Disappointed with Australia’s Refusal to Sign Treaty”, 4th December. Malaysian Prime Minister stated his disapproval of Australia of not signing the TAC.

Australia's relation with the Southeast Asian countries went through a transformation. Australia efforts to build regional engagement were very much effective and its unique position gave it equal importance to make time to time changes. However it kept a convenient focus on its neighbours and therefore Australia's shift in its foreign relations was on the policy adjustment with Southeast Asian countries.

2.4 Post Mahathir Changes

Mahathir Mohammad's retirement from Prime Minister's position left behind a lot of challenges for Abdullah Badawi. Attaining his position as the Prime Minister of Malaysia Abdullah followed a more consensual approach towards Australia in terms of domestic policies and foreign policy. Though both the countries had differences over Iraq and the "war on terror" but did not allow stopping cooperation on other spheres (Vaughn 2004). As the country heading the Non- Aligned Movement and the Organization of Islamic Conference, Malaysia faced a lot of challenges in its foreign relationship with United States and Australia (Ganesan 2004:70). On the 31st October at the Organization of Islamic Conference (OIC) summit in Kuala Lumpur, Mahathir resigned, bringing 22 year of his leadership to an end of the United Malays National Organization (UMNO). His greatest political legacy was his strong charismatic leadership which was reflected in every decision that he made for his country. During his term, Malaysia's relations with the United Kingdom, Australia and particularly U.S went through a rough patch. He was highly critical of United State's decision to invade Iraq (Ganesan 2004:75). He also blamed the western powers that they were trying to colonize the world again. However its relation with China remained much cordial.

During the 2004, Abdullah Badawi faced most of the difficult challenges of leadership, marinating economic competitiveness and also redefining Malaysia's foreign relation. Though Abdullah created a new identity but he became more politically vulnerable. The new Government had to face many domestic challenges. As well as it also faced with new policy initiatives those are relevant to the changing dynamics of the domestic and international policies. It also brought in new direction in the global political economy.

Malaysia's image was undoubtedly promoted by Mahathir's innovative policies. Thus Malaysia became more internationally recognized under the two decades of Mahathir's leadership. It is seen as a stable multicultural and economically developing country. Malaysia is also regarded as a moderate Islamic country which is progressive. Mahathir's policy was considered (1981-2003) to be independent and pragmatic. For Malaysia it became imperative to review its relations with specific countries to meet up the developmental challenges. It had to reposition itself as a serious regional actor due to its policies. Under Najib Razak Malaysia had to revisit and prioritize its relations with the outside world due to increasing uncertainties. Badawi had a significant style and emphasis on the Malaysia's foreign policy. After Mahathir's departure the foreign policy posed a great challenge for Badawi to 'cope up' and also exceed him. Abdullah's distinctive feature was the *Islam Hadhari*.⁸ It was to portray political advantage through Islamic credentials. Islam Hadari also brought in moderation in Abdullah's foreign policy (Khalid 2010). Abdullah on the economic front, as Malaysia is considered a leading halal hub wanted to tap the global market. Both of the leaders had a different set of foreign policies. Malaysia's relation with the U.S. under the Badawi administration became more cordial. As they started working together after the post- September 2001 and Malaysia showed keen interest to fight against terrorism. Abdullah's policy which was more of a non-controversial brought the U.S. – Malaysia relationship into a stable position. Najib Razak, Badawi's deputy also had a closer toe with the U.S.

In 2004, at a meeting Abdullah Badawi was quoted saying,

*"...Malaysia's foreign policy should not be a stable doctrine it must be a dynamic instrument....enlightened policy..... so as to make Malaysia an acceptable and reliable partner in inter-state affairs."*⁹

Abdullah Badawi also forged closer relationship with inter-governmental organizations (IGOs) like the ASEAN, and also the Organisation of the Islamic Conference (OIC).

⁸ Islam Hadhari emphasizes on universal values, personal piety and scientific knowledge. It was Badawi's personal hallmark. Khalid, Khadijah Md. (2010), "Malaysian Foreign Policy Orientation and Relations in the Post Mahathir Years. In: Malaysia in Global Perspective. Department of Malaysian Studies, Cario University: 306-336.

⁹ Mokhtar, Ahmad. (2006), "New Directions in Malaysia's Foreign Policy: from Tunku to Abdullah Badawi", Malaysia's Foreign Relations, University of Malaya Press.

Abdullah's policy was mostly oriented towards a wider reform and also he set a new tone. His role was welcomed by many leaders. It was his personal challenge to bring in a distinctive form of leadership. Malaysia, under Mahathir had been a critic of the western influence, however playing a leading role in the NAM (Non-Aligned Movement). Abdullah became the chairman of NAM during his tenure and he led in a moderate way. He demanded for a common ground with the northern region. He was also concerned about leaving continued relevance of NAM and its effectiveness. Abdullah wanted to move forward regional engagement and therefore it revived Mahathir's EAEC that led to the East Asia Summit in 2005. It was also then Australia and New Zealand joined. Other development which was foreseen was the Asian Bond Market Initiative (AMBI) and also the Chiang Mai Initiative (CMI) (Khalid 2010). After Badawi was succeeded by Najib in the year 2009, when the country was facing economic and political turmoil, he also made foreign policy a priority. Due to the challenging role of the outside world foreign policy was given the importance. It was to bring in a reform of the old way. It was based on performance and gave priority to the Malaysian people. There was deeper engagement with China. There were also reasserting Malaysia's political strategic interests. Najib revisited Badawi's attitude that was previously held. He wanted to reshape and readjust the policies. Abdullah initiated a distinctive brand of Islam, which resulted in the conflict of interests in the OIC (Organisation for Islamic Conference). Najib wanted a total reorientation of the policy for further engagement. Mahathir's policy left an inimitable legacy in Malaysia. Malaysia's external role was very much influenced by Mahathir's strong personality. But it was oriented towards the South. Najib came at a time when Malaysian economy was at crossroads. Therefore he influenced deeper trade and investment. He also paved the way for good bilateral relations. Due to the economic downturn of Malaysia there was immense pressure to rebuild relations. The foreign policy of Malaysia had to be projected on a realistic prospect and visionary objectives that would promote interests of the Malaysian people. Economic relations with U.S. and China will always remain important to Malaysia. However Malaysia's relation with Australia led to explore new areas of cooperation.

As soon as Mahathir replaced Badawi in the year 2003, bilateral relations between the two nations took a forward step. There were high level visits which took place at regular

intervals. Australia moved ahead and joined the East Asia Summit (2005), and also trade relations improved drastically. In the year 2010 a trading link was established between Australia- New Zealand (ASEAN-Australia- New Zealand Free Trade Agreement), and also later in year 2012 MAFTA the Malaysian- Australia Free Trade Agreement was achieved.

Abdullah started by a populist reform which led to a more professional government in order to transform Malaysian political culture. Malaysia's economy in 2004 grew at a rate of 7%, and the budget deficit shrank from 5.3% in 2003 to 4.5% (Welsh 2005:157). The country became however competitive and it marketed itself as an affordable location for regional operations.

The new Prime Minister set a new tone in foreign relations and the transformation in the economy was driven by economic realities. Thus it gave away to all the old barriers that restricted its relationship with the foreign nations. It saw Australia to be an important location that is linked with the Southeast Asian countries given its geographical location which is placed strategically. Australia not only has historical links with Southeast Asian countries that allows the country to be keen about expanding ties with them (McDougall 2006: 717). Thus Abdullah's focus was on forging relationships. He met with the leaders of ASEAN, also visited Japan and China to boost regional ties. His visit to Australia after decades set him his own distinct identity and thus he moved out of Mahathir's shadow. In the year 2010 and 2011 there were reciprocal visits of the Prime Ministerial from both the countries.

Thus it was to strengthen regional security, trade and bring in reforms in the public sector. This diverse nature of the relationship agreed on many measures which boosted their relationship to another level. Memorandum of Understanding was signed on various sectors related to education, sports, terrorism, etc. In July 2010, MoU was signed on cooperation on maritime law enforcement as both countries started strengthening their security relationship. Both the countries also held cooperation on combating smuggling of people. Their relationship took a new turn as it started enjoying strong trade and non-governmental links. Both the countries participate in joint defence program, including the 40th anniversary of the Five Power Defence Arrangements which was held in 2011.

The investment relations with Malaysia went deeper with the signing of the Free Trade Agreement. At the same time the relationship also faced several challenges. During the time of the proposed “Malaysia solution”, the Liberal and National party members highly criticized human rights record of Malaysia due to housing of refugees in their country. Also during Senator Nick Xenophon arrival as the first multi-party parliamentary delegation in February 2013, to observe general elections in Malaysia he was detained and then expelled. However Malaysia ignored criticisms of human rights by the Liberal National Coalition. Australia has showed concerns and disappointment of Senator Xenophon’s deportation, but also took appropriate steps to solve the Malaysian sensitivities.

Rudd was quoted in July 2008 that “Democracy is not just alive and well in Malaysia but flourishing”.¹⁰ Australia- Malaysia relations have had a rough patch but it has come out of its way and some issues have relatively been fixed. It also had a stabilizing influence on each other as mostly reflected in the important ties in areas such defence, education, culture, security, trade and investment, etc.

2.5 Outlook of Australian Media and Post- Mahathir

Cultural insensitivity and misunderstandings made frequent headlines in the Australian media during the Mahathir era. There was a test of relations and government’s attitudes which the media coverage led to broader mass opinion. Since the 2003, Badawi succeeding Mahathir as Prime Minister the Australian media showed continuity and change in relation with attitudes towards government policies, negotiation of cultural differences (Camilleri 2007). Australian media did not pay much attention to Abdullah’s Islam Hadhari nor its implications also it did not bring about Malaysia’s growing relations with Singapore or Thailand. However it did show much positive interest on Mahathir’s retirement. Rowan Callick, editor of Asia-Pacific for the Australian Financial

¹⁰ Funston, John. (2013), “Australia- Malaysia relations”, New Mandala [Online: web] Accessed 16th April 2015 URL: <http://asiapacific.anu.edu.au/newmandala/2013/06/24/australia-malaysia-relations-are-the-difficulties-over/>

Review quoted that, “Mahathir had put Malaysia on the map (Camilleri 2007). There were positive comments about his leadership even though complexities behind Treaty of Amity and Cooperation existed. However Australian Foreign Editor Greg Sheridan regarded Mahathir as one of the ‘nation-builder’ (Camilleri 2007).

Australian media did centre around 2004 election in Malaysia. Australian media’s encouragement, however with Malaysia being an Islamic state, close to its shores seemed to have a new relation which would reach new heights. Mark Baker, one of the renowned Age writer, argued that the immigration policies and also Howard’s obsession with the U.S. was in a way hampering the ongoing process. As Mahathir’s departure from his leadership the people thought that a “new détente” was foreseen (Camilleri 2007). It was the time when both the countries put aside their differences and continue more positive tone to collaborate with one another. In the words of Prime Minister Najib Razak, it was noted that, “we can have differences ... that does not mean we cannot improve ties” (Camilleri 2007). The Australian media had to accept this on face value.

There was also other specific issues that crept in was the Australia’s willingness to join East Asia Summit and also to sign Treaty of Amity and Cooperation (TAC). Australia did not wanted to compromise on any step. Australia could not afford to be remaining excluded. Its future role in the region remained unclear.

Baker was stated saying,

“.... Unless Australia succeeds in the post- Mahathir era in reshaping its role as an equal partner in regional affairs rather some kind of European proxy...it risks continuing to be seen as the region’s odd man out” (Camilleri 2007).

Australia previously had showed displeasure of signing the Treaty of Amity and Cooperation due to the unwritten rules written where countries could criticize each other’s domestic policies. Australian editorial however expressed “we know better” and thereby went in to break the silence (Camilleri 2007). There was a divergence of opinions within Australia as it was optimistic to join the club. Abdullah’s visit to Australia soon after he took the leadership was historic. It was only after 21 years that any Malaysian

Prime Minister landed on Australian soil. Australian media's coverage of Malaysian affairs was limited to more conflict situation.

Soon after Abdullah's visit the Australian media highlighted the bilateral relationship de-emphasizing on the difference of opinions that existed between the two countries on more regional and global affairs. Australian Prime Minister observed that no contradiction was there in working with U.S. and in partnership with Malaysia that talks on free trade negotiation started taking place.

