

# Ironclad Aussie-M'sia relations

Malaysia is forecasted to overtake the United States as Australia's fifth largest export market by 2030. Joe Perri, president of the Australia Malaysia Business Council (AMBC) Victoria, reveals what is driving the growth and how SMEs from the two countries can get involved.

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Distance doesn't seem to have hindered two-way trade between Australia and Malaysia. On the contrary, goods and services traded between the two nations grew by around 11% during 2012-13, largely boosted by the Malaysia-Australia Free Trade Agreement (MAFTA) that came into force early last year.

"Without doubt, the biggest incentive for SMEs to engage in bilateral trade between Australia and Malaysia is the Malaysia-Australia Free Trade Agreement (MAFTA) with its benefits to exporters, importers and consumers, by opening markets and freeing trade and investment between the two countries," explained Perri.

As a result of implementing MAFTA, tariffs have been cut for Australian exporters and administrative procedures simplified. Nearly 97.6% of Australian goods exported to Malaysia became eligible for tariff-free treatment on entry after the Agreement, rising to 99% in 2017.

In turn, Australia eliminated all remaining tariffs on goods from Malaysia on entry when the Free Trade Agreement came into effect.

Indeed, the MAFTA has made it easier for SME manufacturers and traders to do business, although a pool of other incentives offered by state governments and industry groups is also propelling trade activity.

For example, the Export Market Development Grants (EMDG) scheme, a key Australian federal government financial assistance program that encourages SMEs to develop export markets, extends support to a broad range of industries, including inbound tourism and the export of intellectual property and know-how outside Australia.



**AMBC Victoria works closely and collaboratively with the Victorian, Australian and Malaysian Governments to articulate the business opportunities available in Malaysia."**

— Perri

"The EMDG scheme reimburses up to 50% of eligible export promotion expenses above AUD 5,000 provided that the total expenses are at least AUD 15,000. It also provides up to eight grants to each eligible applicant," said Perri.

In the case of Malaysian SMEs setting up in Victoria – Australia's fifth strongest economy – once a company has registered in the state, it is eligible to access available Victorian Government small business grants that can assist with training and exporting. Registered SMEs would also be eligible to use the Victorian Government Business office's international network to develop exports at no cost.

Meanwhile, Malaysia offers income tax exemption for up to 10 years, as well as discounted rates for land premiums, quit-rent and land assessment and guaranteed land lease periods for specific time periods.

In addition, the flexibility offered by the Southeast Asian nation in the employment of expatriates and in foreign exchange administration under Bank Negara Malaysia is an additional advantage to Australian SMEs eager to do business in Malaysia.

explained Perri.

"Access to good information and local market contacts is very important in this regard," he added. In 2013, AMBC Victoria celebrated its 40th anniversary and a year of remarkable access, as marked by several dynamic events, such as the Victoria Super Trade Mission (STM) to Southeast Asia, with Malaysia being the first port of call.

The mission was organised by the Victorian government and supported by the Victorian Government Business Office in Kuala Lumpur, as well as Austrade, Malaysia Australia Business Council and AMBC.

Over 300 Victorian companies from 10 key industries participated in the mission, of which 100 were SMEs. Based on reports submitted by participating companies, the Southeast Asian STM resulted in more than AUD 230 million in expected export orders over the next 24 months.

"AMBC Victoria works closely and collaboratively with the Victorian, Australian and Malaysian Governments to articulate the business opportunities available in Malaysia," noted Perri. According to him 80 members currently make up the Victoria chapter of the



Victorian SMEs are showing increasing interest in doing business globally



Tariffs have been cut for Australian exporters

At the same time, Malaysia is increasingly opening up to foreign players with the aim of increasing exports to neighbouring countries. Its recently reviewed National Automotive Policy specified six areas of development that highlighted opportunities for Australian providers – in technology, supply chain, human capital and remanufacturing.

Given that Australia is one of the few countries with the capability to design cars from scratch and manufacture in significant volumes, Malaysia's revised automotive policy is bound to attract significant new business.

Presiding over AMBC Victoria, Perri highlighted that Malaysia ranked eighth in Victoria's merchandise exports in 2012, amounting to AUD 692 million. This was made up of refined petroleum (AUD 92m), wheat (AUD 80m), milk products (AUD 56m), edible products (AUD 47m), aluminium (AUD 46m) and other goods (AUD 371m).

"Victorian SMEs are showing increasing interest in doing business globally, including with Southeast Asia and Malaysia, but given their limited resources, they need to identify markets that offer the greatest opportunities without spreading themselves too thin,"

council, comprising 50 SMEs, 20 corporations and 10 professional individuals.

One of those corporate members, Pitcher Partners, hosted an event in April last year to highlight the Victorian Government's recently announced Food to Asia Action Plan, putting the spotlight on Malaysia's thriving agribusiness sector and the need for both Malaysian and Australian producers to take advantage of the benefits afforded under MAFTA.

"The services we offer our members are quite broad but with a single focus of assisting Victorian businesses to broaden their activities into the Malaysian marketplace or to use Malaysia as a regional hub into the ASEAN region," said Perri.

From holding industry workshops, such as the upcoming Victoria Agribusiness roundtable in May, to leading trade missions to Malaysia and hosting Malaysian missions, AMBC Victoria's engaging agenda has attracted more than 550 companies and individuals to register on their database to receive updates, bullets and event invitations.

