



COMMONWEALTH OF AUSTRALIA

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE REFERENCES COMMITTEE

Reference: Australia in relation to Asia Pacific Economic Cooperation (APEC)

CANBERRA

Monday, 24 November 1997

OFFICIAL HANSARD REPORT

CANBERRA

SENATE
FOREIGN AFFAIRS, DEFENCE AND TRADE REFERENCES COMMITTEE

Members:

Senator Hogg (Chair)

Senator Cook	Senator Quirke
Senator Eggleston	Senator West
Senator Lightfoot	Senator Woodley
Senator Sandy Macdonald	

Participating Members

Senator Abetz	Senator Colston
Senator Bolkus	Senator Faulkner
Senator Bob Brown	Senator Ferris
Senator Brownhill	Senator Harradine
Senator Calvert	Senator Margetts
Senator Chapman	Senator Schacht

Matters referred for inquiry into and report on:

Australia in relation to Asia Pacific Economic Cooperation (APEC) with particular reference to:

- (a) APEC's progress towards Australia's economic, trade and regional objectives and the domestic implications;
- (b) the benefits of 'open regionalisation' versus a free trade bloc;
- (c) the importance to APEC of subregional groupings including the Association of South East Asian Nations (ASEAN), North American Free Trade Area (NAFTA), Asia-Europe Meeting (ASEM), East Asia Economic Caucus (EAEC) and Australia-New Zealand Closer Economic Relations Agreement (CER); and
- (d) future directions of APEC.

WITNESSES

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BAMSEY, Mr Howard Percival, Deputy Secretary, Department of the Environment, PO Box 787, Canberra, Australian Capital Territory 2601	245
BENNETT, Ms Barbara, Assistant Secretary, International Policy Branch, International Division, Department of Employment, Education, Training and Youth Affairs, 10-16 Mort Street, Canberra, Australian Capital Territory	222
COWAN, Ms Sara, Director, APEC, North and South Asia Section, International Division, Department of Employment, Education, Training and Youth Affairs, 10-16 Mort Street, Canberra, Australian Capital Territory	222
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WILLIAM, Mr Jerry, Assistant Manager, APEC and Trade Policy, Department of Industry, Science and Tourism, 20 Allara Street, Canberra, ACT	198
WRIGHT, Mr Jim, Head, Industry Policy Division, Department of Industry, Science and Tourism, 20 Allara Street, Canberra, ACT	198

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CANBERRA

Monday, 24 November 1997

Present

Senator Hogg (Chair)

Senator Eggleston

Senator Quirke

Senator Lightfoot

Senator West

The committee met at 9.07 a.m.

Senator Hogg took the chair.

ANDISON, Mr Drew, Manager, Standards and Conformance Policy, Department of Industry Science and Tourism, 20 Allara Street, Canberra City

EDWARDS, Mr Michael, Director, International Section, Sport and Tourism Division, Department of Industry, Science and Tourism, 33 Allara Street, Canberra, ACT

GALWAY, Mr Bill, Manager, APEC and Trade Policy Section, International Branch, Industry Policy Division, Department of Industry, Science and Tourism, 20 Allara Street, Canberra, ACT

WILLIAM, Mr Jerry, Assistant Manager, APEC and Trade Policy, Department of Industry, Science and Tourism, 20 Allara Street, Canberra, ACT

WRIGHT, Mr Jim, Head, Industry Policy Division, Department of Industry, Science and Tourism, 20 Allara Street, Canberra, ACT

CHAIR—I declare open this public meeting of the Senate Foreign Affairs, Defence and Trade References Committee which is inquiring into the matter of Australia and APEC. I welcome Mr Jim Wright and Mr Bill Galway of the Department of Industry, Science and Tourism to this hearing.

The committee prefers all evidence to be given in public but, should you at any stage wish to give any part of your evidence in private, you may ask to do so and the committee will consider your request. You will not be required to comment on the reasons for certain policy decisions or the advice which you have tendered in the formulation of policy or to express a personal opinion on matters of policy.

The committee has before it a written submission from the Department of Industry, Science and Tourism dated September 1997. The committee has already made this submission a public document. Are there any alterations or additions you would like to make at this stage?

Mr Wright—No, thank you.

CHAIR—I now invite you to make an opening statement, and then we will proceed to questions.

Mr Wright—Thank you for the opportunity to address the committee and to put forward DIST's views on Australia in relation to APEC. To highlight the important role that we see for the APEC agenda, I would like to sketch the overall thrust of the government's industry policy and where I see the APEC agenda fitting into that policy. As a broad general statement, the government's industry policy is aimed at achieving the optimum environment for industry to contribute to the welfare of all Australians through

higher economic growth, higher exports, higher investment and, very importantly, higher employment.

The Department of Industry, Science and Tourism has the leading role in respect of policies impacting directly on manufacturing and service industries, including tourism and the scientific community. But we also seek to ensure that industry perspectives are brought to bear on all issues affecting the business environment. Important examples are macro-economic policy settings, taxation, industrial relations, trade and environmental issues.

In terms of policies specific to industry, our starting point is that, in general, the free operation of markets provides the best outcomes for the nation both in terms of domestic and international markets. At the same time, we need to recognise that there are impediments to the free operation of markets. Consequently, the policy focuses on reducing regulation or other government imposed costs and impediments to industry; identifying and addressing market failures, such as in the area of research and development; addressing market access issues internationally and market distortions imposed by other countries; using the resources and the standing of the government to promote and facilitate the activities for Australian companies overseas; using government leadership to facilitate industry development in Australia; and promoting micro-economic reform throughout the economy.

An inevitable consequence of any reform process—and I include APEC's liberalising agenda here as well—is the need for adjustment by companies and individuals to the new liberalised trading environment. DIST has a major role in ensuring that policies are in place which assist that adjustment, while not detracting from the original objectives of the particular reform.

The government's impending response to the Mortimer and Goldsworthy reports will set out an industry policy addressing the objectives outlined above. Thus, addressing market access issues on an international basis and the market distortions caused by our trading partners, reducing industry's costs and removing other industry impediments, all become significant elements in a very important strategic play for Australia as we become increasingly more globally oriented.

The comparability of our global strategy with the APEC trade and investment liberalisation and facilitation agenda and with APEC's wide variety of economic and technical initiatives indicates the close fit with our policies to globalise Australian business and international trading objectives, particularly gaining access to world markets, and APEC's open and free trade agenda.

Apart from the important APEC committee and working groups which DIST is involved in, there are other important roles for DIST in relation to APEC—for example, maintaining close communication and dialogue with industry on the APEC agenda. This has occurred to a very large extent during the early voluntary sectoral liberalisation

process, which is about to conclude for 1997. We have sought to have sectors in which Australia has a competitive advantage—for example, non-ferrous metals—included among those being targeted for EVSL action. This has involved working closely with industry associations and with other Commonwealth agencies and departments.

In the course of deliberations, we have also pressed home the message that Australian businesses must take full advantage of the gains from the liberalisation process—that is, they must be prepared to take advantage of positive developments in regional APEC markets as tariffs and non-tariff measures are reduced. In other words, they must now start to become APEC ready so that, by 2010, the set date for establishing free and open trade in developed APEC countries, global marketing strategies are operational and effective.

DIST has also been involved in carrying the views of Australian industry into the APEC arena, and this has been a vital role in the DIST-DFAT collaborative partnership during the year. This partnership has been strengthened by DIST providing policy input to DFAT's market development task force and the annual trade outcomes and objectives statement by Minister Fischer. By providing input to the development of Austrade's corporate plan, we have pursued the aim of adopting a whole of government approach in addressing the difficult market access problem.

I would like to touch briefly on the benefits of the APEC reform process for Australian industry. These can be summarised under the following headings. There will be increased market access as tariffs and non-tariff measures are reduced. Tariff schedules on many APEC members present a formidable barrier to our value-added imports. Australia's downstream processing and manufacturing would be clear winners if these tariffs were reduced. The NTM problem is a more intractable one, and a major focus in APEC is working towards standards and conformance with international standards organisations. This is helping APEC members align their standards to recognised ISO international standards. DIST is closely involved in this area of standards and conformance.

Reducing input costs and increasing foreign direct investment is another major task. The government is pursuing a wide-ranging industry and industrial relations reform agenda to address many of the industry inefficiencies in areas such as energy supply, monopoly practices and ownership, work practices, waterfront and transport services. The APEC customs agenda will also help to facilitate intra-APEC trade through simplification and harmonisation of customs procedures.

We are also seeking a more efficient reallocation of Australian resources. Freer domestic and international markets will ultimately tend to push resources towards an optimal allocation as a result of the trade and investment liberalisation agenda. We also see APEC as contributing to future political and regional securities as APEC members integrate globally. APEC could develop into a forum for international trade and investment dialogue and would serve to integrate Australia more closely with our regional trading

partners.

There are a number of challenges that face Australia in the APEC reform process, and I will refer to these rather briefly. Obviously, there will be restructuring costs. The recent TCF and PMV decisions recognise that, and will provide the policy certainty within which investment and restructuring can take place. Australian industry needs to have achieved a level of international competitiveness by 2010. Clearly there is a crucial partnership role for government and industry. The policy settings flowing from the Mortimer and Goldsworthy response will be important here.

Vocational incentives commonly used in Asia to attract investment is a concern often voiced by Australian industry, and that issue also needs to be addressed. The long time frame projected for APEC introduces an understandable degree of uncertainty about the impact on trade and the development of regional political instability, rapid technological change and recent economic crises among the Asian tigers.

However, the complementary nature of the roles of APEC and the WTO make any destabilisation of APEC strategies a less likely proposition as there is an increasing pool for closer cooperation and greater coordination between APEC and the WTO, for example, in economic cooperation and economic data sharing.

We would expect that as tariff reduction becomes less of a problem, the NTM barriers will receive greater attention by APEC. Australia needs to ensure that it continues to be a part of this important regional forum. This is especially relevant for us if significant trading blocs—Europe, America and Asia—begin to dominate world economic and trading activity. We would not want to be left outside the ring of major players. The main danger lies in APEC failing to deliver trade and investment liberalisation and facilitation outcomes, hence the greater emphasis that the developed member economies have placed on the early voluntary sectoral liberalisation activity.

In general, Australian industry remains supportive of APEC and its goals, but this support could weaken if APEC does not make significant progress towards its free trade goals in the medium term. Despite the dampened economic conditions that are beginning to affect Asia, the long-term opportunities for providing a wide range of Australian goods and services to APEC Asian countries are good.

These opportunities will be further enhanced if the current thrust by APEC members to encourage greater involvement of the private sector is pursued in future. We believe that in the short to medium term APEC has the potential to make significant progress in the area of trade and investment facilitation—for example, in the areas of infrastructure development, cooperation, standards and conformance and deregulation.

I think that about sums up what I would like to say, and we would be happy to answer any questions you have.

CHAIR—Mr Galway?

Mr Galway—No.

CHAIR—Senator West, any questions?

Senator WEST—What do you think the impact upon the future of industry and trade is with the currency situations that are now existing in the region?

Mr Wright—I think, in the short term, you have to expect some negative impact. Clearly growth rates in all of these countries that have been affected are going to be lower; therefore they will have a lower level of demand internally. There is some cushion, I think, in the sense that some of our exports to these countries are intermediate inputs to their own industries, and you would expect their exports to pick up given that the devaluation has come down. I think in the long term we would have to say it is going to be positive. These countries are facing these difficulties because they did have some weaknesses in their economy, in their economic policies, in their particular industrial structures. I think in the medium term they are going to be stronger for this experience, and that will be to the benefit of us as well.

Senator WEST—What is the medium term?

Mr Wright—That is a little bit more difficult to answer. I think it will vary, and Korea is a little bit unclear yet.

Senator WEST—I mean one minute you talk about short term, long term—but into one year, two years, three years, five years, 10 years?

Mr Wright—I think short term is probably three, maybe four years. Medium is beyond that.

Senator WEST—Lots of industry and businesses could go belly up before that short term is over. Your title, the acronym, is DIST, which is the Department of Industry, Science and Tourism.

Mr Wright—Yes.

Senator WEST—You have not concentrated a great deal on tourism. Could you refresh my memory? What is tourism worth to the Australian market?

Mr Galway—I do not have the number in my head. I do not know if anyone does. We have a representative from the tourism area, Mr Mike Edwards, who might be able to answer that.

Mr Edwards—I do not have those actual figures in front of me, but tourism is certainly an area of economic activity which is of increasing importance to the Australian economy. Our international tourism earnings are, from memory, in the vicinity of \$16 billion per year. It employs around about seven per cent of the work force, and international tourism contributes about three per cent of GDP.

Senator WEST—What are your thoughts on what the impact is going to be on that part of our industry, with the Asian currency turndown?

Mr Edwards—I would certainly agree with the comments that were made just a few minutes ago by Mr Jim Wright. Our view is that, as the capacity for consumption expenditure declines in a number of these economies, it will obviously have an impact on highly discretionary expenditure, such as travel—particularly relatively long-term travel, such as from some of these Asian countries to Australia.

Our minister has recently asked the Tourism Forecasting Council to take another look at the current projections that we have to the year 2006, to try to make a better assessment of what the impact of the current economic instability in this region will be on the tourism sector. Once we have got the analysis from the Tourism Forecasting Council, we believe that we will be in a much better position to, first of all, make some kind of quantitative assessment of what the impact might be and, secondly, to ensure that we put in place the appropriate policy responses.

Senator WEST—What time frame do you think this is going to occur over?

Mr Edwards—I am sorry, but which time frame are you referring to?

Senator WEST—Your review, the thing that the minister has asked for.

Mr Edwards—My understanding was that the Tourism Forecasting Council was to respond within several weeks.

Senator WEST—There would already be people out there within the tourism industry that would be suffering fairly badly, wouldn't there?

Mr Edwards—Yes. As the economic and currency instability has been unfolding, it has not been equal across all the economies. The Thai currency, for example, depreciated more significantly than the others, and we saw that arrivals from Thailand into Australia have been down quite significantly over the past several months. We have not yet seen the same effect occurring for some of our other Asian markets. I should point out, by the way, that Thailand is not one of our major Asian markets. It is, of course, an important one but not a major one. We have not seen falls in arrivals actually showing up in our data so far.

Senator WEST—From Thailand? Where have you not seen the falls in the data showing up from?

Mr Edwards—We have not seen those falls showing up across a range of economies, such as Indonesia, Malaysia and the Philippines.

Senator WEST—Indonesians and Malaysians would not be large visitors to this country, would they?

Mr Edwards—Indonesia is certainly a very important market in this region. Malaysia is an important market but, again, it is one of our emerging markets.

Senator WEST—They are emerging markets. What about Korea, though? That is a large market for Australia, isn't it?

