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**FOREIGN AFFAIRS, DEFENCE AND TRADE REFERENCES
COMMITTEE**

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

TUESDAY, 3 FEBRUARY 1998

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SENATE

Tuesday, 3 February 1998

**FOREIGN AFFAIRS, DEFENCE AND TRADE REFERENCES
COMMITTEE**

Members: Senator Hogg (*Chair*), Senators Cook, Eggleston, Lightfoot, Sandy Macdonald, Quirke, West and Woodley

Participating members: Senators Abetz, Bolkus, Brown, Brownhill, Calvert, Chapman, Colston, Faulkner, Ferris, Harradine, Margetts and Schacht

Senators attending the hearing: Senator Hogg (*Chair*), Senators Lightfoot, Sandy Macdonald and Quirke

Matters referred by the Senate 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

ARCHER, Mr Frederick Owen, Associate Director, International and Corporate Secretariat, Standards Australia, 1 The Crescent, Homebush, New South Wales 2140	426
BIRCH, Mr John Alexander, Executive Director, National Standards Commission, 12 Lyon Park Road, North Ryde, New South Wales 2113	426
CALLAGHAN, Mr David Neill, International Relations Manager, Qantas Airways Ltd, 203 Coward Street, Mascot, New South Wales 2020	382
CONNOR, Mr Timothy John, Research Officer, Mineral Policy Institute, Level 2, 10 Bronte Road, Bondi Junction, New South Wales 2022	372
CROUCH, Mr Michael Jenkins, A.M., Australian Representative, APEC Business Advisory Committee, PMB 80, Bankstown, New South Wales 2200	413

KERR, Mr John Charles, General Manager, International Relations, Qantas Airways Ltd, 203 Coward Street, Mascot, New South Wales 2020	382
NGUI, Mr Matthias, Research Fellow, Centre for Research Policy, Faculty of Commerce, University of Wollongong, Northfields Avenue, Wollongong, New South Wales 2522	399
O'DONNELL, Dr Carol, 10/11 Rosebank Street, Glebe, New South Wales 2037 . . .	347
RANALD, Ms Patricia, Senior Research Fellow, Public Sector Research Centre, University of New South Wales, New South Wales 2052	357
ROCHE, Dr Imelda Joan, A.O., APEC Business Advisory Committee, Unit 202, Gabriel III Building, San Miguel Avenue, Ortigas Centre, Pasig City, Metro Manila, Philippines	413
RUSSELL, Mr Anthony John, Deputy Chief Executive, National Association of Testing Authorities, Australia, 7 Leeds Street, Rhodes, New South Wales 2138 .	426
SHARKEY, Mr Stan, National Secretary, Construction, Forestry, Mining and Energy Union, 361 Kent Street, Sydney, New South Wales 2000	445
WALSH, Mr Peter, General Manager, Standardisation Policy and Development, Standards Australia, PO Box 1055, Strathfield, New South Wales 2135	426
WILLIAMS, Mr Robert, Education Officer, Construction, Forestry, Mining and Energy Union, 361 Kent Street, Sydney, New South Wales 2000	445

Committee met at 8.48 a.m.

O'DONNELL, Dr Carol, 10/11 Rosebank Street, Glebe, New South Wales 2037

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 Dr Carol O'Donnell to this hearing. Do you have any comments to make on the capacity in which you appear?

Dr O'Donnell—I am a lecturer in behavioural sciences in the Faculty of Health Sciences at the University of Sydney, but this is a personal submission because of my interest in APEC and in supporting services.

CHAIR—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. The committee has before it your written submission dated 15 July 1997, and supplementary submissions dated 16 January 1998 and today's date. Are there any alterations or additions you would like to make to your submissions at this stage?

Dr O'Donnell—No, I do not think so.

CHAIR—The committee has already made the submissions public documents. I now invite you to make an opening statement, and then we will proceed to questions.

Dr O'Donnell—In the information that I have put before you this morning, the first few pages give an idea of what I really want to say. Support for APEC can basically be provided through the promotion of ILO conventions and other relevant national and international standards and that, in that context, occupational health and safety, environment protection and human rights are all important concepts which are embodied in the particular list of ILO conventions that you see on the first page before you.

A second thing that I want to say supporting that is that in my view the universities and higher education in general could play a much more significant role than currently, if it were more effectively planned at a national level to support the national goals of trade and aid that Australia has. I feel that the best thing for Australian trade would be if you had a situation similar to what you had in Australia after the passage of state occupational health and safety acts, where the concepts of prevention and rehabilitation of injury were used in conjunction with the concept of quality management to promote in an integral way the concepts of good management to produce higher quality products and services, to protect workers and to basically make sure that we were not involved in environmental destruction through work.

What I want to argue is that that holistic way of dealing with the world of work—which is a very public interest way of dealing with the world of work—is already encapsulated in our national legislation. The promotion of that is really important for benchmarking and for continuous improvement of business activity and of quality. In this particular context, for government to support and promote those kinds of standards is good for Australia and also

good for our trading partners. At this point in time, it is something which APEC should promote, because it is likely to be attractive to our trading partners in the region.

To talk about the university sector, my view at the moment is that the collegiate culture in the university sector does not sufficiently allow a planning focus in either the world of research or education, because the collegiate culture basically says that people must constantly apply for research funds as individuals and put up proposals which they think are worthy of being researched. On the other hand, because the education context of higher education in the university sector is based around disciplines, I do not think you get enough of an industry focus.

I have argued in my submissions that I would like to see much more of an articulated national planning approach to research in universities so that it actually supports our trade and aid goals, and I would like to see health risk management and quality management, and management with an environmental consciousness, as part and parcel of training and competency based education in all vocationally oriented higher education. Where below the universities you have had an industry emphasis and focus on multiskilling, in the universities you have still got a much more specialised focus based around the idea of disciplines: not stepping outside of disciplines, and boundary protection. I do not think that is good for quality management and I do not think that is good for Australian industry and trade in the future.

In this paper I have suggested two things. I have suggested a process:

Recommendation 1: Development of a national three year plan for research and development, information, education, monitoring and evaluation, to support sustainable development, health, poverty reduction and human rights.

I have put up, also on page 2, a suggested planning process for a three-year plan for higher education. I have suggested that there should be an aim of developing a three-year plan, including targets, strategies and performance indicators for research and development, information, education, monitoring and evaluation, to support Australia's national and international trade goals in regard to sustainable development, health, poverty reduction and human rights.

It would be very good, in my view, if representatives of the research purchasing portfolios—those at the top of page 3: Department of Foreign Affairs and Trade, Department of Industry, Science and Technology, Department of Health and Human Services, Department of Employment, Education, Training and Youth Affairs, the Human Rights and Equal Opportunity Commission and the Environment Protection Agency—were to develop a proposal in consultation with the likely providers of research and education, which would be the universities and other relevant organisations.

If a national plan could be developed for the approval of Mr Downer and his colleagues, in the light of recent reports such as the Mortimer, Goldsworthy, Simons, West and Wallis reports and in consultation with groups such as major employer and employee groups, non-government welfare organisations, the Vice-Chancellors Committee, the provider groups, then that would provide a much more focused and efficient use of the nation's resources than what is currently happening in higher education, where research and training or education is

being delivered in this collegiate environment. That was the major point of the submission, to argue for this national planning approach which fits in with our trade and aid goals.

The other thing that I wanted to put forward, in recommendation 2, is that there should be a report on the principles of best practice dispute resolution and prosecution. It is extremely important that there is a non-adversarial attitude taken to dispute resolution in the future. If you look at health, it provides a model. The organisation of health policy and health service delivery provides a model for education and dispute resolution, because it does in fact provide a lot of data which can be used. The casemix administrative procedure provides you with much better data on quality, cost and outcome of service provision, whereas in education and in the law you get very little information about the kind of quality or equity or cost of the services that the law delivers you. For example, if you look at a report such as the Sackville report, a 500-page report on legal services in Australia, it gives you almost no information at all about what kinds of cases the court is dealing with, how long they take, how much they cost. I think that is an approach which is no longer appropriate.

As more and more of the economy turns to service sector provision, as effective non-adversarial dispute resolution becomes more and more important and as the cost of the legal process rises, I think it is important at this time for government to develop a set of principles to be applied to dispute resolution which promote prevention, rehabilitation, cost containment and transparency—in other words, so that dispute resolution is guided by principles which are similar to the APEC principles about equality, transparency and competition on a level playing field. Those are the major points that I wanted to make in this submission.

CHAIR—Thank you, Dr O'Donnell.

Senator LIGHTFOOT—I have not had a great deal of time to go through your late submission in detail and I would like to have that opportunity, but I had to see how the Constitutional Convention was going in Canberra so I was preoccupied somewhat with reading about that this morning in the *Australian*. However, I cannot help but note as I go through what is a rather extensive and detailed submission that there is a preoccupation with health in one way or another—through occupational health, through Third World country health—and that you have tied in health with trade but that the emphasis is still on health.

Dr O'Donnell—Yes.

Senator LIGHTFOOT—I can see a nexus between health and trade and I can see a nexus between trade and aid as well, which you mention in your submission. Nonetheless, there is still this heavy preoccupation with health in one kind or another.

Dr O'Donnell—Yes.

Senator LIGHTFOOT—Perhaps you would like to explain where it fits in with this committee on foreign affairs, defence and trade? I can see where it overlaps and I can see where there is a nexus, but I cannot see where it fits as a specific part of the agenda that the committee must follow.

Dr O'Donnell—Thank you for the question. I think health is becoming increasingly important because it is the soft side of industrial relations. Whereas many countries have had a very adversarial history of industrial relations—

Senator LIGHTFOOT—And still do.

Dr O'Donnell—and that is therefore incredibly contentious, I think the emphasis on health provides you with a concept of protection of people, of workers and of the community, and protection of human rights, which is an alternative democratic model, if you like, to traditional industrial relations models which might either be unacceptable to some of our trading partners or are basically not helpful to good management generally. So I think health is extremely important for that reason, firstly.

Senator LIGHTFOOT—Are you saying, then, that a good health system depends on trade? If so, to what degree?

Dr O'Donnell—Certainly that is another aspect of it. A good health system is the outcome of, and contributes to, a healthy trading relationship. The other thing that is important about health is that, in the service sector economies, it has the most developed administrative structures and provides leadership for the way we look at education and at dispute resolution, in my view.

Senator LIGHTFOOT—I suppose one could also say that a good health system would also give us a good defence system?

Dr O'Donnell—It probably would, yes.

Senator LIGHTFOOT—I suppose that could equally apply to foreign affairs, that a good mental health system might get some good foreign affairs people out there.

Dr O'Donnell—Yes.

Senator LIGHTFOOT—I have only one other question. I do not think it relates to our particular committee to the degree that I would like. You mention in here—correct me if I am wrong; I just read it briefly—that, by the year 2001, 85 per cent of the world's population ought to have access within a confined time to certain health care, including quality blood products, et cetera. How can you reconcile that with the fact of China and the countries on the Indian subcontinent comprising about half the world's population?

Dr O'Donnell—I am sorry, I am not clear that I am totally au fait with what you are asking.

Senator LIGHTFOOT—How can you reconcile that ambition, that rather ambitious idea that 85 per cent of the world's population should have access to certain health care and products within so many minutes of where they live, when half the world's population is composed of China and the countries on the Indian subcontinent—Pakistan, Bangladesh and India?

Dr O'Donnell—Absolutely. That is the UN's goal.

Senator LIGHTFOOT—Don't you think, as an academic expert in that field, that that is rather ambitious?

Dr O'Donnell—Yes. I think it is extremely ambitious but I think it is a useful goal to use. It is something which, particularly at this current time when Asia is going through an economic downturn, where there is—

Senator LIGHTFOOT—But not India or China, strangely enough.

Dr O'Donnell—I think that it is a very ambitious goal but it is one which, because of that, if you like, needs to be more strongly supported.

Senator LIGHTFOOT—And pursued.

Dr O'Donnell—And pursued, yes.

Senator LIGHTFOOT—I appreciate your time here, thank you.

CHAIR—Dr O'Donnell, I have a few issues I want to canvass with you. As I understand the role you have described to us today, it is more a supportive role for the trade aspirations of Australia within the APEC environment. Is that correct?

Dr O'Donnell—Yes. I am saying that trade in health services is part of Australia's comparative advantage, and an approach to the importance of health is supportive of trade.

CHAIR—I am looking at the broader academic area. That is where I am really looking to. You were describing the collegiate culture of universities and so on. You were not just referring specifically to the health issue; I thought you were referring to it on a broader basis.

Dr O'Donnell—Yes. I am saying that, instead of having a school of management, you ought basically to teach the principles of good management, which is a health risk management approach in my view, and teach it to anybody. All the students are going out into the work force. It should not be just managers who have some understanding of what good management means.

CHAIR—The inquiry we are conducting is looking at APEC and Australia, and the interrelationship between the two. When you raised the issue of the collegiate culture of the universities, it aroused in me the thought that with the advent of trade liberalisation there are winners and losers. We have had a bit of evidence before the committee already that really there is insufficient research done to enable us to identify the winners. The losers invariably identify themselves because of their lobbying skills or their public campaigns, but that is invariably after the fact rather than before.

I am just wondering if there is some supportive role that universities could perform in doing the appropriate research to identify winners and losers, so that we can put in place

appropriate mechanisms to have transition arrangements to support those people who would be losers. Is this the sort of concept you are after—

Dr O'Donnell—Absolutely, yes.

CHAIR—going down the wrong path?

Dr O'Donnell—No, I agree completely. What I would ideally like to see and what I think would be very possible would be, say, for a number of university health faculties to work together to go over to foreign countries and identify the risks. I think it would be very easy to go into a particular area or into a particular industry and identify the kinds of risks to public health which exist for people in that area or for people in that industry, and then, as a result of identifying those risks, decide upon the kinds of services that need to be provided in that area to deal with those risks. That is the sort of thing that is done in Australian industry; it is taught to people working in occupational health and safety in Australian industry, and it is consistent with good management. That is something that I would really love to see university health faculties do in South-East Asia or wherever.

CHAIR—But do you think APEC is the appropriate forum for this to happen in? APEC looks predominantly—this is part of the debate that we are being involved in now—at trade facilitation, trade liberalisation, economic and technical enhancements and so on. But the focus up to date has been primarily the issue of trade liberalisation, the reduction of tariffs. Some people have argued that the agenda for APEC, of itself, has been too narrow, that there is a need to broaden the agenda.

There is a whole range of activities now taking place under the umbrella of APEC. In the standards area, for example, we had the CSIRO before us yesterday telling us how they are getting standards in weights and measures and so on uniform across the sector through the use of APEC. But I cannot say that in my reading I have come across any major work in the medical area, in the health area. I might be wrong.

Dr O'Donnell—Firstly you talked about trade liberalisation. I think that the emphasis on standards and for government to provide support for standards is an alternative to the old ideas of industry protection. So we have historically provided a lot of support for industries that are in decline. I am arguing for governments to support industries in which we have a comparative trade advantage already, and that a good way of doing that is to provide support for the risk management approach. Specifically in health trade, I do not know myself about what the equivalent standards setting, reciprocal standards mechanisms, are. I do not know how far developed that has got but I would imagine that, as you were discussing before, that is an important kind of area for there to be research done in, so that the reciprocal and mutual recognition kinds of processes exist in the health field as well as in the engineering fields.

CHAIR—Could I just move on to the issue of the education of Australians on the purpose of APEC. Is there a role for higher education and universities to play in making Australians aware and understanding of the purposes of the likes of an APEC and how APEC should function to their benefit? Again my experience is that, except to some business leaders, some academics, government, of course, and a few interested people out in the

community, APEC means absolutely nothing. Is there such a role, and how does one promote that throughout the community?

Dr O'Donnell—I agree completely with you. There is a strong role for the universities in that form of promotion of the understanding of APEC. The best way of doing that is through the concept of management training and through the idea that universities should be organised so that everybody who enters a university and comes out the other side has a basic understanding of the principles of good management. At the moment people are only getting that at work and sometimes they are getting something which is not the sort of training that we would necessarily want people to have.

CHAIR—In your submission you frequently refer to organisations such as the ILO who have established uniform standards in particular areas. When it comes to formulating standards, what is the relationship between the ILO and APEC. Which organisations should be taking the initiative in developing and establishing the standards in informed enforcing compliance?

Dr O'Donnell—I do not know actually.

CHAIR—APEC is a fairly voluntary organisation, with no rigidity as such. It is a fairly fluid organisation and that has been really one of its strengths. What is the relationship? You are citing to us a number of ILO conventions as such. How does one get that into practice?

Dr O'Donnell—I think that governments should be encouraged to provide support for the introduction of standards which are based on international standards. Governments should be encouraged to be aware of the major international standards. Governments should encourage both our trading partners and our own business people to be aware of the importance of prevention and benchmarking against these standards.

CHAIR—I accept that. But then how does one, in real terms, implement what you are advocating? You have an organisation that has no binding laws or rules and it is merely in good faith that the various economies who are members of APEC accept the goals that are set through APEC. How are you going to get them to adopt ILO conventions?

Dr O'Donnell—To a certain extent that is the sort of thing that could be done a lot more through universities. Universities and similar independent research bodies are the sorts of institutes that are well placed to undertake the research into the most important risks that need to be controlled and to identify whether an organisation in a trading partner country needs a certain kind of training to bring it up to a particular kind of standard. I suppose university to university or research institute to research institute links to develop reciprocal agreements on standards are the sorts of links that need to be made to support business development in the countries.

CHAIR—As I understand it, your submission describes the ILO conventions as basically providing a potential set of minimum duty of care principles. How do you see that applying?

Dr O'Donnell—There are lots of ways it could be applied. For example, universities could go over and do the sort of thing that is being done by the University of New South

Wales in Indonesia. Indonesia has passed the equivalent of Australian occupational health and safety acts and has quality management audit principles in its law. The University of New South Wales's Department of Safety Science goes over and trains auditors for the Indonesian government.

In November I went over, for the University of Sydney, to Hanoi and we demonstrated the safety map—that is, the quality management principles—that is used by the Victorian government in support of its occupational health and safety legislation. We basically did a four-day training course showing what the principles of duty of care are in the Australian context and said, 'Would you be interested in having more training done?' In Hanoi they have just passed—

CHAIR—But that could happen without APEC, could it not? What is APEC's actual role? That is the question that is confronting this committee. How are we to operate within the APEC forum? I mean, there are other fora around as well.

Dr O'Donnell—Yes. I do not know enough about the specifics of the administrative frameworks of APEC. I suppose my perception was more from the perspective of what needs to be done to support APEC and make APEC work, the supportive framework to assist APEC.

CHAIR—Let me quote something that came out of the economic leaders meeting in Vancouver last November. It states:

Achieving sustainable development remains at the heart of APEC's mandate. Equity, poverty alleviation and quality of life are central considerations, and must be addressed as an integral part of sustainable development. We have made a commitment to advance sustainable development across the entire scope of our workplan.

That was from the statement 'Connecting the APEC Community' of 25 November 1997. Where would that statement that came out of the leaders meeting sit with your concept of APEC? Where do the ideas that you are putting to us fit within that statement?

