

Media Release

Economic benefits of MAFTA still strong but slowing – action needed to get back on track says Connect Malaysia’s Joe Perri

Monday November 6, 2017. The post implementation economic benefits and fundamentals that underpinned the Malaysia Australia Free Trade Agreement (MAFTA) that became effective January 2013 are still very strong and will continue to be the basis for the long term bilateral trade relationship said Connect Malaysia’s principal consultant Mr. Joe Perri.

Commenting further, Mr. Perri said although the 5-year trend of Australian exports to Malaysia to 2016 is 3%, the -7.4% ‘softening’ between 2015 to 2016 should be a concern for the Australian government to address at next year’s **Joint Trade Committee (JTC)** ministerial meeting to be hosted by Malaysia.

Reflecting Australia’s situation, Malaysia exports to Australia over the 5 years to 2016 were a positive 2.2%, but also mirrored an equally substantial downturn of -8.3% between 2015 to 2016.

For both Malaysia and Australia, trade figures peaked the year following MAFTA and last year were in fact below 2013 levels – see table below

Australia’s Goods Exports to Malaysia 2011 to 2016

| | | | | | |
|-------------|------------|-------------|------------|-------------|------------|
| 2011 | \$A13,046M | 2012 | \$A14,717M | 2013 | \$A15,069M |
| 2014 | \$A17,394M | 2015 | \$A15,997M | 2016 | \$A14,807M |

Malaysia’s Goods Exports to Australia 2011 to 2016

| | | | | | |
|-------------|------------|-------------|------------|-------------|-----------|
| 2011 | \$A8,555M | 2012 | \$A9,641M | 2013 | \$A9,508M |
| 2014 | \$A11,299M | 2015 | \$A10,163M | 2016 | \$A9,315M |

(source, Department of Foreign Affairs & Trade)

FTAs invariably attract negative media commentary and often the damage is self-inflicted by governments as the expectations and benefits (many of which will be only be realised over the long-term) are promoted loudly in an era of instant gratification.

Although there will be a myriad of reasons both governments will use to explain the 2015 – 2016 downturn, Mr. Perri points to one significant cause being the financial squeeze on the very limited resources, marketing and promotional budgets of Australia and Malaysia’s international trade agencies.

“FTAs only have a brief moment in the spotlight with much political fanfare and rhetoric supported by large scale trade missions before the two partners detach themselves and turn their attention to the next agreement waiting in the wings – at which point the hype will start all over again”, said Mr. Perri.

Unfortunately, the all-important missing link is the post launch marketing that is often left up to the under resourced, volunteer based business councils / chambers of commerce to fulfil the task of ongoing FTA promotion.

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Many will argue that while governments and business associations can only do so much to promote the benefits of FTAs as facilitators of bilateral trade – ultimately, it's up to businesses themselves to use the enabling factors of the FTAs to obtain commercial outcomes.

MAFTA was a natural and inevitable progression and reflection of the longstanding close relationship enjoyed by Australia and Malaysia.

Those all-important columns of strength being Malaysia's pro-business infrastructure, growing affluence of the nation's people, ease of access, strategic geographical position and Westminster based legal and political system – all combined to act as a beacon attracting Australian companies.

Similarly, Australia's position as one of the world's top ten most affluent economies has seen significant investment from Malaysia in the country's construction/property sector and imports of food, electronics and petroleum products. Interestingly, the current building boom has resulted in Australia being Malaysia's fourth largest international export market for furniture.

Mr. Perri concluded, "The JTC has achieved much in the past with MAFTA being the undeniable 'jewel in the crown'. Next year's JTC should be seen as an opportunity for businesses and governments to share information and experiences gathered to date in order to improve the FTA and reinvigorate exports to post MAFTA highs.

"Furthermore, it provides a platform to reassess the JTC's relevance, format and structure for 2018 and beyond".

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Notes to the editor: Prior to MAFTA, Malaysia and Australia had forged closer economic relation through the **ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA)**, which entered into force on January 2010. AANZFTA allows for sourcing of raw materials and components from New Zealand as well as other ASEAN countries. This further facilitated Malaysia's and Australia's integration to the regional economy.



Connect Malaysia was established in 2015 to assist Australian and Malaysian SMEs to connect and engage in international commercial and bilateral trade activities.

Guided by principal consultant Mr Joe Perri, Connect Malaysia has quickly established itself as the 'go to organisation' for businesses seeking to find a JV partner or explore export/commercial opportunities in Malaysia.