Mr Edwards—Yes, that is right. Korea is one of our fastest growing markets. It is also, from memory, our largest Asian market outside of Japan. The situation in Korea is much more recent than for some of the other Asian economies. What we are looking at at the moment is a situation which is unfolding around us rather than one which has had some history behind it.

Senator WEST—How current are the figures that you have got on entries into Australia?

Mr Edwards—The last data I have seen has arrival figures for October.

Senator WEST—So it is only a couple of weeks?

Mr Edwards—Yes, it is quite recent.

Senator WEST—Does it come through weekly or monthly?

Mr Edwards—Generally speaking, it comes through monthly from the Australian Bureau of Statistics.

Senator WEST—What do you think the impact might be with the lowering of the value of overseas currency against the Australian currency? Will we actually see more Australians leaving this country to have their holidays and travelling over to those lower cost areas?

Mr Edwards—Yes. It is a complex situation. We have a number of Asian currencies which are devaluing against the Australian dollar. They are also devaluing against a number of other currencies and, therefore, against other markets. At the same time, the Australian dollar has devalued against a range of other currencies. Therefore, you

have a complex situation and we are trying to work out which destination is more competitive against another. It is very difficult to sort out.

You are right in suggesting that, as the Australian dollar falls against a number of other currencies, that is likely to have an impact on Australians' choice of overseas holiday destination. The only proviso I would put on all of that is that in my experience it has been the case that people react to rises and falls in currency movements with some lags.

Senator WEST—You say 'some lags', but what sort of time are we talking about with the lags? We have heard that short term can be four years. What is the lag, given that we were about to approach the main holiday season for Australians coming up to the December/January period?

Mr Edwards—Generally speaking, my experience in the past has been that reactions to significant movements in currencies occur within four quarters. So you would be talking about a year. However, with people's choice of overseas holiday destination, if they had already made a decision to travel overseas somewhere, their ability to switch from one destination to another is something which they can do fairly rapidly.

I am not quite sure what the situation would be about people who had not anticipated or planned on making an overseas trip at all and suddenly decided that because of currency realignments they would choose for example to take an overseas holiday, rather than buy a new kitchen or purchase a new car or something like that.

Senator WEST—So we have not seen any target marketing from some of those overseas destinations with interesting airfares and things like that to try and get currency going through those countries, using tourism as a method?

Mr Edwards—I have seen some reporting of some areas trying to take advantage of the situation. Hong Kong, for example, had introduced some cheaper flights. I am not sure whether you could disentangle the currency effects from other factors which were operating in that particular market.

Senator WEST—I would have thought Hong Kong was a rather complex one that you would not have been looking at. I was thinking more in terms of whether Korea or Thailand have done something.

Mr Edwards—Not that I am aware of.

Senator WEST—You have not seen it. Would you be seeing it or would the Australian Tourist Commission be hearing about it first?

Mr Edwards—It is likely that the Australian consumer would hear about it first,

because that advertising would be directed at them. The role of the Australian Tourist Commission is to promote Australia overseas as a holiday destination.

Senator WEST—I suppose I cannot ask you what their thoughts and experiences are because you are to some extent separate from them.

Mr Edwards—That is correct, we are.

CHAIR—Could I come back to the currency crisis? One of the reactions in that situation is for a government to reimpose tariffs or to up a tariff if there was a tariff in existence. That is exemplified by what happened in Malaysia with motor vehicles where they jumped from 200 to 300 per cent. Do we have any evidence in the current economic and currency crisis in Asia of tariffs being reimposed or tariffs being jumped as a mean of protecting their home economies?

Mr Wright—As a general rule, the IMF packages would discourage that kind of behaviour. The thrust of IMF packages is to maintain liberalisation, to move more towards a market type of system. There have been some changes that I am aware of. I do not claim to have comprehensive knowledge of this but I understand the Thai government has put an excise on cars of a certain engine capacity the effect of which, while it does not actually single out imports, will impact more on imported cars than it will on Thai produced cars.

CHAIR—The natural response when you find yourself with this problem is to put tariff barriers back on, or to increase them, or to maintain them. Another option is to put non-tariff barriers in place and strengthen those. Is there any evidence of non-tariff barriers being strengthened or put in place to discourage and dissuade trading partners?

Mr Wright—Not that I am aware of. You say it is a natural response and it is certainly the response that most people would look to. Businessmen would look to it, certainly, but the theory that the IMF is trying to impose, and which at least nominally those governments accept, is that the correct response is to adjust to market forces, not fight them, to respond to the pressures and try to make the economy more flexible and more open as a way of boosting growth.

That is the main pressure coming from the IMF. At the same time, of course, they are meant to boost their revenues and a thing like an excise would boost revenues.

Senator LIGHTFOOT—Obviously, the currency crises in Thailand, Malaysia, Indonesia and now South Korea is causing some concern among our major exporters, and others, but the major exporters concern me at the moment. What are the early indications with respect to our major commodities of coal, iron ore, nickel, industrial diamonds and alumina powder, of which Australia is a major exporter, if not the most significant in the world? What are the early indications with respect to those commodities?

Mr Wright—It is probably a little too early to have any strong indications. A lot of those commodity exports are subject to contract, of course, and it will only be when they come to renegotiate the contracts that those impacts will be felt. We can expect that the level of demand from places like South Korea will be lower than it was. That is reasonable to expect but as for the actual quantum, it is a little early to judge.

Senator LIGHTFOOT—Do you believe that by negotiating significant loans for these countries that they are tied loans, that they will be used to offset, to some degree, the lack of purchasing power from those countries I mentioned?

Mr Wright—I am not sure what you mean by tied loans. They are conditional loans in the sense that the IMF will negotiate a set of policy responses that the government is meant to follow as a condition of receiving those loans, but they are not tied in the sense that says if we contribute money they will buy our coal. It is not tied in that sense.

Senator LIGHTFOOT—It is not tied in the sense that those loans should be used to purchase commodities from Australia?

Mr Wright—No. The IMF framework avoids that kind of thing.

Senator LIGHTFOOT—What is your department's view on China being able to take up some of that inevitable slack caused by currency downturns?

Mr Wright—I am not very expert on the details of commodity markets. That is more an area of responsibility of our colleagues in Primary Industries and Energy, so I would hesitate to venture a view on that. My expectation is that China's growth is going still to be relatively strong, although perhaps some of this backwash will fall on China. That is as far as I can go, I think.

Senator LIGHTFOOT—Mr Wright, what is your main expertise? What expertise do you deliver under your head of division for industrial policy?

Mr Wright—We provide advice on industry policy in general, which is that we focus—

Senator LIGHTFOOT—Any specific industries?

Mr Wright—The department has three divisions that deal with industries: my division, which is industry policy, industry division A, and industry division B. The industry divisions A and B are organised on a sectoral basis, so particular sections in those divisions will focus on particular industries.

My division focuses on issues such as the correct framework for industry policy,

the impact of non-portfolio matters like taxation and business finance on industry. We look after customs; we look after standards and conformance issues—

Senator LIGHTFOOT—Tariffs?

Mr Wright—We have involvement. Obviously, if you are talking about tariffs on motor vehicles, there is the area in industry division B that looks after that in more detail than we do. We look after tariffs at a general policy level, so we do not focus on the tariff on a particular good so much. Also we are responsible for coordinating the department's involvement in international aspects. That gets our involvement in APEC and WTO matters—that kind of thing.

Senator LIGHTFOOT—If I can just finish up on some of the commodity exports that Australia is renowned for, there must be, given your responsibilities that you have just mentioned, some other advice you can give the committee of a more specific nature. Notwithstanding that on the one hand you said that you did not have that much to do with commodities, on the other hand, you indicated that, through other areas—taxation, tariffs, et cetera—you must have some input there. What is the outlook, whether it is short, medium or long term, with respect to those commodities I mentioned? Which are our biggest exports?

Mr Wright—As I say, I do not think I can add detail, but—

Senator LIGHTFOOT—Could you get some information on that? Could you perhaps take that on notice?

Mr Wright—ABARE is the body that focuses on producing forecasts of our commodity exports, and they do it on, I think, a six-monthly basis. They will be doing that. They will be revising that as a matter of priority, I am sure. They would be the source that we would turn to to get up-to-date forecasts of the likely demand conditions that our exports are facing in the commodity area.

Senator LIGHTFOOT—Mr Wright, let me shift to tariffs, of which you do have some more detailed knowledge. What are the general tariffs that are placed on motor vehicles, say, into Malaysia? A generic figure will do.

Mr Wright—Generic?

Senator LIGHTFOOT—Yes.

Mr Wright—Once again, it is a detailed area. You hear quotes that Malaysia has 200 per cent tariffs on—

Senator LIGHTFOOT—Was that 200 per cent tariffs?

Mr Wright—Yes, on some vehicles—

Senator LIGHTFOOT—Such as?

Mr Wright—I do not know the details.

Mr William—Malaysian tariffs range from about 80 per cent to about 300 per cent.

Senator LIGHTFOOT—And the 300 per cent is on what type of vehicle?

Mr William—They are luxury vehicles, or the engine capacity of about two litres, I think. The smaller vehicles attract about 90 per cent.

Senator LIGHTFOOT—Can you give us some names to those vehicles? What is the 300 per cent?

Mr William—If you export a Ford Falcon six-cylinder capacity car, that would attract about 300 per cent duty.

Senator LIGHTFOOT—So a Ford Falcon, exported from Australia to Malaysia, attracts a 300 per cent tariff?

Mr William—Roughly, yes. Whereas I think Malaysians mainly manufacture smaller vehicles. Their Proton, I think, is under two-litre capacity. Those vehicles attract a lower duty as well as having a high local content requirement of about 80 per cent. That is another major barrier for Australia in terms of exporting components into Malaysia.

Senator LIGHTFOOT—Getting back to the Ford Falcon, I imagine that the other two manufacturers in Australia would also fall into that category too, wouldn't they? You would hardly describe those vehicles as being luxury vehicles would you, Mr William?

Mr William—I think the Mitsubishi Magna and the Holden Commodore would also be treated as a higher capacity.

Senator LIGHTFOOT—As a luxury vehicle?

Mr William—Yes, I suppose.

Senator LIGHTFOOT—What about the Mercedes 600 which is right at the top end of the market? What sort of a tariff does that attract?

Mr William—That would also attract the higher level.

Senator LIGHTFOOT—But not greater than 300 per cent? What we have described as an average car in Australia attracts a 300 per cent tariff and an ultra luxury vehicle from Europe also attracts a 300 per cent tariff.

Mr William—I think they mainly categorise vehicles on the engine capacity, not just the price.

Senator LIGHTFOOT—What sort of a tariff does the Proton attract in Australia?

Mr William—I think the current rate is about 22.5 per cent.

Senator LIGHTFOOT—So 22.5 per cent for the Malaysian produced car and 300 per cent for the Australian produced car?

Mr William—Sure.

Senator LIGHTFOOT—What other vehicles attract that 300 per cent? I imagine the BMW, the Rolls Royce, the Bentley and those sorts of things.

Mr William—Most cars made in—

Senator LIGHTFOOT—Bigger than two litres attracts a major tariff. What is the department doing with respect to bringing those tariffs down?

Mr Wright—The Malaysian tariffs?

Senator LIGHTFOOT—Yes.

Mr Wright—This is part of what APEC is about. Apart from having achieved the long-term commitment to free trade for these countries by 2020, we are pursuing trade liberalisation as a general role in the whole aspect of APEC. That is where this early voluntary sectoral liberalisation has an important role to play. The APEC countries have agreed—hopefully they are agreeing at the leaders meeting that is on at the moment—on certain sectors where trade liberalisation will proceed at a faster rate. That is where DIST is playing a role in identifying those sectors with Australian industry and then participating in the meetings of officials overseas in order to pursue these particular things.

Senator LIGHTFOOT—What other APEC countries have higher tariffs on Australian goods? I suppose that is an international question, but particularly as it affects Australia?

Mr Wright—They are quite common amongst the South-East Asian nations at this stage on your more highly value added goods. High tariffs are, unfortunately, all too prolific in those areas.

Senator LIGHTFOOT—Given that, isn't Australia viewed as being somewhat generous in having tariffs of little consequence compared to, say, that 300 per cent?

Mr Wright—When you look at the progress that is being made, these countries are bringing down their tariffs.

Senator LIGHTFOOT—What is an example, Mr Wright, in the motor vehicle industry? Give me an example. Give the committee an example.

Mr Wright—I would have to get information on exact examples.

Senator LIGHTFOOT—Would you take that on notice?

Mr Wright—Yes, we can take that on notice. We have tables that compare, on an average level, average manufacturing tariffs. Admittedly, they are coming down in all of these countries from higher levels than ours, but they are all coming down.

Senator LIGHTFOOT—So that the 300 per cent was higher in Malaysia?

Mr Wright—I am not sure about the 300 per cent in particular, but the average rate of tariffs on manufactured goods in Malaysia was higher and is coming down.

Senator LIGHTFOOT—Would you tell the committee—it may be apparent—why there is a high tariff on manufactured goods and value added goods in APEC countries?

Mr Wright—What they did when they set up their tariffs originally is they adopted the strategy of having an escalating tariff. What happens with that is you have low tariffs on goods early in the production chain and higher and higher tariffs as you get further and further out towards a consumer good. The economic theory is that, if you do that, you encourage production of your consumer goods in your country because the imports come in duty free and the output is protected from imports and finished goods from other countries. It is a misguided policy but that is what many of them have done. The fashion was to look for import replacement as a way of fostering economic development.

Senator LIGHTFOOT—So that would hardly be described as a level playing field?

Mr Wright—No, but I think that is well recognised now. I think that the change is there and, as we all know, despite the difficulty, adjusting from high levels of tariffs down to free trade is something that has to be done. It cannot be done overnight. What is encouraging is that these countries have embarked on a process which will lead to low tariffs.

Senator LIGHTFOOT—What is the indication that, say, the Mitsubishi, the Holden and the Falcon will be subject to lower tariffs for some of those APEC countries. What are the indications to date?

Mr Wright—Ultimately they will be.

Senator LIGHTFOOT—Why do you say ‘ultimately’?

Mr Wright—Because they are committed to the 2020 free trade commitment.

Senator LIGHTFOOT—Is that just a feeling you have, or have you some information you can give the committee that says that those tariffs are going to be reduced?

Mr Wright—The only information I can give you is that these countries have committed to free trade by 2020. If they are at 300 per cent and they are going to be free trade by 2020, they have to come down. The profile and the timing are unclear to me. Whether our automotive people will be able to provide more detail, I do not know. It is possible.

Senator LIGHTFOOT—When would you expect it to manifest itself? Next year or 1999?

Mr Wright—They would have to start in the reasonably near future if they were going to get to anywhere like zero in 2020. There are two processes going on, particularly for the ASEAN countries. They have the ASEAN free trade area which involves them reducing the tariffs within that area—and they have set out schedules there of what they are going to do on particular goods within that area. That is one issue. The other issue, in terms of the external tariffs around that area, is how fast they come down. Our automotive industry people may know more than I do about the detail of that.