Dr O'Donnell—I think they dovetail very closely. I suppose, for me, APEC represents a statement of principles that this part of the globe wants to follow. If in fact APEC agreements represent a statement of principles then they ought to be used and they need to be used by governments as the policy statements which should guide the distribution of funds by government and the distribution of support mechanisms from country to country. I suppose I see APEC predominantly as providing guiding principles for policy frameworks within nations.

CHAIR—What therefore is the role of the Australian government?

Dr O'Donnell—I think the role of the Australian government should be to set up structures in Australia which support APEC principles. From where I sit that means setting up structures which allow the universities to plan nationally to support the goals of APEC whereas at the moment they do not do that.

CHAIR—If they do what you say, does that require additional funding from the government?

Dr O'Donnell—It may require some additional funding but I think, principally, it requires a structural reorganisation—a change of culture away from a collegiate culture towards a planning culture, a culture which already exists in industry and in other parts of the economy.

CHAIR—Wouldn't this come about naturally by the cooperation between the business community and the university community now?

Dr O'Donnell—Unfortunately, I do not think it does sufficiently. I am sure it does in many areas of the university but, in many others, I do not think it does. For example, the Industry Commission inquiry into occupational health and safety suggested that the research goals in the occupational health and safety area tended to be very esoteric and academic, and that they were not research goals which were prevention focused or applied enough. The employers thought that and the trade unions also thought that. Another thing that is addressed in my earlier submissions is that the goals of the university and the incentives are structured to publication in peer review journals rather than structured in support of business.

CHAIR—But I thought that universities were becoming far more commercially oriented in their approach and that there was a far greater cooperation—an intertwining—between the university community and the business community.

Dr O'Donnell—I am sure that that is true. But I am suggesting that there are many areas of the university where that could be done even more effectively. The areas of commercial cooperation that I would most like to see happening—that is, the standards setting areas—are not happening so fast. It is more likely to be occurring in the money making areas where commercial advantages are readily apparent than in the areas that I am interested in—that is, health and sustainable development—because, often, the commercial benefits of that are not so obviously immediate. Those are the areas that I would like to see supporting more development.

CHAIR—Thank you for your time with us this morning. We appreciate your comments.

Dr O'Donnell—Thank you.

[9.30 a.m.]

RANALD, Ms Patricia, Senior Research Fellow, Public Sector Research Centre, University of New South Wales, New South Wales 2052

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. Do you have any comment on the capacity in which you appear before the committee?

Ms Ranald—I am appearing as a researcher doing work on APEC.

CHAIR—The committee has before it a written submission from you, dated 13 August 1997. Are there any alterations you would like to make to your submission at this stage?

Ms Ranald—No. The situation has moved on a bit from there, and I would like to make some remarks.

CHAIR—The committee has already made the submission a public document. I now invite you to make an opening statement, and then we will proceed to questions.

Ms Ranald—My comments are made from the perspective that we do need to expand our economic, social and cultural links in our region. Our approach to APEC is currently limited because it deals mainly with economic issues and does not address sufficiently the social impacts of economic liberalisation. The other part of my argument is that we need to develop democratic participation in both policies and structures of regional and global organisations like APEC. APEC is obviously a regional organisation but it fits into a wider pattern that includes the WTO, et cetera.

I would argue that we need to separate the enthusiastic ideology of globalisation from the real trends in the global economy. Some use globalisation as a justification for what I would regard as fairly extreme policies. In reality, the crisis in Asia shows the dangers of liberalisation without adequate regulatory frameworks. I will elaborate a bit on that at the end.

There is a broad range, in fact, of possible policy responses to globalisation trends. If you look, for example, at the European Union, which is the other part of the studies I am doing at the moment, it has combined a trade liberalisation agenda with transnational democratic structures and regulatory and social programs intended to address some of the social impacts of liberalisation. I am not suggesting you can just transfer those structures into our region but I think you need some kind of structure to deal with those issues. It is interesting that, in the European Union, member states also retain national regulation in many areas. Indeed, liberalisation would not have been politically viable without these features.

We also need to clearly define the role of the nation state in determining policy, and not abrogate this role to global market forces, nor use trading agreements as an excuse to implement policies without public scrutiny. I also think we need to carefully assess claims of

massive employment growth and gains from trade liberalisation. These are often based on economic modelling that only counts potential benefits and not costs. I think this has been clearly demonstrated recently by the wide range of results that various economic models gave on the gains and losses in employment, in the studies of the impact of tariff reductions in the vehicle, clothing and textile industries in Australia. So we had the Industry Commission predicting huge consumer gains and very few employment losses from, say, certain changes in the vehicle industry, and then we had a number of other studies which came up with quite different results, both in consumer gains and employment losses.

One of the problems with what I call the 'ideology' of globalisation is that often, if those sorts of studies are done before the event, they are made on the most optimistic assumptions and then, after the event—for example, with the North American Free Trade Agreement—the actual gains are much smaller in reality. Looking at the studies done following NAFTA—studies done by the US government itself and by academic institutions, and I have quoted them in my paper—the employment losses from increased manufactured imports and moves of manufacture into lower cost regions have actually balanced or outweighed gains from increased exports in agriculture and services, in the case of Canada and the United States.

Mexico has experienced growth in manufacturing in the export processing zones in the border region, but it has also had huge employment losses in agriculture, in smaller enterprises that have been replaced by the large export processing zone enterprises, and in the public sector and services areas. I am suggesting that we need to be a bit more sober about exactly what the gains and losses are from liberalisation, and that that is a better basis for making policy decisions.

If we look at APEC more specifically, it was originally intended to facilitate the Uruguay Round of GATT in the region, and the ultimate goal of APEC is zero restrictions on both trade and investment by the years 2010 and 2020 for industrialised and developing countries respectively. But we need to recognise that both the WTO processes and the APEC processes have moved far beyond tariff reductions to areas of policy like competition policy, privatisation of infrastructure, government procurement, investment, regulation and financial services liberalisation, and these have major policy implications which largely have not been publicly debated or scrutinised before governments make commitments. Many of these have also been resisted by the developing countries in APEC, which wish to retain a wider range of policy options for economic development.

It is worth noting too that medium sized economies like Australia that are net importers of investment capital may also wish to retain some regulation of foreign direct investment in some sectors. It is interesting to note that the Australian government has listed 29 exceptions in the multilateral agreement on investment negotiations taking place in the OECD. I know it has not officially acknowledged these, but they have been extensively leaked to the media and, in my discussions with Treasury officials, it is pretty clear that there are policy areas where the government still wishes to retain options for regulation investment, and it is also pretty clear that there is a popular view about this too, in terms of the political debate.

Differences on these and other issues mean that there are strong conflicts in approach between APEC member states. For instance, the United States prefers a more binding and more rapid liberalisation, if you like, particularly in areas like investment, and it also prefers a binding agreement, whereas the ASEAN countries and Japan have favoured a non-binding agreement based on voluntary concerted unilateral arrangements and open regionalism, and this in fact the type of agreement that APEC remains.

Theoretically, that should mean that APEC is more open to public debate and scrutiny but I think that the narrowness of the APEC structures and the narrowness of its agenda have limited democratic participation and discussion of the social impacts, in particular, of its economic policies. Only business, government and a few academics are represented in APEC structures and the agenda is confined to a narrow definition of economic issues.

It is true that there have been statements in the leaders' statements about sustainable development, about equity and so on but I think when you get down to the level of the actual working groups it is actually quite difficult to get practical things on those issues inserted into those agendas and to get governments to agree to specific things about them. They find it much easier to agree about liberalisation issues.

I think we can also see that the APEC action plans themselves have been uneven with few countries, including the United States, going significantly beyond the Uruguay Round commitments. However, APEC has been successful in influencing the rhetoric and policy agenda in the region in a liberalising direction, so that there are now agreed statements on liberalisation, investment, privatisation of infrastructure and so on.

Australia has been an enthusiast for unilateral tariff reduction and other liberalisation over the last two decades and under successive governments. While there is no doubt that tariffs needed to be reduced over this period, the existing and planned reductions in our average levels and sectoral levels are in fact very competitive if you look at them compared with, particularly, other members of APEC.

As the debate on the vehicle and clothing, textile and footwear industry showed, there would be industry and employment losses involved in rapid reductions below the level of our trading partners. In fact, I do not think there is a lot of evidence that a unilateral move to zero tariffs would be of benefit to Australia.

What I am suggesting is that we should be more cautious about unilateral liberalisation and look more closely at what our trading partners in APEC are doing and at exactly what the gains and losses are from our own proposed policies as was done with those two industries.

It is worth noting that the current Australian commitments on competition policy which we have already implemented and privatisation go beyond the commitments made by many of our trading partners and that some of these are, in fact, specific government policy rather than requirements under APEC.

I also deal in my paper with critics of APEC and I note that they come from both the right and the left of the political spectrum. I think it is important that we reject the perspec-

tive which derives from isolationism and racism—the Pauline Hanson perspective, if you like. But there are legitimate criticisms to be made of the narrowness of APEC structures and its agenda and the exclusion of wider social representation, particularly, from its structures and wider social issues from its agenda.

In 1996 in Manila and in 1997 in Vancouver there were large and representative conferences and demonstrations of thousands of people organised by unions, environmental and women's organisations, human right organisations and indigenous groups asking for these issues to be included in the APEC agenda. These are issues like labour rights, environmental concerns, equity for women, human rights and issues of concern to indigenous people.

If we look at the reason for the development of these popular interventions, if you like, into the APEC process, it is fairly clear that, particularly in developing countries, rapid liberalisation and very stiff competition, especially through the use of export processing zones, do result in increased manufacturing employment. But this may not balance losses in employment in areas like agriculture and small and medium enterprises. So you get huge social change if you like from rapid liberalisation.

In these export processing zones there are also extremely oppressive working conditions, which have been very well-documented. I give some examples and references in my paper. These violate basic International Labour Organisation conventions, which many APEC members have ratified. Often, particularly in export processing zones, there are no minimum health and safety standards observed and workers do not have the right to organise, collectively bargain or even protest about any working conditions. Many of these workers are young women, and they often suffer sexual harassment and other discriminatory policies like compulsory pregnancy testing. There are also well-documented cases of deaths from factory fires in Thailand and China, where workers have been locked in with no proper evacuation procedures when fires have broken out. In places like Indonesia, for example, there are also documented cases of actual repression of workers who have attempted to organise.

The current crisis in the region magnifies these concerns about rapid liberalisation. There is mounting evidence that the crisis itself was in part caused by the liberalisation of financial regimes in the countries concerned, without sufficient internal or transnational regulatory arrangements. Consistent with APEC's agenda for investment liberalisation, Thailand, Malaysia, Indonesia, the Philippines and Korea welcomed massive increases in speculative private investment. These were funded by banks' and corporations' overseas borrowing, without any coherent regulatory framework. This led to spiralling real estate and stock market prices, which fuelled further borrowing. When the bubble burst in 1997—in Thailand it started at the end of 1996—banks and corporations were overextended and unable to meet loan repayments. The international currency markets then dumped their currencies, resulting in massive devaluations and shortages of foreign exchange. Then, at the Vancouver meeting, the APEC leaders were preoccupied with attempting to devise International Monetary Fund sponsored loans to repay the private transnational lenders and restore the confidence of currency markets.

The impact of the crisis and the IMF programs on the people of East Asia is massive unemployment, price rises, cuts in wages and government services and privatisation.

Unemployment and loss of purchasing power is likely to degrade working conditions even further.

It is important to note that the crisis was not caused by government debt, which was low in all those countries. What the IMF loans will do is repay funds owed by private companies to private banks, which are mostly in Japan, the United States and Europe. But the IMF economic programs which are imposed in return for the loans are modelled on the old IMF formula which involves cutting back government expenditure, further privatisation and further liberalisation.

It is interesting that a growing consensus that there may be problems with this formula has emerged, particularly in the last month. In a situation where the private sector has literally collapsed, it may not be appropriate for government to also be cutting back. In fact, as I understand it, the Thai and Indonesian IMF programs are now being renegotiated. What this shows is that liberalisation is not the answer to everything; you have to take account of the social impact of policies, and the IMF formula which was developed in the 1980s to deal with situations of government debt is not necessarily appropriate in this situation.

This crisis is also resulting in quite big outbreaks of social unrest in places like Indonesia and in potential social conflict in the other countries I have mentioned. So I think the severity of the crisis and its impacts and the potential for social conflict—indeed, the actual social conflict that is occurring and the potential for instability—points to the fact that these liberalisation programs do need more consideration of social impact and more popular participation in policy-making, if you like. This is what non-government organisations have called for in APEC structures. They have also called for a broadening of agenda to include the social and environmental impacts of liberalisation. I think there is a danger of massive political instability if there are no measures to address the social impacts of both the crisis itself and future liberalisation in the region. This would in turn prolong the crisis and its impact in Australia.

Senator QUIRKE—Early in the address you made you talked about job losses and tariffs and gave the example of recent decisions by the Commonwealth government in respect of textiles and cars and all the rest of it. Whilst it is true that there have been job losses in the car industry in particular—I think textiles is probably a different case, but certainly in the last 20 years in the vehicle industry there has been a significant reduction in employment here in Australia, both in the car manufacturing plants and all the downstream componentry that goes with it—I suspect that in many respects had we not gone down the road of tariff reduction, staged reduction, we probably would not have an industry here at all now.

We are much more world competitive. As I understand it, we are not yet as close to some of the European car plants, Japanese car plants or Korean car plants as indeed we ought to be—certainly, before we consider any further tariff reductions. But, in essence, we now have a much more viable internationally competitive car industry than we have had for probably two or three decades. How do you see that going? Do you think when we get to the next critical decision time, which I understand leads up to 2005, we should be talking about further tariff reductions or should we put the whole thing further still on hold?

Ms Ranald—I should say that I have said clearly in my paper and in my statement that I think we needed the current tariff reduction regime. What I am talking about is precisely doing what we have done this time—that is, looking more carefully at further reductions and at planned reductions. When the current program comes to an end, we will have to assess carefully what the state of the industry here is and what our trading partners are doing in terms of tariff. In other words, I do not think an ideological approach which blindly says, ‘We have this target and we must get to zero by that date,’ is the sensible one. I think we have to assess at the time, do the real sectoral studies about employment impacts and other impacts on the economy, look at what our trading partners are doing and take a more pragmatic approach, which is what most of our trading partners do. I think there has been a tendency to be too ideological in some of these approaches.

Senator QUIRKE—Further on you talked about the IMF packages that are now currently being debated, particularly in Thailand and Indonesia. We had evidence yesterday at the hearing that, in fact, the Indonesian government is considerably in debt; that, in fact, of the \$US120 billion which the Indonesian nation owes, the government and private debt are about equal. In fact, the government debt is somewhere in the region of \$US55 billion to \$US60 billion. You mentioned that predominantly you thought most of the debt was private. Do you have any idea of what the figures are for Thailand?

Ms Ranald—No. What I do know is that, before the crisis hit, most of those countries had either small budget deficits or near balanced budgets. As the crisis has proceeded, particularly in Indonesia, because of the currency devaluation the actual value of the government debt in US dollars has blown out, obviously. There has also been discussion—and I am not sure how far it has gone in Indonesia—of the government actually assuming the debt for some of the private companies. So part of the IMF program is in order to stabilise the situation, as they see it, and the government has sort of swapped government bonds for private corporate debt. Obviously that increases government debt. But it is not because of profligate government spending; it is the government assuming the debts of private corporations. All of those factors would have to be looked at. In the case of Thailand, before the crisis hit they did not have excessive government debt.

Senator QUIRKE—Do you know roughly what percentage?

Ms Ranald—No, I do not have the figures with me.

Senator QUIRKE—But it is overwhelmingly private debt in Thailand, is it?

Ms Ranald—Yes and all the commentators have said that, at the beginning of the crisis, there was not a problem in any of those countries with either budget deficits or government debt. The borrowing which took place was overwhelmingly private; and it is not just me saying this but also very prominent economists. I do not know whether you saw the *7.30 Report* last week on which economists like Professor Sachs from Harvard University and Professor Hale were commenting that it was largely private debt.

As I said, the government debt has ballooned because of devaluation and because of the takeover of private debt by government. That is a development of the crisis, if you like, rather than a cause of it.

Senator QUIRKE—You postulated further on increased regulation as a response to particularly the crises in Asia, and you gave the European Union as one of the examples of how to deal with that. Obviously APEC is a much less binding, much more open forum with sovereign nations that are not prepared to come into arrangements such as those that exist in Europe. Could you give us examples of some of the ideas you may have about what part Australia could play in that in terms of encouraging this transnational regulation at this end of the world? What sorts of things should we be contemplating?

Ms Ranald—We need to open up both the APEC agenda to make it broader in practice and the structures to wider participation by non-government organisations, in particular organisations like unions, human rights organisations, women's organisations, indigenous organisations and so on. Unless that happens there will continue to be a very big gap between the APEC policy and its impacts on people and the popular response to those policies.

Senator QUIRKE—What about financial regulation? I got the impression from what you were saying that you thought there should be other measures taken to try to stem the flow of particularly the loans that have gone to some of the societies that really, in the long run, were never going to be sustainable.

Ms Ranald—There are two aspects to financial regulation. You need good national systems of financial regulation, which were not in place in a number of these countries. You also need a better international system; and that is not just a regional question, it is a global question. I do think—and, again this is something that is being discussed at all sorts of policy levels now—that the crisis in Asia, which began in the financial sectors of those countries, has been exaggerated by the fact that there is not a proper global regulatory framework.

The kinds of measures that are now being discussed more seriously in all sorts of policy forums are things like the Tobin tax on currency speculation, which would regulate currency speculation in that it would be a very low tax on turnover for currency transactions, but it would discourage very short-term and speculative—just in and out—currency transactions. It would also deliver revenue to governments that could be used to address the social impacts of liberalisation and deregulation.

In practice, there have been other forms of regulation going on in the international financial system: various arrangements between the G7 and other currencies to address the kinds of fluctuations that occur if you just leave it to the market. There is no doubt that the crisis in Asia has been deepened by the unregulated nature, particularly of currency movements, and that there is now more serious consideration in all sorts of policy forums about some better global regulatory measures. Our government should start looking seriously at those.

Senator QUIRKE—Finally, you mention competition and privatisation policies here in Australia as going beyond most other societies in APEC. It is obviously going to be one of the conditions of the IMF, not only for trade liberalisation but in many of these societies where competition is going to have to be brought in and presumably privatisation of a number of state enterprises as well. The impact of these things is going to be much more

considerable in other societies, particularly Indonesia, where there are a number of state monopolies and things like that. Do you think these should be dismantled fairly quickly or do you believe that it should be a staged process, particularly in Indonesia where there is a strong smell of corruption around particular monopolies that have been allowed to be created in the last 30 or so years?

Ms Ranald—You have to look at all of these issues separately, although they overlap. There is no doubt that in some of these countries there are state owned monopolies that cooperate in dubious ways with private and non-private investment. You also have to look at how countries develop indigenous industries. I do not necessarily think that should be done by state owned monopolies, but I do think that countries or states should have some options about economic development.

What is actually happening in places like Korea and Indonesia is that all of those companies are likely to be bought up at bargain basement prices by external investors. The ideologists of globalisation would say it does not matter; that it does not matter if the entire Indonesian economy is owned by foreigners. But I do not think Indonesians think that.