Australian media thus remained hopeful on positive outcome of both the Government's sharing ideas and values and also increasing trade and economic partnership between the two countries. Malaysian election did receive full coverage from Australian media, as there was a possibility of an Islamic state emerging in the neighbourhood, which was note worthy. Alexander Downer, the Foreign Minister was stated saying in the television that "I just think in Asia, there's a growing ...respect for Australia" (Camilleri 2007). There was contribution from both sides on having a clear vision to have joined efforts on humanitarian relief in Asia, provide economic cooperation and also involve in various defence ties. Australian media showed positive attitude on Abdullah's visit and also played an influential role increasing diplomatic relations.

2.6 Government to Government relations

Soon after Badawi visited Australia in April 2005 after 21 years the relation between the two countries started growing and followed with many other Ministerial visits from 2005 and 2006. The visit of the Prime Minister led to proceed on a FTA (Free Trade Agreement) and thus the negotiations started.¹¹ Visits followed by some Malaysian ministers are Minister of Human Resources, Datuk Dr Fong Chan Onn, Minister of Higher Education, Datuk Dr Shafie Salleh, Minister of Environment and Natural

¹¹The Parliament of the Commonwealth of Australia, *Australia's relationship with Malaysia*, Joint standing Committee On Foreign Affairs, Defence and Trade Foreign Affairs Sub- Committee (March 2007) Canberra. [Online: web] Accessed 16th February, 2015 URL: <http://www.aphref.aph.gov.au-house-committee-jfadt-malaysia-report-front>

Resources, Dato' Adenan Satem, Minister of Transport, Dato' Seri Chan Kong Choy, Minister of Foreign Affairs, Datuk Seri Syed Hamid Albar, Minister of Agriculture and Agro-based Industries, Tan Seri Muhyiddin Yasin. However Australian ministers also paid visits in 2005 like Attorney General, Hon. Philip Ruddock MP, and Minister for Veterans' Affairs, Hon. De- Anne Kelly MP, and Minister for Education, Science and Training, Hon. Dr Brendan Nelson MP, Minister for Agriculture, Fisheries and Forestry, Hon. Warren Truss MP.¹²

The visit of Abdullah Badawi led to develop a Free Trade Agreement (FTA) between the two countries apart from joining hands on several bilateral initiatives. Australia- Malaysia also engaged in signing various Memorandum of Understandings (MoU)s. There was increase in number of official visits and establishing a sound relationship between the two countries. Cooperation was at its peak level due to Australia's shift in policy and it was very clear about engaging with the neighbourhood. They strived to create educational institutions, increase in tourism links, promote trade and economic cooperation, cultural linkages, and establish research and educational links, forming the Australia- Malaysia Business Council. Officials from both the countries engaged in technical discussions related to scientific and technological cooperation.

The creation of Australia-Malaysia Institute in the year 2005 was a step towards development of the relationship to increase knowledge and promote better understanding between people to people and also enhances cooperation. The bilateral relationship remained positive and provided substantial benefits for both the countries. Both enjoyed a significant two- way trade followed with exports and imports from each other. Australia's role in the defence relationship was very overwhelming as it ensured effective responsibility to military and humanitarian issues. The relationship has matured over time with cooperation at every level. The positive impact on the government has led to uphold a relationship which has been beneficial to each other. Malaysia is strategically important for Australia. However earlier negative vibes from the leaders of both the countries have

¹² Government of Australia, Joint Standing Committee on Foreign Affairs, Defence and Trade, Australia's relationship with Malaysia Foreign Affairs Sub-Committee. [Online: web] Accessed 16th February, 2015 URL: <http://www.aphref.aph.gov.au/house-committee-jfadt-malaysia-report-front>

restricted in flourishing the relationship. But increased emphasis on trade relations has reflected on the two countries foreign policies. Government interaction has promoted increase of partnership and also enhanced the bilateral relationship between the two countries.

2.7 Australia- ASEAN on a positive track

Australia has a strong connection with ASEAN in both government and non-government sectors. This connection increases competition day by day from other nations. In the Parliamentary Inquiry of Australia's Relationship with ASEAN in the year 2009, it sets out that interactions happen both on bilateral and multilateral level. This engagement has been taking place over long period of time starting from Australia's role in supporting Indonesia's independence in the 1940s to contributing in Malaysia / Malaya's struggle. Australia became the Dialogue Partner of ASEAN in the Canberra meeting in 1974. It has been also part of many ASEAN led organizations like the ASEAN Regional Forum (ARF), the ADMM Plus and the East Asia Summit. Australia maintains a two way trade with the ASEAN countries.

ASEAN- Australia Development Cooperation Partnership (AADCP) which took place from 2002-2008 focused on many of the developmental issues that could be solved on regional basis (Milner and Wood 2012). ASEAN- Australia Comprehensive Partnership which was signed in 2007 to draw a roadmap for better political security, economic, socio-cultural and development cooperation at all levels (Milner and Wood 2012). This shows that Australia's engagement with the ASEAN has not been limited. It has reached every aspect both on regional and international level. The partnership reflects on every level starting from counter- terrorism, economic cooperation, disaster management, environment conservation, etc. Also the ASEAN- Australia New Zealand Free Trade Agreement (AANZFTA) came in 2010, is another good trade deal. Since 1974, Australia has been a part of the Southeast Asian Ministers of Education Organisation (SEAMEO) as an educational part of the Colombo Plan. There have been a huge number of Southeast Asian students into Australian university. Also Australia has established its universities in

countries like Vietnam, Malaysia and Singapore. In the year 2010, there was more number of Southeast Asian students in Australian universities than in U.S. (Milner and Wood 2012). Australia has been the source of agricultural products for ASEAN. Not only trade but its defence relationship has been always been in active form. Its close relationship with Malaysia and Singapore is reflected since 1971 through Five Power Defence Arrangements (FPDA). It has been part of the Cobra Gold Exercises that the U.S. holds in collaboration with Thailand and also active participation from Indonesia, Malaysia, Singapore, Korea and Japan. It also conducts regular exercises and officer training programs with the ASEAN countries like Vietnam and Brunei. Australia signed the Lombok Treaty with Indonesia in 2006, for bilateral exchanges and cooperation on transnational crime, maritime and aviation security, terrorism, etc. Australia has also established bilateral institutes to forge people to people connection and also better understanding. The relationship has outgrown on various other sectors. It has not only limited itself to political, economic cooperation and defence relations. We see Australia has also been keen on cultural aspect. Australia and ASEAN countries have a formal relationship between the Australian cultural heritage networks AUSHERITAGE and the ASEAN Committee on Culture and Information (COCI).

In the *Asian Century White Paper* it has been clearly stated that Australia's engagement with ASEAN will provide Australia the opportunity to be an effective regional player (Milner and Wood 2012). ASEAN has welcomed Australia's support in all forms starting from agricultural productivity, food security, energy, FTAs, infrastructure development, education, tourism, and mostly geo-strategic cooperation. Joint efforts have also been taken on transnational crimes, maritime security, terrorism, sea piracy, drugs and narcotics, people smuggling and other security issues. Closer cooperation with ASEAN – Australia may help in bridging the gap and seeking for possibilities to come with a common goal of regional stability. *Lowy Institute Report of 2010* have pointed out that due to nuclear power plants being developed in the regions of Malaysia, Indonesia, Vietnam, Philippines and Thailand, Australia “ can also encourage and assist safe development and operation of nuclear power in Southeast Asia through international and regional organizations and established bilateral relationships” (Milner and Wood

2012:20). However Australia's role to grow and engage with ASEAN has left open the door for several possibilities that could increase more cooperation in the region.

CHAPTER 3

AUSTRALIA - MALAYSIA ECONOMIC AND TRADE RELATIONS

AUSTRALIA - MALAYSIA ECONOMIC AND TRADE RELATIONS

Australia's neighbourhood has been a central driver of their economy. It needs to understand the complex geopolitical surrounding when it is engaging itself. It has a very strong economy. To sustain prosperity in the future Australia needs to have a strong economic diplomacy to support their global interests. A strong economy is build on the lines of traditional trade with the outside world, international investment and economic reforms. Australia needs to have a very clear vision and global understanding to maintain such economic diplomacy. As stated by Julie Bishop to the Sydney Institute (2014), "If the goal of traditional diplomacy is peace, then the goal of economic diplomacy is prosperity".¹³ Thus Australia has been trying to engage itself both through economic and regional diplomacy.

However Australia has faced with various uncertainties. Australia has made a tremendous effort in terms of security and as well as economic cooperation with the Southeast Asian Countries. Australia has engaged with its neighbours more on an independent basis on a number of both diplomatic and economic issues. Australia needs to be more realistic in its approach (Wehling 1979). Though earlier Australia had difficulty in coming fully terms with the Southeast Asian countries but with time it changed everything.

Evans has stated that,

"At the same times Australians have come rapidly to appreciate that economic energy of the Asia Pacific region, generated initially in North- East Asia but now well and truly evident in Southeast Asia as well, is not a threat but rather a promise of enormous opportunity. The perception is now almost universal in both Southeast Asia and Australia that, to compete successfully in the emerging global economy, our own economies need to be more open to the secular dynamics of

¹³ Department of Foreign Affairs and Trade (2014), Government of Australia, *Australia's Economic Diplomacy*. [Online: web] Accessed 11th February, 2015 URL: <http://www.dfat.gov.au/trade/economic-diplomacy/Pages/economic-diplomacy.aspx>

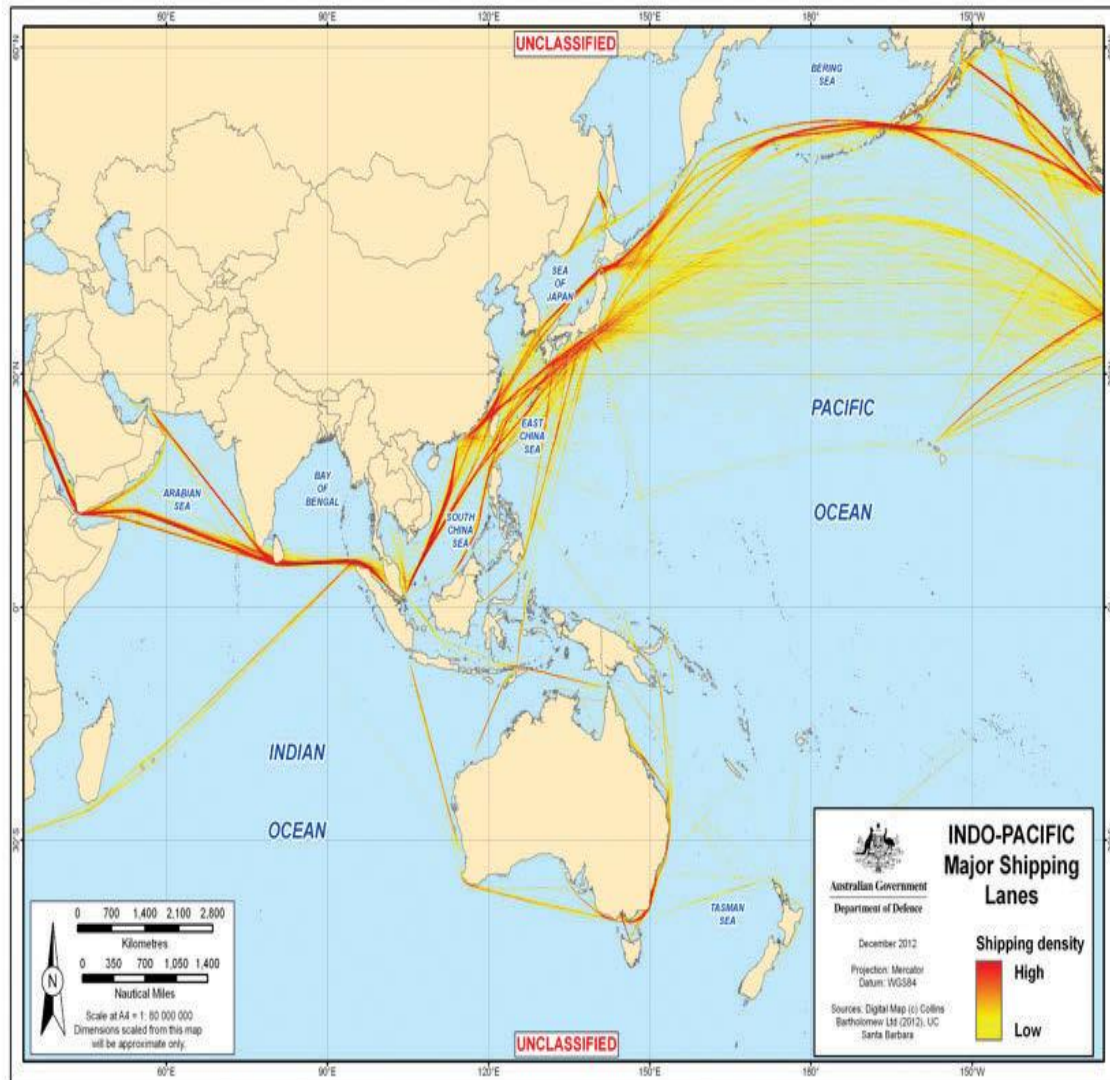
commerce. Cultural or racist identity has no status in the markets of the world”
(Evans and Grant 1995: 194).