Senator LIGHTFOOT—When was that agreement undertaken?

Mr Wright—The ASEAN free trade agreement? In the late 1980s.

Senator LIGHTFOOT—So since the late 1980s there has been no clear indication that those tariffs have been reduced? I am just using Mitsubishi, Holden and the Falcon as examples.

Mr Wright—The external ones, no. The ASEAN free trade agreement focuses on reducing tariffs within the member countries. There is a lot of activity going on there in terms of what they call ‘regionalisation of production’. The motor vehicle companies are setting up in various of those individual ASEAN countries in order to have a regional network that, hopefully, is going to be competitive. But that is a different process to the

external tariffs.

Senator LIGHTFOOT—If that agreement is not fulfilled, it is only voluntary anyway, is it not? There is no action Australia can take against those countries that do not honour that undertaking?

Mr Wright—If they do not meet the 2020 deadline? No, there is not any penalty.

Senator LIGHTFOOT—It is voluntary with no penalties?

Mr Wright—No, APEC is about co-operation. But an international commitment has been made there, and I do not think they have made it lightly.

Senator LIGHTFOOT—But there is no recourse, and it may not be worth the paper it is written on?

Mr Wright—It may not, but I think there is an acceptance that it is in the long-term interests of all these countries to do this thing. There is an acceptance that free trade is the better way to go.

Senator LIGHTFOOT—But there is no manifestation of it yet?

Mr Wright—Not on the 300 per cent tariffs on the cars, no. You would not be encouraged by that.

Senator LIGHTFOOT—Yes. That is the answer I wanted. Thank you.

Senator QUIRKE—I would like to go back to the currency meltdown in some of these societies. South Korea seems to be the latest victim of this process. What puzzles me a bit is that some of these societies, such as Hong Kong and, as I understood it, South Korea, have pretty large and extensive currency reserves. Why is Australia immune from this process? We have trade balances here which are probably some of the worst in this end of the world. So far there has been a certain cockiness in Australia that we are not going to be a victim of the same sort of process because we have managed to liberalise a handful of tariffs. I cannot see this.

Mr Wright—I think the point that the Prime Minister has been making is a very valid one. What has happened with these countries that have had difficulty is a reflection of the fundamental weaknesses that they have had in their economy. In all cases what has triggered it of course is the financial sector's exposure to what were inherently bad loans. Once the markets began to focus on that, confidence drifted away from those currencies. Once confidence drifts away it sucks up huge amounts of money trying to hold it. The Thai government dropped \$US40 billion trying to hold the baht and hardly made a dent.

The reason it was susceptible was because they had certain weaknesses in their economy which had been propped up by generous lending from the financial sector and not very prudent lending. It was a bit like a house of cards and once there was a lack of confidence in one bit of it, it just rolled on. Whereas in Australia we have not got a financial sector that is exposed to a whole lot of industries that are not really competitive or functioning. We have not got a bubble economy in our real estate and we have sound public finances, which some of these countries did have as well, but you need to have all those problems before you are in trouble. We are relatively safe because we do have a strong financial sector, relatively soundly based industries without huge debt overhangs and sound public finances.

Senator QUIRKE—With all due respect, have you been to Sydney and checked some of the real estate prices there? Every other analyst is saying that the biggest real estate market in this country is well and truly overheated and in fact is getting worse all the time. Our foreign debts have reached the \$200 billion mark, as I understand it, and probably that will be revalued shortly on a 69c dollar and it will probably go up to \$225 billion, unless my calculations are wrong. You seem to exude the same sort of confidence that I am worried about that may not be correctly placed.

Mr Wright—Markets are funny beasts. You can only apply logic as far as you can to them. As I understand it, our international debt as a proportion of our GDP has been coming down over the last few years, not dramatically but it has been coming down. Obviously if there is wide contagion, markets can do all kinds of things. But for us to logically be in trouble we would have to have fundamental problems with our economy and I do not think we have.

Senator EGGLESTON—I would like to ask some questions following on those from Senator Lightfoot about tariff reductions. I suppose that the central economy in South-East Asia is that of Japan but it is very hard to gain access to the Japanese market, not so much through tariff barriers perhaps as through non-tariff barriers and exclusionary trade arrangements. What is your view of the long-term future of our gaining access to the Japanese market and of other countries gaining access more easily?

I know that we have had some recent access with rice, but I am told that that may be reversed in the near future, and that in fact it will not be possible to access the Japanese market again for rice exports. Would you like to comment on the issue of access to the Japanese market in a general way?

Mr Wright—Yes. It is undoubtedly true that it is a hard market to access for lots of reasons: there have been tariffs, there have been non-tariff barriers and there have just been cultural barriers. That has all made it very difficult to get into the Japanese market. Like the other developed nations they are committed to free trade by 2010. Obviously they have a long way to go on that. Some areas of progress are that some of their quotas and things are being converted to tariffs which makes them more transparent. At the same time as they are being converted, there has been a program set in place as to how they are

going to bring down those tariffs. I think that was an element of the beef access that was negotiated a couple of years back. So they are making progress. It is not as fast as we would like, but they are going in the right direction.

Senator EGGLESTON—Would you agree that Japan has further to go than most countries in the region in lowering tariff barriers and in giving better access to its domestic market?

Mr Wright—I am not sure about most countries in the region. Japan certainly has much further to go than we have. Our market is much more open than the Japanese market, but some of these other countries, as Senator Lightfoot has pointed out, have significant barriers. China has significant barriers, so I am not sure that Japan is the absolute worst.

Senator EGGLESTON—But their economies are not as significant as Japan's, are they?

Mr Wright—No.

Senator EGGLESTON—The Malaysian economy is not a very big economy; the Chinese economy potentially is big, but it is not at the moment. The significant economy in this region of East Asia is Japan. Would you agree that Japan has not done a great deal to liberalise access to its domestic market?

Mr Wright—It has made some progress. As you would be aware, the United States trade representative's office and the US government in general have put a lot of pressure on Japan to open up its market across a range of industries with the Super 301 measures, and Japan has responded to those measures. So it has made some progress, but I agree with you that it has a long way to go.

Senator EGGLESTON—Last week I was reading a book called *Asia and Japan's embrace: building a regional production alliance* by Walter Hatch and Kozo Yamamura, who are academics at the Henry M. Jackson School of International Studies at the University of Washington. The book was published by Cambridge University Press last year. On page 198, they state:

The Clinton administration has adopted an aggressive trade policy toward Japan, a policy we generally have supported. At the same time, however, it has agreed in principle to an APEC plan under which the United States and other developed countries belonging to the group would remove barriers to intra-APEC trade by 2010, while developing countries in the organisation would lower those barriers a decade later. This, we believe, is unwise. It shows again that the Western policy makers—in this case the Americans—do not understand the nature of Japan's developmentalism, which uses exclusionary relationships more often than explicit government policies to bar unwanted imports. The APEC plan would do little if anything to open the Japanese market, but quite a lot to open the US market to high-tech exports from Japanese-dominated production networks in Asia.

I found this to be a very interesting comment, and it does not seem to fit in with your general view that the Japanese market will open up to imports from other countries in the area. Could you conclude that APEC is perhaps going to develop a lopsided regional economy which services the Japanese economy but which does not mean that the rest of us get access to the Japanese market?

Mr Wright—The tone of that comment seemed to be that the Japanese would continue to use non-tariff measures in order to keep their economy closed. We all accept that the non-tariff measures are harder to identify. They are less transparent and therefore they are harder to police, if you like, in this context.

At the same time we are aware of that problem, and people are addressing that problem. For instance, the work being done in the standards and performance area to make sure that we all understand each other's standards so that we can eliminate differences of that kind is a very important non-tariff measure. We are negotiating at the moment with Japan on a mutual recognition agreement, to make sure that we do have that understanding of those differences. No-one is suggesting that it is going to be all plain sailing between now and 2010, but there is that commitment, and it is up to all of us to make it work.

Senator EGGLESTON—Do you feel it would be wiser if Australia ensured that it had a diversified export base and did not become too totally dependent on the East Asian economies—or even APEC for that matter? Should we seek to maintain a wider trade base, trying to continue to trade with the European Union and countries in Africa, South America and the Middle East, for example? What prospects are there for preserving or developing more diversity in our trade patterns so that we are not totally dependent upon the East Asian area?

Mr Wright—The whole thrust of our approach to international trade is to try to make sure we have a liberalised, efficient international trading system. In that kind of environment your first priority is to encourage a lot of domestic industries to be outward looking and competitive. Secondly, you set up an environment where if one market declines there is the capacity for supply to move to other markets. When you have an open international trading environment, those kinds of swings and roundabouts can be dealt with quite readily. That is the best approach, rather than worrying about how many per cent we have going for particular markets at any one time.

Senator EGGLESTON—Thank you. I think your comments are interesting in relation to the views put forward by Yamamura.

CHAIR—Roughly how many individual action programs is your department involved with?

Mr Galway—We have our own individual action plan—the Australian one. We do see all the other countries.

CHAIR—How many working groups are you involved in?

Mr Galway—DIST has a standards and conformance subcommittee which works to the Committee on Trade and Investment. It has the Tourism Working Group. It has the Industrial, Science and Technology Working Group, and then there is an intellectual property ‘get-together’—I think it is called.

CHAIR—‘Get-together’?

Mr Galway—I think the name has been changed, but that is what it used to be called.

CHAIR—That is a very good title. So we are involved in a number of working groups as such. Can we show the Australian people anything tangible coming out of those working groups for them?

Mr Wright—We have made some progress on standards and conformance. We have Mr Andison here who has been a participant—

CHAIR—I will tell you why I ask the question. One of the problems about APEC, in my view, is that it is a very mysterious sort of organisation in terms of the average person in the street. You and I can sit around here and discuss APEC, but the average person in the street has no idea about what the organisation is about or what it is meant to achieve. So, when we talk about working groups, if we can show them some sorts of outcomes, that is the sort of thing they are interested in. They want to be able to relate to what we are doing.

Mr Wright—I do not know whether Mr Andison can talk about some outcomes in standards and conformance. They are all small steps that you take.

Mr Andison—As Mr Wright has stated, the steps we have made in the Standards and Conformance Subcommittee in APEC are small. I guess it is fair to say that the outcomes of those steps are not immediately apparent to consumers in the market. They are more apparent to manufacturing industry, to firms that are engaged in international trade.

The Standards and Conformance Subcommittee has four main elements of work. The two which impact most significantly on business would be our work on the alignment of national standards with international standards and our work on the development of mutual recognition arrangements on conformity assessment.

In relation to the work on alignment of international standards, there has been agreement within the subcommittee to align members’ national standards with international standards in priority areas, most particularly in the electrical area on a product by product

basis in certain areas. And a new work program has been developed in relation to building and construction where there are international standards that exist, but their development so far has been dominated by European interests.

You have international building standards with things such as snow loadings on them which are not particularly relevant to some of our South-East Asian neighbours. So, the thrust of our work over the next year is to try and get a greater regional input into those standards so that when we talk about alignment with international standards, we are aligning with standards that are actually relevant to the region rather than dominated by European interests.

In the area of mutual recognition of conformity assessment, we have completed a mutual recognition arrangement on food and food products which became operational this year. In a sense, the mutual recognition arrangement allows the results of testing and certification in an exporting country to be accepted by the importing economy rather than having products retested upon entry into new markets.

Going forward to our work in electrical safety, at the moment there is a new mutual recognition arrangement being negotiated on a multilateral basis within APEC for electrical products. When completed that project will significantly enhance the ability of electrical products to be traded within the region.

CHAIR—Can I ask a very general question here? The thing that would be exercising most people's minds when we get down to these sort of issues is: will it mean more jobs? If so, how many? Or will it make the goods that I am purchasing cheaper? Is there any way that we can demonstrate that to the people? Or is it something that we read in the literature and hear in the evidence before us that, yes, there will be more jobs; this will break down barriers; it will make life better for us, and so on, yet we are not able to give tangible proof. I am not trying to frustrate you in giving answers, but it is very difficult when you have got this process unfolding and yet people cannot see the real benefits.

Mr Wright—It is difficult. As you say, we can assert here that if we get greater transparency and understanding of standards and conformance, trade flows will be enhanced and either our consumers will be better off from access to cheaper goods here, or we will have more jobs by exporting there. It is hard to make that tangible. I think that the thing to do, though, is to look back in a way and say, 'Look what has happened to our exports of our manufactured goods.' Since about the mid-1980s—or slightly earlier, probably—exports of elaborately transformed manufactured goods have been growing about 16 per cent a year. I think that you can relate that pretty well to the whole process of trade liberalisation. Plus, there is micro-economic reform, and things like that that have taken place in the economy. Before that, our exports of ETMs were not growing at all. I think that is an example of the benefits you can get from trade liberalisation.

CHAIR—What do you do to convey this to the Australian people? I understand that amongst government departments and industry groups these things may well be understood, but what do you do in terms of the Australian public?

Mr Wright—That is an issue that our colleagues in the Department of Foreign Affairs and Trade have been struggling with and they have done some work on it. I do not know if you are talking to them.

CHAIR—We have seen their pamphlet. I am just wondering if you do anything separately from DFAT.

Mr Wright—No. We participated in some aspects of that exercise and we were supportive of it. We are working on some public relations in the sense that we will produce a pamphlet on industry policy, what that is about and the benefits that is achieving. That is something that is in the works, but we have not produced it as yet. But I think that it an educational process and it will take some time.

CHAIR—You said that you were producing a document. When can we can we expect that?

Mr Wright—It is still being drafted in the bowels of my division and I have not seen a version of it yet. Once it is—

CHAIR—Six months?

Mr Wright—No. Hopefully before then.

CHAIR—We had Mr Gosman from the Australian Telecommunications Industry Association appear before us, and he expressed in evidence that there was a lack of communication between DIST and DFAT. Is that, in effect, correct?

Mr Wright—I do not think so. Like any two organisations where there is some overlap, we get on better at some times than other times. But we do work fairly hard at getting on with each other and making sure that we are pulling in the same direction, and that there is a good degree of cooperation.

We have made an effort to ensure that we send people away with delegations overseas to the senior officials meetings to make sure that there is a good level of integration there. We participate in a lot of the DFAT sponsored committees on trade and market access. We are involved in the drafting of their trade outlook and objectives statement. I think that both sides are working quite hard at being cooperative and communicating.

CHAIR—The same witness before us was critical of DIST's role and the

development of the information technology agreement. For example, he stated:

Last year we were coming to meetings and there were junior officials turning up from DIST. There was never any continuity. In terms of the position that DIST was taking, we were never quite sure depending on who was turning up, they might have a different perspective from their predecessor.