There have to be some options for development of indigenous, locally owned companies. Historically, in those places that has been done through the state. It does not necessarily have to be done through the state. There is a big danger of a backlash if everything is just bought up by external investors. I do think that lessens the options for development of domestic industry policy, particularly in the context of liberalisation of investment rules which also say that you cannot put conditions on foreign investors. That is what the multilateral agreement on investment is about.

Senator LIGHTFOOT—I have a couple of questions, Ms Ranald. They relate, although not exclusively, to what I would call extraneous matters with respect to APEC's usual agenda. You mentioned subjects like rejecting racism of the Pauline Hanson type, issues of concern for indigenous people, sexual harassment and so on. I wonder whether they are not subjects that might cause APEC to lose its way. I do not know of anyone that supports any of those things such as racism. It does support concern for indigenous people and certainly does not support sexual harassment. Why bring those subjects in?

Ms Ranald—I was referring to those in the context of what actually happens in situations of, say, rapid trade liberalisation and in the export processing zones. I have read case studies of export processing zones in places like Thailand, China and Indonesia where the entire work force is young women. They are not allowed to organise, to make any protest about their conditions or to have any say in their own working conditions. They have compulsory pregnancy tests when they arrive to make sure they are not pregnant so they will not have to be granted maternity leave—

Senator LIGHTFOOT—What countries are they?

Ms Ranald—Thailand, Mexico—

Senator LIGHTFOOT—Is that something that happens invariably?

Ms Ranald—It is documented. I can give you the documentation if you want it.

Senator LIGHTFOOT—Perhaps the committee would be interested in some of those documents.

Ms Ranald—They are also subjected to monthly pregnancy tests, as a condition of employment, to make sure they do not get pregnant. I think that is an unreasonable set of—

Senator LIGHTFOOT—Is this done by all employers in Thailand?

Ms Ranald—No, it is not all employers, but I am talking about a pattern which has developed in those export processing zones and which is to do with the pressure of competition, where employers act in a way in which, because of the pressures of competition, they are not prepared to concede what we would consider to be basic human rights and employment conditions for their employees. I am saying that those sorts of conditions are not acceptable to anyone, I would think. If liberalisation and export processing zones are contributing towards those sorts of working conditions, then I think that within the APEC framework there should be some addressing of those basic employment conditions.

Senator LIGHTFOOT—Would they not be better addressed through, say, the different fora that the United Nations have? That would then encompass places like Afghanistan, Pakistan and other areas where there is serious exploitation. Some of those countries say that it is part of their culture that women should be treated in this manner—something that I vehemently disagree with—but would the United Nations be a better forum?

Ms Ranald—The United Nations does deal with these issues at the level of developing standards and basic codes of conduct, if you like—the UN basic labour rights code and so on. The question is in implementing those standards. We are talking about APEC. We are not talking about Afghanistan or wherever. I am suggesting that, because those working conditions do actually exist in APEC countries, APEC should be concerned about that as an organisation and try to do something about it.

Senator LIGHTFOOT—What about the issues concerning indigenous people in countries of APEC other than Australia?

Ms Ranald—Again I think there is a lot of evidence, in places like the Philippines and some parts of Malaysia, that the competitive pressures of liberalisation mean that there are very rapid processes of logging, mining exploration and so on which do impinge on the lives of indigenous people. I am not saying that those development processes should not take place, but there should also be processes by which those people can have some say in that development and some democratic participation, if you like, in those processes. In fact, what is happening in some areas of the region is that, in the face of those sorts of developments, indigenous people are simply being driven off their land and have no place to go.

Senator LIGHTFOOT—Where do they in fact go? Obviously they go somewhere. I know you do not mean that literally; where do they go in those cases?

Ms Ranald—Often they end up living in shanty towns on the edge of the nearest town.

Senator LIGHTFOOT—You are as aware as anyone in this room that the Australian farm sector is among the most efficient, and in some cases the most efficient, in the world, particularly in the areas of, say, sugar, wheat and rice, and yet it does this with the impost of some tariff protection in certain areas that is detrimental to that farm sector. I think you said that zero tariffs would be of no benefit to Australia. Yet to some areas of the farm sector it would with respect to imported machinery and so on. Wouldn't you agree?

Ms Ranald—I think you have to look at the whole economy—

Senator LIGHTFOOT—Let us look specifically at the farm sector.

Ms Ranald—I do not deny that lower tariffs have benefited the farm sector and other parts of the economy too. My criticism is having an unquestioning target of zero tariffs by a certain date without looking in practice at the actual effect of that on various sectors of the economy and the economy as a whole. That is what I was saying.

Senator LIGHTFOOT—What do you think about the stepped or graded tariff reduction announced by Mr Howard in the middle of last year with respect to the motor vehicle industry?

Ms Ranald—I said in my paper that that sort of proposal was preferable to other proposals which were on the table at the time, which were for more rapid reduction without looking at the actual impacts of those reductions on particular sectors and the economy as a whole.

Senator LIGHTFOOT—There are some countries, and Australia and New Zealand are two which particularly spring to mind, that have been the leaders in tariff reductions. Some other countries in APEC have not. Do you think that more pressure ought to be brought to bear on those countries that still have high tariff protection? China, for instance, not only enjoys tariff protection but inhibits, or prohibits in some cases, our exports to that country. It also enjoys, if I could use that term, very cheap labour with long hours and no peripheral benefits to workers. One US dollar a day is not unknown across a wide cross-section of employment in China, yet they still have tariff protection. How can we have the often quoted level playing field where you have no tariff protection and you have a high wage structure like Australia with a minimum wage of, say, \$325?

Ms Ranald—I am not quite sure where your question is heading.

Senator LIGHTFOOT—There is a double impost on Australia by dropping its tariff protection more rapidly than some other members of APEC, yet those members of APEC that still enjoy tariff protection have a low wage structure as well, which is detrimental to Australian manufactured goods and particularly its exports.

Ms Ranald—What I am saying is precisely that our approach in APEC should be a more negotiated and pragmatic approach; that, rather than having abstract targets, if you like, we should be looking precisely at what our trading partners are doing and looking more closely at what the actual effects of their changes and our changes will be on the Australian economy.

I should say that the World Trade Organisation framework—the GATT framework—does recognise that developing countries have a need to build up industries, so there is a recognition that it is reasonable to have some sort of difference in tariff levels between developing and industrialised countries. That is why, for example, the APEC targets 2010 for industrialised countries and 2020 for developing countries. I think we need to recognise that but, having said that, I think we also need to take a more negotiated and pragmatic approach than has been the case.

Senator LIGHTFOOT—Would it be fair to have, say, a country by country or a case by case study of that country before pressure was brought to bear to force them to reduce tariffs in line with the consensus recommendations?

Ms Ranald—I think the APEC framework is a negotiated framework. I am not sure that unilateral sanctions, which is what you seem to be suggesting, is the best way to go within an APEC framework.

Senator LIGHTFOOT—When the United States has a trade imbalance of well over \$100 billion with Japan and China, how can the apparent antagonism be resolved if both of those countries continue to defy the recommendations under APEC? Is APEC then relevant?

Ms Ranald—Sorry, which countries are you saying defy—

Senator LIGHTFOOT—I am saying China and Japan, with their trade imbalance with the United States in particular. How can we prevent that growing antagonism from acting in a detrimental way to the goals of APEC? It is not all about tariff barriers, but the farm sector in Japan is still not open to equal opportunities between Japan and the US, and obviously Australia. China has goods that are produced in some areas by people who have been incarcerated and by the dollar a day wage structure they have. Why wouldn't the US put tariff protection on against goods that are produced in that fashion?

Ms Ranald—I guess you have to look at the framework of liberalisation again and how these things can be negotiated. I agree with the point that different states have different objectives within APEC and that is why APEC remains a very loose organisation, to accommodate those different objectives. I do not think it is possible for APEC just to become a means by which the United States reduces its trade deficit, because obviously there are other states in APEC which have other interests and therefore it is a negotiation, like all trade agreements. I am not sure I can comment further on that.

Senator LIGHTFOOT—That does not actually answer what I was trying to get at. If one looks at all the contributing factors that precipitate tariff protection, one of those must be at least the cost of production of similar goods in countries like, say, China, and the cost of production of those same goods in, say, the United States, where it is significantly higher. Isn't it unfair for tariffs to be removed on those goods by the Americans—by people in the United States—when those same goods are being produced at a fraction of the cost because of the labour component?

Ms Ranald—I guess you are coming back to some of the issues I was raising earlier—

Senator LIGHTFOOT—Yes.

Ms Ranald—Which are that one of the dangers of rapid liberalisation is that you can get a downward pressure on wages and working conditions if you have very intense competition. You can address that through tariff barriers, but I do not think that is a very progressive way of addressing that problem.

Senator LIGHTFOOT—What other way is there?

Ms Ranald—I think the other way is to address the problem of how to improve living standards in those countries where industrialisation is taking place and where wealth is being produced but it is obviously not being redistributed through the wages system adequately to those people who are working in those industries.

Senator LIGHTFOOT—I did not know that we had this influence.

Ms Ranald—I am saying that I think APEC should start addressing those issues—issues of the social impact of liberalisation, basic labour standards, health and safety standards and so on. That would mean that the living standards and working conditions of those people would be improved and that huge disparity that you are talking about would become less.

Senator LIGHTFOOT—I go back to my earlier question. If you did introduce some of those environmental and social issues that embrace some of those others that you spoke about such as racism and indigenous people's rights and so on, wouldn't that then tend to give APEC a different focus—a different emphasis—other than the one for which it was designed?

Ms Ranald—I guess my argument is that you cannot totally separate economic impacts from social impacts. If you devise a liberalising regime which intensifies competition and tends to drive down working conditions, in my view, if it is going to be politically and socially viable, it has to address those issues as well.

Senator LIGHTFOOT—In your view it has to address those issues.

Ms Ranald—I don't think it is just my view. I think the reason that you have a social movement which is critical of APEC, which consists of all the organisations I spoke about before, is precisely because there are real impacts on people from these processes.

Senator LIGHTFOOT—I have enjoyed talking with you. Thank you very much.

Senator SANDY MACDONALD—I have a general question and then some more particular questions. What impact do you think the so-called Asian meltdown will have on trade liberalisation?

Ms Ranald—I think that is difficult to predict actually. In those countries which are actually experiencing IMF programs, they will have to liberalise further as a condition of the program but I think there is a real danger that, if the social impacts are not addressed, there will be a growing popular resistance to trade liberalisation.

Senator SANDY MACDONALD—When I heard you speak and read your paper, I could not quite get the perspective from which you are coming. Are you coming from the Australian perspective or are you coming from the role that APEC plays? One of the things you said was that Australia's commitment to the pursuit of unilateral reduction of tariffs is not pragmatic. I would answer that by saying that our commitment to tariff reduction is based on WTO negotiations and undertakings, the GATT negotiations, the Uruguay Round negotiations, our regional agreements and our one-to-one negotiations with countries on the basis that, if they like you or they need your product, you can do business with them. I think we have been very successful in doing that—both this government and the previous government. I take issue with your statement that we are pursuing unilateral reductions in tariffs.

Ms Ranald—I think there has been a trend in official thinking—here I am talking about, say, the Industry Commission view, and I have read a lot of Industry Commission documents; it is not just related to this government; it is over several governments—not necessarily in whole of government thinking but a very strong set of advice which the government gets from bodies like the Industry Commission, parts of Treasury and so on, which has what I would call a rather abstract and ideological approach that Australia should be right out there in front leading by example and that objectives like zero tariffs, which were advocated by the Garnaut report, for example, are sensible policy objectives.

All I am saying is that we were correct to have reduced our tariffs but we have to be more pragmatic about what the real effects of further reductions will be, given that we are now in a situation where our tariff levels are quite competitive. What I am saying is that we should not pursue these kinds of abstract objectives. We should look very carefully and pragmatically at what the real impacts are and what our trading partners are doing and, when it comes to 2005, for example, we should sit down and look at that again, and not just say, 'Our next objective is zero.'

CHAIR—I would like to follow on from that, because we have had evidence before the committee that says, in effect, that even though you might unilaterally reduce your tariffs, and there is a perception that you do not thereby have a level playing field, because you have taken the action to reduce your tariffs before others, you are better placed in the longer term to create real jobs in your community.

Senator SANDY MACDONALD—You are creating the level playing field.

Ms Ranald—I think there is a limit to that argument. You have to look at what the real impacts are in your own economy and what your trading partners are doing. That is an ideological position. There is economic theory which even suggests that zero tariffs may not be the optimum situation. I do not know if the committee is—

Senator SANDY MACDONALD—It seems that economists disagree on almost everything but one thing they all agree on is that a reduction in tariffs is beneficial to all.

Ms Ranald—Reductions can be beneficial in a lot of situations, but that is different from saying that you should move to zero in all sectors for everything. It depends on what the shape of your economy is and what your trading partners are doing. For example, the whole

argument about the car industry was partly to do with whether we should have a car industry in Australia and, if so, under what circumstances it could be competitive. You can take an ideological position and say, 'We should just move to zero tariffs and if the car industry disappears it does not matter.' Others would say that in an economy the size of Australia it is very important to have a car industry, because of its strategic role in the economy and its effect on research and development, because of all the spin-offs that you get from having that industry. The same could be said of steel. You have to look at all those sorts of issues and not just at abstract targets.

Senator SANDY MACDONALD—That is right. I do not think anyone would disagree with that. The technical development and standard of manufacturing we have in our motor vehicle industry is greatly superior to what we had before the very high levels of tariff were taken off.

Ms Ranald—I would not disagree with that at all. I am not saying we should not have decreased tariffs. I am just saying we should look more carefully in the future.

Senator SANDY MACDONALD—So basically you would say that a commitment to individual industry, determining what those industries really require, is more important than an overall commitment to reduction of tariffs?

Ms Ranald—What I am saying is that you have to have both. All economic policy should be based on looking at what the real economy is, what jobs it produces, what exports it can produce and so on. It should not be based on abstract targets or formulae. So I agree with you that tariff reduction has been beneficial in those industries. What I am saying now is that from this point onwards we should look carefully at what our trading partners are doing and what the real effects in our economy are.

Senator SANDY MACDONALD—But why?

Ms Ranald—Because I think there is a danger that, if we just proceed on the basis of abstract targets, certain industries would disappear.

Senator SANDY MACDONALD—If we had proceeded on the abstract targets that were placed over the last 10 or 15 years, no tariff reductions would have taken place.

Ms Ranald—I do not think that is true. What in fact happened from the 1970s onwards was that there was a process in those industries which involved labour, employers and government where there was a series of negotiated plans put in place for tariff reductions. There were also programs put in place for retraining of displaced workers and so on. That was an important process to go through.

Senator SANDY MACDONALD—I have one final question. With respect to the educational process that has to take place in the community to move forward in big social, economic and employment changes, how is it possible to make people aware of the economic advantages of trade liberalisation?

Ms Ranald—Part of my argument is that you cannot really do that unless they are involved in some way in having a say in the policy process and having some input into these international forms of regulation, which is what they really are. I think that the danger with globalisation is that people will feel absolutely disempowered and alienated and feel that decisions are being made by these international structures into which they have no input and no say. That is one of the reasons that, in answer to your earlier question, I said that there is a danger that there will be a reaction against. I think, quite frankly, that Pauline Hanson is that kind of reaction, in part, to globalisation. As well as just telling people about what these structures are and what advantages they might get from them, you actually have to have more forms of giving people a say in those structures and some say in policy. For instance, people who are losing their jobs because of what they perceive as trade liberalisation are not going to be convinced if you tell them, ‘Well, it is a good idea.’

Senator SANDY MACDONALD—Oh no, and this is the great debate of the 1990s. As I said before, it is cold comfort to a citrus grower who is going out the back door to be told that we export five times more citrus than we import, that we now export navels into California or that we export rice into Japan. But the plain facts are that that education process has to take place because it is important for Australians to understand that.

Ms Ranald—When I say that we need to be more pragmatic, I think we also have to look more carefully at what forms of liberalisation are really to our advantage and we have to listen to what people are telling us about that.

CHAIR—I have two quick questions. Firstly, in your view, will we reach the targets set under the Bogor declaration?

Ms Ranald—That is really difficult to say, given the loose nature of APEC structures and the impact of the crisis. In political terms, I think those horizons are still quite a long way away. That will really depend on the impact of the crisis in Asia and on, I guess, the impact of further liberalisation measures in particular countries. This goes back to my other point that, if you are going to have liberalisation, you need to have social programs to address the effects of liberalisation. If we have very rapid liberalisation and the social impacts are great and there are no programs to address those social impacts, then they will become politically unviable.

CHAIR—You mentioned the Industry Commission model. We are fairly much out of whack with what the reality was. One of the things that seems to be lacking in this area is any good modelling at all. Can you tell us where we can get hold of some good modelling which shows the impacts or predicts reasonably the impacts, or is modelling one of the real weaknesses in this area? Is it an area where everyone sits around and gets a warm fuzzy feeling that yes, we should liberalise, we should take down our tariff barriers, we should take down non-tariff barriers, but no-one really has a firm model that will predict the outcome of what people determine?

Ms Ranald—I should say that I am not an expert on economic modelling but I have read lots of the results of economic modelling. I do know, because I am a trained economist, that modelling depends on the assumptions that you put into it. What you get out of it depends on what you assume in what you put into it.

The problems with the Industry Commission model tend to be that they assume away effects like unemployment. They assume that any unemployment caused by the changes will be what they call frictional or short term, so they do not build it into the model. That is a very big assumption and it changes all the results of the model. There is an institute in Melbourne which does more detailed sectoral modelling and which has done studies of the car industry—for instance, the National Institute for Economic and Industrial Research. Dr Peter Brain has also done some recent studies. He also did a recent study of the impact of the crisis in Asia.

CHAIR—What is his name?

Ms Ranald—Dr Peter Brain. They do more sectoral modelling and they build employment assumption into their models, so it is possible to get models which do that. But all models have limitations in that they start with certain assumptions, so it is very difficult to build into a model all the permutations of the real economy.

CHAIR—The sorts of statements that are made in this area are that, if one liberalises, then one will see the creation of thousands of jobs. That sounds very good on the surface, but then the countervailing thing may well be that, whilst thousands are created there, thousands are lost there, so that the net effect is a zero gain. But we do not necessarily have good modelling which gives us some sort of predictable outcome so that we know the results—not exactly but within reason—before we launch into it.

Ms Ranald—I think that is right.

CHAIR—And that is a real weakness to me.

Ms Ranald—And I guess the point I was making is that governments often use optimistic models before the event to convince people about the policy. That is what happened in the case of NAFTA. There were some very optimistic models about benefits for all three countries in NAFTA, but the studies that have been done since of the actual jobs that have been lost, which I document in my paper, show a different story.

CHAIR—We will have to terminate there. Thank you very much for coming along and giving us the evidence that you have given this morning and for giving us something more to think about in this whole process.

Proceedings suspended from 10.39 a.m. to 11.02 a.m.

CONNOR, Mr Timothy John, Research Officer, Mineral Policy Institute, Level 2, 10 Bronte Road, Bondi Junction, New South Wales 2022

CHAIR—Welcome 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. The committee has before it a written submission from the Mineral Policy Institute. Are there any alterations or additions you would like to make to this submission at this stage?

Mr Connor—No, there is not.