Shift in perception has led to Australian economy to play a dominant role in the Asia Pacific region. Its business has prospered in all of Asia’s economies. It has emerged itself as an important player in the regional and international institutions like APEC, ASEAN Regional Forum, East Asia Summit and also the Asia Europe Summit. As there are wide cultural differences in North East Asia, Southeast Asia and also South Asia, thus Australia needs to understand these complexities to engage itself with Asia. The Southeast Asian countries look at Australia for regional and global security. Australia’s instrumental role in the year 1989 in the formation of Asia Pacific Economic Cooperation (APEC) group has no doubt left a mark. Also, Howard’s Government engagement strategy with Asia Pacific and Southeast Asia focused on development of cooperation.

In this fast growing world, Australia needs to have a clear vision of its economies, diplomacy as where to push itself for trade and investment opportunities. It also needs to be careful about the perception of its policies generate in the global scenario and also work towards avoiding any misperceptions and exploitation. Australia’s largest trading partner is China but its largest Asian investor is Japan. The investments are less than half of the western countries like U.S. and United Kingdom. Australia is trying to build its influence and effectiveness in the Southeast Asia region as it has traditional links with ASEAN (Shekhar 2010). The historic link through the Five Power Defence Arrangement has balanced the relationship. For ASEAN, Australia is a fast growing middle power, a western country, successful, well balanced and friendly. When faced with uncertainty, Australia continues to seek for security from its long lasting friend United States. The new era, demands for a new dynamic strategy. Therefore in the year 2012, Australian Government White Paper, *Australia in the Asian Century* has talked about deeper and broader “engagement with Asia” (Milner and Wood 2012). Australia’s Foreign Minister Bob Carr has also placed greater importance on the Southeast Asian region especially on the regional institution ASEAN for engaging in consultation with ASEAN grouping and also individual members. ASEAN – Australia Comprehensive Partnership which was signed on 2007, described a roadmap for the future on greater political and security

cooperation, economic engagement, social and cultural ties and development cooperation both at regional and international levels. It promotes deeper mutual understanding between both the nations. In 2010, the ASEAN- Australia New Zealand Free Trade Agreement (AANZFTA) which came into operation is one of the most ambitious trade deals of Australian Government. It promotes deeper economic integration in terms of goods, services, investments and intellectual property rights.

Figure 2 - Indo-Pacific regions (major trading routes)



Source: (Australia Government - Defence White Paper 2013)

Australia has deep interest in the trade routes through the Indian Ocean. As there is increasing trade flows in this region. The Indian Ocean region remains to be the world's busiest trade routes. Australia's trading partners like China, India, Japan, Southeast Asia, and the Republic of Korea are heavily dependent on these routes (McMohan 2004). Thus Australia needs to create and deepen its trading partnership to play an important role in this region as Australia is also an Indian Ocean country. Southeast Asian countries being

geo-strategically located between the Pacific and the Indian Ocean act as a great trading partner for Australia. Australia needs economic connectivity also stability and security in Southeast Asia as it essential for its own security and self reliance.

3.1 Australia's economic engagement with Malaysia

The bilateral relationship between the two countries Australia and Malaysia is diverse. But it shares a strong economic connection. The relationship is based on the positive tone supported by constructive working relationships between both the governments and also cooperative engagement on various others sectors most likely economic and trade.

Malaysia's geographical location and rapid economic development have played a huge role. Its active participation in the region and its longstanding relationship with Australia makes Malaysia to play an important position. The relationship is diverse in nature and Australia's active and cooperative relations across a broad range of activities make its bilateral relationship strong. The level of investment of both the countries have outgrown in the recent years. During the end of 2003, when both the countries did not have a strong political relation, Malaysia was then the 10th largest investor in Australia.¹⁴ The East Asian crisis in the year 1997-1998, the level of investment of Australia in Malaysia was very low. But slowly the scenario changed.

Australia's interest grew towards the Southeast Asian countries as it wanted to play an important role in the region. However there have been few controversial trade issues with Malaysia. In the past there has been criticism over the tariff and other industrial policies of Australia. Also its free trade arrangement with New Zealand (CER), these all have

¹⁴Department of Foreign Affairs and Trade (2005), Government of Australia, Malaysia An Economy Transformed, *Economic Analytical Unit*, Monash International, Commonwealth of Australia. [Online: web] Accessed 11th February, 2015 URL: http://www.dfat.gov.au/about-us/publications/Documents/malaysia_report.pdf

washed away with AFTA coming into formation. The anti-dumping policies have been controversial one. It has led to strong reaction of Malaysian exporters which led to the enactment of their anti-dumping rules and legislation. Also in 1994, Australia's removal of tariff preference for Malaysia had the urge to become a thorny issue, was calmed down over the System of Australian Tariff Preference for most of the countries (Evans and Grant 1995: 205). Australia went through transformation and its shared interests and proximity that were pulling Australia towards the Southeast Asian region. Australia's divergence in its policy was borne out of the necessity due to the change in the world politics.

Australia and Malaysia have jointly worked in various regional multilateral bodies like the World Trade organization (WTO), Asia Pacific Economic Cooperation (APEC), ASEAN – AFTA-CER Closer Economic Partnership, etc. The strong economic connection reflects the close cooperation between the two governments and also the people to people connection. Malaysian electronic goods and various petroleum products have found a ground in Australian market whereas Australia's agriculture based products, dairy products, metals, and also education services play an important role in Malaysian market.

Malaysia plays an important bilateral partner to Australia due to its active participation in their immediate region, its rapid economic development and also location. There is active cooperation on a broad range of spheres. The bilateral relationship is diverse in nature. The bilateral relationship includes trade and investment, tourism, science and technology, narcotics control, electronic commerce, defence, aviation, education, sports, people smuggling, etc. It is to be noted that in 2003 Australia was the 14th largest trading partner of Malaysia.¹⁵ Malaysian market has remained attractive to Australia due to its low tariffs and rapid industrial development.

¹⁵ Department of Foreign Affairs and Trade (2005), Government of Australia, Malaysia An Economy Transformed, *Economic Analytical Unit*, Monash International, Commonwealth of Australia. [Online: web] Accessed 11th February, 2015 URL: http://www.dfat.gov.au/about-us/publications/Documents/malaysia_report.pdf

The relationship is very modest and suits favorable conditions for both the countries. It is to be noted that many of the rules in Malaysia regarding governing business are very similar to that of the Australian markets. For example the accounting standards are based on the International Accounting Standards, both uses Torrens land title system, wide use of English language and Common Law. The trading relationship has grown strong over the years. Malaysia has also become competitive to other economies in the region and it has the ability to have advanced manufacturing and trading services. The only restrictions that Malaysia has and one need to be aware of are the bumiputera community, intellectual property rights and price controls.¹⁶

The Asian Financial crisis brought in changes in the demand and supply of both the markets. Firstly Australian exports to Malaysia were basically related to agricultural products which gradually transformed to education and travel services and mineral based manufacturing services. Commodities are also exported from Australia to Malaysia. Australian investors looking at the Malaysian rising economic development should seize the emerging opportunity. However there are now a number of companies which operate in Malaysia. These companies have contributed Malaysia's infrastructure development and industrial growth. Companies like Bluescope Steel, Leighton, Boral, Ansell International, etc. Monash University Malaysia is known to be a private university in Malaysia. It is a prominent leader in Islamic banking in the field of research. Australian investors day by day are interested in offshore manufacturing and establishment of regional offices because it provides a great opportunity.

3.2 Investment in Malaysia

For Australia, it is Malaysia's primary location which complements trade between the two countries. Malaysia's rapid economic development and its active participation in the regional bodies attract Australia to be an important bilateral partner. The two countries

¹⁶ Department of Foreign Affairs and Trade (2005), Government of Australia, Malaysia An Economy Transformed, *Economic Analytical Unit*, Monash International, Commonwealth of Australia. [Online: web] Accessed 11th February, 2015 URL: http://www.dfat.gov.au/about-us/publications/Documents/malaysia_report.pdf

involve in a broad range of active cooperation and economic engagement. Australia exports natural resources; it is one of the major suppliers of agricultural products. It also supplies huge amount of dairy product, sugar, etc. Australia also supplies various minerals, raw materials for metal based manufacturers to serve industrial purpose in Malaysia. In return Australia imports crude petroleum, wooden products – furniture and various electrical appliances and gadgets from Malaysia. Australia is a market for primary producers of Halal- certified products. Malaysia enjoys its merchandise sector on the other hand. In the year 2004, there was a meeting held in Melbourne, by the Eleventh Australia- Malaysia Joint Trade Committee (JTC) that agreed to have a scoping study of the Free Trade Agreement which later came into effect in 2005.

Australia and Malaysia's collaboration on Research and Development has developed into a new capacity building over the years. It solves each other's mutual interest and also Malaysia and increased its spending on research and development since 2010. The changing dynamic of this relationship is due to the present collaboration of both as important bilateral trading partners. However there will be challenges in the future and the relationship will continue to mature and change according to the circumstances.

Malaysia attracts Australian investors due to its high trade orientation. Malaysia is an active member of the World Trade Organisation (WTO), Cairns Group and also of many other regional economic bodies like the ASEAN Free Trade Area (AFTA), and the Asia Pacific Economic Cooperation. For Malaysia, they favour foreign direct investment. It is a source of capital accumulation and foreign exchanges leading to secure industrial technology, employment, export- import, production, increased business growth, managerial expertise, etc. Australia has a very transparent and open service management. Thus it attracts more investments from its neighbouring countries.

Table 1:

Australia's Trade and Investment Relationship with Malaysia (2013-2014)

Merchandise trade with Malaysia (2013-14)	Total	Rank	Growth
Exports to Malaysia (A\$m)	5,473	2.0%	10 th 5.4%
Imports from Malaysia (A\$m)	11,223	4.5%	7 th 25.6%
Total Trade (imports & exports) (A\$m)	16,695	3.2%	6 th 18.1%

Source: Department of Foreign Affairs and Trade, Australian Government, Malaysia, Fact sheet [Online: web] Accessed 2nd February, 2015 URL: <http://www.dfat.gov.au/trade/resources/Documents/mlay.pdf>

3.3 The commercial ties between Australia and Malaysia

Australia is more developed in terms of health services, communication systems, technology solutions, education, food, mineral products, etc. Therefore both the countries cooperate on various levels to enhance trade opportunities between each other. Malaysia places high priority on effective implementation of preferential tariffs on intra-ASEAN trade. Australia complements Malaysia's growing economy and they strive to have a healthy relationship. Malaysia is seen to an important economic partner for Australia. Malaysia Australia Business Council portrays Malaysia as the right opportunity for investments in real estate, manufacturing, energy, agricultural business and gaming industry. For Australian agricultural products Malaysia plays an important regional market. They work cooperatively on many trades' related issues. Malaysian market is considered to open a wide range of opportunity for Australian investors due to its familiarity, affordability, accessibility, compatibility, and contestability. Thus Australian exporters have to identify and grab opportunity that would benefit Australian business.