That is in *Hansard*, the APEC inquiry, page 104. Can you respond to that criticism for us, please?

Mr Galway—I was actually part of the Australian delegation which negotiated the information technology agreement in Singapore last year. I know that at one stage, towards the end of the negotiations, we did need to get some very rapid answers from industry, and there may have been a rush and a little bit of haste. But my understanding was that the industry organisation was well aware of the information technology agreement—what it was going to cover; what it was in, and what was going to be in it. I know Alex Gosman, and I thought that Alex was kept pretty well informed all the way along.

CHAIR—Right. Is it normal though to have junior officials turning up from DIST at these meetings, or is it fairly high ranking officers from within?

Mr Galway—Normally it would be the manager or someone from the old director level and, certainly, assistant secretaries turned up. But on occasions, if people were away, possibly rather than not have anyone attend the meeting, a somewhat junior officer may have attended. But I do not have specific examples of that.

Mr Wright—I should state that in many cases what you might call a somewhat junior officer is the person who has got the time to devote to an exercise like that and be expert. In many cases such an officer is the best person to be there to support the senior people in your delegation. So, rank is not all that important; it is the level of expertise of a particular officer.

CHAIR—It may be a perception that some industry associations can form, and therefore that may imply that there needs to be better communication between the department and certain industry associations. You might just take that on board for what it is worth.

Mr Wright—Yes, certainly.

CHAIR—The only other issue that I wanted to mention briefly is the matter the Australian Chamber of Commerce and Industry raised with us in their submission. They thought that the APEC agenda was too broad, that there were some 320 projects on the table at this stage. They were advocating that there should be some 40 rather than 320 projects, thereby enabling the various participants in APEC to focus on a small range of

issues and resolve those, rather than being distracted by a large range of issues. What is your view on that, and does it impact on your department, as such? Does it place unrealistic expectations on the workload that your department is required to do, as APEC gathers momentum and the agenda seems to broaden every time?

Mr Wright—I do not think we have found it to be a problem, as such. It is a matter of fine judgment. Some of these projects will have a long gestation period, by their very nature, and therefore it is probably worth getting them established and running. And there is doubt sometimes about whether, by pouring more resources into a particular area, you can drive it on faster in this international context. Some things just take time. Other people can say something different here if they like, but I do not think we have found it to be a problem, as yet.

Mr Galway—A number of the activities that have been mentioned are underneath the economic and technical cooperation umbrella, and there are a number of groups—energy, fisheries, human resource development, and so on—that have all got their own specific agendas that they are working on. But there is a recognition in APEC that we do not want a further proliferation of any more committees or any more institutions. There was a drive earlier in the year that infrastructure should have its own committee. That was not the case, because infrastructure runs across a number of the committees. So there is the feeling that it is as big as it is going to get, and we do not want it to get any bigger.

CHAIR—Yes. The real fear is that we will do a large number of things badly rather than a small number of things well, and that APEC will lose its direction. That is the fear that is being expressed to us.

Mr Galway—This year, the main thrust in APEC has been the early voluntary sector liberalisation. That has been the biggest single element that all the companies have concentrated their efforts on, and that will be concluding presently. These other operations of working groups will, I think, be ongoing and will tend to be done at a lower level.

CHAIR—All right. Unfortunately, we have run out of time. I thank Mr Wright, Mr Galway and the officers of DIST for appearing before us this morning.

[10.18 a.m.]

BENNETT, Ms Barbara, Assistant Secretary, International Policy Branch, International Division, Department of Employment, Education, Training and Youth Affairs, 10-16 Mort Street, Canberra, Australian Capital Territory

COWAN, Ms Sara, Director, APEC, North and South Asia Section, International Division, Department of Employment, Education, Training and Youth Affairs, 10-16 Mort Street, Canberra, Australian Capital Territory

GORDON Ms Jennifer, Acting First Assistant Secretary, International Division, Department of Employment, Education, Training and Youth Affairs, 10-16 Mort Street, Canberra, Australian Capital Territory

ROWLING, Mr John, Assistant Secretary, Australian International Education Foundation, International Division, Department of Employment, Education, Training and Youth Affairs, 10-16 Mort Street, Canberra, Australian Capital Territory

CHAIR—Welcome. The committee prefers all evidence to be given in public but, should you at any stage wish to give any part of your evidence in private, you may ask to do so and the committee will consider your request. You will not be required to comment on the reasons for certain policy decisions or the advice which you have tendered in the formulation of policy, nor to express a personal opinion on matters of policy. The committee has before it a written submission from the Department of Employment, Education, Training and Youth Affairs dated 19 October 1997. The committee has already made this submission a public document. Are there any alterations or additions you would like to make at this stage?

Ms Gordon—No, senator. I might say that I do not believe that anything we say will need to be held in confidence or delivered in camera.

CHAIR—Good, thank you. I now invite you to make an opening statement and then we will proceed to questions.

Ms Gordon—Thank you very much. Our department's submission, I think, adequately expresses our views on our relationship to the human resource development program of APEC. We have focused in our submission particularly on the principles behind Australia's human resource development activities in APEC and we have sought to identify Australia's approach to meeting general human resource development and broader national goals through our participation in the APEC forum.

We have also sought to identify the importance of APEC itself as a mechanism and through which we believe we can engage collectively a large number of our most important trading partners in the Asia Pacific region in those initiatives which support

trade and investment opportunities for Australians.

As we explained in our submission, human resource development co-operation in APEC is established under the economic and technical cooperation agenda of APEC. The goals of Ecotech, which is the economic and technical cooperation grouping, are to achieve sustainable growth in equitable development, reduce economic disparities among APEC economies, improve economic and social well-being and deepen the spirit of community in the Asia Pacific region. These goals complement and support APEC's broader trade facilitation and liberalisation objectives including by recognition that liberalisation will not be effective unless developing economies have the systems and understanding to meet their obligations in these other areas.

On this basis, the human resource development policy and activities are carried out by the Human Resources Development Working Group of which we are a member. That working group focuses on all aspects of human resource development including primary, secondary, vocational and tertiary education, managerial and executive development and labour market issues, which are all of concern to our portfolio.

It also embraces the cross-cutting themes of life-long learning, small and medium enterprise development and sustainable development. The working group itself has five subfora which we have referred to in our submission so I will not go over those in my opening comments. Our submission also provides information for the committee about the priorities and activities undertaken by each of those subfora. Australia, through our portfolio in this area, has been an active participant in the APEC Human Resource Development Working Group since its inception and other economies in the region have looked to Australia to adopt a strong leadership role. We believe that the well-focused work program of the Human Resource Development Working Group reflects our strategic approach to our participation in that forum.

We have played an active role in attempting to balance the interests and needs of economies from the eastern Pacific with those of our neighbours in Asia and our work in this area has been highly valued. It may be best, however, if I now leave these comments and, through the questions that you might have, explore some of the more detailed issues that we have raised in our submission.

CHAIR—Senator Eggleston.

Senator EGGLESTON—In relation to your submission, you talk about the first priority listed in the statement of medium term strategies priorities being the provision of quality basic education. I just wondered what is meant by quality basic education and what you mean by medium term.

Ms Bennett—It is quality basic education.

Senator EGGLESTON—Does that mean literacy, basic literacy?

Ms Bennett—Yes, the—

Senator EGGLESTON—What does that mean in practical terms?

Ms Bennett—The issue was discussed at the declaration of common resolve at Osaka and the analysis was that there were building blocks that needed to exist in every society and it is in that context that there was a discussion of basic education. How that has been dealt with is that within the scope of the Human Resources Working Group one particular forum, a subcommittee called the Education Forum, deals with improving education in the region. It looks at things such as the performance of education systems, providing high quality education in key subject areas such as mathematics and natural sciences, facilitating the mobility of students and trainees, teachers, professionals and the exchange of information.

How the forum works is by allowing those representatives of economies to sit down and exchange information or models of best practice that may work in their environment. That is how the issues of basic education are addressed.

Senator EGGLESTON—Okay. What do you mean by medium-term—what sort of time scale?

Ms Bennett—It was set down by the leaders in the first meeting in Seoul. I think there is actually no set time limit, other than saying that it is something that should be a priority so that the economies can move on to the higher levels of education issues but that, for the immediate term, there is a need for all of the participating economies to focus on basic education. I think this is a mark of hopefulness that these issues would improve.

Senator EGGLESTON—Apparently, this was not one of the five issues designated for priority attention by the Human Resources Development Working Group ministers at their meeting in Manila. When, then, is it proposed to begin work on achieving this objective of quality basic education?

Ms Bennett—The work has already begun.

Senator EGGLESTON—All right. Even though it was not a high priority?

Ms Bennett—It is a high priority for the education forum as a subgroup of the HRD Working Group, and work has begun.

Senator EGGLESTON—Good.

CHAIR—Senator Lightfoot.

Senator LIGHTFOOT—Thank you, Mr Chairman. Good morning, ladies; good morning, Mr Rowling. I suppose I could address my questions to you, Ms Gordon, and you could allocate them if they were not within your particular field of responsibility.

Ms Gordon—Certainly.

Senator LIGHTFOOT—I guess that you endorse the formation of, and Australia's involvement in, APEC?

Ms Gordon—Senator, we have found APEC a very useful forum to pursue particular interests within our portfolio with our neighbours in the Asia-Pacific region, where issues of human resource development, as expressed through our education systems and through our labour market policies, are particularly important for the development of this region.

Senator LIGHTFOOT—How has membership of that benefited our youth?

Ms Bennett—The inclusion of youth—

Senator LIGHTFOOT—I mean in terms of employment, but in other areas, too, it may have been of some benefit.

Ms Bennett—In terms of the specific focus of youth, I could, if you wanted to, go into where the working group has contributed to employment or work force mobility in a moment. On the issue of youth, at the last meeting of officials in Montreal it was recognised that much of the groundwork that we were looking at now was for the benefit of the next generation.

Senator LIGHTFOOT—What do you mean by the next generation—what year?

Ms Bennett—What the working group has done is established a youth network.

Senator LIGHTFOOT—You mean the next generation of youth?

Ms Bennett—The next entrants to the labour force in the short term, but a continuous process.

Senator LIGHTFOOT—Have you written off this generation?

Ms Bennett—I think they were actually looking at those that were not active participants in the work force at this moment. The youth forum is set up for young people's ideas. Most of the people that are participating are either at university or new entrants into the work force. If I can refer to your earlier question to DIST, it was partly about information, how to make that relevant and targeted to young people—and I can talk

about some of the projects that the working group has looked at. The youth network is about accessibility and about a mechanism for young people in the region to express their concerns or their ideas of how APEC could contribute to the region.

Senator LIGHTFOOT—So it is how it can contribute, and there is no evidence or no manifestation of it actually contributing to lowering youth unemployment?

Ms Bennett—That is not within its reference; the HRD Working Group does not have a reference on youth unemployment.

Senator LIGHTFOOT—It is not what, sorry?

Ms Bennett—It is not what the aim of this exercise is, rather it is to create, through a range of projects and the exchange of ideas, outcomes that have labour market benefits. It does have a specific agenda for youth unemployment.

Senator LIGHTFOOT—But if it was going to benefit the next generation of our youth—I could quote you, Ms Bennett—why isn't that part of the system currently?

Ms Bennett—The Department of Foreign Affairs and Trade might be able to help answer those questions in the context of trade liberalisation and economic growth. The obvious consequence of that is increased employment and opportunities, greater investment in education and greater mobility of the work force. I suggest that this broader objective of APEC can be taken up with DFAT.

Senator LIGHTFOOT—So, if I can paraphrase you, there has been no benefit to current youth unemployment through APEC?

Ms Bennett—I would have to come back to you with a more considered response to this issue to answer your question in the way that you are now phrasing it. I would have to go back to look at it and to talk to the—

CHAIR—I think Senator Lightfoot has raised a real issue here. Just what is your role then in the APEC process? I think that is basically what we are trying to find out.

Senator LIGHTFOOT—That is what I was leading up to, yes.

Ms Gordon—Senator, the primary goal of our involvement is to look at outcomes that focus on strengthening the human resources development systems of the countries of the Asia-Pacific region. The particular projects that we are involved in through the Human Resources Development Working Group are those that focus on issues within education systems to ensure, as we mentioned earlier, that all economies have thought about and implemented approaches—which, for most of the economies, come down to issues such as basic literacy and numeracy—to ensuring that basic education is in place. We are also

involved in projects that are looking at labour force mobility so that—

Senator LIGHTFOOT—On that point, would you agree then with Ms Bennett that the focus is on the next generation?

Ms Gordon—The focus is on strengthening the systems of the economies within the Asia-Pacific region to the extent that, through our portfolio, a large percentage of the projects are focused on educational activities and education systems.

Senator LIGHTFOOT—Within the region, not within Australia.

Ms Gordon—The projects that we would be involved in and the approaches that we are seeking to implement are those to be implemented in all economies. So, yes, Australia also undertakes projects through which we would seek to gain benefit for Australia.

Senator LIGHTFOOT—How has it been of benefit for us to be a member of APEC to date for our youth? I am not talking about exchange students; I am not talking about travel; I am not talking about widening their horizons. How has it benefited Australian youth in terms of employment at all levels, or any level if you like?

CHAIR—It seems to me that there are three goals of APEC. One is in the area of trade facilitation. The second is in the area of trade liberalisation. The third is in the area of economic and technical cooperation. If you can fit that into Senator Lightfoot's question as well, bearing in mind that those are the goals as we perceive them.

Ms Gordon—As I mentioned earlier in my opening comments, our activities come under the agenda of economic and technical cooperation. The thrust of our activities is to focus on the development of systems that allow our economies to develop and develop in a way where we are collaboratively working with other economies in the Asia-Pacific region to strengthen all of the economies. One of the outcomes we are seeking to achieve is that our interactions with these other economies are going to be of benefit to our economy.

Going to the issue specifically of the extent to which youth are assisted by this, there are now activities that are focused specifically on involving youth in helping to identify issues that they believe are of primary concern to them. At the broader level, they are the development of the economy itself and the development of projects on mutual recognition of qualifications so that our youth can participate more broadly in the economic developments of the Asia-Pacific region.

Senator LIGHTFOOT—So youth has not participated yet? You have not given us any evidence that youth is participating yet.

Ms Gordon—Youth are participating. We have had youth representation at the Montreal meeting of officials.

Senator LIGHTFOOT—That is good where you swap a few kids here and there and give them an idea of travel and so on and what the world is like and broadening their horizons. I am not opposed to that. Correct me if I am wrong, but I understood your department was employment, education, training and youth affairs. Is that right?

Ms Gordon—Yes, Senator.

Senator LIGHTFOOT—Let me get back to youth affairs. Can you give the committee some indication, some manifestation, of where APEC has benefited the youth of Australia? That is all I am asking, Ms Gordon.

Ms Gordon—APEC is not designed to undertake specific activities that directly in the short-term impact on unemployment.