CHAIR—The committee has already made the submission a public document. I now invite you to make an opening statement and then we will proceed to questions.

Mr Connor—Thank you, senators. First I would like to apologise quickly for my lateness. The trains are running late and out of timetable order, and my train was on Central Station for 10 minutes.

The basic thrust of the Mineral Policy Institute's submission is that APEC, along with other intergovernmental organisations, is aiming to enhance trade liberalisation. It is our belief that a result of trade liberalisation is that it enhances the power of transnational corporations in the global economy and hence enhances competition between governments to attract those corporations to their countries.

With that competition comes the danger that countries will attempt to gain short-term competitive advantage over other countries by gross exploitation of workers, indigenous communities and the environment. This in turn puts pressure on other countries to do the same. The danger is that this will result in a race for the bottom, in which all countries are forced to lower their environmental and human rights standards for fear of losing investment to other countries with lower standards.

This process has been very obvious over the last few years in the mining industry. Between 1988 and 1993 more than 75 countries introduced new mining laws, the main objective of most pieces of legislation being to attract more foreign investment. Two of our nearest neighbours, Papua New Guinea and Indonesia, are a good example of this problem. They impose no or minimal regulation on major mining projects and allow widespread environmental contamination. This has resulted in some of the impacts listed on page 2 of our submission.

If I can refer first to the second and third points which refer to the environmental performance of mines and environmental performance generally in APEC countries, a well-known example of this sort of environmental damage is, of course, BHP's Ok Tedi mine in Papua New Guinea which, until recently, was pumping 80,000 tonnes a day of mine waste directly into the Ok Tedi and Fly rivers. This resulted in heavy siltation of one of Papua New Guinea's major rivers, the death of fish, the destruction of farming land and the creation of an artificial flood plain. What is less well known is how common this sort of problem is.

On the other side of the same island, the Freeport mine in Irian Jaya is causing far more damage than Ok Tedi. The Anglo-Australian company Rio Tinto is funding an expansion of the mine which will lead to the dumping of 285,000 tonnes of untreated mine waste a day into the Ajikwa River. This is the equivalent of a 10-tonne tip truck dumping a full load of waste into the river every three seconds, or 20 10-tonne truck loads every minute. Already the large sediment load has changed the course of several rivers, destroyed almost all fish and plant life in the Ajikwa River, and created an artificial flood plain which is killing over 130 square kilometres of rainforest.

A third mine, the Lihir mine in Papua New Guinea, managed by Rio Tinto, will, over the course of its life, dump 89 million tonnes of cyanide contaminated tailings and 330 million tonnes of waste rock directly into the ocean in one of the richest areas of marine diversity on earth. The US government insurance company refused to insure the Lihir mine on the grounds that it may breach the South Sea protocol on the environment. But Australia's government insurance company, EFIC, has decided to insure the Lihir mine and has refused to release any information about that decision.

In terms of human rights - the first dot point on page 2 of our submission - the Freeport mine is a good example of the human rights issues associated with large-scale mining. The PT Freeport company provides transport, food, clothing and accommodation for the 1,800 Indonesian military stationed around the mine area. Irian Jaya is the most heavily militarised zone in Indonesia, far more militarised than East Timor. Human rights abuses by the military against the Amungme people, who oppose the mine, have been well documented and include murder and torture. As recently as September 1997, 60 people were killed by the army in the Mapadooma area as part of reprisals against mine opponents.

To move to the fourth dot point concerning a reduction in economic efficiency, and the fifth dot point concerning reduced regional stability, perhaps the best example of that is the Panguna mine on Bougainville, formerly owned by CRA now known as Rio Tinto. That mine was the major catalyst for a bloody civil war which has been extremely destructive both economically and politically in Papua New Guinea, as well as in terms of direct human suffering.

Unfortunately, all of the mines mentioned have a significant investment by Australian companies. These companies should not be able to escape environmental control by moving offshore.

In summary, if Australia's foreign policy objectives are to be advanced in the APEC region, mining and other industries need more regulation and not less. The current APEC negotiations are going in the wrong direction by creating a situation in which governments compete to attract foreign investment by forcing down environmental and human rights standards. Trade is not separate from human rights and environmental concerns; it has a direct impact on them.

The Mineral Policy Institute would encourage the Australian government—and I refer here to the points on the last page of our submission—to set up an ongoing working group as part of APEC to examine the impact of liberalising trade and investment regimes on the environment and on human rights in our region with a view to establishing clear and binding

agreements protecting the environment and social and human rights as part of every APEC agreement.

Senator QUIRKE—You have picked some graphic examples, and I have no doubt the veracity of your evidence is correct. But I think it is a shame really because the mining industry in Australia in the last 20 years is one of the industries that has actually come to grips with the very issues you people are espousing. In fact, whilst they have not been given much credit for that, mines in Australia today, particularly those that have been set up in the last 20 years—and I will give you the example: Roxby Downs is one of them in South Australia—have addressed a large number of these issues, much more so than the farming sector, much more so than other sectors of industry in Australia.

You have picked a couple of running sores up there to use as an example to make your case. But I suspect that the mining industry in Australia has a much better story than what you have said here today. I really want to make the point to you that without the mining industry you would freeze in the dark after 4 o'clock every afternoon and living standards and all the rest of it up in those parts of the world, as well as here, would be considerably lower if you were to take the blanket approach that I think you seem to be indicating here.

Mr Connor—Our argument is not opposing mining; we are not arguing that the mining—

Senator QUIRKE—Can you give me a mine you have supported? I would just be interested in that. Everyone says that, but I am just curious if there is a mine around the place that you have supported.

Mr Connor—Our role is to investigate the performance, particularly of the environmental and human rights performance of mines in the region, not so much in Australia. If we concentrate more on Australian mines, there has been, as you say, a significant improvement in the environmental performance in mines located in Australia over recent years. I guess our concern with APEC is that, because countries in our region are so desperate for investment, Australian companies will move offshore to escape the sort of environmental regulation and environmental performance that they have faced in Australia.

An example of that, I guess, is the question of indigenous rights. In Australia, obviously recently with the Wik decision, there has been a lot of opposition in the mining industry to Aboriginal people having the right to negotiate over mining leases. Recently, Western Mining took out full page ads saying that they were now exploring overseas and not exploring in Australia because of the uncertainty that this Wik decision was creating. Similarly, in the Philippines recently they brought in some legislation to protect indigenous rights in the Philippines and, again, mining companies moved out.

So there is this pressure on all countries, which APEC is part of, to not protect the rights of indigenous people, to not protect the environment because if you do mining companies and other companies will move offshore. We argue that APEC should be about raising the standards right across the region so that wherever a mining company places a mine there will be certain standards and certain legal controls which will be in place rather than these

countries playing each other off against each other to see who is most willing to have their environment exploited.

Senator QUIRKE—That is what happens here. One state plays off against the next, everybody is after a few bucks. They are after stuff that comes out of the ground if they can, provided a lot of your people will let them have it. They get the stuff out of the ground, they increase, they pay taxes. Certainly, they are a large contributor towards my wages. I do not know whether they contribute to yours or to your organisation, but they certainly contribute to all sorts of social benefits in this country. Mining companies pay huge amounts of taxes.

Most of South-East Asia, in particular, is desperately poor and has over half a billion people in there that they need to educate. Indonesia is a classic case. The current meltdown in Indonesia is threatening to jeopardise three decades of real and significant reform for the average Indonesian. Suharto has managed in Indonesia to in fact bring in a compulsory primary education for kids in that country, and now he is going into secondary education. He is no Marcos. He may well have done well for himself out of the whole exercise, but he has certainly done well for the average Indonesian. This is going to have to be paid for by something.

I understand what you are saying about some of these things here, but I think you should be encouraging the mining industry. They are doing a lot less destruction up there, in my view, from what I have seen of it, than what the current agricultural regimes are doing, particularly in Indonesia as we saw this year.

Mr Connor—I do not think my argument is that they should not have mines in those countries. Certainly, the advantage of the taxes that mining companies pay is an obvious advantage for countries to have mining companies in the region. My argument is that there should be standards right across the region so that whichever country the mines are located in they will have the same environmental standards and the same human rights standards that they need to meet so that, sure, there will be benefits that they will bring but they will not bring this widespread damage that they are bringing at the moment.

I am not arguing at all that there should be no mining industry involvement in these countries, but rather that whichever country mining companies explore and in whichever countries they build mines they should have the same standards right across the APEC region and that that is what APEC should be pushing for so that there is not this continual competition against each other driving standards down.

Senator QUIRKE—Your goals are laudable. The whole thing about it, though, I suspect, is pretty unrealistic because I suspect here in Australia that if you had six state premiers in this room here and there is a project going—and this happens quite often, not necessarily a mining project, but a loan centre for a bank or any one of a number of other things—they would all cut each other's throats. When they all go for a tea break around the corner somebody will cut the price from underneath all the others. That is what is going to happen in South-East Asia, I would have thought. I have been involved in this process at the state level.

CHAIR—A grand prix?

Senator QUIRKE—A grand prix is a very good example, and the Westpac Loan Centre, the Bankers Trust, Onkaparinga Blankets. I used to be on the committee that used to deal with all these things. That is life. That is the way it works, I am afraid. That is something you have to work within.

Mr Connor—I think there is a difference, though, with the grand prix and events like that in that no-one stands to lose very much from having a grand prix, as far as premiers are concerned, in their state. Some of the environmental damage that these mines cause is long term. It creates significant social tensions. I guess the Bougainville example is a classic example where Papua New Guinea gave CRA a lot of licence in how they ran that mine. There was a lot of environmental damage, a lot of local opposition, and the implications for the Papua New Guinea government have been disastrous. So I think it is in everyone's interest, in the long term, except perhaps transnational corporations, that countries begin to work together to establish these sorts of standards.

CHAIR—You are talking about standards right across the region. How do you get standards right across the region? That is the issue that interests me. You basically have an organisation that is a voluntary organisation, a non-regulatory organisation, a non-binding organisation. How does one achieve what you are claiming?

Mr Connor—I understand that there are some countries within APEC that are pushing for more binding agreements as part of APEC, although that has not been achieved as yet.

CHAIR—One of the major strengths, and also described as one of the weaknesses, of APEC has been the fact that it was not binding on member economies. It has been stated in evidence before us that if there were binding quotas and targets and so on then APEC would have died very soon after it had been created. One of the strengths—and, as I say, the weaknesses—is that very fact that it is a voluntary organisation. So long as it remains a voluntary organisation there is a real prospect that you will achieve not the total agenda but at least a substantial part of the agenda of APEC.

Mr Connor—I guess, irrespective of whether the agreement is voluntary or binding, we argue that these issues should be on the table. That is part of our recommendation—that Australia should push for an ongoing working group with representatives from right across the region working towards common environmental standards. Obviously, if all the other agreements are non-binding, those agreements too will be non-binding, but at least there will be that work being done to establish those standards and non-binding aims and objectives for countries to move towards. Similarly, if APEC does become a binding agreement, which I understand some of the countries involved in negotiations are hoping to achieve—

CHAIR—Yes, but that is only in respect of certain issues. For example, I think it would not be too hard to say that America would want binding targets in respect of tariffs. But there are other areas where they just shy completely away from binding targets. I think therein lies the real difficulty that one is confronted within the framework of APEC, and one must distinguish between APEC and the WTO.

Mr Connor—Sure.

CHAIR—And this committee has had it put to us that APEC may well be nothing more than a good organisation for leverage at the WTO, rather than being the ultimate organisation in its own right to achieve vast changes across the board.

Mr Connor—Sure. And I think APEC has a particular role to play in a whole move towards trade liberalisation which, as you say, is being conducted at the WTO, which is part of an ideological approach to world trade which is being pushed in all these organisations.

CHAIR—It is not just trade liberalisation, though. At least there is a broadened agenda now—there is trade facilitation and there are the economic and technical sides as well.

Mr Connor—I guess the bottom line for us is that a lot of these negotiations are being undertaken as if trade and the environment and trade and human rights were completely separate issues. I guess our argument is very strongly against that contention. I know a lot of business leaders argue that trade is separate from human rights and separate from the environment—why mix the two together; these should be only trade negotiations. We argue that there is a very clear link between the sort of trading arrangements that are put in place and the impact on the environment and the impact on human rights in our region.

CHAIR—What weight do you place, for example, on this statement that came out of the economic leaders at their meeting in Vancouver last November? I am just quoting from part of it:

Achieving sustainable development remains at the heart of APEC's mandate. Equity, poverty alleviation and quality of life are central considerations, and must be addressed as an integral part of sustainable development. We have made a commitment to advance sustainable development across the entire scope of our workplan. (APEC Economic Leaders Declaration, 'Connecting the APEC Community', 25 November 1997, Vancouver)

There is the statement of the leaders. That was a major step really for the leaders to come out embracing, if one might say, a broader agenda, and in some ways trying to place a more humane perspective on the APEC agenda. What is your reaction to the leaders' statement?

Mr Connor—My understanding of the way that APEC works is that each year a different country takes the lead role in the APEC negotiations, and last year Canada took the lead role—1997 was Canada's year. Certainly 1997 was a much more positive year in terms of environmental concerns and human rights concerns than other years, because Canada took up that agenda. They organised a meeting of environment ministers in I think it was June last year, and attempted to get those environmental issues on the agenda.

I guess our concern is that now I think it is Malaysia for 1998 that is the country running the agenda and environment is not an issue for them. It was only that Canada had that role and they were able to push those issues that they got taken up, and now they will fall off the agenda again, because there are no ongoing working groups, there is no ongoing sort of structural role for environmental and human rights issues in APEC working group processes. I guess we thought some of the things that happened in 1997 were very favourable, but our concern is that they are just going to fall away now that Canada has no longer got the running in those negotiations.

CHAIR—I hear what you say and I understand that but, if one looks at the response to the fires in Indonesia, one could not say that there was not concern expressed by all the economies or nation states within proximity of Indonesia, including Malaysia. So it may well be that, whilst the environment has been pushed down the list in terms of some people's thinking over a period of time, it would now seem that it has been elevated purely and simply out of the expediency of the need to survive.

Mr Connor—And what sort of processes will be put in place to ensure that?

CHAIR—I understand that there is work being done now by working groups on the environment—

Mr Connor—Within APEC?

CHAIR—Yes. There is a fisheries working group. The goal is optimum use of and trade in fisheries resources based on sustainable development practices.

Mr Connor—Sure.

CHAIR—I will leave that because I want to get back to this issue of what you see as the role of APEC, given its nature. I understand where you are coming from, and I do not disagree with the fact that we need a more human face to the issue of trade liberalisation and a whole range of other issues. The needs of people must be taken into consideration. What concerns me, though, is the expectations of the fora in which we operate, and particularly of APEC. Whilst you might have high expectations for it, your expectations may far outrun what is able to be achieved within that forum.

Mr Connor—I guess what we are asking of the Australian government is to promote these issues in those fora and to push to have these issues on the agenda. I guess we have concerns at the moment that the approach the Australian government is taking is almost the opposite approach, that Tim Fischer has often been quoted as saying that trade and human rights are separate and that they should not be mixed up together.

We have concern, for example, about the Lihir mine, which I mentioned, where EFIC, the Australian government insurance arm, has decided to provide insurance for this extraordinarily environmentally damaging mine to go ahead, even though the American government refused to on environmental grounds. EFIC is exempt from the freedom of information legislation. They have refused to make available any information about that decision. The whole thrust of the way the Australian government is approaching trade issues and approaching APEC concerns us in that it does not seem to be putting human rights issues and environmental issues to the fore as part of the wider agenda of trade liberalisation and trade facilitation.

Senator SANDY MACDONALD—As a general comment, the Australian government's approach to trade is what is in Australia's interest, so I think that is the sort of guiding light that we might approach. But I guess you would have a different view of that. In your submission you start off by saying:

The Mineral Policy Institute is the leading regional Non-Government organisation working solely on issues relating to the activities of the mining, oil, gas and metallurgical industries. It works extensively with partner organisations in the Asia Pacific region, as well as with its counterparts in other parts of the world.

The first question that I have for you is: what is your membership, and who funds your organisation?

Mr Connor—We are a membership based organisation, so we have members both in Australia and overseas who, as part of their membership, provide donations, which is a big basis of our income. We also get some funding from the Australian government, and we also get some funding from overseas benevolent trusts, particularly from America and Europe.

Senator SANDY MACDONALD—What are your partner organisations in the Asia-Pacific region?

Mr Connor—Our partner organisations in the Asia-Pacific region are non-government organisations that work directly with local communities affected by mine projects.

Senator SANDY MACDONALD—Give an example.

Mr Connor—For example, in Papua New Guinea, we work with an organisation called ICRAF, which is a rivers network of small organisations.

Senator SANDY MACDONALD—What about your partnerships with international organisations? Can you identify any of those?

Mr Connor—Yes, there are a number of non-government organisations like ourselves, working in different parts of the world on mining issues in Chile, Canada, the US and the UK. We exchange information with those groups. We are working on a joint database of information about problems with mines around the world. Did you want names of organisations?

Senator SANDY MACDONALD—I would be interested to know how many members you have in Australia. I would also like to know why you describe yourself as a 'leading' regional non-government organisation, when I have never heard of you.

Mr Connor—We are a recently started organisation. We have been going for, I think, five years. A big problem is that there have not been non-government organisations specifically developing expertise in monitoring the mining industry within Australia.

Senator SANDY MACDONALD—There are a number of organisations which are very pro the environment: for instance, Greenpeace or Friends of the Earth. There are a great number of those. Are they participants in your organisation? Would you have corresponding membership? Do they finance you? Where do you get your finance from?

Mr Connor—I listed the different sources of our finance earlier. I guess our argument there is that we are the only one specifically focused on the mining industry, but we work with a number of other NGOs who also focus on mining issues. At the moment we are

working with Community Aid Abroad, who are running a campaign on a number of Rio Tinto mines in Indonesia and are currently touring a number of individuals from Kalimantan who are part of the Dayak tribe in Kalimantan, whose lives have been severely hampered—

Senator SANDY MACDONALD—Are you saying that Community Aid Abroad is financing your organisation?

Mr Connor—No, not at all. I am saying that they are another NGO working at the moment on mining issues. But we are the only organisation which is focused solely on mining issues, in terms of the environmental and human rights angle, in Australia.

Senator SANDY MACDONALD—Thank you, Mr Connor. No further questions, Chair.

CHAIR—I have no further questions. I am quite satisfied. Thank you very much for coming, and we appreciate the evidence that you have given. Thank you.

Mr Connor—Thank you.

[11.41 a.m.]

CALLAGHAN, Mr David Neill, International Relations Manager, Qantas Airways Ltd, 203 Coward Street, Mascot, New South Wales 2020

KERR, Mr John Charles, General Manager, International Relations, Qantas Airways Ltd, 203 Coward Street, Mascot, New South Wales 2020

CHAIR—Welcome 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. The committee has before it a written submission from Qantas, dated 5 September 1997. Are there any alterations or additions you would like to make to the submission at this stage?

Mr Kerr—Mr Chairman, as you will appreciate, there have been a number of changes to the economic environment since this was prepared. Therefore, there are a number of changes that we would wish to make. I could quickly go through those, and it will not take more than a minute or so. There is a reference on page 3 to cooperative arrangements with Lan Chile, and the suggestion was there that those would have come to fruition by now. Those negotiations are still continuing.