Table 2:
Major Australian Exports: (2013-14) (A\$m)

Items	(A\$m)
Copper	616
Nickel	509
Coal	344
Wheat	318

Source: Department of Foreign Affairs and Trade, Australian Government, Malaysia, Fact sheet. [Online: web] Accessed 2nd February, 2015 URL: <http://www.dfat.gov.au/trade/resources/Documents/mlay.pdf>

Table 3:
Major Australian Imports (2013-14) (A\$m)

Items	(A\$m)
Crude Petroleum	4,957
Refined Petroleum	756
Computers	457
Monitors, Projectors & TVs	402

Source: Department of Foreign Affairs and Trade, Australian Government, Malaysia, Fact sheet. [Online: web] Accessed 2nd February, 2015 URL: <http://www.dfat.gov.au/trade/resources/Documents/mlay.pdf>

3.4 Malaysia-Australia Free Trade Agreement

The MAFTA is a very high quality agreement which was signed by the Australia's Minister for Trade and Competitiveness, Mr. Craig Emerson and Mr. Mustapa Mohamed Malaysian Minister for Trade and Industry in the year 2012 on 22nd May in Kuala Lumpur.¹⁷ It is to develop important trade relations with Malaysia in the agriculture, fisheries, food, forestry and various other sectors. It came into force on 1st January 2013. It allows the two countries to lay a solid foundation for a concrete Free Trade Agreement. It is a very comprehensive agreement. This allows Australia to integrate into the fast growing Asia Pacific region. The agreement has opened up various avenues for Australia. It would provide access to Malaysian market and also deal with various other trade related issues. Under the Agreement both the countries have cut tariffs and also negotiated on various trade related issues including the AANZAFTA. However 97.6% Australian goods are exported to Malaysia has become eligible for tariff-free as per the Agreement, by 2017 it would be 99%.¹⁸ It is to be noted that Australia has made all goods tariff free from Malaysia when the agreement came into force. Australia has been supplying a wide range of services to Malaysia like education services, financial services, telecommunications, professional services i.e accounting, book keeping services, financial management consulting, etc. As per the Agreement clause Australian market and their industries have been highly benefitting from their Agreement with Malaysia.

The following products include:

- Automotives- the automotives imported from Malaysia especially the large cars, all tariffs have been cut off. By 2016 the small cars will be eliminated of tariffs.

¹⁷ Government of Australia, Department of Foreign Affairs and Trade, *Malaysia- Australia Free Trade Agreement*. [Online: web] Accessed 9th June, 2015

URL:<http://dfat.gov.au/trade/agreements/mafta/Pages/malaysia-australia-fta.aspx>

¹⁸ Government of Australia, Department of Foreign Affairs and Trade, *Malaysia Australia Free Trade Agreement Outcomes at a Glance*, [Online: web] Accessed 11th February, 2015 URL:

<http://www.dfat.gov.au/trade/agreements/mafta/Documents/MAFTA-quick-guide-outcomes-at-a-glance.pdf>

Malaysia on return has exempted the cars imported from Australia at global limit.

- Milk- For milk exporters liberalized licensing has been issued. Also access has been given to retail products which have higher value.
- A wide range of manufactured products, processed foods, and other chemicals and plastics- are tariff free.
- Wine-elimination of tariffs gives Australian wine exporters the best treatment in Malaysia.
- Rice – it is decided that tariffs on rice will be eliminated by 2026.
- Iron and steel- around 96.4% tariffs on iron and steel imported from the Australian market will be cut off by 2016¹⁹. By 2017 it is predicted that 99.9% tariffs on iron and steel will be eliminated and by 2020 it should reach 100%.

The Agreement lays down a set of rules for business friendly provisions. Australian exporters need to have a simpler declaration of their origin rather than supply with a certificate. The Australian senior managers and business executives can work in Malaysia till a longer period of time. The Agreement also allows the establishment of mutual recognition and licensing of qualifications and professionals. It provides copyrights and Australian trademarks a stronger protection. It has various measures to protect and increase electronic commerce.

3.5 The Australian Government -Department of Agriculture, Fisheries and Forestry (DAFF)

The DAFF contributes to the strong economic and trade relationship between both the countries. Through a range of consultative and cooperative mechanisms, and also regional capacity building activities with Malaysia are held. At the official levels a number of open dialogues, and high level visits take place regularly. Cooperation and mutual understanding is very important to have an active bilateral relation between the

¹⁹ Ibid.

two countries. However consultation and cooperation between the two countries are carried on both through formal arrangement and also informal arrangement. The DAFF officials have engaged themselves with Malaysian counterparts on various portfolio issues like phytoSanitary SPS capacity building and trade related issues. The DAFF not only enhances mutually beneficial cooperation but also provides cooperative engagement and mutual goodwill at the official level.

3.5.1 Formal Mechanisms

1. Malaysia-Australia Agricultural Cooperation Working Group

The Malaysia-Australia Agricultural Cooperation Working Group plays an important role of a major cooperative mechanism. It deals with the agricultural trade and also access to market that contributes to a positive economic relation between the two countries. It is a regular and systematic comprehensive mechanism which deals with cooperation on agriculture, food, fisheries, and plant quarantine matters. It was established in the year 2000 to cooperate on agricultural benefits.

There has been a Memorandum of Understanding MOU signed for the enhancement of Agricultural Cooperation in the year 2006 under the MAACWG. It was signed by Minister McGauran and Minister Muhyiddin in the month of March to enhance commercial opportunities and also mutual beneficial cooperation between the private companies.

2. Malaysia-Australia Bilateral Plant Quarantine Technical Discussions

Both the countries however also engage in technical discussions which are held annually. Discussions related bilateral plant quarantine and their market access are held. It started in the year 2003, where senior officials meet from the various departments of Bio-security Australia, the Crop Protection and also Plant Quarantine Division of the

Department of Agriculture of Malaysia. These mechanisms engage in various formal meets to discuss on the progress of specified trade issues.

3.5.2 Informal Mechanisms (Cooperative Activities)

Both Malaysia and Australia are engaged in multilateral trade and various cooperative activities. The MAACWG however has facilitated various cooperative activities related to training, food safety, supply chain management etc. Malaysia enjoys a significant balance of trade which is in its favour. Malaysia's Government Vision of 2020 policy which was launched in 1991, its main objective was to achieve a developed status by 2020. Malaysia faces increased competition from its neighbours and also global increasing pressure of inflation. The two countries have a number of portfolio related cooperation in the area of scientific cooperation, SPS related technical cooperation, quarantine education and quality assurance.

Both Malaysia and Australia are members of the Cairns Group of World Trade Organization (WTO). They help in advocating international trade reform during the WTO negotiations. Apart from the WTO, Cairns Group they also cooperated on Food and Agriculture Organisation (FAO) of the (UN) United Nations. They have worked together in various International Forestry Fora like – United Nations Forum on Forests (UNEF), Asia Forest Partnership, Asia- Pacific Forestry Commission (AFPC) of the FAO, International Tropical Timber Organisation (ITTO) and also Asia Forest Law Enforcement and Governance Task Force (Asia FLEG).²⁰ Australia has mutually engaged into a number of beneficial cooperative activities with Malaysia.

²⁰ Government of Australia, Department of Defence (2007), *Inquiry into Australia's Relationship with Malaysia*, Joint Standing Committee on Foreign Affairs, Defence and Trade, Foreign Affairs Sub-Committee, March. [Online: web] Accessed 17th February, 2015 URL: <http://www.aphref.aph.gov.au/house-committee-jfadt-malaysia-subs-sub13>

3.6 Australia-Malaysia Business Council (AMBC)

In the year 1998, at the private sector the Australia-Malaysia Business Council (AMBC) was established. It promotes trade and investment, export and import, economic engagement and cooperation between Australia and Malaysia. This joint council also promotes a strong sense of friendship and cultural exchange and understanding. The objective of the AMBC is primarily to underplay the commercial interests of both the countries in terms of trade, technical cooperation, provide services, economic cooperation, and engage in people to people links. It has bases in New South Wales, Victoria, South of Australia and also West part of Australia.²¹ It also cooperates on promoting tourism between Australia and Malaysia. This forum coordinates commercial linkages. It holds up regular government to government dialogues and meetings through the Joint Trade Committee. They provide important information and advice to conduct active business in both Australia and Malaysia. They act a strong network for the private sectors.

²¹ The Parliament of the Commonwealth of Australia (2007), Defence and Trade, Foreign Affairs Sub-Committee, Joint Standing Committee on Foreign Affairs, *Australia's relationship with Malaysia*, , March. Canberra. [Online: web] Accessed 1th February, 2015 URL: <http---www.aphref.aph.gov.au-house-committee-jfad-t-malaysia-report-front>

Table 4:

Australia's goods & services trade with Malaysia (A\$ million) (a) (b)

(a) Excludes selected confidential import commodities.

(b) Excludes selected confidential export commodities from June 2013.

Based on ABS trade data on DFAT STARS database, ABS catalogue 5368.0.55.004 and unpublished ABS data²².

Year	Exports	Imports	Total trade
2009	4,727	8,570	13,297
2010	5,224	10,251	15,475
2011	6,097	9,894	15,991
2012	6,718	10,916	17,634
2013	6,945	10,944	17,889

²² Government of Australia, Department of Foreign Affairs and Trade, Australia's Trade at a glance, Australia's top 10 two- way trading partner [Online: web] Accessed 11th February, 2015 URL: <http://www.dfat.gov.au/trade/resources/trade-at-a-glance/Pages/default.aspx>

3.7 AANZFTA (ASEAN- Australia- New Zealand Free Trade Agreement)

It is to be noted that AANZFTA may be the largest Free Trade Agreement (FTA) that Australia is associated with. This agreement was signed by the Minister for Trade Simon Crean on 27th February 2009 in the city of Hua Hin, which is in Thailand.²³ This contains regional rules of origin and tariff reduction. It provides meaningful commercial benefits for the Australian market and also strengthens ties with the ASEAN. It provides a free trade agreement joint committee. The Free Trade Agreement allows the markets to open door for exports and imports and other investment.

The member countries are: Australia, New Zealand, Brunei, Cambodia, Indonesia, Malaysia, Philippines, Singapore, Myanmar, Thailand, Vietnam and Laos. This agreement provides commercial benefits to Australia in terms of both import and export. It is also a multi-country and the most dynamic agreement that has ever been negotiated with ASEAN. However the agreement first came into force with 8 signatories that were Australia, Malaysia, New Zealand, Singapore, Vietnam, Philippines, Brunei and Myanmar. Indonesia joined on 10th January (2012) whereas Thailand on 12th March (2010), Cambodia on the 4th of January (2011), and Laos on 1st January (2011).²⁴

It is one of the most comprehensive FTA with ASEAN. It deals with intellectual property, goods and services, investment, economic cooperation, e-commerce, etc. It binds ASEAN tariffs and also provides duty free services which strengthen Australia's trading links with the region. AANZFTA benefits in every way possible. It supports the development through regional rules of origin. It provides competitive challenges and tapping the global supply chain of products with the set rules. It has an investor-state

²³ Government of Australia, Department of Foreign Affairs and Trade, ASEAN-Australia- New Zealand Free Trade Agreement, *AANZFTA Overview*, [Online: web] Accessed 11th February, 2015 URL: <http://www.dfat.gov.au/trade/agreements/aanzfta/Documents/ov.pdf>

²⁴ Government of Australia, Department of Foreign Affairs and Trade, ASEAN-Australia- New Zealand Free Trade Agreement, Resources, [Online: web] Accessed 11th February, 2015 URL: <http://www.dfat.gov.au/trade/agreements/aanzfta/resources/Pages/resources.aspx>

dispute mechanism which provides resolution. Thus it is acting more as an investment protection mechanism and forward work challenges to access the market. It provides a substantial economic management and cooperation at all levels. AANZFTA enhances Australia's participation and ensure that Australia's competitiveness is not undermining ASEAN countries. Thus it comes with a build in agenda and mechanism which can be reviewed.