Senator LIGHTFOOT—Hang on! ‘Directly, in the short-term’—let me pick you up there please.

Ms Gordon—APEC activities are focused on strengthening the economy, and developing systems and infrastructures such that opportunities will arise and be sustainable for youth over the longer-term as they will be—

Senator LIGHTFOOT—So, as yet, there has been no clear indication that there has been some benefit for the present—I am not talking about a future generation or in 10 years or when tariffs come off in Malaysia in 2020 or when we reduce them or anything. There is no indication that your department’s involvement in APEC has had any great benefit for Australian youth. For instance, has it lowered the unemployment rate here?

Ms Gordon—We have recently been fairly closely involved in taking a lead role in a project on mutual recognition of qualifications where we do have some direct benefit. In the area of engineering, Australian engineers, including those who are recently graduating, will have a wider range of opportunities for employment because their qualifications will now be recognised throughout the APEC region.

Senator LIGHTFOOT—But that would happen anyway, would it not? As I understand it, engineering graduates—particularly Australian graduates—are in big demand. Singapore, being one of the smallest in terms of population is one of the biggest in terms of taking Australian professional youth. So that is happening, anyway, whether or not we are members of APEC. Correct me if I am wrong.

Ms Bennett—That is not our understanding. I have just come back from Sydney, having spent three days with the engineers association and engineers—representatives from

about 16 economies. Certainly, there is mobility but, at the moment, engineers who want to practise in a particular country need to have all of their qualifications reassessed. They need to go back to university in the country they wish to work in, be assessed course by course, and often sit another exam. They also often need to get professional recognition by the association in that economy. That means a number of things: it takes a long time; it is very frustrating for companies that might want to employ those engineers; it is disheartening for the engineer; and it is a barrier that is preventing increased mobility.

Senator LIGHTFOOT—What is the barrier, Ms Bennett?

Ms Bennett—The fact that they take so long and may in fact not agree that the qualification—

Senator LIGHTFOOT—So being a member of APEC facilitates this?

Ms Bennett—As the result of a project that has been funded under the umbrella of APEC, those 16 economies sent representatives from their professional engineering associations or their government bodies to participate in a project. They have been working on that project now for about a year. There were a number of stages to the project; the first was scanning information and this second stage has been to look at best practice. The engineers and the government have moved the project even further than that and they are proposing that there be a third stage where there would be a signed understanding that those economies signing on would accept the qualification of the engineer without subjecting that person to a whole set of new standards, new testing—

Senator LIGHTFOOT—So how many graduate engineers have been employed in APEC countries as a result of this initiative?

Ms Bennett—I do not have those specific figures but I can come back to you on that.

Senator LIGHTFOOT—Can you get those to the committee?

Ms Bennett—Yes.

CHAIR—How many of the 16 economies have signed up?

Ms Bennett—The meeting was last Friday but the agreement did not need to be signed at that stage. There was unanimous agreement to the draft and to the idea that they would all take this back with them. There was very strong support for what was being done—both from the government and the industry side.

CHAIR—Right. Given that they now have some time in which to sign up, how long will that be and what will be the real effect?

Ms Bennett—We expect that the actual sign-up will happen by May, partly because that fits in with the APEC officials meeting in January, and then there is another meeting in May which looks at projects.

Senator LIGHTFOOT—So there is no one signed up yet; is that what you are saying? I do not want to have a tag team with my Chairman but—

Ms Bennett—I can send you a copy of the agreement from the meeting. It was endorsed by the members as an outcome and that says that all the people participating in that had agreed to this draft understanding.

Senator LIGHTFOOT—So it is an understanding rather than a contract that has been implemented so that young engineers, the graduates, do have jobs. It is something yet to be signed, is that right?

Ms Bennett—The process of having it dealt with in May is partly about the economies dealing with it in the right fora.

Senator LIGHTFOOT—Let me directly get a specific answer from you, if you would not mind.

Ms Bennett—Nobody has signed a piece of paper, Senator Lightfoot.

Senator LIGHTFOOT—Sorry?

Ms Bennett—No-one has signed a piece of paper.

Senator LIGHTFOOT—There is no actual contract signed for the graduate engineers yet?

Ms Bennett—No.

Senator LIGHTFOOT—Let me get right back to the base question. What benefit is there to Australian youth, professional or otherwise, from our membership of APEC? You have failed to give the committee, in my view—correct me if I am wrong again—any clear indication that youth has benefited.

CHAIR—I think this may well assist you. Could you tell us how many engineers will potentially benefit from this from Australia or how many graduates there are each year in engineering who will benefit from it? Maybe from there you may be able to address the sorts of concerns that Senator Lightfoot has. We are not trying to be difficult. We are just trying to get this whole APEC issue into perspective as to what the tangible benefits for Australia are. We hear about these meetings, working groups and conferences. They all sound very nice and they all sound very good; everyone goes along and comes

away feeling warm and fuzzy. But we are trying to find what the tangible results for the Australian population are.

Apart from people such as yourselves, others working at senior positions within industry groups, maybe a number of academics throughout this country and some journalists, very few people have a real understanding of what APEC is or what APEC is supposed to achieve. We are not trying to be difficult; we are just trying to tease out what the benefits are. Can you relate those to us directly because Senator Lightfoot's and my constituents will ask us, 'Well, what does APEC mean for us?'

Ms Gordon—Senator, perhaps I can refer you to one of the attachments to our submission, attachment A, where we have attempted to lay down all of the projects that we have been involved in or that are taking place under the human resource development group that we have had a part in. It identifies for you details of other participating economies that are involved, the time frame of those projects and what we believe to be the outcomes from each of the projects.

Ms Bennett—Could I also return to your question on engineers? Certainly we can provide the information on the number of Australian graduates and the current numbers of those that are travelling. We will talk to people and see what they expect the increase might be but obviously that is very dependent on the numbers that companies will employ at a future time. We just cannot make predictions of how many would be benefiting with these new arrangements. But we will come back to you with a more considered answer.

CHAIR—All right. You could use that as a model and tell us how you would then extend that into other areas.

Ms Gordon—Yes.

CHAIR—Engineers are obviously one area but I would imagine that is not a major sector of the workforce. Obviously there must be other areas where—

Ms Gordon—The other professional groupings that we are focusing on in terms of recognition of qualifications include accountants, architecture, law and land surveying. They are major professional groupings that are involved in infrastructure development. If we can achieve recognition of qualifications of professionals in those groupings, we will have opened up a whole range of areas for infrastructure development where Australians can participate and derive some fairly direct benefit.

I might add that one of the issues here is of course the need to involve, in any of our activities in this area, the professional recognition authorities themselves. They are the ones that need to agree not only to put their own professional grouping and the standards by which they accord recognition forward but also to actively participate with their counterpart organisations in the other APEC economies so that the standards are ones that

Australia wishes to live by as well. This is mutual recognition, so we are also recognising the qualifications of the other professional groupings in the region. While the work sometimes appears to move at a fairly steady pace, it is often because we are working fairly closely to ensure that the professional groups themselves are involved in and are agreeable to and in fact, if you like, are leading the discussion on the acceptability of the standards.

Senator LIGHTFOOT—What did you achieve in your three days with the engineering graduates?

Ms Bennett—They were not engineering graduates, Senator; they were representatives of engineering associations and other government people. In fact, it is not new graduates who will be allowed to go to work on international projects; it is graduates who have received their qualification and who have undertaken the next stage, which is two years working on a project to demonstrate that they can apply the skills, which are set by Australia's engineering association, before they get professional registration. Then there is a second step to that. This has been determined by the Australian industry. As Ms Gordon said, it is a two-way flow: what type of engineer we would like to work here, as well as how to influence the standard internationally.

Senator LIGHTFOOT—Are these engineers civil or mining engineers, or are they from right across the spectrum of engineering?

Ms Bennett—They are from across the full spectrum.

Senator LIGHTFOOT—What did you achieve by that?

Ms Bennett—While a piece of paper wasn't signed, it is a considerable achievement to have professional organisations say that they will—

Senator LIGHTFOOT—Achievement for whom or what?

Ms Bennett—We believe it is an achievement for the work force mobility of engineers.

Senator LIGHTFOOT—Mr Rowling, I have a question about the International Education Foundation funding. Who supplies that funding and in what percentage? Does Australia supply a significant amount of that funding and, if so, how much?

Mr Rowling—At the moment the foundation is funded basically by the Australian government and by the Australian education institutions that are involved in international education.

Senator LIGHTFOOT—Where are the headquarters of the foundation?

Mr Rowling—The headquarters of the foundation are here in Canberra within the international division of DEETYA.

Senator LIGHTFOOT—Does the Australian government supply the total funding for it?

Mr Rowling—No, the Australian government provides matching funding at the moment.

Senator LIGHTFOOT—Matched to whose?

Mr Rowling—Matched to the contributions that are provided by the Australian international education institutions.

Senator LIGHTFOOT—And who supplies that funding? What does the Australian government match?

Mr Rowling—The Australian institutions involved in international education voluntarily pay a membership subscription.

Senator LIGHTFOOT—What sorts of institutions? We are coming from behind a fairly dark curtain here.

Mr Rowling—Universities, technical and further education colleges, private vocational education and training providers, the English language providers and many schools, including all the state school systems except for Western Australia's, pay a membership fee which is matched by the Australian government currently on a one for one basis.

Senator LIGHTFOOT—How does this benefit APEC, if at all?

Mr Rowling—Basically the foundation has been set up as a partnership between government and industry to promote Australia's education and training industry internationally.

Senator LIGHTFOOT—Within APEC or internationally?

Mr Rowling—The APEC economies represent 80 per cent of our international education industry both in terms of numbers of students and in terms of export earnings. At the moment the APEC economies represent about \$2.4 billion in export earnings for Australian institutions each year.

Senator LIGHTFOOT—The Australian institutions that contribute to the International Education Foundation benefit from the inflow of students from APEC and

other countries who bring with them fees that aggregate \$2.4 billion?

Mr Rowling—Fees and other expenditures. It normally works out that retained fees to institutions make up about 40 per cent of export earnings and other services and benefits to the remainder of the economy make up about 60 per cent.

Senator LIGHTFOOT—What is the annual budget of the foundation, Mr Rowling?

Mr Rowling—At the moment it is approximately \$9 million a year.

Senator LIGHTFOOT—That seems to be a pretty good investment—\$9 million which attracts \$2.4 billion. Is that right?

Mr Rowling—I do not think it is reasonable to say that the foundation attracts \$2.4 billion. I think—

Senator LIGHTFOOT—But Australia generally attracts \$2.4 billion?

Mr Rowling—Yes, Australia attracts—

Senator LIGHTFOOT—Of which the foundation must be responsible for at least part of that inflow—is that correct?

Mr Rowling—We make a contribution to it, yes.

Senator LIGHTFOOT—Yes. That is what I said. Is it correct that only part of that inflow could be attributed or accredited to the foundation?

Mr Rowling—Yes.

Senator LIGHTFOOT—Do you think it is a good investment?

Mr Rowling—So far it has been a reasonable investment, yes.

Senator LIGHTFOOT—Is there any way that that benefits Australian youth?

Mr Rowling—In terms of—?

Senator LIGHTFOOT—In any terms.

Mr Rowling—Yes. Export earnings from education are estimated to generate between 70,000 and 80,000 jobs for Australians, including young Australians. If export earnings from education continue to grow as we projected them to up until the recent

currency crisis, we might be looking at somewhere around another 50,000 to 80,000 jobs by the year 2000. In terms of employment generation, it creates jobs at the top end of the market—jobs for teachers and academics and researchers—and it also creates employment for many people, including young people, in other parts of the economy.

Senator LIGHTFOOT—There seems to be an almost unhealthy preoccupation with the retreating currencies of Thailand, Malaysia, Indonesia and now South Korea. In terms of education at least, you have to agree that that has hardly affected the Indian subcontinent, where the population is approaching a billion people, or China, which has the second biggest economy in that area now and has a population of 1.2 billion people. Do you think that there is an unhealthy preoccupation with those four so-called tiger economies? Should we be concentrating more, in your particular field at least, on China and India?

Mr Rowling—In terms of international education, I am not sure that it is unhealthy to be focused on the four economies, because they do—

Senator LIGHTFOOT—It is rather negative, and in that aspect it is unhealthy.

Mr Rowling—For international education they are such big markets. Of those four economies, three of them happen to be our first, second and third largest markets. So, in the sense that there might be a short-term dislocation of that market, it is obviously of concern. International education is one of those export industries that grow slowly in any particular market, mainly because it is a relational building exercise. It takes time to build up a market—

Senator LIGHTFOOT—What contingencies has your department initiated to overcome what you have just said is a significant part of your department's output? With respect to the two economies I mentioned that have apparently not been affected yet—there is no graphic indication yet of a downturn in their economies as a result of the retreat of currencies in those countries I mentioned—what initiatives have you—

Mr Rowling—Senator, you rightly identified that before the currency crisis the issues for Australian international education were identified in terms of the need to diversify markets. Indonesia and China have been important areas. In 1996 we spent a lot of time and used a lot of resources building Australia's image in India, in part to start establishing an alternative market base. China is also a significant market and provides significant opportunities. But, beyond just looking at the countries, you also need to look at what sorts of education services we are offering as a country. At the moment over 50 per cent of all our education services are concentrated in accounting, economics and management related areas.

In terms of responding to the impacts both in our region and internationally, one of the things to do is to encourage a diversification of services. Another thing, because

Australia has got substantial comparative advantages in the region and wider than that, is to focus on areas like distance education where we already have an international standing, and on areas like vocational education where our vocational education sector is seen as an international benchmark.

Senator LIGHTFOOT—I assume you are talking about overseas for the moment in terms of distance education.

Mr Rowling—Part of our assessment is in terms of where international education will go. We think it will slowly shift away from an emphasis on students coming here and move to a need for us to deliver education services in country. Technology will drive us in that direction but so too will the development of the economies in the region. As they go from simple to elaborately transformed manufactures and go up the scale in services then their labour forces are going to require a significant upskilling. That provides us, we believe, with a substantial opportunity in vocational education to—

Senator LIGHTFOOT—Sorry, just to recap, would it be correct to say—and I do not want to put words in your mouth, Mr Rowling—that you are going to, as a contingency or as a new initiative, it would not matter much, perhaps pay more attention in terms of your department to, say, India and China to take up some of the slack that may occur in the downturn of students who flow almost traditionally from Indonesia, Malaysia, Thailand and South Korea into Australia? Is it true to say you may be concentrating in other areas?

Mr Rowling—There were four regions we had identified as areas that needed some focused attention for market development, south Asia—

Senator LIGHTFOOT—When did you start that initiative?

Mr Rowling—We started work on this about 18 months ago and we have been building—

Senator LIGHTFOOT—What is the initiative, if any, since the downturn in those four economies?