Table 2 of the submission is where there have been significant changes in terms of APEC economies, the cities we serve and the frequencies. Unless you would like me to go through those, I will leave that revised table for the secretariat.

CHAIR—Thank you.

Mr Kerr—We do note in our submission now that the list of APEC markets has been expanded with the inclusion of Peru, Russia and Vietnam since the list was spelt out in our submission. Of those, Vietnam is the one that Qantas has service connections with. As for Peru and Russia, we are not active in those markets at the present time in a direct sense.

CHAIR—Any other changes?

Mr Kerr—The other changes go to the accuracy of the forecasting, and I think we would probably take that in questions.

CHAIR—All right; thank you for that.

Senator SANDY MACDONALD—I would be interested to have the changes to table 2, if possible.

CHAIR—All right. We are going to get the revised tables circulated. The committee has already made the submission a public document. I now invite you to make an opening statement, and then we will proceed to questions.

Mr Kerr—Thank you, Mr Chairman. I do not propose to make many remarks by way of opening statement. We wanted to participate in this committee's work to signal our interest in the APEC process. Naturally, with very extensive interests in the APEC region, Qantas is concerned to participate in the debate over the future developments in the area. Anything that involves freer movement of people and goods is naturally of interest to an airline. It is very much its core business.

I think the only other opening comments that I would make are in relation to the changes in Asia. I would expect that you will come to that via questioning, so I will confine my remarks to those I have made at this point.

Senator QUIRKE—I was in Seoul a couple of weeks ago when Qantas decided to cut the link with South Korea. Ansett did the same, I think, 36 hours later and made some gratuitous remarks which were not well received up there. I take this opportunity here to say that I think Qantas and Ansett are seen up there as fair weather friends to the South Korean economy. I think you may have pulled a very silly, short-sighted decision.

Mr Kerr—If I might comment on that. I think Qantas has been at pains to point out that the suspension of services is a suspension and not a withdrawal of services. I think we have been at pains to point out that as economic conditions improve we would hope to re-establish ourselves in that market.

I would also point out—I think this was an important part of Qantas's strategy—the way that we handled this was that we will retain a presence in the Korean market as a code share partner with Asiana, with a Korean carrier. We see that as a significant demonstration of our continuing commitment—the fact that we would like to work with a Korean carrier to do that.

Senator QUIRKE—How do you see the current situation in Asia affecting Qantas? Do you think there will be any other cutbacks in services?

Mr Kerr—We announced a number of cutbacks during January. In absolute terms they are relatively insignificant, given the scale of our operations. They involved in particular Indonesia, Thailand and Malaysia, where we continue to have a combined frequency of 50 services a week. The services that were affected were relatively small numbers in each market. I think those are decisions which unfortunately have been forced on us by the economic circumstances and are not something which we would have wanted to do.

The difficulty with commenting is that the situation is still so fluid. It is quite dynamic. It makes it quite difficult to forecast what the effects will be and what sorts of adjustments Qantas will need to make. I think that has been recognised by those who have tried to do work of standing to actually assess what the impacts might be. I draw your attention to the work of the Tourism Forecasting Council, if it has not been referred to you already—this particular document, *Short, sharp shock or lower growth outlook?*, which has only recently been prepared by the Tourism Forecasting Council.

I think the approach that the council have taken highlights the difficulties. They have had to assume different scenarios, from short-term impact to a medium term impact to a longer

term impact. They have had difficulty in dealing with that sort of dynamic situation but, under all of those scenarios—as they say, even under the most pessimistic of the scenarios—total international visitor numbers will continue to grow. From our point of view, we are basing our commercial plans on continued growth, but in the short term the situation is very difficult to manage.

Senator SANDY MACDONALD—Does Qantas rely on its own in-house economic advice in terms of dealing with markets, or does it have outside professional regional advice or country by country advice?

Mr Kerr—I am not sure specifically what you mean by ‘dealing with markets’ but I would say that the way the company is structured means that, geographically, individual markets receive specific attention. We do not have an economists unit as such within the company; we do have a unit which is in the commercial division that does what I guess you would normally call strategic planning. They do a lot of network planning and network analysis, drawing on in-house expertise, which is quite substantial, and also outside help as needed.

Senator SANDY MACDONALD—I ask that because if you have four services a week, which you had to Korea, and then suddenly you have none that, firstly, is a very visible display of a lack of confidence in the market and, secondly, I suspect it involves quite a lot of money and quite a lot of loss of faith in terms of the market. It is a decision that you do not take lightly. I am interested in the process by which you take that decision. Lastly, in connection with that, can you describe how profitable the arrangements were and how successful the marketplace was before the crisis in South Korea?

Mr Kerr—You are quite right that these decisions are not taken lightly. It is easy to say that people should have been able to see some of these things coming. To pick up your last point asking how profitable it was, Korea has not been a profitable market since we entered the market. But there are lots of markets that are like that. Qantas is involved in such markets for developmental purposes because we see long-term growth potential or whatever. We do not necessarily relinquish our foothold in a market.

Senator SANDY MACDONALD—Do you believe that you will be able to get that market back or be able to access that market at your will?

Mr Kerr—That is fundamentally why we have stayed in the market on a code share basis with a Korean carrier, as I said previously. We see that as a significant part of demonstrating in the Korean marketplace that we have a permanent commitment to the Korean market.

Senator SANDY MACDONALD—I notice on the list of changes to your services that you gave us that you have really hiked up the number that are going to New Zealand. Why is that? Is it the utilisation of aircraft; obviously you cannot have them on the ground and that is a market that is growing? It must be growing.

Mr Kerr—The utilisation of aircraft is an issue. We certainly have some free time with aircraft as a result of our suspensions in other markets. In New Zealand, as my colleague

points out, we are using 737 aircraft, which are smaller aircraft than we would generally send to Asia or use in Asian markets. The Tasman market is intensely competitive. Our major competitors have ramped up their involvement in that market as well. One has to look quite closely at what is happening.

Senator SANDY MACDONALD—Your colleague was saying that you have reduced the capacity but increased the number.

Mr Kerr—Not actually, Senator. The capacity has gone up overall but within the Australian domestic market we have greater use for 767 aircraft and so some of the 737 capacity has eased up to enable us to put more services onto the Tasman. That has been part of the picture. Also, for many years Qantas and Air New Zealand had reciprocal code share arrangements on the Tasman, which were curtailed when Air New Zealand and Ansett joined forces. That required us to have a much bigger presence in our own right than was previously the case.

Senator SANDY MACDONALD—I do not want to follow that up but I am interested to know whether, on the Tasman route, you have unlimited access. Can you send as many aircraft as you like?

Mr Kerr—Yes, we do. Under the single market arrangements that exist between Australia and New Zealand we can adjust our capacity at will. You talked about whether it is a growing market. One of the fundamentals behind our expanded number of services is to tap into the growth in business traffic. That is higher yield traffic and that is always good traffic for airlines to encourage and to follow.

Senator SANDY MACDONALD—Why is that something new that you are trying to do?

Mr Kerr—It is not something new. I am just saying that the business portion of the market is doing quite well.

Senator SANDY MACDONALD—The decision by the Chinese government to make Australia an approved foreign destination—I think that is the right terminology—is reflected in part by your increase in services to Shanghai and Beijing; is that correct?

Mr Kerr—We certainly see that as an encouraging development. It is something that had been hoped for for some considerable time. We are very pleased that that has eventuated.

Senator SANDY MACDONALD—Those services are direct services, are they? They are not via Hong Kong? They are not allowed to fly via Hong Kong?

Mr Kerr—That is right, yes.

Senator SANDY MACDONALD—That is unlikely to change?

Mr Kerr—No. One of the big advantages of expanded arrangements with China which the government entered into two or three years ago in terms of the bilateral arrangements

was that it enabled us to fly direct services to China and, in that sense, take the bend out of the route. It makes it a better proposition.

Senator SANDY MACDONALD—In terms of the sorts of countries that provide the largest number of tourists, was South Korea large in terms of the number of tourists they sent to Australia?

Mr Kerr—Table 3 of our submission actually by market gave the relative sizes of the visitor performance. So you can see there that Korea was quite sizeable in terms of visitor numbers.

Senator SANDY MACDONALD—In terms of tourists?

Mr Kerr—Yes, equating visitors as tourists.

Senator SANDY MACDONALD—It seems that, whilst the Australian dollar certainly has weakened and now it has strengthened again and Asian currencies have weakened against the US dollar substantially, Australia is still a very much cheaper place than Hawaii to visit for a week for those who can afford it. A week in Cairns is going to be cheaper than that. I am interested in your comments that the overall business and visitor numbers will continue to increase, which is very optimistic.

Mr Kerr—That was across the region.

Senator SANDY MACDONALD—And that would be from when to when?

Mr Kerr—That particular document that I referred to adopted a period through to the year 2006. But you will see that it deals with each year. Depending on the scenario that is chosen, the short-term impact varies. So under some scenarios the immediate outlook for 1998 and 1999 is not promising in terms of growth. But it is picked up again under the different scenarios in that sort of medium to longer term outlook. The comment that under any scenario visitor numbers are expected to increase I think is probably taking a seven-to-eight-year time horizon.

Senator SANDY MACDONALD—How important in your strategic plan is the APEC region, or specifically East Asia, South-East Asia and North Asia—the whole of the Asian region? I will frame the question this way: in relation to the predominance in the past of the kangaroo route and those sorts of related services provided to Singapore, or Bangkok to Hong Kong, how much has that sort of priority slipped in terms of what you see in the next eight or 10 years of Qantas development?

Mr Kerr—That is quite a big question. Certainly you are quite right that the kangaroo route has featured quite prominently in our strategic approach and it is as significant now as it ever was. I would broaden that out to say UK and Europe generally. Probably the second most significant area would be our services to the US. New Zealand obviously is a very significant market as well.

The importance of Asia, taking the region quite broadly, is that it is on the way to the UK and Europe. We are interested in Asia both in terms of the traffic that is generated between Australia and Asia per se, and between various points in Asia, which is important to us, but also because of the through traffic that we carry over Asian destinations to the UK and Europe.

We essentially consolidate traffic offshore in Bangkok and Singapore and use them as hubs. That enables us to combine the through traffic flows with the traffic flows that originate or have their destination in Asia. In terms of strategic planning, Asia remains very significant, both in its own right and as part of the distribution and consolidation of longer haul traffic.

CHAIR—How important is APEC in the liberalisation of landing rights and such things to organisations such as yours? Is it something that will take place irrespective of the existence of APEC?

Mr Kerr—I think the answer to both of those things is yes. APEC is important in that context, but it is working in with a trend which is probably occurring through other influences anyway. It is hard to suggest to you that APEC is going to make rapid progress in terms of liberalisation of air services in the region. There is quite an extensive—

CHAIR—Is that because of the international nature of the problem?

Mr Kerr—It is because of the international nature of the work and the consensus basis that operates in APEC. At the end of the day, APEC is a fairly disparate group now. It has a lot of countries who see their national self-interest in aviation differently. When you overlay a consensus approach, as exists in APEC, it tends to find the lowest common denominator position. That is not to be dismissive of what is going on in APEC. We in Qantas want to participate in that work because we see at the moment that we are in transition. The regional aviation fabric, and probably the global aviation fabric, is in transition from what was in the old days a very closed, closely regulated set of arrangements internationally to something that is going to be globally more liberal.

APEC has a role to play in that. It is a question of how that transition is managed. As an operator in the marketplace, we are very interested in that transition process and APEC's position in it, but also the other influences that are going on. A number of other things are happening in the international environment that are at least as significant as the developments in APEC in terms of liberalising arrangements.

CHAIR—How are you involved in the process?

Mr Kerr—As you appreciate, it is a government to government process essentially, with industry assistance and support as necessary. We have been involved in all of the committee work and ministerial forums and so on in an advisory capacity. That has taken place in the transport area and specifically in the aviation area.

There has been work done by a committee of APEC looking at liberalisation options, which Australia has been one of the driving forces in. Qantas has been actively involved in

that work. We have been actively involved in studies like a congestion point study in the APEC region and other related issues.

CHAIR—But you are not solely dependent on that work, are you?

Mr Kerr—No.

CHAIR—So what is happening elsewhere?

Mr Kerr—It is a pretty dynamic set of regulatory arrangements, I guess. As I said, we see it as a transition process, but there are a number of other markers which I could refer to. Leaving the APEC process per se, I think the US ‘open skies’ push in the Asia region is going to be one of the motivating factors behind increased liberalisation in the region. The US has concluded open skies arrangements with a number of parties—New Zealand, Singapore, Malaysia, Brunei and Chinese Taipei—and has announced that it is going to pursue open skies arrangements with some of its other bilateral partners, including China. As those sorts of bilateral deals build up a critical mass, although I am not certain that that has happened yet, inevitably one could assume that people that have concluded similar arrangements bilaterally are going to start to look at whether they can contemplate those sorts of arrangements collectively. That is clearly the US strategy. That is something which has gathered momentum quite quickly.

Closer to home there are the developments in the Australia-New Zealand market and the single aviation market developments, and the carrier alliances that are taking place in the region. We have been party to some and our competitors are putting alliance arrangements together. The fact that there is a lot of privatisation going on in the region means that formerly government owned carriers are going to be forced to be mainstream competitive. The Australian government policy itself has been quite liberal in terms of the way negotiations have been conducted.

Japan and the US appear to have just concluded a long running set of bilateral talks. At this stage all I have is a newspaper reference of yesterday, but I would see that as removing one thing that has been, in a sense, an impediment to further liberalisation. So there are a whole lot of issues in the region.

CHAIR—Can you tell us precisely what you mean by ‘open skies’.

Mr Kerr—I suppose it has a technical meaning, but a lot of people use it just as meaning more liberal. If you are looking at the technical meaning, I think that encapsulated in the US approach to open skies and the conclusion of open skies agreements is the meaning that any number of carriers can operate in a market that is agreed between the parties to any number of points, to any number of points beyond or en route, without any effective restrictions.

CHAIR—So there are no barriers, there are no restrictions, nothing whatsoever?

Mr Kerr—That would be a technical meaning.

CHAIR—Is that how it is applied in practice?

Mr Kerr—That is how the US has been pursuing it. There is publicly available a model US agreement on open skies, which the secretariat can obtain. I could arrange to help you with that if you would like to see it. Generally, though, the term is used a bit more loosely than that. People use it to mean more liberal.

CHAIR—The Department of Transport and Regional Development appeared before us. They gave evidence that they had negotiated an additional 18 bilateral agreements in 18 months and thought that the flexibility that people are looking for in the system is being achieved through bilateral agreements. They stated further that opportunities are there for Australian carriers to use the capacity that is being negotiated and more flexible arrangements on specific routes. So it seems to me that what you have said about the need for bilateral arrangements still is very much to the fore. What seems to be emerging is that the likes of the APEC forum will pick up and run with a number of bilateral agreements and try to spread them. Is that the sort of tactic that is being used?

Mr Kerr—I think that is quite correct, Mr Chairman. Firstly, Qantas is a strong supporter of the continuation of the bilateral system. We believe not only that that suits Qantas's interests; we believe that it is in the national interest to do that. We believe that case by case the bilateral system provides the Australian government with the best opportunity to evaluate what is in the national interest. I think the APEC process recognises that. I think most of the APEC partners recognise that bilateralism is going to be with us in the region for some considerable time. What the APEC process does is put on the agenda subject matter for liberalisation and then says to APEC partners, 'You can choose to pursue that bilaterally or you can choose to pursue that multilaterally or you can do that as an APEC region with the outside world and third parties that are outside of APEC.' But it is leaving at this stage the option open for each individual member of APEC to make that choice.

CHAIR—Does the fact that we have a voluntary system within APEC—a consensus system as you described it earlier—militate against what you would like to see happening in the policy in relation to landing rights and access to other routes?

Mr Kerr—I think we would be relatively comfortable with the way the APEC process is unfolding on these issues. I think the right issues are on the table for discussion. Some are going to move faster than others, but in the area of landing rights or what might be called hard rights, which is probably the most contentious area, I think it is going to take some time before there is unanimity in APEC.

CHAIR—Really you are dealing with as sensitive an issue as agriculture when you come to the issue of landing rights and routes. With other issues there seems to be a coming together of the ways sooner or later to get some sort of consensus arrangement, whereas here we are dealing with something that is very nationalistic in some cases and particularly oriented to a particular carrier operating out of a particular port.

Mr Kerr—The basis of the aviation regulatory regime is participation. If you go back 50 years, the reason the bilateral system was established was that countries wanted their

industries to participate. They wanted as a state to participate in the process. I do not think that has changed very much.

CHAIR—Is the issue of aviation liberalisation on the agenda at the WTO?

Mr Kerr—Yes, I say in a fairly qualified way.

CHAIR—I gathered that.

Mr Kerr—The GATS agreement has an annex which includes a number of aviation matters. They are not perhaps the most significant. They are not hard rights in terms of landing rights and capacity. They are sales and marketing, repairs and overhaul and CRS systems. There is scope, as the GATS is expanded and reviewed, for that annex to be widened. I think it probably will be. I would imagine that Australian policy makers would be looking quite closely at how it could be widened, but I do not think that mainstream trading of landing rights is going to come within the purview of GATS or WTO quickly.

CHAIR—So that is not something that we should be agitating at the APEC level to be raised in the WTO forum.

Mr Kerr—I think you would run up against much the same sorts of national interest considerations in that forum as you would in APEC, only it is a bigger group.

CHAIR—I have a question concerning the membership of APEC. Recently the membership was increased and, notably, that has seen changes to your schedule with Vietnam. But one noticeable exclusion was India. The recent APEC leaders have put a moratorium on membership for 10 years. It would appear to me that India, not having been brought into APEC, would cause some concerns for you because one would expect that that is going to be a burgeoning market in the future. Will this pose particular difficulties, or will it just be handled in the normal bilateral way?

Mr Kerr—There is a bilateral arrangement between the Australian government and India on aviation. It was given new life about two years ago. Prior to then it had been relatively dormant. A significant volume of new services were agreed, and most of those new services have been taken up or are about to be taken up by Australian carriers—not so on the Indian side.

It probably means that the bilateral system is coping but is getting to the point where there needs to be another round with India and hopefully, given the way that market has been progressing, the Indians will wish to see some further expansion. So I do not think, in terms of the regulatory framework or what we would hope to do commercially in the present climate, the fact that they are not a member of APEC is an impediment.

CHAIR—It would be more helpful to have them in than out?

Mr Kerr—I would leave it to the government policy makers to make that statement.

CHAIR—Fair enough.

Senator LIGHTFOOT—Has the shareholding of British Airways in Qantas turned out to be in any way an inhibiting factor—for instance, on competing air routes with the necessity to consult—or has it been an advantage in some respects?

Mr Kerr—It has probably been neutral.

Senator LIGHTFOOT—Is that the diplomatic answer?

Mr Kerr—It probably is. Our alliance with British Airways has happened at a time when the industry is forming these alliances anyway.

Senator LIGHTFOOT—Are you saying it was inevitable?