Table 5:
Australia's Investment relationship with Malaysia: 2013

	Total	FDI
Australia's Investment in Malaysia (A\$m)	9,467	5,858
Malaysia's Investment in Australia (A\$m)	16,746	7,693

Source: Department of Foreign Affairs and Trade, Australian Government, Malaysia, Fact sheet. [Online:web] Accessed on 2nd February, 2015 URL: <http://www.dfat.gov.au/trade/resources/Documents/mlay.pdf>

CHAPTER 4

AUSTRALIA-MALAYSIA DEFENCE AND SECURITY ENGAGEMENT

AUSTRALIA-MALAYSIA DEFENCE AND SECURITY ENGAGEMENT

Australia's geographical location is very much unique and the priorities in its foreign affairs policies allow it to have the highest defence focus on the Asia Pacific region. With the increase in cross border linkages and the security issues, Australia's defence faces a lot of challenges. Since years Australia has been working with its immediate neighbours to foster a security relationship. It has been supportive to maintain a regional and strategic stability with the Southeast Asian region. Thus defence links are reflected in Australia acting as a dialogue partner in the ASEAN. It has been expanding its security links and also holding different treaties and agreements regarding the region's non-military defence issues like illegal immigrants, trans-national crimes, piracy, environmental protection and counter-terrorism. The most important strategic interest of Australia remains in the defence of Australia against any direct attack. It maintains security, stability of their immediate neighbourhood. Thus Australia has strategic interest in the Indo- Pacific region and it is clearly stated in the *Defence White Paper 2013*.

Australia's defence policy has been shaped according to its strategic interest (Alves 1993). Australia's demographic structure largely stems out from its extension of the British Empire (McDougall 1972). Australia's perceptions towards Southeast Asian countries have changed over time. In its defence policy it is to be noted that Australia gives more substance to the regional countries, and Southeast Asia comes under its umbrella. The country's defence policy focuses on strategic interests which are tied to its regional peace and stability across the continent.²⁵ Australia's defence policy mainly focuses on ensuring the defence of Australia, fostering security of its immediate neighbours, working with the Southeast Asian nations to maintain regional stability,

²⁵ Australia in its regional context, Australia's links in the region, Defence, [Online: web] Accessed 16th February, 2015 URL: http://www.skwirk.com/p-c_s-16_u-132_t-375_c-1320/defence/nsw/defence/australia-in-its-regional-context/australia-s-links-in-the-region

holding global security and also supporting strategic stability in its near abroad. Therefore Australia is part of various security links like the ANZUS Pact, Five Power Defence Arrangements as well as ASEAN Regional Forum and various, military peacekeeping operations. Australia's defence policy aims to give more substance to defence relations with its neighboring countries. Australia's position within the Southeast Asian countries encourages it to grow security ties in broadest sense. Evans has stated Australia's stands at a more confident and natural partner in its neighbourhood (Alves 1993). Therefore Australia encourages more consultation, dialogue with its neighbours and has learned to take a more deep interest in Asian sensitivities followed by numerous defence related engagements.

4.1 Australia's defense relationship with Malaysia

Malaysia's geo-strategic position plays the centre role in Australia's defence policy. It is to be noted that geographically Malaysia is the last span of a concrete land bridge that it's approaching towards Australia from the Asian region. Thus Malaysia is centrally positioned and it occupies strategically the most important position in terms of air and maritime links. It also is well placed in the Malacca Straits, Sulu and Celebes Seas. Thus Malaysia plays an important role in a wider bilateral relationship and also because of its geo- strategic position Malaysia makes its security and territorial integrity important to Australia. Both the countries share many strategic, national and security interests. Malaysia plays an important member in many regional forums like East Asia Summit, ASEAN, and the Organisation of the Islamic Conference but Australia's relationship with Malaysia being an Islamic country is one of the most significant one.

However it is to be noted that the Government's White Paper on Defence – *Defence 2000: Our Future Defence Force* states Australia's defence relationship with Malaysia.²⁶

²⁶ Government of Australia, Department of Defence Submission, *Inquiry into Australia's Relationship with Malaysia* [Online: web] Accessed 17th February 2015 URL: <http---www.aphref.aph.gov.au-house-committee-jfadt-malaysia-subs-sub13>

Its talks about the long standing military engagement which has lasted for years through territorial integrity and also the Australian Defence Force presence in Butterworth.

Australia's membership in the Five Power Defence Arrangements commits Australia to respond against any external threats among the member countries. Australia's defence relationship with Malaysia remains to be the strongest and the most active in the region. Thus this longstanding relationship provides access on the policy makers during the critical times and has generated goodwill at all levels between the two armed forces. It's in Australia's best interest that Malaysia has a stable military force which works professionally to military and other humanitarian tasks. It also deals with the security challenges effectively. The close bonding between the two countries is due to number of factors Five Power Defence Arrangements acting as the common security umbrella and also Australia's presence in Malaysian soil during the World War II and also the emergency period.

Historical links between the two countries have led to a very strong bilateral defence relationship between the two countries. The depth of the relationship is reflected on the number of high level exchange programs, strategic dialogue, joint military exercises, training and various other activities. Australia has also shared interests and priorities in nontraditional security issues like counter-terrorism, natural disasters, narcotics and transnational crimes. Australia's budget for Defence Cooperation with Malaysia in the year 2006- 07 was approx \$5.4m²⁷. In the year 1996, A Status of Forces Agreement (SOFA) was signed between the two countries which established defence engagement and it came into effect on 22nd July, 1999. It decided upon the issues like jurisdiction, immigration policies, custom duties and the claims on each other. Australia- Malaysia historical defence links provides a solid foundation for the ongoing defence cooperation.

One of the features of their defence partnership reflects in the large number of Australia Defence Force (ADF) and MAF personnels involved in the training programs in either of the countries. Malaysian Government had provided with a commemorative medal (Pingat Jasa Malaysia) to over 4000 Australian personnel both men and women for their

²⁷ Ibid.

contribution during the Malaysian Independence, Malayan Emergency, Indonesian Confrontation on 31st August 1957 – 12th August, 1966.²⁸

There has been biennial defence Policy Talks held respectively where the Defence Ministers from both the countries meet formally. In the year 1989, Australian Chief of Defence Force, General David Hurley, had served as the Mechanised Infantry Adviser, Australian Army Project Team Malaysia. Malaysia's Chief of the Defence Force, Secretary, Chief of Navy, Chief of Army paid their visit in 2006 after the inaugural of Navy to Navy talks which was held in 2005²⁹. The membership of Five Power Defence Program allows the two Chiefs of Defence Forces to meet annually at the FPDA Defence Chief's Conference. Thus there have been visits from Australian Minister's of Defence, Secretary and also the Chief of the Defence Force soon after. Both the countries hold regular meetings with the senior officers at regional forum for example International Institute for Strategic Studies Shangri-La Dialogue.

The countries have been participating in a large number of military exercises both at bilateral and multilateral level. There are annual Army exercises held in the South Tiger, Haringaroo. It is held 3 times in a year that coincides with the Rifle Company at the Royal Malaysian Air Force (RMAF) which has its base in the Butterworth. Australia-Malaysia holds bilateral Navy exercise known as the Mastex, which is conducted annually.³⁰ Malaysia also was part of the Australia (Pitch Black) which is a multilateral air exercise.

²⁸ Ibid.

²⁹ Government of Australia, (2007), Joint Standing Committee on Foreign Affairs, Defence and Trade Foreign Affairs Sub-Committee, *Australia's relationship with Malaysia*, [Online: web] Accessed 17th February, 2015 URL: http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=jfadt/malaysia/report.htm

³⁰ Government of Australia, Department of Defence (2007), *Inquiry into Australia's Relationship with Malaysia*, Joint Standing Committee on Foreign Affairs, Defence and Trade, Foreign Affairs Sub-Committee, March. [Online: web] Accessed 17th February, 2015 URL: <http://www.aphref.aph.gov.au/house-committee-jfadt-malaysia-subs-sub13>

Both the countries have two maritime and one land FPDA exercise which are held annually. At the biennial multilateral maritime exercise Kakadu, navy engagement occurs which is led by the RAN. Royal Malaysian Navy invited in the Pacific Reach Navy, 2007 which was a multilateral submarine rescue exercise held by Australia.

The relationship has reached different parameters. It not only restricts itself to defence talks but also educational exchanges. Therefore many of the Malaysian officers have undertaken advanced training and education in Australia. To understand strategic concerns and develop a closer tie Australia provides a number of training courses and postgraduate scholarships for defence related study. Also at the same time Australian officers have been regular fixtures in classes of the Malaysian Staff College. In the year 2006, around 99 positions for a short term ADF training courses were offered. Also, 11 postgraduate scholarships were offered to Malaysia for defence related study.³¹ However, the ADF officers also take training in areas like peacekeeping and jungle combat. This regular contact helps in boosting cooperation in all levels of defence links. Therefore all these have led to a very strong personal bonding between the militaries of both the countries. Australia had an actual officer working inside the Malaysian Ministry of Defence to look into the operations of Malaysian Australian Joint Defence Program. It is one of the few countries to do so other than France. When Malaysia was preparing to deploy its forces in Afghanistan C-130s of the Royal Malaysian Air Force, (RMAF) allowed free use of the C-130 mission training simulators. This reflects the closeness between the two countries.

It is to be noted that Malaysia from every angle respects Australian Defence Force. It is one of the modern and very effective defence forces and has collaborated to work in every critical time. Thus the ADF's presence at Butterworth has immensely contributed to conduct maritime surveillance in the region, particularly through RAAF AP -3C

³¹ Government of Australia, Department of Defence (2007), *Inquiry into Australia's Relationship with Malaysia*, Joint Standing Committee on Foreign Affairs, Defence and Trade, Foreign Affairs Sub-Committee, March. [Online: web] Accessed 17th February, 2015 URL: [http---www.aphref.aph.gov.au-house-committee-jfadt-malaysia-subs-sub13\(1\)\(1\)](http---www.aphref.aph.gov.au-house-committee-jfadt-malaysia-subs-sub13(1)(1))

surveillance planes under the Operation Gateway.³² Other activities like interacting with the military units and also providing information about Malaysian environment. This access to the RMAF Butterworth has been proven its worth during the Vietnam War and evacuation of Australians from Cambodia during the 1997 crisis. During the time tsunami effect, ADF presence in RMAF Butterworth operated as one of the logistic hub for the ADF operations in the Aceh region.³³ Here Australia was the only country to given permission by Malaysia to use the RMAF Butterworth base. Therefore they locally hired civilians to act during the Tsunami effect in Aceh.

Malaysia's growing economy has hugely affected the defence industry. It has also expanded the growth of interaction between Australian defence industry and Malaysian Armed Forces (MAF). A huge number of sales of defence products and services have increased. Malaysia has purchased aircrafts, parts of helicopter, night vision devices and also various other personnel protection equipments.

Today, it is in Australia's best interest that Malaysia has a very capable defence force. However despite the closeness between the two countries there are factors which have also put a strain to the relationship. There is still a limit remains to how far these factors have the potential to impact upon the existing cooperation. One such factor is the difference of thinking between the two countries. This results in the application and participation on the military forces on the global sphere. Many may argue specially from Malaysia's perspective that Australian military may have been structural as an expeditionary and interventionist military force. The political decision making has been guided mostly by idealism and moral principles. But Malaysian military is more of a largely territorial and peacekeeping military force. The main debate is how far they want to commit to each other for a joint training. In the Gulf of Aden, Australia has been operating under the CTF-151 which is a multinational taskforce used mainly for counter piracy operations³⁴. Malaysia played the role of escorting the ships belonging to

³² Ibid.

³³ Ibid.

³⁴ Government of Australia, Department of Defence (2007), *Inquiry into Australia's Relationship with Malaysia*, Joint Standing Committee on Foreign Affairs, Defence and Trade, Foreign Affairs Sub-

Malaysian shipping company and providing help when ever their vessel faced pirate attacks. The military cooperation between Australia and Malaysia act more like an aid to diplomacy.

Therefore they act professionally to any sort of military or humanitarian tasks with cooperation. ADF is able to address all the security challenges that come across and thus both the countries seem to work effectively on every step. The closer defence engagement reflects on the Malaysia's ability to operate with the ADF during the East Timor crisis under the Australian Task Force Commander. This shows that the relationship has given new dynamics and modern perspectives to operate together during the hours of need.

Thus Australia will continue to have a mutually- beneficial relationship. Australia has supported Malaysia in areas of its shared interests like counter-terrorism, peacekeeping operations, maritime security, piracy and other natural disasters and also humanitarian assistance.