Mr Rowling—The immediate initiative?

Senator LIGHTFOOT—Yes.

Mr Rowling—In terms of responding, we want to assess exactly what the impacts are going to be.

Senator LIGHTFOOT—So nothing yet has come out of your department in terms of the impact?

Mr Rowling—It is not obvious that the currency impact will be immediately reflected in a decline in student numbers. We do not—

Senator LIGHTFOOT—I would have thought in fairness, Mr Rowling, that where some of those countries have had a 30-odd per cent devaluation of their currencies that impacts on education is imminent with respect to students coming in.

Mr Rowling—It is, potentially. However, there are two or three things that ameliorate the—

Senator LIGHTFOOT—What has your department done as a contingency? What sorts of initiatives have you taken to overcome that? Even if it is only a contingency, what have you done? What has your department done?

Mr Rowling—Before we can do anything we need to understand precisely whether we have a problem and what—

Senator LIGHTFOOT—So, you are going to wait until the problem manifests itself and then you are going to do something about it. Do you not have some sort of contingency arrangements, Mr Rowling? That is all I am asking. With the downturn in the currency, there must be a reflection in the number of students who flow into this country from those economies that I have mentioned. Have you got any initiative, or have you prepared a contingency plan, or have you not? Yes or no?

Mr Rowling—We do not accept that there is an immediate correlation between the currency crisis and a—

Senator LIGHTFOOT—So you think the students and numbers are still flowing?

Mr Rowling—We do not know yet. There are three reasons why we would expect some impact but we are not sure. Yes, there has—

Senator LIGHTFOOT—So, you have no contingency arrangement. Is that what you are saying?

Mr Rowling—There has been a currency decline, currency impact, and Australians—

Senator LIGHTFOOT—Is that what you are saying, Mr Rowling, that there is no contingency?

Mr Rowling—Australians can—

Senator LIGHTFOOT—Mr Rowling, can you answer my question? Do you have

a contingency plan or do you not?

Mr Rowling—Senator, to be able to answer your question I need to outline what the current—

CHAIR—We should let the witness outline what he wants to say.

Senator LIGHTFOOT—All right, if it is in relation to my question, I am happy to listen to it.

Mr Rowling—It is, Senator. There are two or three factors to be taken into account in assessing what the impact is and designing a response. The first one is, yes, there has been a substantial depreciation in those economies but Australia's competitive position viz-a-viz America and the UK has actually substantially improved. The depreciations against those currencies are significantly greater—

Senator LIGHTFOOT—In terms of currency, or in terms of students?

Mr Rowling—In terms of currency. They happen to be our major competitors. There is already anecdotal information coming from our offshore officers that students who were looking to go to the USA are now looking to come to Australia as a cheaper option.

The second factor that we have to take into account is that the decision making about studying overseas is actually a long-term decision. In many instances, students at this point have already been committed, and their parents are already committed. What they will be looking to do is refinancing their decisions because those decisions to a large extent have been taken. There is already some evidence in our major economies that their financiers, the banks, particularly in countries like Malaysia and Thailand, are offering more flexible financial arrangements to take into account the impact.

Senator LIGHTFOOT—To whom? These flexible financial arrangements for Thailand—

Mr Rowling—For the parents to borrow money on behalf of the students so that they can continue their education.

Senator LIGHTFOOT—My opinion was that in Thailand, in particular, that aspect of lending had been severely tightened.

Mr Rowling—That is not the information we are receiving at the moment. The third thing is that we do accept your assessment. We think that there will be some short-term impacts. There will be a redirection of students from studying directly in Australia to going and studying at Australian institutions that are offering opportunities offshore. It is

just too early. This is the key recruitment period. It is when enrolments start. We are still to see whether the impacts over the last three or four weeks are actually going to translate into numbers of students declining.

The Minister, Dr Kemp, has asked Professor Raoul Mortley to undertake a short-term study to assess the impact and report back to him. That is, in part, the immediate response to trying to get an on-the-spot assessment so that the minister and the department are in a position to develop response mechanisms that are best going to assist Australian institutions.

Senator LIGHTFOOT—So at this stage—if I could reduce it and render it down to a few lines—you have no contingency arrangements in place at the moment to counter what would possibly be a downturn of students from those four economies, but you are working on it? Would it be reasonable to say that?

Mr Rowling—That is one way of assessing it, yes.

Senator LIGHTFOOT—That is all I have, Mr Chairman.

CHAIR—Thank you, Senator Lightfoot. Turning to your submission, Mr Rowling, there are just a couple of issues I want to address. On page 8 you refer to the issue that I think Senator Lightfoot has been covering, where you say:

The export of education is estimated to earn Australia some \$3 billion per year—

You go on to say:

. . . Through the APEC forum, Australia is able to identify the barriers to Australian investment in education and training—

Can you tell us specifically what those barriers are? Are there any tariff barriers, or are they mainly non-tariff barriers?

Mr Rowling—They are mainly non-tariff barriers. There are three or four ways that economies can restrict Australian institutions and Australian providers and Australian training consultants from offering education services. One of them we have already touched on at some length, and that is the restriction on recognition of qualifications. It is not automatic that young people coming to study in Australia who have qualifications issued in Australia are going to be recognised when they go home. Restrictions on qualifications' recognition can prevent young people from other countries coming here, in the same way as they can prevent young Australians going offshore to work.

The second area that you can see restrictions operate is in preventing Australian institutions from offering their education and training services in-country. There are many

countries that restrict automatic access in that way.

The third area where you can see it develop is in the context of distance education and restrictions on access to technology and being able to project Australian education and training services in a particular region by restricting satellite rights and Internet access and related matters. All of those areas are areas of some sensitivity, but in their own right they slow the opportunities for Australian education providers to penetrate the market in our region.

CHAIR—How much of what you are doing is being overrun by the growth in the Internet where there seems to be no supervision? How much will one see a growth in education services take place regardless of what you are doing at the APEC level purely and simply because the Internet is there? People have the access to it. I heard you mention that some countries try to restrict access. I would welcome your comments on this.

Mr Rowling—In terms of international education at least, one of the big opportunities is in information technology and the fact that over the next few years we will see a substantial convergence of technologies. It is also one of the biggest threats. Countries like the USA have a fairly strong comparative advantage in it. It appears, and there is mixed information about this, that a number of countries are controlling access to the Internet and that part of that control relates to prevention of flow of things like education services.

For example, we were talking earlier about China. China is a country which quite severely restricts access to the Internet. The only people who have access to the Internet are a group of universities within the PRC who have been specifically licensed by the government to access and use the Internet. We understand that to be the case in a number of other economies in the region because the telecommunications systems are still developing, as is government policy. The Internet is not easily accessed in all economies. There are some where it is very easily accessed, but not all.

CHAIR—Is there an Internet working group as such within the education area or is the Internet something that is outside that people know about but are not actively involved in pursuing in these discussions?

Mr Rowling—At this point we do not have any specific working groups on the Internet from an education point of view. We understand that, on the telecommunications side, it is the development of telecommunications and telecommunications standards that will facilitate Internet penetration.

CHAIR—Is there a liaison between your department and the telecommunications area on this particular issue? It seems to me that the real burgeoning issue in terms of a whole lot of issues is trade, whether it be trade in education or whatever. What is your relationship with the other department working in this area?

Ms Gordon—All of the departments that focus on APEC related issues come together under the auspices of the Department of Foreign Affairs and Trade from time to time to ensure that our activities are integrated and coordinated. Our concerns in terms of telecommunications would be addressed through that mechanism and through a whole range of other activities that our portfolio might be involved in in terms of the development of telecommunications infrastructure for the delivery of Australia's own education and training activities. To answer your question specifically, no, we do not have a particular project going with our colleague portfolio with regard to APEC and telecommunications in the education and training area.

CHAIR—That surprises me. I am involved in another inquiry in this place which is looking at the issue of trade and commerce on the Internet. It would seem to me that that is an area well worthwhile becoming involved in for that specific reason.

Moving on, at point *d.* on page 8 of your submission you refer to:

. . . participate in APEC's efforts to collect, analyse and disseminate labour market information . . .

Am I to assume that, therefore, there is a working group that does that, or is that just a general issue that you pursue?

Ms Gordon—We participate in a very specific working group on labour market information to focus on the development of comparable statistics around the area of labour market through the APEC region.

CHAIR—So it is mainly a statistical group rather than looking at anything else?

Ms Bennett—It is mainly a database to inform business.

CHAIR—So it does not get involved in the issue of policy making in the area of labour market reform?

Ms Bennett—No.

Ms Gordon—Before anyone can move onto issues of policy development, one of the issues is to ensure that you are actually comparing apples with apples. As you would appreciate, in most countries in the Asia-Pacific area there has been a need to ensure that we are collecting comparable data and that, when we start to draw comparisons, we are doing so in a way that is valid. This particular project is focused on ensuring that we are in a position to have well-based labour market information on which comparisons can be drawn, and then one would assume that we would be in a position to focus on policy development further on.

CHAIR—So this is really stage 1?

Ms Gordon—It has not been expressed as such. At this moment, this project—labor market information—is to ensure that we have comparable data to inform decisions and to ensure that we can draw valid comparisons between economies in the future. It is highly likely, I would have thought, that once we are confident of the data and the comparisons, and the reliability of them throughout the whole region, we would be in a much better position to move on to policy developments which would benefit all of the economies, but the starting point has to be to ensure that we have data that is relevant and reliable.

CHAIR—In attachment A—and I am not going to refer to anything specific—you list a wide range of activities that you seem to be involved in. As I put it to the group that appeared before us earlier today, we have had a submission from ACCI that APEC is now involved in too many projects so that we run the risk of losing the focus of APEC. ACCI mentioned some 320 projects in its submission.

Its recommendation is that we should reduce it to 40 so that we do not lose the focus; that we achieve what we need to achieve, particularly in the areas of trade liberalisation; that we look at the area of trade facilitation, particularly in respect of things like Customs and so on; and that we should really be getting that agenda over and done with and out of the way first or we may well be derailed by everyone becoming involved in so many things. What is your response to that?

Ms Gordon—With the activities that we are involved in, we worked very hard at ensuring that we could identify specific outcomes, and we have become very outcomes focused. We have played a leading role in the Human Resource Development Working Group to ensure that each of the projects that we have participated in and supported have identifiable outcomes. Some of those might be part 1 of a longer term plan, but our concern would be not to spread ourselves so thinly that we could not see some outcome—and I point to particular achievements that we have focused on—for the effort that we put in.

CHAIR—I do not know if I am in the right area, but this question goes to page 6 of your submission. It is the third last dot point. I do not know if this would fall under this heading, so you can correct me if I am wrong, but you say:

increasing quality of curricula, teaching methods, and instructional materials in education, training, and skills development at all levels . . .

I find that interesting. That must be a major challenge in itself when one considers that even within our own nation we have such a diversity of curricula and diversity of programs on a state by state basis. How does one approach this at the APEC level where one not only deals with the state by state division that we have in Australia but also with very different cultural divisions and cultural expectations? If I am in the wrong area tell me. But it seems to me that that is a challenge. How are you coping and developing an

approach to that?

Ms Gordon—APEC is a fora of countries reflecting a very wide range of cultural perspectives and histories. I think your question is probably one of the most interesting questions of all in terms of all of the activities that we are involved in, not just this particular area. The process by which APEC undertakes its business is by consensus and collaboration. Embedded in the culture of APEC as a forum is commitment to respect the varying cultures and perspectives that the economies bring to it.

I think there is no one way of achieving these things. There are a variety of projects which go to achieving these goals—and these are high-level goals—rather than very specific projects that we are involved in. But I think there are difficulties in ensuring that the different histories, the cultural perspectives, are taken account of in a whole range of projects that we are involved in, which is one of the reasons why sometimes some of the activities appear to take a longer time to come to a tangible or concrete outcome, because there is a need to identify the ways in which common outcomes can be achieved in economies where systems, structures, and approaches are very different indeed. Ms Bennett might be able to point to specific examples.

CHAIR—I would be interested, because I would imagine that even within some of the economies themselves there would be a diversity of approaches. It seems to me that whilst this is a laudable area to tackle it must be a very difficult one in terms of getting some uniformity, not necessarily uniformity in curricula but uniformity in terms of approach across the various economies.

Ms Gordon—In most of these areas we are not actually requiring uniformity of approach. What we are trying to do is to identify principles and standards so that the economies can implement those within their own areas in ways that are consistent with their own systems and their own cultural perspectives. But I will ask Ms Bennett to point to some examples.

Ms Bennett—I refer you to page 4 of our submission. It talks about the way in which some of this happens—the policy dialogue, the sharing of best practice and experience, the sharing of information to promote transparency. To build on what Ms Gordon said, participation in any of these projects is voluntary. Those economies that participate in those projects will pick and choose those that they find the most valuable. If it is a surveying of literacy standards in rural and remote areas, those economies where that matters the most will participate in that. If there is best practice to be looked at, teaching maths in an area where there is not access to computers, those economies where it is most relevant will choose to participate.

Where there has been the greatest interest among all of the economies is, as Ms Gordon said, about the setting of standards, about frameworks and about finding areas of best practice. It is the ‘don’t let everyone keep reinventing the wheel,’ but to use that and

to apply it as it is relevant to the cultural, economic and structural issues that that economy may be confronting.

CHAIR—I heard you say ‘reinventing the wheel’. My fear in all of this is that we are just going round and round in circles, that we may well be putting the talkfest from a national basis onto an international basis and, at the end of the day, we may well do a lot of talking with very little to show. Is that a reasonable fear to hold? Is there something that will actually drive us to a conclusion?

Ms Bennett—I can speak from our agency’s perspective. Our activities in APEC are based on a very clear perception of what our domestic priorities are. They also build upon what we already have in bilateral relationships in the region. It is a mechanism which allows us to often extend work that we are already doing with some of the member countries in the bilateral relationships to more than a one-to-one basis. It provides a forum for us to extend what might work well. As we said earlier, some of the projects, where we believe there are very clear benefits for Australia, such as the engineering project and the labour market information, are very clear within our domestic agenda as well as building on what we do in the bilateral.

CHAIR—I think we could go on discussing this for some substantial time but, unfortunately, we have run out of time. I thank you, Ms Gordon, and the officers of your department for appearing this morning.

[11.24 a.m.]

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POLLARD, Mr Paul Henry, Director, Environmental Economics Unit, Environment Australia, PO Box 787, Canberra, Australian Capital Territory 2601

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TAILBY, Ms Margaret, Director, Clean Seas Section, Environment Australia, 15 Moore Street, Canberra, Australian Capital Territory 2601

TAYLOR, Ms Wendy Jane, Project Officer, International Unit, Environment Australia, 16 Moore Street, Canberra, Australian Capital Territory 2601

CHAIR—I welcome Mr Howard Bamsey and the officers of the Department of the Environment to this hearing. Your sheer weight of numbers has proved to me the value of the environment to Australia, if nothing else.

