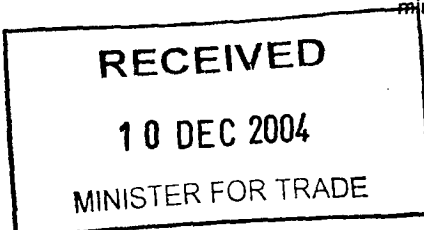




THE HON PAUL HENDERSON MLA
MINISTER FOR ASIAN RELATIONS AND TRADE

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The Hon Mark Vaile MP
Minister for Trade
Parliament House
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Dear Minister *Mark*

Thank you for your letter of 12 August 2004 informing me on the key outcomes of the 11th Australia-Malaysia Joint Trade Committee meeting held in Melbourne on 26 July 2004, and the conduct of parallel scoping studies on a possible free trade agreement between Australia and Malaysia.

I was pleased that Mr Paul Tighe, First Assistant Secretary, Trade Development Division and his team, was able to visit Darwin on 25 October 2004 for consultations on the development of a possible Malaysia – Australia free trade agreement.

As indicated in our Asian Engagement Plan, because of our close proximity to South East Asia and our history of trade, the Territory is seeking to build and enhance economic, social and cultural links with Malaysia. The Territory is also seeking to strengthen its links in the region, including with Brunei, Indonesia, Malaysia, Philippines - East ASEAN Growth Area (BIMP-EAGA) dialogue meetings.

The Territory welcomes the conduct of the scoping studies as they will assist in determining the benefits and risks of completing and implementing a bilateral free trade agreement with Malaysia.

I would appreciate receiving a copy of the Australian scoping study report when it is completed, and, if possible, the parallel Malaysian study report, so that we can better understand the implications of a possible free trade agreement for the Territory and its impacts on our trade, investment and other linkages.

It would be helpful if the Australian scoping study, in addition to assessing the general economic, trade and investment matters, also addressed the following specific opportunity areas.

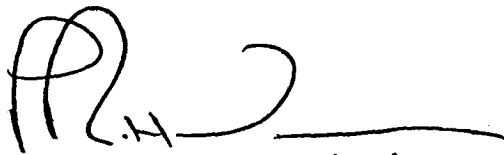
- ◆ Opportunities from foreign direct investment should be pursued to address the current imbalance of investment flows between the countries. I understand that recent regulatory reform on "*Bumiputra*" requirements may ease restrictions and provide opportunities for investment from Australia including the Territory.
- ◆ The services sector, including the health, professional and business services and tourism sub-sectors, is an important contributor to the Territory economy and our exports. The Territory would welcome improved access, recognition and expanded trade-related opportunities for these sub-sectors through a free trade agreement with Malaysia.
- ◆ Education services market access could be enhanced through a comprehensive free trade agreement with Malaysia. This should include strengthening links and opening further market opportunities for higher education as well as vocational education and training provision by the Charles Darwin University and other Territory education and training service providers. Improved Malaysian recognition of Australian, including Territory, qualifications would also be a valuable outcome from a bilateral free trade agreement with Malaysia.
- ◆ Opportunities to expand transport links between Australia and Malaysia, including directly with the Territory, should be explored in the free trade agreement negotiations. This would assist the development and promotion of tourism, education, merchandise trade and the AustralAsia Trade route using the Adelaide-Darwin railway and the Port of Darwin.
- ◆ Defence industry and support opportunities should not be overlooked. The Territory's developing defence industry sector is well placed to contribute to appropriate exports to Malaysia and provide support services in Australia to Malaysia's defence forces involved in joint exercises and undertaking defence-related activities in our region.
- ◆ Additional market opportunities for counter seasonal export of Territory horticultural products, such as mangoes and other tropical fruits and vegetables, could also be included in the scope of the negotiations. The Territory, however, would not support any relaxation of Australia's quarantine arrangements for Malaysian horticultural exports through the Territory, where this may result in unacceptable risks to our developing horticultural sector and environment.

Should the negotiations proceed towards a bilateral free trade agreement, I request that a State or Territory representative is included on the Australian negotiating team from the outset. The involvement of such a representative would improve our

understanding of the negotiations and their implications for the States and Territories and allow State and Territory perspectives to be considered more effectively during the negotiations. State or Territory involvement could also contribute constructively to obtaining wider support for the conclusion and approval of a free trade agreement with Malaysia. This was the approach used during the negotiation of the free trade agreement between Australia and the United States of America and appeared to be an effect way of keeping the States and Territories informed on the progress and issues arising during those negotiations.

I look forward to being kept informed on the developments of a Malaysia – Australia free trade agreement and receiving copies of the scoping study reports when they are available.

Yours sincerely

A handwritten signature in black ink, appearing to be 'P.H.' followed by a stylized flourish and a horizontal line.

PAUL HENDERSON 7/12/04