4.2 Malayan Emergency

The defence relationship between Australia and Malaysia goes way back and this closeness still remains strong till date. During the World War II, Australia fought alongside with Malaysians (1941-42) and it started with the Malayan Campaign followed with the Malayan Emergency and Confrontation with Indonesia in the 1960s. On 18TH June, 1948 after the death of 3 estate managers in Perak, situated in northern Malaya, the Malayan Emergency was declared. Dissatisfaction from the British led to the rise of anti-Government activities. With the arrival of RAAF aircraft Australia's involvement in the emergency began in 1950.

Committee, March. [Online: web] Accessed 17th February, 2015 URL: [http---www.aphref.aph.gov.au-house-committee-jfadt-malaysia-subs-sub13\(1\)\(1\)](http---www.aphref.aph.gov.au-house-committee-jfadt-malaysia-subs-sub13(1)(1))

It lasted nearly 13 years, and it is one of the longest continuous military commitments of Australia where many of its service men were killed. Around 39 Australian service men died and 27 of them were wounded.³⁵ Australia not only supported with air and infantry forces but also provided artillery and other engineering support.

It led to the construction of air force base at Butterworth. Ships of Royal Australia Navy were in Malayan waters. Australian ships had fired on suspected communist positions in the years 1956 and 1957. Ground forces of Australia in Malaya formed a part of Australia's contribution to the Far East Strategic Reserve. It was set up in 1955 to deter external communist threats against countries in Southeast Asia. During the time of Malaysian independence from Great Britain in the year 1957 Australia acted as a strong supporter. However the defence relationship became stronger under the auspices of the Five Power Defence Arrangements and Malaysia Australia Joint Defence Program. It is also noted that Sir William Mckell, an Australia former Governor General played an important role to help draft Malaysian Constitution.

4.3 Five Power Defence Arrangements (FDPA)

In 1971, the FPDA was established with Singapore, Malaysia, Australia, United Kingdom and New Zealand as its members.³⁶ It is considered to be a unique Defence arrangement in which co-operation of all the five members is necessary. Australia's involvement in the FPDA serves as a security interest in the Southeast Asian region. Since its establishment it has been acting as a consultative and highly flexible

³⁵ Government of Australia, Department of Defence (2007), *Inquiry into Australia's Relationship with Malaysia*, Joint Standing Committee on Foreign Affairs, Defence and Trade, Foreign Affairs Sub-Committee, March. [Online: web] Accessed 17th February, 2015 URL: [http---www.aphref.aph.gov.au-house-committee-jfadt-malaysia-sub-sub13 \(1\) \(1\)](http---www.aphref.aph.gov.au-house-committee-jfadt-malaysia-sub-sub13(1)(1))

³⁶ Government of Australia, (2007), Joint Standing Committee on Foreign Affairs, Defence and Trade Foreign Affairs Sub-Committee, *Australia's relationship with Malaysia*, [Online: web] Accessed 17th February, 2015 URL: http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=jfadt/malaysia/report.htm

arrangement which is based on mere consensus, trust, mutual benefit and respect. By the late 60's Britain had declined as an economic and military power. There was an urgent need to get back into shape. In January 1968, the British government declared that they would pull back its troops from Malaysia and Singapore by the end of 1971.³⁷ Also, there was an urgent need to review the Anglo-Malaysian Defence Arrangement (1957). Thus the decision came that it would replace with a framework which is to set up of a loose consultative political body (Five Power Defence Arrangements or the FPDA).

This was a historic milestone and the ministers of Australia, New Zealand and the United Kingdom proposed that they would only consult with one another regarding what measures should be taken in a joint way or separately if there was an attack or threat on the member countries. 1971, on 11th February headquarters of Integrated Air Defence System (IADS) was established at Butterworth. Australia providing the Commander, it was on 1st September 1971 the whole operation took place. In 2000, the FDPA Minister's Meeting reaffirmed the basic task of their Arrangements. It recognized their evolution from air defence activities to joint operation forces.

The arrangement is still in good shape and it continues to be a multi-lateral security arrangement in the South-East Asian region. It has been for years providing a stabilizing influence in the region. This arrangement arose of the rapid decolonization of Southeast Asia just after the world wars mainly for the security concern of the region. For years this arrangement has been able to form lasting relations between the five powers and still it drives to remain as a stabilizing factor in the region.

Thus the Five Power Defence Arrangements is regarded as an important pillar in the defence relationship among the member countries. Australia supports the FPDA by

³⁷ Australian High Commission, Department of Defence, *Defence Section*, Kuala Lumpur, [Online: web] Accessed 16th February, 2015 URL: <http://www.malaysia.highcommission.gov.au/klpr/Defence.html>

contributing ADF personnel and also conducting for various FPDA exercises. This arrangement has evolved to form a key paradigm of defence relations between the member countries. It also deals with the non-conventional threats like terrorism, natural disasters, humanitarian assistance, etc. The FPDA has been working effectively to bring non-defence agencies together from Malaysia and Singapore.

The FPDA over the years has been responding to the increasing complexities in the regional sphere and also meet the growing demands of the modern warfare. Australia values the participation of Malaysia in FPDA because it complements the bilateral relationship. Thus it serves as a positive contribution to the regional stability and maritime security. It also sets as a big example of multilateral cooperation on a wider scale. The ongoing active strategic dialogue program with Malaysia has enhanced the cooperation at every level.

4.4 Malaysia-Australia Joint Defence Program

MAJDP is another important development which took place in the history of Australia's close defence relationship with Malaysia in the year 1992.³⁸ They have involved in training and professional exchanges. It is marked as a cornerstone of the bilateral Defence relationship and also it has contributed importantly to the development of the Malaysian Armed Forces. The activities included are the major combined land exercises, Exercise Southern Tiger, in the year 2004.³⁹ All these years it has tried to build links between both the countries defence forces. It provides a structured framework for the bilateral activities that takes place. High-level policy discussions to administrative functions, training programs are all done under this defence program. It enhances more mutual benefit and

³⁸ Government of Australia, (2007), Joint Standing Committee on Foreign Affairs, Defence and Trade Foreign Affairs Sub-Committee, *Australia's relationship with Malaysia*, [Online: web] Accessed 17th February, 2015 URL: http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=jfad/malaysia/report.htm

³⁹ Ibid.

reciprocity in the relationship.⁴⁰ It also establishes mutually beneficial professional military education opportunities and exchange postings. All these have broadened into new areas such as aerospace engineering and materials science. It is focused on the jointly determining the mutual priorities for the future betterment. Regular high level discussions, between the respective Secretaries of Defence, are held and this hints towards a healthy relationship.

The MAJDP is managed by the annual working level meeting. The strong defence relationship between the two countries is sustained by a wide range of cooperative activities under the auspices of the Malaysia-Australia Joint Defence Program.

4.5 Malaysia-Australia Defence Alumni Association (M-ADAA)

This association was established in the year 2011 and its mission is strengthening the relationship between Australia and Malaysian Army, Navy and Air Force.⁴¹ It engages people to people relationships to the servicemen who are involved in the Ministry of Defence and have been studying and training themselves in the Army, Navy and Air Force in each other respective countries. It is established with the aim of strengthening the long lasting friendship between both the countries.

4.6 Malacca Strait

Malaysia is geographically placed in a way that its ships has to pass the most important trade pass every year. However the problem here is the piracy and various terrorist activities that have raised serious concerns among the Southeast Asian countries. Australia has given assistance to Malaysia, Singapore, and Indonesia through several

⁴⁰ Ibid.

⁴¹ Government of Australia, (2007), Joint Standing Committee on Foreign Affairs, Defence and Trade Foreign Affairs Sub-Committee, *Australia's relationship with Malaysia*, [Online: web] Accessed 17th February, 2015 URL: http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=jfad/malaysia/report.htm

bilateral and multilateral initiatives to enhance security, peace and stability in the Malacca Strait.⁴² Australia's role has been effective to bring in cooperation in the region as it is acting like a middle player, many of the Southeast Asian countries look for assistance towards it.

4.7 Education

Over the years Australia has been one of the most important destinations for Malaysian students. It has been observed that in Malaysia, Australian expertise are highly regarded because of education and training. The relationship started when the Malaysian student came to study in Australia back in 1950, under the Colombo Plan.⁴³ Since then Malaysian students are enrolled in Australian institutions at a large scale.

There were approx 22,000 students enrolled in Australia to pursue their higher studies in the year 2012.⁴⁴ However 21,000 Malaysian and other international students have been taking up courses for Australian qualifications in Malaysia.⁴⁵ It is to be noted that since 1990s, Australian education institution have been functioning there. As a result it shows a reflection on the long standing relation that Australia has been having with Malaysia that has made possible for Malaysian students to opt for Australia as their destination. In 2005 the establishment of the Australia-Malaysia Institute by the Australian government was a major development to promote institutional links between the two nations. The institute

⁴² Government of Australia, (2007), Joint Standing Committee on Foreign Affairs, Defence and Trade Foreign Affairs Sub-Committee, *Australia's relationship with Malaysia*, [Online: web] Accessed 17th February, 2015 URL: http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=jfad/malaysia/report.htm

⁴³ The Colombo Plan came into effect in the year 1951; it was a cooperative economic development plan between the South and the Southeast Asian countries.

⁴⁴ Funston, John. (2013), "Australia- Malaysia relations", New Mandala [Online: web] Accessed 2nd March, 2015 URL: <http://asiapacific.anu.edu.au/newmandala/2013/06/24/australia-malaysia-relations-are-the-difficulties-over/>

⁴⁵ Ibid.

has been running successfully as it conducts various grant programs and scholarships that focus on frequent visits by young scholars, journalists, etc. The AMI is funded by the Department of Foreign Affairs and Trade and it also aims to provide strategic alliances with sponsors and partners to enhance its objectives. The institute works with both individuals and various institutions from Australia and Malaysia. The key objectives for the establishment of AMI are to promote a better understanding among the individuals and also between the two countries, increase knowledge, further enhance people to people connections and also support Australia's diplomatic objectives in Malaysia.

It is true that education is an important part of the Government of Malaysia. Thus it aims to move towards a knowledge – based economy. Therefore Australia is playing an important role in fulfilling Malaysia's education ambitions. With the two countries having strong educational links Australian institutions provide a higher value added services that Malaysia had been looking for. There is a much bigger role that Australia offers Malaysia given the extent and richness of Australia- Malaysia education experience. The three Australian universities which have campuses in Malaysia are - Monash University, Curtin University and Swinburne University of Technology.⁴⁶ There is also a Malaysian alumni association of Australian universities in Malaysia which is a national organization known as the Malaysian Australian Alumni Council (MAAC).⁴⁷ It spearheads the Malaysia Australia Colombo Plan Commemoration Scholarship initiative, which allows a both ways exchange program between the two nations. The Memorandum of Understanding on Education was signed in March 2011 between both the countries and later in 2012 a Memorandum of Understanding on Higher Education.⁴⁸ Number of initiatives had been taken to boost exchange programs between both the countries. A pilot Sister Schools Program which is currently run by the Australian-Malaysian Institute was launched in July 2008, by the former Prime Minister Kevin Rudd.⁴⁹ It linked 6 schools both in Malaysia and in Victoria. Later in July 2009, the number of participating schools

⁴⁶ Government of Australia, Department of Foreign Affairs and Trade, *Malaysia Country Brief* [Online: web] Accessed 11th February, 2015 URL: <http://www.dfat.gov.au/geo/malaysia/Pages/malaysia-country-brief.aspx>

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid.

in Australia and Malaysia was doubled by the former Minister for Foreign Affairs, Stephen Smith.⁵⁰

4.8 People to People Connection

However there is an important relationship which goes beyond all barriers and that is people to people connection between the two countries. Going by the Census in 2011, 116 196 Malaysia-born people have been living in Australia which shows a drastic increase of 25.8 per cent from the 2006 Census.⁵¹ Due to the history of educational, security, and economic ties Australia's connection with Malaysia goes way beyond at personal level. Australia has more people to people ties with Malaysia than with any other Southeast Asian Country. Most of the people living in Australia are ethnic Chinese who had migrated from Malaysia due to the Government politics in their country.