The committee prefers all evidence to be given in public but, should you at any stage wish to give any part of your evidence in private, you may ask to do so and the committee will consider your request. You will not be required to comment on the reasons for certain policy decisions or the advice which you have tendered in the formulation of policy or to express a personal opinion on matters of policy.

The committee has before it a written submission from Environment Australia dated November 1997. The committee has already made this submission a public document. Are there any alterations or additions you would like to make at this stage?

Mr Bamsey—No.

CHAIR—I now invite you to make an opening statement and then we will proceed to questions.

Mr Bamsey—Just to recapitulate some of the main points in our submission, and to illustrate some of them, the submission focuses on the progress that is being achieved by APEC economies in implementing sustainable development—towards which all of them are committed. It rests on the belief that our economic and trade objectives are seen in the context of sustainable development, and that it is recognised within APEC generally, and by the economies individually, that sustainable development is essential.

The mandate for work on sustainable development in APEC is one which comes from leaders and the details of that are set out in our submission. Also in the submission are details of the occasions on which ministers for the environment and senior environment officials have met. I underline that that process—the meetings of ministers for the environment and senior environment officials—has been essentially ad hoc, that there has been no mechanism established for that. They have met, essentially, in response to the mandate which leaders have given.

Sustainable development issues are dealt with as cross-cutting issues in APEC. That means that it has been up to each of the working groups to decide what to do and how to do it. The secretariat of APEC have evaluated the process and they have indicated that, while there is a good deal happening in the working groups, in terms of better coordination of all those activities there would be some advantage for the establishment of a more focused body of work—to use the words of the secretariat—if there were a mechanism for coordination. I think, at last count, there were 61 projects and activities under the heading of sustainable development or environment in APEC.

To illustrate the central contention in our submission, it is that coherence of these various activities can be improved if there is an improvement in the mechanism for coordination. I mention, for example, that marine issues—which are, as the name suggests, the central concern of the Marine Resources Conservation Working Group—are also dealt with in the transportation, fisheries, energy and tourism working groups.

The central point is, I guess, that a lot of work is happening, a lot of activities are being undertaken. We need to see that they are happening and that they are all occurring in a coherent form, and an improvement in coordination within APEC would be of assistance. It is also worth stressing that there is likely to be a good deal more happening in the environment and sustainable development area in the future in APEC. Sustainable development is increasingly seen as a priority in the region and, in recent weeks and months, some dramatic events in the region have underlined and highlighted the importance of integrating environment into the whole process of development.

Regional countries make no secret of the importance that they accord to sustainable development. I think the submission cites the recent statement by ASEAN environment ministers. We came across something on the Internet, on Friday I think, which was a statement from China also pointing to the need they have for environmental goods and services to ensure that their development is sustainable in nature.

From all of that it is apparent to us that there is a need for an established coordinating mechanism within APEC to deal with the environment side of sustainable development. Even flagship sustainable development processes such as sustainable cities illustrate, we think, the improvement in coherence which could be achieved with a very modest improvement in coordination. I just add that there are no plans at this stage for a meeting of senior environment officials or ministers for the environment next year. That is another sign to us of the improvement which could be made in the way that APEC would deal with these issues if there were a coordinating mechanism.

What sort of mechanism? Member economies of APEC have looked at the issue this year and have canvassed a number of different options. There has not been any agreement on this. It is not that this represents substantial disagreement; it is just that the process of reaching agreement has not yet reached its end. Our view is that, in establishing a mechanism, we would need to be sensitive to what might be called the traditions of APEC. That is to be pragmatically oriented in its activities to minimise the development of institutions. Our thinking—and it is set out in this submission—is that a minimal change option would be the most likely to be agreed if Australia proposed it or if another member economy proposed it. That is a summary of the key points in our submission.

CHAIR—Thank you, Mr Bamsey. Just on that issue of the coordinating mechanism, I understand your inability to be more definitive because of the nature of the problem. But is this not going to be the ongoing problem with APEC? APEC of itself is a voluntary organisation and to try to get too much rigidity into APEC is probably going down the path of destroying APEC in a sense, where it has relied on that voluntary nature. How does one deal with the competing need that exists there—the need to remain less rigid but at the same time have this overarching mechanism that you are talking about to drive the program?

Mr Bamsey—Yes, Chairman, we are acutely aware of the tension between the need for rapid progress and the attachment in APEC to the consensual mode which has been absolutely fundamental to all of the progress that has been made. We know that most member economies have been very reluctant at each stage that the issue has been canvassed to see any rigidity introduced into the very flexible way in which issues are dealt with. We understand and endorse the continuing need for flexibility and that is why what we have canvassed in our submission as a possible way forward is really just a notch up from where we are now. As we have said, ministers and environment officials have in fact met but those meetings have occurred on an ad hoc basis.

There is a lot of environment or sustainable development work occurring in APEC, but that work is occurring in a more or less ad hoc fashion. It has grown like Topsy. Our view is that we should seek to avoid imposing any rigidity on the structures. We should consider notching up a little the coordination of these activities but not circumscribing or making anything more rigid. It should improve the flexibility with which these issues are being dealt with because the relationship of one activity to another will be more easily

apparent to most of the senior officials and ministers, who otherwise are faced with quite extensive reports on all the various aspects of APEC. We think this improves coherence without increasing rigidity.

CHAIR—I would imagine there are two sensitive issues yet to be really grappled with by APEC. The first is the issue of the environment and the second is the issue of labour relations. Everyone has their own view on these issues. As you rightly said, there seems to be some mechanism for going down the path of sustainable development. When you were talking about the environment, you seemed to refer to the fact that many of these things seem to be on an ad hoc basis. That then leads me to the issue that I wanted to raise: the fires in Sumatra. For the first time, some natural calamity and catastrophe has really drawn the focus and maybe hardened the resolve of those in the environmental area in driving their agenda. It can be seen as having a real impact on the economic outcomes.

How does one therefore show that there are economic outcomes in the environmental area? I believe that, unless you can show that, people will continue to put your agenda on the long finger. How do you show that there is a real impact? You can use the Sumatran fires as an example.

Mr Bamsey—Senator, I think that has highlighted the real benefit that there is in implementing, as far as we can, the commitment that all member economies have to sustainable development. There are very many reasons why those fires are said to have taken place. I cannot give you any definitive assessment, but the fact of the fires has dramatised the need for continued focus on environment issues as economic development takes place.

Our belief implicit in the concept of sustainable development is that getting the environment right actually underpins and makes possible further economic development. It is not a conflict. It is something which is essential to enable the economic development process to take place.

To answer your more specific question, if we look at some of the projects which are taking place in APEC we can see that even though in some cases the real economic outcomes and benefits may be some time off, they are there. I think that is widely appreciated through the region. Let's look, for example, at the sustainable cities process, which I mentioned earlier as an example of the rather ad hoc nature in which various activities come together and are put under a heading without necessarily the high degree of coherence that a single heading might imply.

Obviously, if the increasingly enlarging cities in the APEC region are to continue to function as the nodes of economic development that they represent in their various countries, they are going to need a good, sound, safe infrastructure and also work on fresh water, for example, which is a priority right through the international environment and sustainable development system at the moment. Work to make water supplies in cities

safer and more sustainable has very obvious economic benefits. That is one illustration.

Conserving marine resources, so that they can provide in the longer term the economic benefits that they provide now, is again a very obvious outcome. There are industries founded on the use and exploitation of the sea right through the whole APEC region. I think it is understood that, if those resources were jeopardised, the economic activity which they provide would also be jeopardised. It is not always an easy process to show that, after a finite period of time, economic benefits will be dramatically increased.

Regarding a specific focus on the various projects, I could not give you an example from each of the 61 projects and activities that are taking place because I do not know them well enough, but they are already apparent within the various working groups where they are taking place and being handled in APEC. They are sufficiently apparent to the leaders for them to say on several occasions that sustainable development is the foundation for the whole process of APEC. They are sufficiently apparent to ministers for the environment—and, after all, you would expect them to be apparent.

We think that, by improving coordination a little and by bringing improved coherence to the various environmental and sustainable development activities, we can make apparent to a wider audience—the now many more thousands of officials, business people and members of the wider community who are aware of, and participate in, APEC activities—the economic and trade benefits which will flow from a proper consideration of the environment.

CHAIR—That is always the problem, though. You and others can say these things, but the people who have to feed themselves have actually to believe it: they are in the here and now, and not the future. They are worried about going out and making the catch today to feed the family, or producing the batteries today, again to bring some income into their place. Whilst it is not as relevant necessarily here, nonetheless the problem does exist, because most people do not understand—as I have said to the other groups here this morning—what APEC is about: what APEC is trying to achieve; how it will achieve its goals; or, even if it does, what relevance it has to the lives of people here in Australia. I am aware of the DFAT program, but how does one generally go about convincing people that the APEC process is a worthwhile process and does have a meaningful result for them in the longer term?

Mr Bamsey—That is a very big question, of course—

CHAIR—I understand that.

Mr Bamsey—It is one that, in some ways, all officials and ministers who are directly involved in the APEC process must ask themselves all the time. I have personally been involved in the APEC process in two different departments, and it has always been a preoccupation, I think, that we have got to be able to demonstrate the relevance of what

we are doing.

My own view has been that—I think it is relevant in this context—as APEC goes on, the range of people, the numbers of people who are actively involved in one or other of the processes, will increase to such an extent that you will get a genuine community-wide diffusion of the sense of what APEC is about. I think that has begun to happen. APEC is still quite a young process; it is only eight years old, and that is really just at the very beginning.

There is a tension, I guess, between, as I said earlier—it is apparent in the area of sustainable development as in other areas—the wish to see progress rapid and concrete and the need to ensure that there is consensus on any step that is taken. I do not think there is an easy answer. I have thought about it for a long time. I do not think there is an easy answer to demonstrating, in a very dramatic way, what the benefit of the APEC process is. The big events, like the leaders meeting that is taking place now, certainly play a part, but, I think, so too do the very many activities, involving very many people, and more of them every day, that are taking place all the time.

Although it is not in any way a model for APEC, I think that, in some ways, it is useful to look at the development of the European Union to illustrate, perhaps, some of the ways in which those processes can develop. I think that it is clear in the history of the European Union that the practice of meeting and talking and dealing with one another, after a while, created, in the wider communities, an understanding of what the purpose of that process was. I think that is evident in APEC and it is becoming more evident, I think, in the area of environment and sustainable development.

You said earlier, Senator, that it was one of the sensitive areas. I think it has been in the past. I think, as you point out, the occurrence of dramatic natural events, such as the fires in the region, bring home not just to us here, but to those throughout the whole of APEC who are aware of them, the need for us all to ensure that the environment dimension of sustainable development is fully taken into account.

In summary, it is a very gradual process still. The big events, the dramatic events, play a large part. But, for our part, on the environment side, so too do the networks that we are establishing, the gradual diffusion of expertise and understanding through the region.

CHAIR—I understand what you are saying, but the taxpayer out there is sitting back saying—we have heard now from a range of departments, and this is not a criticism—‘We’re paying our taxpayer dollars; we’ve got officials from various departments; we’ve got the government being involved in this. What does it really mean for me?’ The taxpayer can be a fairly selfish person on some occasions by saying, ‘Well, I can’t really see a direct benefit.’

I think this is where part of the education process needs to be finetuned—more than finetuned; it means it needs to be taken up, in my view. They would say, ‘The fires in Sumatra are in Sumatra; they’re not affecting the people who live in Melbourne’ or ‘The problems of the pollution of the rivers in Thailand are not affecting the people who live in Adelaide.’ What I am grasping for is something that we can actually give people to hang on to. I accept your explanation that it is very difficult indeed.

Of the projects that we are involved in, the 61 projects that you outlined, how many of them are we taking a leading role in?

Mr Bamsey—I am looking at my colleagues, but I do not think we could go through the—

CHAIR—I have a more general question. Are we playing a leading role in the environment working group in general? What economy is playing the leading role? Is there a natural leader in this area? The reason I ask is that Australia was looked upon as playing a leading role in APEC, in the general sense. However, when we start to get down into the various working group areas and so on, are we playing a significant role, a leading role, as we do at the top level?

Mr Bamsey—Yes, the answer to that question can be quite unqualified. We are making a very significant contribution in this area, as in most other areas of APEC activity.

CHAIR—Does that place any greater burden upon ourselves in terms of how we act at home compared to how we then must act internationally?

Mr Bamsey—The short answer to that is probably no, but it might not be the whole story. The reason I say no first of all is that, as you know, consensus is necessary at each step before anything is agreed in APEC. All the member economies need to be comfortable before the process, whatever it is, can move forward. If what you are concerned about is whether we could find ourselves in a situation where everybody else might agree that we should do things in a different way in some particular environment area back here, I think there has never been any—

CHAIR—That is the real problem in dealing with this issue, isn’t it?

Mr Bamsey—I do not think we found that has been a problem. I am looking at my colleagues because I am new to the department and it is difficult to be sure across the range. I am quite confident that it has not been a problem. You said earlier that this was a sensitive area. It may have been once but it is no longer the case for all the reasons you mentioned and which we have considered. The concept of sustainable development was adopted in the United Nations globally over five years ago and that is now a concept and a process which is pretty well understood.

These activities tend to be oriented in a very pragmatic fashion. Many of them in APEC are aimed at developing networks of people who are in contact on particular issues so that they can talk to one another and share expertise and experience. If you were looking for one which is characteristic of the way in which environment is dealt with in APEC, that is the type of activity that in our experience has been the one we have encountered, and which we have made very important contributions to in different areas.

CHAIR—I refer to the 61 projects that you mentioned. We have already heard from ACCI and they were critical of the number. They maintained there are too many projects under APEC and they suggested in their submission that the number of projects should be reduced from 320, which I think is the ballpark figure for APEC, back to about 40 so that APEC became more focused in achieving outcomes rather than having so many projects on the go that no-one really knew whether we were achieving or not achieving. I have asked that question of others, but what is your response to that criticism?

Mr Bamsey—Thank you for asking the question. We heard you ask that question earlier. In a way, it was with that in my mind that I mentioned the benefits that we have seen from the extensive development of networks—for want of a better word—as a result of the many projects which are taking place, so there is a benefit from that.

I can certainly understand why particular groups or people would find that the proliferation of activities under APEC might seem to threaten the essential focus on economic cooperation but, from our perspective, we believe that the activities in which we have been involved, for the reasons that you have mentioned and we have discussed already, actually underpin the achievement of the outcomes which people are looking for in economic cooperation.

I hesitate to put it negatively because there is no prospect of the want of environment issues or the environment perspective being considered, but if environment were not part of this process there would be very real danger that it could not continue as successfully as we hope it will continue to do. That has been recognised by leaders and by ministers and it is why sustainable development is a core part of the APEC program. It is one of the priorities; it is one of the principles of economic cooperation in APEC.