Mr Kerr—It was probably inevitable that a decision would be made that Qantas would align with somebody. I think a lot of carriers are finding inevitability about it; they are seeking to enter into global alliances, regional alliances or whatever. That means that the regulatory issues that are associated with that are therefore on the agenda, and code sharing is probably the vogue word at bilateral talks these days. The Australian government has pushed for code share rights quite hard from virtually all of its bilateral partners.

They know that if those rights are obtained it will probably be a BA-Qantas arrangement, but not exclusively. We code share with a number of other partners as well and, with Ansett, Singapore and Air New Zealand now proposing to throw their lot in together, I would think there would be an expectation that there would be code share arrangements underpinning that as well. There have been difficulties around code shares; we have not always got the code share rights we would like.

Senator LIGHTFOOT—What are some of the advantages? Better facilities at Heathrow?

Mr Kerr—Certainly. The advantages depend on the markets. Code sharing is an important part of our alliance with BA, which is a comprehensive alliance. It would be silly to have an alliance right across the commercial framework, including equity, that probably did not include code sharing in this day and age.

On the other hand, you could code share in a bilateral market like Vietnam, for instance, where we might code share with the national carrier, Vietnam Airlines. They can bring to code sharing a cultural dimension—customs, habits and so on—which we at Qantas would find difficult to offer on that route. That is a different sort of advantage. In other markets it can be a cost saving measure which enables you to offer a level of service that you would not be able to offer otherwise, and I think Korea and the code shares with Asiana at the moment are a good case in point. Without those code shares we may not see any Australian carrier presence there at all.

Senator LIGHTFOOT—What about your purchasing power in respect of Airbus and Boeing? Have you taken advantage of your interlocking shareholding?

Mr Kerr—I would need to take that question on notice. I am sorry; I do not really have the answer to that question. If you are interested, I will pursue it.

Senator LIGHTFOOT—I would be interested.

Mr Kerr—Okay.

Senator LIGHTFOOT—What currencies has Qantas been reluctant to accept for ticketing? In other words, are you still accepting the yuan, the ringgit, the rupiah, the peso and so on?

Mr Callaghan—Where currencies are freely convertible we will continue to accept them. There has been—

Senator LIGHTFOOT—They are all convertible at some rate, though, aren't they?

Mr Callaghan—In some cases they have not been. For instance, in some Asian countries fares are based on US dollars and people buy their ticket based on a US dollar fare convertible at the rate on the day, but that is not the case of most of our northern Asian neighbours that we serve. What it has meant is that there have to be fairly constant and steep fare increases to keep up with the fact that the cost base of the carriers remains high and a lot of the costs are in US dollars.

Senator LIGHTFOOT—What about when there was an 80 per cent devaluation of the rupiah? How did that affect Qantas?

Mr Callaghan—The Indonesian market is one in which the fares have been based on US dollars for some time.

Senator LIGHTFOOT—What does 'some time' mean?

Mr Callaghan—Some years.

Senator LIGHTFOOT—To get back to my original question: what are the currencies that Qantas is reluctant to accept? If this is politically sensitive, say so, or if it is economically—

Mr Callaghan—It is not politically sensitive; it is something that is well known in the marketplaces. To my knowledge, Indonesia was the only country in the Asian region to which we operated services that did use the US dollar as its base currency unit for airline pricing.

Senator LIGHTFOOT—What about China, with regard to your relatively new routes to China?

Mr Callaghan—I do not know the answer to that. I think we collect money in yuan, but again we would have to take that on notice.

Senator LIGHTFOOT—Thank you. With respect to China, there is a mooted rapid increase in training of pilots, for both fixed-wing aircraft and helicopters, in Australia. There is talk of some several thousand a year being trained in Australia—at least that the potential exists for them to be trained here—both at technical level for first-class pilots and in English language, which is obviously necessary in a place like China which does not have English as even its second language. How is that going to affect Qantas in the medium future? If aircraft are going to be supplied to these pilots, one would assume, do you see the rapid training of hundreds, if not thousands, of pilots as a threat? I mean in economic terms to your industry, not in any other way.

Mr Callaghan—A threat to the industry in economic terms?

Senator LIGHTFOOT—To Qantas.

Mr Callaghan—To Qantas in economic terms?

Senator LIGHTFOOT—Yes.

Mr Kerr—Sorry, Senator, we are probably a little out of our depth on this one. A large number of those Chinese pilots, we would assume, will be for use in the Chinese domestic market.

Senator LIGHTFOOT—I would have thought a vast majority of those would be. But I would have thought also—here I am only guessing—that a significant proportion of those, significant in terms of flying air routes other than internal, would be directed towards areas in which there is now an imbalance with respect to the quid pro quo. Australia is one of those routes. For instance, we do not have China Airlines flying into many parts in Australia—none in South Australia, Western Australia or the Northern Territory, and I do not think any in Queensland or Victoria, certainly none in Tasmania. That is what I mean.

Mr Kerr—I do not think we would see the pilot training as an early indicator that we were going to see a substantial upsurge in Chinese airline activity into Australia.

Senator LIGHTFOOT—What I am getting at is that you are going to have to share the passengers.

Mr Kerr—Yes. The Chinese carriers are actually expanding quite actively in the Australian market at about the same pace as we are. We have got Air China, China Eastern and China Southern all offering services in this—

Senator LIGHTFOOT—China Southern is already training pilots to a significant extent in Western Australia.

Mr Kerr—I think that, with the magnitude of the problem of the Chinese having to develop a domestic national industry and links to the rest of the world, they will need every trained pilot they can get. Purchasing the aircraft is another dilemma for them, I would imagine.

Senator LIGHTFOOT—Yes.

Mr Kerr—I was going to venture that those sorts of issues are probably opportunities for the US and provide, if not the motivating factor, at least one of the factors in US announcements that they want to seek much more liberal arrangements with the Chinese. I think that they have offered the Chinese an open skies agreement. They would see, I think, significant opportunities which, they might judge, the Chinese cannot handle, just in terms of the scale of development.

Senator LIGHTFOOT—Would you see the Australian government offering the Chinese a similar deal?

Mr Kerr—No. It is not Australian government policy for open skies agreements.

Senator LIGHTFOOT—With respect to airfreight, does that offer an attractive dual alternative to Qantas? You are in airfreight; I am aware of that. But it does not seem to be a significant part of your particular net income or even gross income. Is that an area that you are looking towards expanding at a more rapid rate?

Mr Kerr—I think the people that manage our freight division probably would not have put that question like that. They see themselves as a very significant contributor and they are. Freight does make a healthy contribution.

Senator LIGHTFOOT—I was not suggesting that it was unhealthy by any means.

Mr Kerr—No. It is significant.

Senator LIGHTFOOT—In terms of dollar incomes—

Mr Kerr—People see us not engaging in dedicated freighter activity and therefore assume that it is not a significant part of our income. It is. As you know, all the freight is carried in the belly-hold of passenger aircraft except for one or two minor exceptions. We will always look to expand our freight presence.

Senator LIGHTFOOT—I was talking about dedicated freight.

Mr Kerr—I think it would be quite difficult. I do not see anything that is going to significantly change the balance to push us into dedicated freight aircraft. Whilst the government has embarked on a policy quite successfully of providing that opportunity to carriers, both Australian and foreign, neither Australian nor foreign carriers have rushed to take it up.

Senator LIGHTFOOT—In terms of freight, is the trend in aircraft towards offering a greater tonnage or kilogram carriage of freight in percentage terms as opposed to, say, passengers? Is that remaining the same or is that ratio increasing in terms of freight?

Mr Callaghan—The belly-hold space remains constant. There is no push to change the respective load capacity on combination aircraft, Senator.

Senator LIGHTFOOT—Thank you. I have only one more question. With respect to APEC, do you see that as a great advantage or as a neutral advantage, if that is not an oxymoron? What are the impediments of belonging to APEC, if any?

Mr Kerr—We do not see any impediments in belonging to APEC or any downside from it. As I have pointed out at the outset, anything that encourages the greater movement of people and goods is good for airlines. It is a matter of how those situations are taken advantage of at the commercial end. Qantas is fully supportive of the APEC initiatives.

Senator LIGHTFOOT—In terms of aircraft carrier industry, you see APEC then, in short, as having a positive effect on the industry?

Mr Kerr—We do.

Senator LIGHTFOOT—Thank you very much. I am very intrigued with your answers.

CHAIR—I have just three questions left. One is in respect of something you put in your submission to us. It was referring to a response to a directive from APEC ministers. It is at the bottom of page 8 of your submission:

In response to the directive from Ministers, a small group of officials led by Singapore met in October 1995 and produced a paper identifying eight options for more competitive air services. Australian officials played a prominent role in the small group process and the options covered many elements which had been put forward in an Australian discussion paper.

My first question is: am I to assume that Australia is very much playing a leading role in this area of services within the APEC forum? If so, it would seem to me there is a need for a continuing role by the Australians within the forum. Is that a fair assessment?

Mr Kerr—That is a fair assessment. The decision to hold that small group was taken by transport ministers. Singapore was put in the chair. At the very first meeting, all parties were asked to submit discussion papers. The Australian discussion paper spelt out this list of eight items and it was adopted without significant opposition from any member as basically the working document for that group. It has continued to be the working document for that group.

CHAIR—Yes, I noted that. In April 1996, it was adopted by the transportation working group and then, in June 1997, it was adopted by the APEC ministers for transportation.

Mr Kerr—That is right. The APEC ministers asked the group if they could go back and weight or prioritise the eight items. There was a meeting towards the end of last year where they attempted to do that. It is probably fair to say that they did have some difficulty because of different national views. They basically concluded that countries would be free to pursue each of the eight options at their own pace.

CHAIR—This is not something that collectively will be agreed amongst the various economies within APEC. That would be the ideal.

Mr Kerr—That would have been Australia's ideal. It has not worked out that way and I suspect that it will not. Qantas was not represented at these discussions by the way, but my advice is that one of the eight items that Australia pushed the hardest was freight liberalisation. Australia has been asked to come back with more proposals on that particular one for the next meeting, which I think is this month.

CHAIR—I am interested in that because it is a living example of the use of the APEC forum.

Mr Kerr—That is right.

CHAIR—But it is also an example of where there are difficulties within the forum because of the member economies. Whilst you indicate that in one out of the eight areas there seems to be some hope of some sort of an agreement sooner or later, is it just with mere persistence or are there other ways that one goes about trying to get the rest of the agenda up? Obviously, if it is going to lead to more bums on seats, more passengers, more tourists and so on, then it is healthy for the industry, as you have already said. Or does the rest of the agenda just sink somewhere and then people say, 'Yes, that was a nice idea; I remember that back in 1995'? How is the agenda promoted and kept alive? Where is the significant role that Australia needs to play in this going to come to the fore?

Mr Kerr—Ministers did ask for those items to be prioritised. As I have said, in a sense that was a little sterile. It will go back to transport ministers and it will be up to them ideally, I suspect, to say, 'We have prioritised these.' I suspect that, even at that government to government level, we will find that the APEC process has probably just about taken these things, if not to their limit, about as far as they can go by identifying them and keeping them on the table for pursuit in a liberal fashion but between members and smaller groups of members. It may not necessarily be just bilaterally between two APEC parties. It may well be that we are going through a process of the APEC membership separating, where you have two or three groups on these aviation issues. There may then be some scope within an intermediate sized group to progress some of these matters more. I would think that Australia is quite well placed in terms of the work that it has done so far and its standing in this area to be making policy suggestions and suggestions as to how APEC may deal with the matter.

CHAIR—Just on the issue of trade barriers such as tariff barriers, it has been said to us that, if one removes the tariff barriers, one ultimately places oneself more advantageously to take advantage as the marketplace opens up in a more general sense. Is that a reason for us to pursue an open skies policy, maybe at an advanced rate ahead of other economies?

Mr Kerr—I think the difference in aviation is the reciprocal nature of the trades. Opening our markets on an open skies basis might encourage foreign carrier participation in the Australian market with attendant benefits. Where the bilateral system has its strength is that it enables us to get market access overseas. Until both sides of the equation are dealt with in whatever sort of regulatory regime finally evolves from all this, it has to have this—

CHAIR—Is this the level playing field?

Mr Kerr—At the moment, because it is done on a sovereign basis, every other country can deny us access to their markets in aviation, even if we open ours to them. I think the bilateral system has been seen as the one that creates the greatest amount of leverage for Australian enterprise to get access to foreign markets.

CHAIR—Just going on what you said earlier, do we in effect have an open skies policy with New Zealand?

Mr Kerr—In effect, yes.

CHAIR—In effect, we do. So is it possible for us, just as the Americans are seeking bilateral open skies arrangements with various nations, to go down the same path?

Mr Kerr—I put a caveat on my comment that, by and large, we do. What we have is an open skies arrangement within Australasia, but we do not have an open skies arrangement with New Zealand for our respective dealings with the rest of the world.

CHAIR—No, I understand that.

Mr Kerr—That is where the complication comes in terms of saying, ‘If New Zealand has done this with the US and they have done this with us, why don’t we get involved with the US?’ I think in Qantas’s view we are not at that point yet.

CHAIR—So we could not do that, for example, with the US ourselves?

Mr Kerr—Qantas would not be supportive of that as an approach at the moment. In saying that, I should add that we already have a very liberal set of arrangements with the US in play, which we have had since the end of the 1980s and which have worked quite effectively. Where an open skies arrangement would take that to a new level would be on some of the other routes, particularly through Asia into Australia, where we do not have the same degree of liberality as we have between Australia and the US.

CHAIR—I have two questions. One is in respect of the Lan Chile negotiations. Is there any specific reason why they are prolonged or is that commercial-in-confidence?

Mr Kerr—They are commercial negotiations which are still going on. They have been prolonged. They have certainly taken longer than we would have liked and expected. I am not able to offer you any words of comfort on that at the moment. The negotiations are going on.

CHAIR—Is the effect of other trading blocs on negotiating landing rights and so on prominent?

Mr Kerr—No.

CHAIR—For example, does NAFTA affect it?

Mr Kerr—No.

CHAIR—Doesn't it?

Mr Kerr—No. You could pretty safely conclude that trading blocs per se do not impact on our aviation relations at all.

CHAIR—Are foreign carriers required to charge minimum fares on Australian routes or are fares open slather?

Mr Kerr—Open slather. The Australian government policy has been to not intervene in what they call tariff regulation for the best part of a decade. Australian and foreign carriers are still required to notify the government of their fare arrangements, but no action is taken on those notifications.

CHAIR—Excellent. Thank you Mr Kerr and Mr Callaghan. We appreciate your efforts. They have been very enlightening.

Proceedings suspended from 12.40 p.m. to 1.41 p.m.

NGUI, Mr Matthias, Research Fellow, Centre for Research Policy, Faculty of Commerce, University of Wollongong, Northfields Avenue, Wollongong, New South Wales 2522

CHAIR—Welcome. In what capacity are you appearing before the committee?

Mr Ngui—I appear as a staff member of the Centre for Research Policy in place of Professor Turpin, who is currently nursing an operation that he is recovering from. He sends his apologies.

CHAIR—Do you have any comments to make on the capacity in which you appear?

Mr Ngui—The centre is the Australian national lead institution for APEC human resource development in industrial technology, and I represent Australia in that particular network. It is one of four networks under the human resource development working group of APEC. I have worked in that capacity for the last five years under contract from the International Division of DEETYA in Canberra.

CHAIR—Thank you. 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. The committee has before it a written submission from the Centre for Research Policy, dated 15 August 1997. Are there any alterations or additions you would like to make to your submission at this stage?

Mr Ngui—None at this stage.

CHAIR—The committee has already made this submission a public document. After you have finished your time before us as a witness, could you remain behind so that the *Hansard* officer can verify details and information provided by you to the hearing. I now invite you to make an opening statement and then we will proceed to questions.

Mr Ngui—The submission that we have put into this inquiry is based on the experience, knowledge and information that has been obtained from my particular work on APEC. So it is very much grassroots, if you like. That is the perspective that I am bringing to this committee with the views and ideas that I have.

There are four essential points that I make in the submission in relation to your terms of reference. I will not go into all the details about APEC because I am sure the honourable senators here will know that very well. The first point is that, essentially, the Centre for Research Policy supports the continuation of APEC because of some of the achievements it has made in removing some of the barriers to trade and investment.

However, there is still a long way to go. But, in our view, we have a very strong opportunity and we are in a good position to take advantage of some of the opportunities that this particular organisation provides us. At the moment, however, we feel that APEC and Australia's participation in APEC are still seen very much as a government business and that in the private sector, although it has interests and organisations that are involved in

APEC, the actual linkages between business organisations and the organisations within APEC are still fairly vague and unstructured.

The second point is that the centre also argues in favour of a limited and gradual and open regionalism tempered with some safeguards for developing economies. We believe that a trade bloc is less suited to such a diverse region as the Asia-Pacific.

Senator LIGHTFOOT—You mean APEC specifically is not suited?

Mr Ngui—No, the concept, the goal of developing a free trade bloc. Trading blocs are an invitation for exclusion from our perspective because the moment you set the boundaries you have to decide who is in and who is out. In terms of our opportunity to trade, the more open the club is, if you like, the easier it is for people to actually trade rather than keep their eggs to a limited number of membership. That is the general view we are trying to take.

We also believe that APEC, as senators here would know, is a major economic forum in which we have taken a very active role. In fact, we believe that we have little choice in taking a very strong interest in the development of APEC because in most of the other regional subgroupings—EAEC, ASEAN, ASEM—we do not have a major role in the operation; we do not have very much influence. So APEC remains one of the key forums where we can influence indirectly those other groupings because we are not members of them.

ASEAN, for instance, has excluded us and a lot of other members of APEC—similarly, EAEC and ASEM is the other one, although it looks as if we may have a better opportunity in the future to be a member of the Asian-European economic meeting than we have of membership of the other groupings. I think ASEM provides an opportunity for Australia to link some of the benefits of APEC to the European Community not only in terms of trade but also in terms of links in technology, innovation, education and training.

Finally, as far as the future is concerned, from what I have said, it is clear that we hold the view that Australia will increasingly have to redefine its role in APEC, because it is a major instrument in which we can express our own self-interests in the region, and also participate actively in the development of the region so that we are not seen just as temporary residents of the area. We are a permanent part of the Asia-Pacific region economically, and I do not think there is any way of getting out of that for us, economically.

There are lots of problems. We can see that a huge and diverse region like the Asia-Pacific obviously has very different needs and challenges, but I think we need to be there with them to actually help them resolve them. This is not only in their interest but also in our interest because we have expertise in terms of people, resources and technology which could be put at the disposal of people in the region.

Basically, that is a very quick and rough summary of what we are trying to put across to this inquiry. It may be nothing new to honourable senators, but I have other small points that I want to bring across. I think that might give you a better idea of some of the benefits that, for instance, the APEC network would make in a contribution to the general scheme of things.

One of the first things that I could mention, as I was mentioning to Paul this afternoon, is that just before arriving here I received an e-mail from the HRD Lead Shepherd's office in Canada requesting that I help draft the terms of reference for a task force to address the issue of the social implications of the financial crisis in APEC at the moment. It has been a great concern to members of the HRD working group who met in Bali a couple of weeks ago.