Several of AMBC Victoria's Executive Committee members are current or past members of other business councils, such as the ▶

# Opportunities aplenty for cross-trade



► Indonesian, China and Arab Chamber and this is further facilitating cross-business council activities and engagement.

Many of AMBC's services aim to reduce the barriers facing Australian and Malaysian traders, which according to Perri include regulatory red tape and compliance, the high Australian Dollar and even more subtle challenges such as a lack of access to quality data to

make informed decisions.

"It is relatively easy for Malaysian and Australian SMEs to do business in each other's markets, although the challenges relate to the points (mentioned above) - especially regulatory burden and compliance.

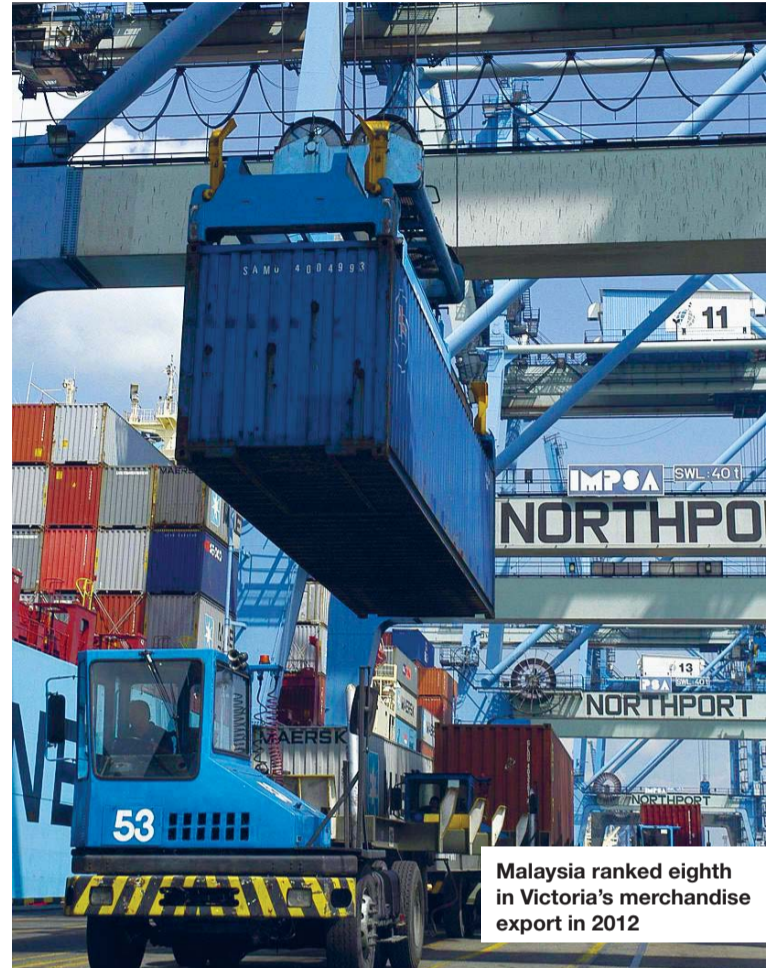
"One positive is the strong degree of familiarity and existing networks based on the estimated figure of some 300,000 Malaysian

alumni of Australian universities," said Perri.

Further, with the advent of AirAsia and the high Australian dollar, which makes it cheaper to visit overseas destinations, the number of Australian tourists visiting Malaysia is at an all-time high, and as such they're also being exposed to the business opportunities that it has to offer. Last year, over 300,000 Malaysians visited Australia and around 100,000 Malaysian-born people now live in Australia.

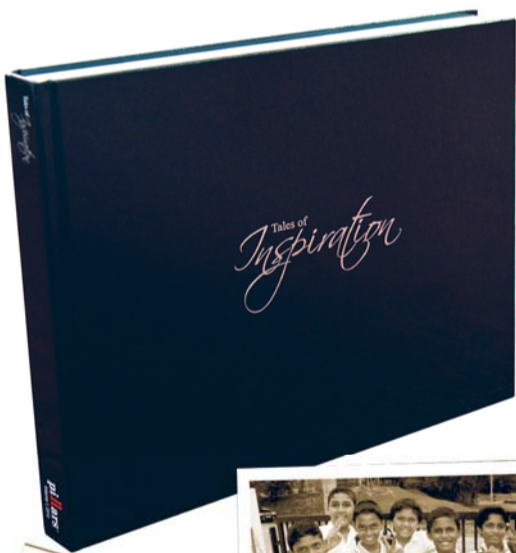
On the other hand, Malaysia was ranked as the sixth easiest country in the world to do business according to the World Bank and the easiest emerging market to do business in, by respondents to an Allied Irish Banks Survey.

Perri advised Australian SMEs new to Malaysia to find the right partner or ally, while in some sectors like oil and gas or major infrastructure, they would have to team up with a local partner. Finally, he recommended that they do their research, make sure they understand the market and cultural differences and speak to industry representatives and experts for advice. **MSME**



Malaysia ranked eighth in Victoria's merchandise export in 2012

## MALAYSIA SME



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First published in the Success Story section of the MALAYSIA SME main paper and then PILLARS, the lifestyle section, and now compiled in *Tales of Inspiration*, these stories take you into the lives of the 34 SME entrepreneurs featured here. Their background, their challenges, their resilience in overcoming obstacles, it's all here in these stories that make up the book.

This book would not have been possible at all if not for the 34 SME entrepreneurs who were willing to share their stories with all our readers in the hope that other entrepreneurs would be encouraged by their stories. For that, we sincerely thank them.

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pillars

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