If I am not mistaken, I think leaders last year recognised sustainable development as one of the foundation principles of APEC, so this is not a peripheral activity. This is part of the central agenda.

CHAIR—As a result of the growth in the focus on the environment, has there been a move by industry associations and industry itself towards cooperating with your department in the APEC forum?

Mr Bamsey—I would have to ask colleagues who have been involved in the more detailed aspects of it to comment.

Ms Ellis—Just turning to the cleaner production strategy, which we have been involved in and which will answer your question, industry has been very interested in taking up opportunities in demonstration projects throughout the region, so we have been looking at environment technologies and expertise that we have in Australia and looking at how we might export that to the region—so it obviously has had the environment spin-off and also the industry spin-off for us.

Senator LIGHTFOOT—I want to ask a couple of questions so I can understand the department more fully. What is the International Unit and what role does it play within the department?

Mr Cruise—It is a part of the International and Coordination Branch which, in turn, is part of the Environment Priorities and Coordination Group. The unit brings together departmental line area views on international developments. As you can see from the range of people here today, the department handles a very broad range of international issues. Line areas tend to handle major international issues directly.

For example, climate change is not covered by the International Unit, except when there is a general briefing. For example, when we did the briefing for UNGASS, the United Nations General Assembly Special Session, on the fifth anniversary of Agenda 21, we asked all those line areas to make a contribution on their particular area of expertise.

Similarly, we have a Portfolio Marine Group which handles marine matters and a Biodiversity Group which handles the convention on biodiversity and other biodiversity matters. When you get to that level of expertise, it is done by those line areas. When it needs to be brought together, to be coordinated, either as a brief for an international organisation or an international meeting, then the International Unit handles it. It also covers a few areas like UNEP, the United Nations Environment Program; GEF, the Global Environment Facility; and the UN Commission on Sustainable Development as a central coordination point.

Senator LIGHTFOOT—I am rather surprised that you are involved in sustainable development but not in greenhouse emissions.

Mr Cruise—The department, of course, is involved in both.

Senator LIGHTFOOT—Yes.

Mr Cruise—And, as I said—

Senator LIGHTFOOT—But I mean your unit, the International Unit.

Mr Cruise—That is because it is primarily a coordination unit, Senator.

Senator LIGHTFOOT—With respect to greenhouse emissions, what plans does APEC currently have implemented that there is a general consensus on, if any? Do they have any plans and, if they do, is there a consensus on greenhouse emissions?

Mr Bamsey—In terms of the discussion that is going to take place and agreement that we hope will result at Kyoto, there is no specific agreement amongst APEC countries. The issue at that level has certainly been discussed by environment ministers and, no doubt, is being discussed at the meeting in Vancouver at the moment. But at the level of activities actually being undertaken—and I said earlier that in the environment area these are very pragmatic and practical ones—in various working groups there are activities being undertaken which have an impact on APEC's contribution to the reduction of greenhouse gas emissions.

Senator LIGHTFOOT—Has the subject been skirted or circumvented in any way?

Mr Bamsey—No, I do not think so. I should have mentioned earlier that one of the fundamental aspects of our approach to environment issues in APEC—in fact, it is one that is shared—is that we seek not to duplicate activities which are being undertaken elsewhere. Climate change is a global issue. It is being confronted and dealt with in a global forum, and it is the sort of issue which APEC ministers, as a subgroup of that global forum, can discuss, but the negotiations themselves are best left to the global forum, and we have said this.

Senator LIGHTFOOT—Isn't it true that there is a scientific divide on whether global warming is being contributed to by the CO₂ emissions, or whether it is a natural phenomenon?

Mr Bamsey—I think, Senator, that there is near consensus now, as represented by the conclusions of the Intergovernmental Panel on Climate Change in its last assessment report on global climate change which discerned that, on the balance of evidence, there was human impact on the global climate.

Senator LIGHTFOOT—From CO₂ emissions?

Mr Bamsey—From greenhouse gas emissions.

Senator LIGHTFOOT—From greenhouse gases which include predominantly CO₂ emissions?

Mr Bamsey—CO₂ is the largest.

Senator LIGHTFOOT—But what about the other evidence? There has been a retreat for the whole of this century on glaciers, for instance. There is ample evidence of

wave-cut benches from previous ice ages, and so on, where we have certainly had higher and much lower sea levels.

Mr Bamsey—Senator, it is a very complex issue, of course, and that is why there are, I think, a couple of thousand scientists working on it on the IPCC. I am not one of them; I am not a scientist; I cannot give you any rendition of the signs other than my assimilation of the issue from the reports I have seen from Australian scientists who have been part of IPCC's process, and from the IPCC report itself. At the level of the government's approach to this, there is no dissent from the IPCC recommendation, or no questioning of the IPCC's statement on the causes of global climate change.

Senator LIGHTFOOT—But, certainly, El Nino could not be attributed to greenhouse gas emissions?

Mr Bamsey—El Nino is a very old phenomenon, but the relationship between El Nino and climate change is one that is being investigated at present. I am afraid I could not give you a full review of the science on that at present.

Senator LIGHTFOOT—Assuming there is some concern—and I think rightly so—that CO₂ emissions and other emissions are contributing to global warming, what, if anything, is your department doing to counter criticism of Australia's coal exports, which are the largest in the world and which invariably contribute to greenhouse gas emissions when burnt in coal-fired power stations?

Mr Bamsey—The government's response to the international debate about greenhouse gas emissions is undertaken on a whole of government basis, that is, contributions are made according to the particular expertise of agencies across the whole of government.

Senator LIGHTFOOT—But what about your agency?

Mr Bamsey—Our expertise has been in a number of areas, but most of the recent effort has gone into developing and improving the methodology for preparing the inventory of Australian greenhouse gas emissions, trying to calculate as exactly as we can where the emissions are coming from and—

Senator LIGHTFOOT—Do you mean where the emissions are coming from in terms of country or in terms of industry?

Mr Bamsey—No, of the sources within Australia and the relationship of sinks in Australia to the emissions. So we have been making a contribution in that respect. We have participated in the negotiating team that has been putting Australia's view through the process since the last Berlin Conference of the Parties.

Senator LIGHTFOOT—More specifically, what is the department's view on the CO₂ or greenhouse emissions from coal-fired power stations? Is it your view that better scrubbers should be put on the emissions or, knowing full well that the scrubbers will not take out greenhouse gases but that they will take out some of the nasties, is your department concerned with that? What is your department doing, Mr Bamsey, to minimise the impact on coal exports of any agreement that we will ultimately have with respect to limiting greenhouse gas emissions?

Mr Bamsey—We have simply been contributing our expertise. I have identified one of the areas in which we are strongest and most active: in the development and presentation of the government's position in the negotiations.

Senator LIGHTFOOT—Is that in the form of a report?

Mr Bamsey—No, it is really in the form of continuous provision of information.

Senator LIGHTFOOT—Advice?

Mr Bamsey—Advice.

Senator LIGHTFOOT—Written advice?

Mr Bamsey—It goes back a long way, but our advice would be a mixture of oral and written advice. We would contribute to the policy process.

Senator LIGHTFOOT—Isn't it a little tenuous to give oral advice on a subject that is so important?

Mr Bamsey—Senator, at different times the policy process relies on written opinion or on oral opinion.

Senator LIGHTFOOT—Are there any written opinions you can give the committee with respect to—

Mr Bamsey—In relation to the question you asked there are none that I am aware of.

Senator LIGHTFOOT—None that you can give the committee?

Mr Bamsey—None that I am aware of, no.

Senator LIGHTFOOT—Let me be quite specific about that: there is no written advice that you could transfer to the committee with respect to advice that is sought from your department or that your department has given on limiting greenhouse gas emissions?

Mr Bamsey—I was referring to your earlier specific question about the ways in which we might have contributed to an argument that minimised the impact on Australia of criticism. But it is all one—

Senator LIGHTFOOT—You could say that it is an integral part of it. Is there anything you can do on either of those things?

Mr Bamsey—There has been extensive written advice that we have provided to ministers and to government since the issue of greenhouse gas emissions first was discussed internationally—very extensive advice. Some of it is available in whole of government form in the various papers which have been produced for public discussion. Our minister was one of three ministers who signed off what is commonly called the issues paper, which summarises in very extensive form the various aspects of this particular debate taking into account the science as well as the economics. Senator, that was made available some six weeks or so ago and there has been a process of public consultation.

CHAIR—That is a public document?

Mr Bamsey—That is a public document, *Australia and climate change negotiations—an issues paper*, published by the Department of Foreign Affairs and Trade and with a foreword or an introduction by Senator Hill, Mr Downer and Senator Parer.

CHAIR—Can we get hold of a copy?

Mr Bamsey—We will make copies available.

Senator LIGHTFOOT—It is well known that both coal-fired power stations and coal-fired integrated steel mills have significant emissions of greenhouse gases. What do you think is the likely energy source that APEC countries will turn to by necessity if we are to limit greenhouse gas emissions?

Mr Bamsey—As you know, there have been studies showing that energy requirements in a number of the APEC economies over the next 50 years or so are going to be very great.

Senator LIGHTFOOT—The next 10 years, I would submit.

Mr Bamsey—There is, I think, no one solution, no one new source which would be available in the event that—

Senator LIGHTFOOT—Can you name several, then?

Mr Bamsey—Nuclear energy is one to which a number of APEC economies are

committed.

Senator LIGHTFOOT—What APEC countries have an aversion to nuclear power? Are there any that you are aware of other than Australia? New Zealand?

Mr Bamsey—It is very difficult to be sure what constitutes an aversion, I suppose. In some APEC economies there may be no policy against nuclear power but, as you will have seen, there are often, when a particular proposal is made for a nuclear plant, people in the region of that plant who might not be so pleased. That is one alternative which is available to APEC members. There are various renewable sources of energy. In his statement in parliament last Thursday, the Prime Minister mentioned that there will be a requirement in future for an increase in the proportion of renewables in the Australian energy mix.

Senator LIGHTFOOT—What countries are there, in your view, that will be embracing nuclear power? We know Indonesia is and we know several other countries in the region have already. What other ones are there?

Mr Bamsey—To the best to my knowledge and I would not vouch that this is absolutely accurate, of course, the United States has an extensive nuclear power industry, so does Canada—

Senator LIGHTFOOT—I do not mean on a global basis; I just meant in APEC.

Mr Bamsey—The United States and Canada are members of APEC. Korea also has nuclear power, Japan has nuclear power and there are well publicised plans as part of their dealing with the challenge of reducing greenhouse gas emissions to expand their nuclear power industries very significantly.

Senator LIGHTFOOT—Taiwan is another one.

Mr Bamsey—Yes. China, of course.

Senator LIGHTFOOT—Some of those countries have significant nuclear power, don't they?

Mr Bamsey—Yes.

Senator LIGHTFOOT—And what sorts of greenhouse gas emissions are there from nuclear power?

Mr Bamsey—I cannot be absolutely sure of whether there are any.

Senator LIGHTFOOT—Any or negligible would be a reasonable answer, I

assume.

Mr Bamsey—To the best of my knowledge, Senator.

Senator LIGHTFOOT—Yes. Why is it that Australia should not embrace nuclear power when you have conflicts that you have just mentioned?

Mr Bamsey—I think that is a policy question.

Senator LIGHTFOOT—But there is no scientific reason why.

Mr Bamsey—I am not a scientist. Whether there is a scientific reason depends on your assessment of safety and of long-term difficulty in dealing with the storage of nuclear waste.

Senator LIGHTFOOT—If Australia is to meet its greenhouse gas emissions under an agreement with APEC, what other alternative power source could it resort to in order to meet those emission reductions and forgo the use of coal? One which springs to mind immediately is natural gas, of which we have an abundance. What other source could we use as energy for the production of electricity or energy? What is the major source we could turn to?

Mr Bamsey—If we were to forgo the use of coal, I think there is no answer, Senator. Coal provides so much of our energy needs that there—

Senator LIGHTFOOT—But does that not beg the question, Mr Bamsey, that we may not be able to meet any reductions of greenhouse gas emissions?

Mr Bamsey—As a matter of policy, I think the government has made it clear what its position is on that issue.

Senator LIGHTFOOT—Is that concurrent with your department's view?

Mr Bamsey—Of course.

Senator LIGHTFOOT—What other energy source is there? Are you frightened to mention nuclear power? We have just decided that it has minimum or no emissions of greenhouse gases.

Mr Bamsey—Senator, if that is the direction in which you are seeking to lead me, I guess you would have to say that, to any government in such a hypothetical situation, any source would have to be considered. I am sure you know what the situation on nuclear power is in Australia. There are renewables. I think it is frankly completely out of the question that Australia would agree to anything which caused us to forgo the use of

coal absolutely. We will depend on coal for a large proportion of our energy needs for a long time to come. That is a matter of incontestable fact. The question is: how can we reduce emissions to meet whatever agreement there will be?

The Prime Minister's statement last week demonstrated very practical ways in which we are able to reduce our emissions very significantly, by about a third, of the increase that we would otherwise be facing. If the question you are asking is dealing with changes of that order of magnitude, then I think the answer is there in the Prime Minister's statement. But I would hesitate to speculate on changes of a different order of magnitude.

Senator LIGHTFOOT—Would you agree, if your knowledge extends to that, that nuclear power production per unit cost in some of the countries you mentioned, if not all of them, is as cheap as or, in some cases, as was the case with America, cheaper per unit cost than coal?

Mr Bamsey—To the best of my knowledge, if decommissioning costs are included, nuclear power certainly would not be as cheap as Australia's current sources of energy.

Senator LIGHTFOOT—What is the unit cost that you are referring to there? Do you have any idea?

Mr Bamsey—In Australia?

Senator LIGHTFOOT—Yes.

Mr Bamsey—Something like 2c per kilowatt hour—the range is between 2c and 4c, to the best to my knowledge, but I cannot be sure of that. I have that only as a sort of sense of where we are in the market.

Senator LIGHTFOOT—Is your department content with the direction that it is taking in terms of its leadership within APEC on greenhouse emissions?

Mr Bamsey—Yes, we are happy so far. As I said to you earlier, we think that the way in which we can deal with this problem in APEC is to look at practical ways of sharing expertise and information so that we can do what we can to improve, for example, the availability of clean coal technologies and more thermally efficient means of using coal, to give you one example of the sort of activity that we think might be available within APEC. We think that the global negotiations are best left to the global negotiations rather than duplicating them within APEC.

Senator LIGHTFOOT—I think you are a little cheap on the unit cost of electricity in Australia, but I do thank you very much for your answers.

Mr Bamsey—Thank you, Senator.

CHAIR—Mr Bamsey and officers, we thank you for your appearance here today.

Committee adjourned at 12.20 p.m.