It was very clear that countries like Thailand, Indonesia, the Philippines and Korea are very concerned with generating new ways of dealing with unemployment and also ways of generating employment for their own people. Recent estimates now indicate that Indonesia will be displacing two million people into the labour market. Korea has 1.5 million. Even economies like Singapore are retrenching somewhere in the region of 15,000 people, which is something quite unheard of in small countries like that. Then there is, of course, Thailand, which is anticipating retrenching in the region of 150,000 people, and the numbers go on. So this issue has really been at the forefront of discussions in APEC-HRD that recently just met.

CHAIR—Just before you proceed, are the two million people additional people who will be displaced or is that the total number of unemployed people?

Mr Ngui—That is the total number that has been estimated to be displaced at the moment.

CHAIR—I do not know what the current unemployment figure was in Indonesia prior to the crisis, but let's assume that it was, say, one million. Is this an additional two million to make it three million?

Mr Ngui—That is correct; this is additional.

CHAIR—These are the additional numbers that are being displaced as a result of the crisis?

Mr Ngui—That is correct. So what I am trying to say is that because of our connection with APEC-HRD and the people in it, we can exert the Australian influence, if you like, by providing ideas, by providing drafts and by providing information. In this way we are actually making an impact on APEC at the grassroots level. If we had not attended meetings and if we do not know the people who attend the meetings, we would not have been asked to help draft documents, for instance. So that is one of the major things that is happening.

Secondly, in terms of the personal and institutional links that APEC provides, I had a call yesterday from a professor of the National Taiwan Normal University in Chinese Taipei requesting me to arrange for him to visit Australian institutions that have programs to save energy, and to visit schools and communities and businesses where they learn to save energy. He pinpointed Australian programs in particular because they know me and I have trained them in APEC. They are coming back to find out what we are doing.

What that means is that when the report is written by this group of six professors from Taipei, Australian programs or Australian ideas, Australian projects, will be adopted by the

Taiwanese government in an indirect way. Something like that is not reported in the press—you will not find it there—but it comes out in the kind of detailed relationship that we have with individuals and institutions in a number of countries.

There are many examples. I can give you examples from Japan, Canada, the USA and Indonesia. I will stop there and receive any questions that you may have.

Senator QUIRKE—When you are talking about an extra two million unemployed in Indonesia, are you talking about urban unemployed? Will there be some impacts out in the countryside from all this?

Mr Ngui—The figures I have are estimates for urban unemployed. They are people in the cities who have been retrenched by companies that because of the financial crisis cannot operate at the level they used to. That does not mean they will not re-employ, but at the moment that number looks like increasing.

The impact is different in different industries. I might add that the centre that I work with at the moment is in receipt of a \$2 million World Bank grant to help the Indonesian technology industry and universities to link their innovation and the results of their innovation better than they have so far.

It is a two-year project and we have exactly the same problem in Indonesia as we see reflected in many countries. That is, we have universities doing their research and innovation that have very little impact on industry. Industry is going somewhere and the universities are going somewhere else. The Indonesian government realises that somehow or other they need to be linked directly, and that is the major task that we are doing.

A project like that is worth a lot more than \$2 million because of the influence we have. We have brought expertise, not only Australian but also American and Japanese expertise, to sort this problem out. It is a very common one.

Senator QUIRKE—We are looking at a different type of unemployment in these urban areas. We are going to be looking predominantly at middle-class people who are unemployed—

Mr Ngui—Correct.

Senator QUIRKE—Probably they are unemployed for the first time.

Mr Ngui—Yes.

Senator QUIRKE—I guess the way these societies traditionally have handled unemployment is for people to go back to the countryside, to move away from the cities.

Mr Ngui—Yes.

Senator QUIRKE—I guess for middle-class people that is going to be very difficult.

Mr Ngui—Yes, and also they are not trained to work in the countryside. Their skills are not applicable to rice cropping, paper plantation or tending animals. It is a real problem. The good thing is that it is a lot more likely for these people to be able to find other jobs as the economy develops. They are a kind of latent long-term unemployed who are moving around the area.

I think the number will grow as companies, one by one, sort out their political difficulties. There are even stories of Indonesian companies having to employ security guards and paying the army to stop people who have been retrenched coming back and actually messing things up for them, so to speak. That has been a real problem. It has lots of other implications as well.

We know of Chinese business people and their families actually taking precautions by moving out of Jakarta in the next month at least to make sure that they are not victims of any kind of social unrest that may come up in Jakarta in view of the election as well as the current crisis. One of the problems is that people from the countries who come from the cities are not quite aware of the mechanics of the financial market. Most people cannot tell the difference between a Chinese, Japanese, Taiwanese or whatever. If you are Asian, you are likely to be a target for some unrest. That has caused them to move out.

Senator QUIRKE—I guess we are just passengers. There is not much we can do. We have done our bit through the IMF but basically there is not much that APEC or Australia, as a member of APEC, can do about this crisis.

Mr Ngui—Except to the extent that I think we can get into some particular industry where we have expertise—whether it is higher education, aviation, technology or whatever—and where we can actually work with them to redefine the particular strengths of the industry and help them get that up using our expertise. It is as much an opportunity for us to work at that redefining level. Maybe we can reinvest with them. That is another issue. But we can certainly help them sort those problems out and get their credibility back.

One of the things I have been talking to my colleagues about is the possibility of running some public accountability and accounting courses for some of the bureaucrats and business people to get an understanding and a system going. That will again help the credibility internationally in terms of how they manage their internal finances. As we all know, every country has problems in knowing who is spending what at any particular time of the day and what is the cost of expenditure in government. I think some countries like Indonesia may need some assistance in that area to at least get it up to some sort of world standard, not in all cases but in some cases.

Senator LIGHTFOOT—If APEC is unsuitable—you haven't, as I was able to ascertain, expressed the degree of unsuitability for Australia and I guess that unsuitability is based on the perception that APEC is a quasi-government organisation—what do you think would be suitable for Australia, an organisation which Australia from the private sector could more easily be seen to be participating in?

Mr Ngui—I apologise if I gave the impression that APEC was an unsuitable vehicle. I think it is a suitable vehicle. However, somehow business interests are not in the APEC system as much as perhaps most of us would like. That is the point I was trying to make.

Because this whole thing started off as a government initiative, it has that flavour: the way the meeting is organised and what is on the agenda is very much a government agenda. In terms of a business agenda, what I see as one of the weak links in our case is that I am not sure that business has yet seen or is able to see, or maybe government has not explained to business, what the real benefits are for business—that is, business in very general terms—from participation in APEC.

You cannot sit back and ask APEC what APEC can do for you, so to speak. APEC is an organisation where you have to decide what you want to do and you have to get it through APEC. You have got to get in there and you have to work it so that it meets your interests. That is the kind of strategy that I have adopted in my work in APEC-HRD. I keep explaining to bureaucrats in Canberra that you cannot wait; it is not a passive thing. If you wait for everybody else to do something you will not get very far. But you have to decide what you want to do first. What do you want to get out of APEC? Do you want to have increased higher education, or better innovation? Do you want it for your agricultural products? Whatever it is, we have to decide what we want out of the organisation before we can ask it to respond. That is the kind of strategy I would look at.

What I am saying is that business needs to get together—by industry, by region, by whatever category—and try and work out what it is that they can reasonably get from an organisation like APEC or its working groups or its structure, or its something. You can only get certain things from it. It has not got a lot of money. But it does have credibility, it does have influence and it has got respectability that you can add on to a project. It certainly has that, once it goes through the APEC process. It has a little bit of money for research but nothing to really write home about.

Senator LIGHTFOOT—Is APEC, in your view, the most important regional trading bloc?

Mr Ngui—I have no doubt that that is the case at the moment, in spite of the current crisis.

Senator LIGHTFOOT—ASEAN?

Mr Ngui—ASEAN is represented in APEC. It is a smaller grouping. APEC is this big—

Senator LIGHTFOOT—It is a smaller grouping in economic terms, but in terms of population it is very big, isn't it?

Mr Ngui—Yes. It has been estimated that the members of APEC have a population of three billion people at the moment.

Senator LIGHTFOOT—Perhaps a little more than half the world's population.

Mr Ngui—Yes. In the future, who knows. If countries like India come in, you will have just about everything there. What will be left out will only be Europe—western Europe anyway. Russia is in now, and Vietnam and Peru.

Senator LIGHTFOOT—Australia is in several trading blocs. It is in CER with New Zealand, which is very important to Australia. What would you think of, say, an Indian Ocean trading bloc, similar to APEC?

Mr Ngui—That is an interesting question. Particularly when you come from Perth and Western Australia, that is a very logical trading grouping. The only problem is that there is not yet a feeling among the leaders in the Indian Ocean that they are able to get together and form such a strong economic, social and cultural grouping.

Senator LIGHTFOOT—Are you aware of approaches that have been made? There is an Indian Ocean arts festival.

Mr Ngui—That is correct.

Senator LIGHTFOOT—That is about the closest thing I know to—

Mr Ngui—Actually there is more than that. There has been an Indian Ocean conference and forum very much like APEC that has met, I think in India, at least once that I am aware of. In fact it may have been more often. I think attempts have been made to generate that kind of economic community in the Indian Ocean, but you have countries like the African ones, you have countries bordering that area and then you have India, so it is a difficult kind of grouping because—

Senator LIGHTFOOT—You have the Gulf countries, too.

Mr Ngui—Correct.

Senator LIGHTFOOT—That west coast of Australia has the biggest diamond mine in the world and the biggest exporters of iron and alumina powder in the world, just to name three.

Mr Ngui—Yes. Western Australia has one of the largest proportions of Indian population in Australia as well.

Senator LIGHTFOOT—Has it? I was not aware of that.

Mr Ngui—That is a very strong people link you can make.

Senator LIGHTFOOT—Would you regard something like a proposed Indian Ocean trading block as detrimental to Australia's interests in APEC?

Mr Ngui—I do not think so. I think we should increase our markets universally. Why should we stop in APEC? I cannot see any reason, any more than if we stopped with the Indian Ocean or the European Community.

Senator LIGHTFOOT—Or APEC being detrimental to NAFTA or NAFTA being detrimental to APEC.

Mr Ngui—I do not think so. I do not think there is any detriment there. The only detriment is when you start having competing blocs that play each other off one against the other. That is when it gets really messy and very difficult to unravel. But, if the fact that the main interest is in trade, investment and human resource development stuff is fairly open, I think that will improve the flow of things right around the area.

Senator LIGHTFOOT—Could you express, perhaps in a precis form, your plan for less Australian government involvement in APEC, as it is perceived, and more involvement with the public sector? That is my final question.

Mr Ngui—One obvious thing is that Australian governments need to initiate some program of information sharing with business people in relevant industries. This is something I have raised before in some reports to DEETYA. For instance, we have projects in the HRD area, in electronic commerce, in small business, in government procurement, in management training. All these sorts of things are not, firstly, explained to a lot of small business people or multinationals or whatever groupings in the community. There is no formal channel. It might go to some of the peak business organisations, but I believe we ought to go further than that. It has not got—

Senator LIGHTFOOT—Do peak business organisations take advantage of it?

Mr Ngui—They do to some extent, where they can.

Senator LIGHTFOOT—They could utilise it in a more positive fashion?

Mr Ngui—Correct. And I think there need to be forums and discussion groups all around the states, to explain to—

Senator LIGHTFOOT—Do you need to be a peak body in order to take advantage of it?

Mr Ngui—Not really. Individual companies and small businesses can participate in individual projects. There is not a problem.

Senator LIGHTFOOT—Where are the limitations?

Mr Ngui—The limitations would be, firstly, your particular interest and whether it fits you and the interests of your company, and, secondly, whether you have the resources to participate. Small businesses usually do not. That is one of the problems. Participation means that sometimes you have to write papers about your own industry or business and you have to present them in Japan or Korea or wherever the meetings are. One of the problems is that the meetings are less often in Australia and more often in South-East Asia or north Asia or America. It depends on who is hosting them. Maybe small businesses can get together and host many more business type forums and invite all the others back to Australia by industry.

You need to be fairly focused, whether you are in the agriculture industry, the fishing industry, the energy industry or whatever. You need to get a network of people to come to Australia to talk about energy issues and really figure out what it is that they want, in a fairly safe, fairly open environment where there are no commitments or whatever. It is basically finding things out from your experience, finding out how I can work with you, if I can, or with him or whatever groupings you want.

Senator LIGHTFOOT—So small to medium business organisations ought to participate in the APEC created forum?

Mr Ngui—Yes. In countries like Japan and Chinese Taipei, for instance, small business have led the recovery economically, which is very much on record. They also have a culture that is very advantageous to them in terms of being able to create and develop companies using family networks. We have some difficulties there because of our family system, but that is not the only thing. Countries like that have shown that small business is a very important factor in developing the economy because it is diverse, it is fast, it is quick.

Senator LIGHTFOOT—It is an enormous employer.

Mr Ngui—There are disadvantages, surely. They are small and they are less planned and less organised to some extent but nevertheless they are suitable for meeting small needs, whether in rural areas or in the cities. That amounts to 90 per cent of most industry in those countries.

CHAIR—Firstly, I understand that we have three reps per economy on the APEC Business Advisory Committee, so we would have three. I think we are seeing those people later this afternoon. As I understand it, they report annually to the leaders meetings.

Mr Ngui—They do report, yes.

CHAIR—Is that not functioning or functioning well? When you said that there was a lack of business investment in the APEC process, is that what you were aiming at?

Mr Ngui—At the top level, at a formal level, they are involved. They are represented and they attend as many meetings that are relevant to them as possible. What I am referring to are the people on the ground, on the streets. Somehow or other they need to know a lot more about what is happening in APEC—what the issues are, what the problems are, what the benefits are. Those are the people I am referring to. In other words, information is not coming through to them. Perhaps they have started but not that I am aware of. Most people still do not know what APEC is.

CHAIR—That is a very valid criticism which I have raised with a number of witnesses.

Mr Ngui—That applies not only to business. Economics are the same—‘Are you talking about OPEC, the oil consortium, or what?’ So I think there are still difficulties there. It is only nine years old.

CHAIR—Either business or even the community at large being unaware of the true role and function of APEC makes it hard to sell the reform agenda that is set down through the APEC forum because all that raises is a degree of fear or a degree of cynicism. They think here is something else that is an elite club that is designed to do nothing else other than provide for an elite few. In that way there is a negative reaction.

We heard today the fact that the NGOs, when they go to NGO meetings, are one out because the NGOs in the other economies are all fairly much hostile to APEC and what APEC is doing. So we really have an organisation which people are unaware of. How do we go about making it work?

Mr Ngui—One of the things that I have always talked about in response to what you are saying is that I think in Australia, because of our system of government and functional responsibility, there is not, if you like, a whole of government approach to the whole issue of educating, informing and sharing ideas about APEC, its organisations and its issues with the general public right across the spectrum. Foreign Affairs has its own responsibilities, DEETYA has its own and Primary Industries has its own. They are all split up.

But then you ask: who is taking overall responsibility for the whole of government's participation in APEC? Maybe DFAT would claim it, but I do not know. From what I can see, I think no one department really is. So maybe we need to think about it. Somebody has to coordinate a program in which we can use whatever existing resources we have to get the information, to get the knowledge out a bit further than we have today.

CHAIR—DFAT, I think, lay claim to being the coordinator—I do not think I am doing them a disservice there. Nonetheless, it does not overcome our problem that only some people in government and the bureaucracy, some business people—particularly at the peak council level—and maybe a few people at the academic level have any real understanding of what the APEC forum is about.

Mr Ngui—Correct.

CHAIR—It seems to me that, if you are bringing about change and you do not bring the mass of the populace with you, change takes on a fairly sinister nature and becomes something that is forced upon them. Hence, we then get sectoral problems, in my view, and people digging their trench to defend their little cabbage patch, and so on. I know that there is no simple answer to it, but there must be something that can be done in a positive sense that will ameliorate the effects of a lack of knowledge.

Mr Ngui—Yes. Personally, as I said before, I would favour a greater kind of face to face type discussion format, or whatever it is, right across the country, not only for people in government to explain what APEC does but also to get some feedback and have a sense of where people are in terms of their understanding. I think that would have to be supplemented, obviously, by kinds of regional information, Web sites, and all the rest. But there are Web sites about APEC already currently available.

CHAIR—What about community organisations, NGOs, the likes of trade unions, and so on? Perhaps they should be involved in the process to take away some of the mysticism that obviously some people believe surrounds the whole process.

Mr Ngui—Yes, I agree, because that process will take time and I think it needs to happen. But of course we are always faced with the question of resources: who is going to pay for it? That is when the discussions tend to stop, I think.

CHAIR—That is right. But even on the issue of resources, is it something that we just cannot afford to say, ‘Well, look, because it’s going to cost us X number of dollars we will not do it,’ when not doing it will be to our long-term detriment anyway?

This gets to another issue I want to raise in a couple of minutes: no-one seems able to put a positive spin on the APEC agenda; people are very easily able to put the negative spin that there will be social costs, that there will be environmental costs, or whatever it might be. Those are fairly readily identified by interested groups out in the community.

But no-one can put up a model which has credibility that says, ‘By doing this in this sector, we are going to gain this in this sector,’ and ‘Whilst we might lose 1,000 jobs in this sector, we will create 2,000 jobs in this sector,’ and ‘We will put up a retraining package which will see these workers’—and they might not necessarily be workers; they could be farmers, they could be any people—‘who are in this sector successfully retrained and placed into the other sector.’ That is where I think the credibility of APEC is lacking at this stage; I do not know if I am right or wrong.

Mr Ngui—Yes, I think I would agree with you on that score because they are the kinds of personal and institutional links that, as I have been trying to explain, are actually the benefit that should come out of forums like APEC—apart from the policy level. Obviously governments can agree on lowering certain barriers, but it is the personal and institutional linkages that actually make things happen on the ground—which is where I agree with the point that you are trying to make.

CHAIR—Can I just pursue the issue of modelling for one moment? We were told this morning by a witness about the modelling done by the Industry Commission and how it was just a little bit too generous and, really, that the result needed to be a lot more conservative. Then we were told also about how the NAFTA modelling was very much askew as well.

This seems to me to be a weakness: that there is no ability to put forward a reasonable model which people can relate to. People like to have pictures painted for them of what is going to happen. If people cannot paint the picture, then it leads to the scepticism and the cynicism that invariably follow.

Mr Ngui—I might also add that this is not a problem peculiar to Australia.

CHAIR—No, I understand that. It is a problem that is peculiar not just to APEC but to all trading blocs where we are talking about trade liberalisation, trade facilitation, economic and technical cooperation. It does not matter what you are talking about. It seems to me that

the reform agenda is outstripping the actual concept, the picture that the people have in mind and, thereby, raises the whole issue of conflict.

Mr Ngui—I agree; it has the potential to do that. I do not know what the answer to that is, except to say that obviously we need to work a lot harder in trying to explain the benefits of APEC that may accrue to certain industries, certain sectors of the industry or the economy. I think certainly that needs to be done a lot more and better than we have so far. I think at the moment most of the reports, most of the information about APEC, which is very brief, still comes from the press.

CHAIR—I will not comment on that.

Mr Ngui—Yes, but I think that has its limitations. There are some good articles as well. Nevertheless, it is still limited, and I think that is an area we need to address here in Australia. Apart from that, also there is a question of cost. I think at some time, in some months, the public is going to ask, ‘What are we getting for the money and effort we put into APEC?’—just in very common, simple terms.

CHAIR—That is right, and it is something they are entitled to an answer to.