Malaysia listed among the top 10 overseas tourist spot for Australians and they receive a huge number of visitors every year. However in the year 2012, Australia welcomed around 241,600 visitors from Malaysia. Malaysia ranked as the second largest source of visitors after Singapore from the Southeast Asian countries.⁵² However the history of relation between the two countries dates back to the 19th century. It was during the time when Malays were involved in the pearling industry and also trepang collection in the northern Australia.⁵³

⁵⁰ Government of Australia, Department of Foreign Affairs and Trade, Malaysia Country Brief, Overview, [Online: web] Accessed 11th February,2015 URL: <http://www.dfat.gov.au/geo/malaysia/Pages/malaysia-country-brief.aspx>

⁵¹ Government of Australia, Defence and Trade Foreign Affairs Sub-Committee, Joint Standing Committee on Foreign Affairs, Australia's relationship with Malaysia [Online: web] Accessed 8th March,2015 URL: http://www.aph.gov.au/parliamentary_business/committees/house_of_representatives_committees?url=jfad/malaysia/report.htm

⁵² Ibid.

⁵³ Government of Australia, Defence and Trade Foreign Affairs Sub-Committee, Joint Standing Committee on Foreign Affairs, Australia's relationship with Malaysia [Online: web] Accessed 17th February,2015 URL: <http://www.aphref.aph.gov.au-house-committee-jfad-malaysia-report-fullreport>

The Colombo Plan in 1950 brought around 1700 students to Australia, where the majority was mostly Malaysians. These students married Australians and settled down there. People have settled mainly for business and educational purposes. Many of the students who went to Australia for educational purposes have remained there after completing their degrees or training programs mostly to become permanent citizens. The Department of Immigration and Multicultural Affairs have stated that mostly the Malaysians which settle in Australia lived in specific areas like Victoria, New South Wales, Western Australia and Queensland.⁵⁴ The Chinese ethnic Malaysians born in Australia are well educated and also are fluent in English. They also have the highest intermarriage with Australians.

In the year 2012, Foreign Minister Bob Carr had announced a joint Australia-Malaysia cultural exchange program for developing a strong understanding between the young ones.⁵⁵ It was based on the successful program that is run by Australia with Indonesia and also Thailand. It was to promote cultural understanding and faith between both the countries. Senator Carr had said “Programs such as this showcase Australian values in our region and encourage our own community leaders to gain a greater understanding of our neighbours”.⁵⁶ Australia’s connection with Malaysia is based on the strong institutional and people to people ties and it is reflected in the foreign policy both the countries.

⁵⁴ Ibid.

⁵⁵ Government of Australia, (2012), Australian Minister for Foreign Affairs, Senator the Hon Bob Carr, *Australia- Malaysia cultural exchange* (Media release on 4th November 2012. [Online: web] Accessed 11th February, 2015 URL: http://www.foreignminister.gov.au/releases/2012/bc_mr_121104b.html

⁵⁶ Ibid.

4.9 Counter- Terrorism

One of the important and ongoing issues is combating terrorism. However Australia has been playing a very active role in the Southeast Asian region. It has been dealing with combating terrorism and implementing different counter terrorism measures. In the year 2002, a Memorandum of Understanding was signed between Australia and Malaysia to enhance counter terrorism cooperation. The MoU with Malaysia came as a criticism “Downer Ducks on Malaysian Rights”.⁵⁷ Australia’s history along with its geographical position serves as an important strategic position for the country’s national identity. The most important was the war against terror in Southeast Asia. It offers Australia a new layer of opportunity to provide substance in its relations with the Asian states. Thus Australia played an active role in counter- terrorism measures in a cooperative manner. Australia has been loyal towards supporting its strategic partners. It has also helped to promote stability in the region and international order. It has been a supporter of UN and other multilateral peace operations. Australia’s position has been one of the key considerations in its defence and security policy. Therefore the war against terror helped Australia to impose its ties with Southeast Asian countries. It also offered a chance to focus on new and shared security concerns. It helped to develop a more cooperative environment to meet the future challenges. Thus the events which took place after 11th September 2001 acted as a catalyst to improve Australia’s relations with Southeast Asia (McMohan 2004). The U.S. had referred Southeast Asia to be the second front. But for Australia Southeast Asia was the most immediate counter-terrorism front (Vaughn 2004). Numbers of terrorist groups which have been operating in Australia’s neighbourhood also have connections with Al- Qaeda, came into picture after the Bali bombing. Jemaah Islamiyah (JI) operates throughout Southeast Asia with the aim of creating Islamic state in the countries of Malaysia, Singapore, Indonesia, Philippines (Southern part) and also northern Australia.⁵⁸ Other extremist groups which function in Southeast Asia are KMM (Kumpulan Mujahideen Malaysia) or Kumpulan

⁵⁷ G.Skehan (2002), “Downer Ducks on Malaysia Rights”, Age.

⁵⁸ Jemaah Islamiyah (JI) is one of the militant Islamist group. It is active in several Southeast Asian countries that seek to establish a pan-Islamic state across the region. Jemaah Islamiyah ("Islamic Organization" in Arabic) has plotted attack against U.S. and Western targets in Indonesia, Singapore, and the Philippines. Attack occurred in 2002, three bombs were detonated on the Indonesian island of Bali and also in 2005.

Militan Malaysia operates out of Indonesia and Malaysia. It also has ties with Afghanistan. Islam was viewed as a moderate force in Southeast Asia by the Australian policy makers and the experts. The attacks like the Bali bombing, Al-Qaeda's connection with JI and the ongoing dispute in the southern Thailand are all due to effects of changing perceptions of Islam in the world.

Australia focused on Southeast Asia due to the war against terror, despite Howard Government's external gaze more towards the U.S. Australia continued to work closely with regional authorities to combat terrorism activities. It initiated a number of anti-terror measures after 9/11 attack in the Southeast Asian region. It established an Ambassador for counter- terrorism. Australia signed Memoranda of Understanding (MOU) with countries like Malaysia, Fiji, Philippines, Singapore, Brunei, Cambodia, Indonesia and Thailand. It has been an active supporter of ASEAN Regional Forum (ARF) to address terrorism activities. In 2003, June Australia hosted a meeting to discuss the consequences after the terrorist attack. Issues related biological, chemical, and radiological attacks were discussed. However in Malaysia, in the year 2003 Australia had worked with ARF for counter-terrorism cooperation through the ARF Inter-sessional meeting on Counter-terrorism and also Transnational Crime. Also the Australian Federal Police (AFP) have set their representatives in Malaysia, Indonesia, Cambodia, Thailand, Vietnam, Philippines, Myanmar, etc. They also have a systematic sharing of important information.

It has been investigated that JI had been working underground in Australia way before the Bali bombing attack which was held on October 12th, 2002. Australia was alerted by the Internal Security Department of Singapore about the movements of JI in Australia somewhere in 2001. The northern part of Australia was part of Al-Qaeda for a wider Australia (Vaughn 2004). The confirmation of the existence of JI cell came from Abu Bakar Bafana during his trial in the year 2003. The Australian Press referred the cell as the Mantiqi 4. It was also seen that Abu Bakar Ba'asyir had paid a number of visits to Australia to establish JI influence in the region. Australian officers have worked towards to establish peace in the region. It has helped to form closer relations between

the nations also increased information sharing. It has been working to form an effective counter- terrorism program to deal with the ongoing threats.

Though Australia has been a staunch supporter of Southeast Asian states during the war on terror but it also sided with the U.S. Prime Minister Howard stated clearly that “If we left this contest only to America, we would be leaving it to them to defend our rights and those of all the other people of the world who have a commitment to freedom and liberty. We admire their strength and greatness, but Australians have always been a people prepared to fight our own fights”(Vaughn 2004). This led Australia to provide military support in Iraq and Afghanistan. The war against terror has been a struggle of ideals and values. In the Bali bombing around 88 Australians were killed out of 202. In the words of Minister for Foreign Affairs Alexander Downer said that “we are target because of what we believe in and what our society represents” (Vaughn 2004). It is the interest of the society and that best defines the values and the goals in which direction the nation wants to walk the road. Its support to U.S led Australia to be the enemy in the eyes of the Al-Qaeda and other terrorist organizations. Australia is one of the country which took security seriously and also its commitment towards it (Babbage 1990). Malaysian Prime Minister was very much adhering of the fact that if Australia is acting as the sheriff than Southeast Asian states would be the outlaws. Therefore he stated clearly that “we will hold this as an attempt to wage war against the government and the country if Australia pursues its intension to attack any country to tackle terrorism” (Vaughn 2004). For Australia it was important to develop security linkages that would enable them to act together on terrorists activities. Thus such cooperation would enhance Australia’s relation with the Southeast Asian region. It would also help in effective functioning of the policies. In 2004 June, a Regional Special Forces' Counter-Terrorism Conference was held in Australia.⁵⁹ It brought in senior Special Forces and counter-terrorism experts from 14 countries. It was held to establish strong links and share important information about national counter-terrorism response mechanisms and capabilities. In 2008, Australia became a dialogue partner of

⁵⁹ Government of Australia, Annual Report 2003-2004, [Online: web] Accessed 10th March, 2015 URL: http://www.defence.gov.au/AnnualReports/0304/02_09_outcome5_7_coop.htm

ASEANPOL (the chiefs of ASEAN Police). The senior officers each year they meet with their counterparts at the ASEAN Chief Police Conference. Counter- terrorism cooperation has boosted after various terrorists bombings and it has developed into a deepening of Australia's engagement with Southeast Asian countries.

4.10 People Smuggling

Australia has faced the problem over the years of illegal immigrants or the boat people who have been entering the Australian province.⁶⁰ The Defence of Australia has been involved to take measures to curtail people smuggling in their region. There is coastal surveillance, which takes place regularly. They are linked electronically with the government and the defence department and also it has aircrafts with night capabilities deployed in the Torres Strait and other surrounding areas. However the bilateral agreements with its neighbouring countries on the transit points gives Australia an added source to the defence force to be involved in the people-smuggling activity. Australia's defence has been facing various challenges with the cross border linkages and other security issues and specially tackling the people smuggling incident. In December, 2014, a Memorandum of Understanding (MoU) was signed in Pulau Langkawi by Home Minister Datuk Seri Ahmad Zahid Hamidi and Australia's Immigration and Border Protection Minister, Scott Morrison.⁶¹ The MoU signed between the two countries provides a framework to combat transnational crime, like terrorism, illegal immigration, human trafficking and counter people smuggling. Australia has also been supportive to provide for Malaysia's Advance Passenger Screening System and Regional Movement Alert System to stop using of fraudulent

⁶⁰ Australia in its regional context, Australia's links in the region, Defence, [Online: web] Accessed 10th March, 2015 URL: http://www.skwirk.com/p-c_s-16_u-132_t-375_c-1320/ACT/9/Defence/Australia-links-in-the-region/Australia-in-its-regional-context/Geography/

⁶¹ Malaysia, *Australia sign MoU to fight transnational crime Bernama*. [Online: web] Accessed 7th July, 2015 URL: <http://www.themalaysianinsider.com/malaysia/article/malaysia-australia-sign-mou-to-fight-transnational-crime-bernama>

travel documents. Zahid stated that, “Malaysia values Australia as a regional partner and is excited to enhance bilateral cooperation to counter criminal activities.”⁶² However, Malaysia has played an integral part in all sorts of regional and bilateral issues against people smuggling. The following MoU does provide cooperation between the two countries and therefore it act as a testament to their close relation and shared commitment to address the transnational crime and other counter criminal activities.

4.11 Australia’s response to non- traditional security threats

Since the release of *2000 Defence White Paper*, Australian Government reviewed the defence posture periodically in order to ensure capabilities and forces to meet new challenges. There is a shared sense of threat in Australia’s neighbourhood. The coalition against terrorism among 60 countries is not just a shared sense of outrage. Australia’s Government has responded effectively to international terrorism which has increased both domestically and overseas. Immediately after the 11th September attack Australia’s Government invoked the ANZUS treaty for the first time in 50 years of its existence.⁶³

However, Australia’s efforts in disrupting Al- Qaeda’s operations in Afghanistan were one of the first steps it took towards combating terrorism. In the 21st century international terrorism is represented by Al-Qaeda. The new terrorism is more strategically focused on its way to disrupt the world peace. Thus strategic competition between the countries has not faded away. Australia and the U.S. continued to share values and interests and jointly act towards global stability and prosperity. Australia has given more priority to proliferation of Weapons of Mass Destruction. It has not only encouraged regional governments to strengthen their domestic and export control regimes. It has also provided support for monitoring transshipments.

Due to globalization the region has been exposed to world events especially security threats. Australia has played a key role to deal with the terrorists activities and its

⁶² Ibid.

⁶³ Australia’s National Security- A Defence Update2003 (Commonwealth of Australia 2003)

important concern has been security of the region. Southeast Asia, slowly recovered from its 1997 Asian financial crisis. Its GDP returned to normal by the end of 2002. Thus all these factors led to affect the economy of the region badly; it faced slow growth rates, insufficient employment, and dissatisfaction of the Government. At this time they were more focused on domestic issues and economic growth than regional disputes. But these diverse internal and transnational problems led to produce non-traditional security challenges. Illegal fishing, piracy, people smuggling, export of drugs and narcotics, money laundering, environmental disasters like the tsunami effect all these added up to the pressure of problems. Australia acted effectively as these security challenges became an important concern for Australia's defence policy. It could not avoid its neighbours. Australia's neighbours are vulnerable to transnational threats. Australia's strategic environment faced a change due to the ongoing pressure from its neighbourhood. Thus Australia aimed to provide a rebalancing approach in the region. Its policies became more flexible and it continues to play a stabilizing role in the region.

Chapter 5

CONCLUSION

CONCLUSION

Australia is a stable country which has emerged as an influential player in the region. It shares with Malaysia closeness in the emerging complex environment of the Indo – Pacific. They are now engaged at every important level concerning security, trade and diplomacy. Among the countries of Southeast Asia, Malaysia stand out as a significant country for Australian foreign policy makers. The connectivity has been there even before Malaya became independent in 1957. However during the period of this study the bilateral relations have become much stronger and multifaceted.

It is Australia's geographical location that gives it a special role in the Asian affairs. It was due to strategic importance that Australia was keen on expanding its ties with the Southeast Asian countries. It is to be noted that Southeast Asia is a diverse zone in terms of politics, culture, religion, security, geography, etc. It has gone through colonial experience, changing circumstances which have impacted its foreign policy towards Australia. Southeast Asia has common security experiences which are derived from its geographical location and also economic developmental challenges.

There has been certain issue concerning border insecurity, misunderstandings among the leaders and external intervention by big powers for the sake of achieving stability. Southeast Asian states have therefore built a number of cooperative mechanisms and also participated in a range of several international organizations to balance its power. Rapid economic development was witnessed in the ASEAN nations and with the globalization the inter independence became more necessary. Restructuring of the domestic economy and trade liberalization policies were more visible especially after the East Asian Economic Crisis of 1997-98. In such circumstances Australia was seen as natural partner with capability to deliver economic and strategic benefits. Also it was Australia's imaginative and effective diplomacy which contributed in giving it a significant place in the Asia- Pacific region.

Earlier Australia was viewed more like a western country and an outsider in its neighbourhood due to its "White Australia Policy" and its close alliance with the U.S.

Thus Australia's racist immigration policies, western values, culture and its orientation towards the U.S. brought home a lot of criticism from the Southeast Asian leaders. Though Australia would never alienate from the shadow of the U.S. but it is keen on growing a cordial relationship with its neighbourhood. Australia as an outsider was perceived as pro-west but it helped in putting down the communist insurgency in Malaya. Australia was included as a dialogue partner in 1974 with ASEAN and this helped in its participation in the activities of ASEAN and the relationship with Southeast Asian countries took engagement to higher level. Australia's foreign policy was reflected towards engaging with the neighbourhood on all sectors.

Reflecting on the period from 2003-2013, it is obvious from Australia's various Defence White Papers like The Defence White Paper 2000, 2013 the Strategic of 2003, 2005, shows that Australia made changes in its strategic concept. Australia's support was also accepted by the ASEAN countries. It started engaging at all levels from food security, energy, infrastructure development, education, agricultural productivity, tourism, FTAs, defence, security and strategic cooperation. Australia also coordinated with them in facing challenges like transnational crime, terrorism, sea piracy, people smuggling, drugs and narcotics, maritime security, climate change, greenhouse warming, environmental challenges and other security issues. The closer cooperation with ASEAN led Australia help in bridging the gap in the relationship. It led to seeking possibilities to establish a common goal for regional security and stability. However the shift in Australia's policy led open a window of opportunities and also play a middle power role in the Asia Pacific region. It has been engaging itself as a dominant economic player and its business has prospered in the region. Australia was seen to emerge as an important player in all the regional and international institutions starting from APEC, East Asia Summit, ASEAN Regional Forum, Asia Europe Meet (ASEM), AANZAFTA, etc. Australia is portrayed as a fast growing middle power which is successful, well balanced, cooperative and the oldest relationship through the Five Power Defence Arrangement has helped this further.

The relationship with Malaysia went through a roller coaster ride due to political disturbances and divergent of viewpoints among the leaders of both the countries. This led to an anti-Australian sentiment among the people of Southeast Asian countries.

However the bilateral relations especially the defence remained unaffected. There was agitation expressed during the Mahathir's term. Mahathir's protests over the "Howard Doctrine" led to unnatural circumstances and disturbances erupt. The relationship with the Southeast Asian countries went through a test of time when Australia ignored to sign the Treaty of Amity and Cooperation. The relationship brought a lot of negative and positive impact globally. However the Hawke Labor Government urged to build relations with the neighbouring countries. The relationship is now multidimensional and does not restrict to only military engagement. Also during the Keating Labor Government 1991-96 regionalism was given primary importance. Australia's most importantly "comprehensive engagement" policy became the foundation stone for its engaging with the Southeast Asian region. Certain ambiguities in Australia's foreign policy did continue in creating doubts in the minds of some Southeast Asian political leaders regarding its long term intentions.

Malaysia's geostrategic location and its rapid economic development played an active role in propelling Australia's interest. Also the historical link and the defence ties of the past helped in the growth of further engagement. Australia's long standing relationship with Malaysia and its active participation led to cooperation and engagement in a broad range of activities that makes the bilateral relationship stronger.

Abdullah Badawi's visit in 2005 to Australia impacted positively on the bilateral relationship which was at a standstill during the Mahathir's term. There were positive changes and increasing amount of cooperation and bilateral exchanges witnessed after Badawi became the Prime Minister. He followed a more consensual approach towards Australia in terms of foreign policy administration. Abdullah's identity was however more politically vulnerable as the new Government had to overcome the domestic challenges. It also faced new policy initiatives in the changing dynamics of the international relations. There was a new direction brought about in the global political economy, Abdullah Badawi had a significant style and emphasised on the Malaysian economy. However Badawi had to cope up and exceed the shadows of Mahathir's 22 year old term. As already stated Mahathir was replaced by Badawi in the year 2003, the

bilateral relations between Australia and Malaysia which were at a standstill took a positive turn and became active. Since 2005, there followed a number of high level diplomatic visits at regular intervals. Australia thus moved ahead and joined a number of international institutions like the ASEAN Plus Three Summit, East Asia Summit in the year 2005, and also the trade relations grew at a fast pace. In the year 2010 ASEAN-Australia-New Zealand Free Trade Agreement (AANZAFTA) a trading link was established to boost the trade and commerce relations. Followed by, in the year 2012 we see the MAFTA (Malaysian-Australia Free Trade Agreement) came up. However Australia's interest grew more with the signing of a number of Memorandum of Understanding and extending hands over several bilateral initiatives. Cooperation reached at its peak due to the shift in policy. Abdullah started by a populist reform that led to a more professional government to transform the Malaysian political economy and culture. Malaysia gave way to all the old boundaries that allowed restriction with the foreign nations and it saw Australia as an important economic and strategic player in the region.

Both Australia and Malaysia have collaborated and jointly worked on various regional multilateral bodies like the World Trade Organization (WTO), ASEAN-AFTA-CER Closer Economic Partnership, Asia Pacific Economic Cooperation (APEC), etc. The close cooperation between the two countries has led to strong economic connection and also regular people to people connections. However Malaysian electronic goods and other petroleum products are attracted in the Australian market. Australia's agricultural based products, dairy products, and education services rule the Malaysian market. The bilateral relationship between the two countries is reflected in its trade and investment, science and technology, education services, sports and culture, defence, electronic commerce, aviation, control of drugs and narcotics, people smuggling, etc. The tourism industry also plays an important role in the bilateral relation as many of the Malaysian each year visits Australia in huge numbers. Malaysia is seen as the rising country economically and Australian investors should seize this emerging opportunity. Australia is the exporter of natural resources to Malaysia and also is one of the important suppliers of other agricultural products. Australia also supplies various dairy products, sugar, minerals, and

raw materials for metal based manufactures to serve the industrial purpose in Malaysia. The countries seemed to cooperate on various levels to boost trading opportunities between them. Malaysia also places high priority on preferential tariffs on intra-ASEAN trade for effective implementation and growth. Australian investors see Malaysia as a wide range of investing opportunity due to its market accessibility and affordability. The MAFTA is considered to be a very high quality agreement that allows Australia to have all its goods tariff free in the Malaysian market. The Australia-Malaysia Business Council (AMBC) was established to promote trade and investment, and economic cooperation between the two countries. This joint council also encourages friendship and cultural exchanges to enhance further cooperation between the two countries.

Looking at the Australia's defence policy we see Malaysia in an important geo-strategic position. Main land Malaysia is important for Australia in order to gain connectivity with other Southeast Asian countries. Thus the central positioning of Malaysia it occupies a strategic position for Australia through air and maritime links. Its position in the Malacca Straits, Sulu and Celebes Sea gives it an important position. Due to its geo-strategic position Malaysia makes its security and territorial integrity important to Australia also shares a wider bilateral relationship. Both the countries deal together on various security challenges. However it was the historical links between the two countries that have led to a very strong bilateral defence relationship. The number of high level exchanges, strategic dialogue, joint military programs and training exercises showcase the depth of the relationship. Today the relationship has reached different parameters and it not only restricts to just defence talks but also various other diplomatic activities including educational exchanges. The Malaysian officers have undergone various advanced training and education programs in Australia. Australia also has been offering a number of postgraduate scholarships for defence related study. Thus Australia's connection with Malaysia will continue to be mutually- beneficial and most importantly in the context of Australia be not only a Pacific country but also a major Indian Ocean nation.

Australia and Malaysia have shared interests like counter-terrorism, peacekeeping operations, piracy, maritime security, and cooperate in managing natural disasters. Australia's involvement in the Five Power Defence Arrangement (FPDA) is historic and continues to serve as a security blanket for Southeast Asia. It is a consultative arrangement and is highly flexible as it is based on consensus, mutual benefit, trust, and respect. This is an important defence arrangement and still continues to be a multi-lateral security arrangement in the Southeast Asia region providing a stabilizing impact.

With the establishment of Australia-Malaysia Institute in the year 2005 there has been a major development to strengthen and promote educational and institutional links between the two nations. Australia continues to play an important role in Malaysia's education industry. It provides a higher valued added service to Malaysia for forging a strong educational link with Australian institutions. Malaysian students are seen to be in huge numbers take admissions in Australian universities each year. The people to people connection with Malaysia is more considered to any other Southeast Asian country that Australia seemed to be having. The people living in Australia are ethnic Chinese who had migrated from Malaysia due to the Government politics in the country.

Both the countries have counter- terrorism cooperation after 9/11 due to various terrorists' bombings and therefore this has led to a deepening of Australia's engagement in the region. Other issues like illegal fishing, people smuggling, piracy, haze crisis, exports of drugs and narcotics, environmental disasters like tsunami, money laundering, Malaysian flight disappearance etc, Australia has acted effectively to help the Southeast Asian countries in fighting these challenges.

Thus, this study comes to a conclusion that Australia could not avoid its neighbours. Australia aimed to provide a rebalancing approach in the region. Its policies became more flexible and approachable. Australia thus continues to play a stabilizing and security role in the region. The importance of bilateral resurgence in the pursuit of positive foreign policy is witness to the change that is Malaysia's perception of Australia as a regional and economic middle player in the region. The global power

structure offers an atmosphere for greater engagement and strategic cooperation between Australia and Malaysia. Australia and Malaysia have common interest though at times they may differ in their approach and perception. China's emergence as an influential power in the region and its assertiveness on South China Sea has added greater value to Australia- Malaysia relationship – both see each other as a likeminded country with a shared goal of keeping the region free from hegemonic powers.

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