Mr Ngui—They will ask, everyone will ask, because we have been in it for nine years; what are we getting out of it? We can list all the program initiatives, all the agreements we have done, yes. But has it any impact on small business or education or training, or whatever?

CHAIR—I would just like your comment on the role of a mixed credit scheme, such as we used to have with the Development Import Finance Facility, in being an important means by which we can launch trade initiatives into APEC economies? We now have no such facility. Is that a weakness on our part, or is it something that we can learn to live with?

Mr Ngui—Unfortunately it is an area that I know very little about so I cannot really make any sensible comment. I will have to pass on that.

CHAIR—The next issue I want to raise is one that you alluded to in passing, and that is the issue of open regionalism and the membership of APEC. In particular, I want a comment from you on the decision at the last leaders meeting to admit the additional three but then to have a moratorium on membership for the next 10 years—whether they stick to that is another thing—and, importantly, to exclude India for the time being. India is one of the real burgeoning economies on our doorstep. Is that the sort of thing that APEC should be doing? Was that done for political reasons to accommodate people at the meeting last year? Is it something that we need to revisit and change very quickly?

Mr Ngui—Obviously the issue of membership is essentially a political one; political in the sense of regional politics rather than Australian politics. The membership around the table needs to decide whether it is to their advantage to admit additional countries or not. As you know, in the last nine years APEC has almost doubled in size and that is a constant worry in terms of getting across the information, the knowledge and the interaction in the

complexity of the issues that are APEC. The bigger the club is, the harder it is to keep everybody informed and to develop a consensus.

For instance, Russia is gigantic and we know very little about Russia, not only the Russian people but also the Russian government and economy, except for selected fields. That is an educational process; and unless APEC has digested the new membership, it is going to be difficult for them to make a decision by admitting new ones. However close countries like India may be to our economy, we may have to deal with that issue on a bilateral basis rather than in a multilateral forum until such time as we can marry the two. It will come; it has to come, but when is now the question.

CHAIR—On the issue of IMF intervention in the Asian crisis and the seeming exclusion of APEC as the broker, has that in any way weakened the position and role of APEC within the forum?

Mr Ngui—It could and it could not in the sense that, in perception, it could look as if APEC was not doing a damn thing about it, particularly the finance ministers meetings. But I understand that they have addressed some of the issues there.

The difficulty with APEC responding appropriately is the fact that it does not have many resources behind it. That is the problem. It may want to do lots of things but it cannot because it does not have the money, unlike the IMF, which is a very specialised group that has resources to do something serious. That is one of the dilemmas of APEC. But it certainly has been discussed in APEC circles: not only the financial impact, as I said before, but also the social implications of the crisis for the labour market, for instance. That is one of the issues that concerned the HRD group. So APEC is there but what role it plays and how will still have to be articulated.

CHAIR—This might be the \$64,000 question: what about reaching the 2010-2020 targets?

Mr Ngui—I think that has to be revisited because some of the countries that have agreed to the action plan may have to reconsider the deadline, given what is happening at the moment to the economy. That may be taken up this November at the meeting of leaders.

CHAIR—Does that mean the original expectations were too high—and this gets back to modelling: people did not allow for intervening crises—or can this be attributed to the fact that APEC really is too loose an organisation to control a number of the factors which might affect it achieving its goals?

Mr Ngui—I think they have to be renegotiated because it is obviously a very tight schedule even for developed countries, let alone undeveloped countries, so there is obviously no way out except to renegotiate the date to a much later time. But that does not prevent countries reaching their target before, if they are able to do so; it does not exclude that possibility. It is only a kind of symbolic timetable: if you reach it, that is fine; if you do not, it does not matter.

CHAIR—All right. We have run out of time. I thank you very much for the evidence that you have presented to us today and we look forward to you having success in the project that you have been given by the HRD Working Group.

Mr Ngui—Thank you very much and thank you for your time.

[2.40 p.m]

CROUCH, Mr Michael Jenkins, A.M., Australian Representative, APEC Business Advisory Committee, PMB 80, Bankstown, New South Wales 2200

ROCHE, Dr Imelda Joan, A.O., APEC Business Advisory Committee, Unit 202, Gabriel III Building, San Miguel Avenue, Ortigas Centre, Pasig City, Metro Manila, Philippines

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. I now invite you both to make opening statements, and then we will proceed to questions.

Dr Roche—I have prepared a few notes, and I hope that what I have to say is not going to be too repetitive, because I take the view that you will hear much of the same information from a lot of sources.

CHAIR—I assure you that this is the first time that we have heard from your source.

Dr Roche—Having now been involved in the APEC process for a little over four years, I have come to the belief and conviction that APEC is the key to Australia's future regional trade policy and is pivotal to Australia's global trade policy. Just going back a little to the initiative taken in Seattle in 1993 to form the Pacific Business Forum, the PBF, this was a move designed to complement and strengthen APEC's trade and investment liberalisation and facilitation goals. I believe this has been accomplished by effecting a closer engagement of the regional business community in APEC.

A further important step in this direction was taken again in 1995 when leaders at Osaka decided to form the APEC Business Advisory Council, known as ABAC, as a permanent business advisory body, replacing the previous Pacific Business Forum. ABAC has been charged with ensuring that the implementation of APEC's agenda reflects business priorities. Like the business forum, ABAC is a small, high level body whose representatives have been personally appointed by leaders. Following the PBF's two initial reports, ABAC's first report to leaders at Subic Bay made a number of recommendations, and these are currently being incorporated into APEC's work programs.

The involvement of business is occurring at a great number of levels within APEC, with ministers and officials continuously involving business in specific sectoral meetings. Ministerial meetings are increasingly being accompanied by major forums for private enterprise, with a number of the APEC economies, including Australia, consulting business at a national level. A significant Australian initiative is the annual APEC Business Forum convened by Deputy Prime Minister Fischer. This forum has met twice in Sydney, in September 1996 and in April 1997, with average attendance in excess of 150. The purpose has been to update business on progress in APEC and also to seek direct business input into the development of Australia's priorities for APEC. It also has provided a business conduit for us ABAC representatives to draw advice from Australian business to guide our participation in APEC's regional business body.

An important ABAC concept is open regionalism, which is the term used to describe APEC's approach to economic cooperation—or, more specifically, the process for achieving the Bogor goal of free and open trade and investment by 2010 and 2020. Implicit in the term 'open regionalism' is members' opposition to the creation of a free trade bloc.

In Osaka, the economic leaders' declaration of common resolve included the statement, 'We emphasise our resolute opposition to an inward looking trade bloc that would divert from the pursuit of global free trade and we commit ourselves to firmly maintaining open regional cooperation. We reaffirm our determination to see APEC take the lead in strengthening the open, multilateral trading system.' Of course, market forces have already resulted in a high degree of economic integration in Asia-Pacific, with over 70 per cent of APEC's trade directed to, or sourced from, other APEC economies. This enables many APEC economies to directly address many of the barriers to their own exports, by liberalising trade within the region itself.

I believe APEC has made very solid progress in building an expanding agenda and moving towards practical implementation. In spite of its underlying strength APEC does, however, face continuing major challenges. These include the problems of giving effect to ambitious free trade and investment objectives within its loose voluntaristic framework; of maintaining high level political and business interests as it moves from agenda setting to more detailed implementation; and of defining its regulations with other major regions.

APEC's core concern will continue to be its three major arms of economic and technical cooperation, trade facilitation, and trade and investment liberalisation, which evolved from the period up to Bogor. There is much to be done in each of these areas, building on the substantial agenda and the program that has been put in place. An important influence will be the way in which the links between APEC and the WTO develop. Certainly, APEC and the WTO have a great potential to feed off one another, and APEC has come to realise in its short history that we have considerable influence over developments within the WTO.

APEC's less formal structure allows it to take an ambitious position on multilateral liberalisation issues, and APEC leaders and ministers have made good use of this in their agreement to increase the pace of multilateral liberalisation. One example of this, of course, is supporting the Information Technology Agreement in 1996. New WTO negotiations on agriculture and service are due to commence in the near future, and there are also good prospects that a new comprehensive round of multilateral trade negotiations will commence around 2000. Such a round would encourage APEC members to bind the liberalisation steps they are taking towards the Bogor goal and would also assist the trade-offs that will help in addressing liberalisation in highly sensitive sectors.

An extremely valuable component of APEC is the leaders' agreement to each economy producing an individual action plan setting out how each economy would implement APEC's goals in 15 different areas ranging from tariff and non-tariff barriers, services and investment, through to standards, competition policy and intellectual property. The IAP process has a number of strengths. Foremost among them is the fact that governments are required to consolidate in one document, which they must revise each year, all liberalisation methods—including forward liberalisation plans—and this in itself is a positive factor towards encouraging liberalisation.

There will need to be continued and strong emphasis on such areas as trade facilitation and economic and technical cooperation as a way of delivering gains to business. Action in these areas requires harmonisation of regional regulations and policies and is also a way of achieving real movement towards regional economic integration. However, we recognise that economies are likely to be cautious, particularly where they believe that domestic interests are likely to react against changes to existing standards or certification requirements. In some cases it will be possible for work in these areas to proceed amongst smaller groups of APEC members. The APEC business travel card, introduced last year, illustrates very clearly this possibility.

APEC has achieved much in its short history, and Australia has continued to play a key role in the development of APEC. Its role as an initiator of ideas was reflected in our initial role in working to create APEC but it has also characterised our involvement in recent years. APEC warrants continued high priority in view of Australia's strong and enduring national interest in a stable and prosperous Asia-Pacific region.

Mr Crouch and I discussed prior to coming here that this was very much an overview statement. He will now expand on that in more specific terms.

Mr Crouch—I speak to you, gentlemen, as one of the three Australian representatives. The third representative is Mr Malcolm Kinnaird, Chairman of Kinhill Engineers, who is based in Adelaide, but, unfortunately, this week is in the United Kingdom. His background is that of having built a company maintaining 30 offices in Asia, with some 1,500 engineers working from those offices for his company.

I speak as a manufacturer, an individual who has built his business over the past 30 years or so. We have a particular invention, and you would all use my products on a daily basis. The boiling water for this cup of tea probably comes out of a Zip instant boiling water heater. Certainly they are there throughout Government House.

It is with that background that I speak to you today concerning the APEC process and the APEC Business Advisory Council. There is indeed a need for the council. It is difficult enough to understand the culture of 17 other nations, let alone for business to understand the mechanism of government and for the mechanism of government to understand the practicalities of the problems that surround business. It is appropriate and commonsensical to suggest that governments, in putting together their individual action plans and detailing those plans—which were called for from the Osaka Action Agenda in 1995—should have an input from business to those plans. Then the 18 leaders may therefore be advised, firstly, by the advice and planning of their governments and, secondly, by commercial input to those plans. That, simply, is the role and the process of the Business Advisory Council.

The Business Advisory Council comprises three individuals from the 18 nations, each country being represented by large, medium and small enterprises so that there is a balance of views. I think it must be remembered, from Australia's point of view, that there are some 2,500 large companies and some 495,000 small and medium enterprises. A similar role exists in Asia, where their biggest problem in building small companies into major companies is the fact that they are very weak in human resources. Human resource development is very

much a matter that is before ABAC, and the development of human resources for Asians is indeed a top priority.

May I give you an example of trying to trade within the APEC region as opposed, for instance, to the European Union. In the European Union there is a predominant language, which is obviously English, and very well established markets. There is one common process for the registration of trademarks, one common registration for intellectual property, one common customs system and they are trying to have one common currency. There are certainly very clear and transparent regulations by which all banks and the banking system operate. To do business in the European Union—despite the language barrier or the distance—is by comparison relatively simple.

The composition of the APEC nations, however, ranges from Chile, Mexico, the United States and Canada—which are well known—and Japan, coming across to Korea and down to the Philippines. You know the 18 nations and you can imagine the variety of cultures that exist. Their methods of doing business are, of course, different from the established methods of doing business. In marketing products in Asia there is no protection of intellectual property. In fact, there is no registration of intellectual property. There is no common customs system, no harmonisation of standards, no testing mechanism for the adoption of standards and no mutual recognition agreement of standards. These are matters that perhaps can be detailed by government but, from a commercial viewpoint, better understood by business.

The three pillars of ABAC to which Mrs Roche referred, economic and technical cooperation, facilitation and liberalisation, have been the centres of activity of the work of ABAC over the past two years since its formation. Particularly importantly, however—and this was an Australian recommendation—each of the three committees within the APEC Business Advisory Council have one of their co-chairmen drawn from small and medium enterprises.

I illustrated the importance of small and medium enterprises to Australia, the fact that the contribution from small and medium enterprises to the gross national product equals the contribution by large companies. The fact is that 60 to 70 per cent of trade within the APEC region is carried out by small and medium enterprises. Accordingly, the Osaka action agenda of 1995 called upon the APEC process and ABAC to develop policies and priorities to increase the dynamism of small and medium enterprises.

I have referred to trade facilitation in this matter of the cross-border flows and the difficulties of marketing goods. I will refer briefly to trade liberalisation and give one illustration only. When you go to pay for goods in the Philippines the banks hang on to any funds being exported for a minimum period of 30 days without interest—they just lock up funds. Perhaps a better illustration is the oversupply of credit and the result that some 58 of the 85 banks and finance companies in Thailand have now been put on the danger list and have had their doors closed. We deal with our distributor in Thailand and it is quite frightening. They said to me that their funds were with banks and they would only be getting interest payments for five years—there would be no access to their funds or savings. This is a business enterprise—the largest airconditioning manufacturer in Thailand. The family owns the Bangkok university and so forth. But this is the situation that exists. I said, ‘You will be

lucky if you get your money back in 10 years,' but that is beside the point. Those nations have not had a day of reckoning.

From the point of view of facilitation, from the point of view of infrastructure, for instance, why does Indonesia import our live cattle? Is it because they want live cattle or is it because there is no infrastructure in Indonesia to take cattle killed at abattoirs here? There are no freezing works, there is no infrastructure. So there is a need for facilitation and economic and technical cooperation to try to input a structure into these undeveloped nations.

From Australia's point of view there is no longer—as there was 20 years ago—an Australian market. The world is a very small place. The global market is so easily served. I do not know how many trips Mrs Roche had out of Australia last year. I know the number I had. It is so easy to take the 6 o'clock on a Sunday evening to arrive in London on Monday morning and catch the 10 o'clock on Friday night to be back here for the weekend. You could work in any country in the world for a week. We are now operating as a nation in a global marketplace. The simpler the trade that can occur within that marketplace, the better it is for every participant or player in that marketplace.

Asia has problems different from the problems we have here in Australia. For instance, there are only three million people in universities in China so the potential for Australian universities, who have really grasped the nettle and taken their expertise overseas and established tertiary training in other countries such as Indonesia and China, is high. The need for it is very relevant and obvious. The fact that Australia can respond to and undertake such initiatives is extremely commendable.

That should be the note that I conclude on, Mr Chairman. Australia has a very valued role in the APEC process and is very highly and well regarded in the APEC process. I am sure that Australia will continue to adopt a leading role in bringing together a mechanism and a process whereby trade within the APEC countries can be simplified.

Senator SANDY MACDONALD—Was Australia one of the primary forces in the formation of ABAC?

Dr Roche—I believe so. My understanding is that ABAC actually arose from a suggestion made to Prime Minister Hawke when he was visiting Korea. It was a proposal that came from Japan to Korea. He picked up the concept and ran with it, and I understand we had the first meeting of APEC ministers in Australia in 1989. Of course, it was not until 1993 that the leaders became involved. But I think even though one or two of the other economies may claim some of the concept kudos for APEC, it was actually put in train and activated through Australia's initiative.

Senator SANDY MACDONALD—This is an organisation of approaching 60 business people from APEC, three from each country.

Dr Roche—Yes.

Senator SANDY MACDONALD—Do you meet as a group?

Dr Roche—Yes. There are structured meetings three times a year to prepare and present a report to the leaders, followed by a fourth meeting for a small group to present to the leaders. Then the members all come together again most usually at the leaders' meeting each year. So in fact we all meet four times a year.

Senator SANDY MACDONALD—You mentioned that there is an economic forum that you hold here for Australian business. Is that held on the government's initiative or on what basis, and whom do you ask? What I am leading to is: what is the level of understanding amongst Australian business of APEC and its goals?

Dr Roche—The level of understanding in Australian business at the moment is in its embryonic stages, I would say, and this business forum was an initiative of the ABAC representatives, actually from the PBF, the Pacific Business Forum. It was something we suggested three years ago that government should implement to invite business actually to participate and be made aware of what was happening within ABAC. That was picked up by Deputy Prime Minister Fischer and initiated by him. It is actually a function now which is organised out of DFAT but certainly with the input of the three ABAC representatives. What actually happens is that they circularise to all the various business groups and all the industry subgroups. The publication of this forum being held is very widely disseminated through Australian business, but there is still, I would say, a degree of apathy in terms of people responding. One hundred and fifty is a pretty good attendance and it is a fairly high level attendance, but certainly there is room for improvement.

Senator SANDY MACDONALD—I guess the question is: do we need to do more to promote the work of APEC from a government level and, if we do, what suggestions do you have?

Dr Roche—As I have been responding to most of your questions, let me quickly say yes, I think there is always room to do more because we really have not made a great deal of progress. Michael might like to comment on that as well.

Mr Crouch—We can always do more; that is life, isn't it? But I come to that APEC forum to which Dr Roche is referring. It now has had two meetings, with another meeting scheduled on 29 or 30 April or the weekend of 1 May here in Sydney. That 150 does not sound much from 500,000 businesses, but the industry groups are recognised and the executive directors of each industry group has attended. Be it national farmers, be it Australian electrical manufacturers, be it MTIA, be it the dairy industry, they are represented. Standards Australia is represented. I think there is a close liaison between DFAT and between all national employer bodies that are stationed in Canberra and around the country. It always surprises me how well informed they are and how quickly news travels, including overseas.

I think it is important to look at APEC, again from a business perspective, inasmuch as businessmen today work under demanding pressures. I think we all do today, in all our roles in life. There is little time to do other than to get about your initial objectives. So the small to medium enterprise is probably very clearly focused on developing his market and has the internal resources to seek out that information which he wants.

To answer Senator Macdonald's specific question on the APEC process, I think if government can maintain the closest possible liaison with its activities and particularly with individual action plans and the achievements of APEC on an annual basis, if they can maintain a close liaison with the individual employer groups, then that in itself is a significant achievement, because that information will then filter through to all member employers.

Dr Roche—If I can just add a little to Mr Crouch's comments, I think it is pretty apparent to most business people in Australia that the growth in employment in Australia is going to come through small and medium enterprises. There is an absolute downsizing in major businesses, and most major businesses involved in export have the contacts and the knowledge to be able to cut through the non-tariff barriers that many exporters do encounter. Of course, for many smaller businesses who may be prepared to expand their horizons to exporting, a lot of those non-tariff barriers are pretty daunting. One of the things that APEC can do, and has started this initiative, is to provide an APEC-wide database to begin to identify what some of those non-tariff barriers are. So it becomes a source of information which can generate a higher degree of confidence in Australian business to be able to consider exporting, which then leads to potential growth in employment.

Senator SANDY MACDONALD—Do you think that ABAC has a role to play in the selling of the advantages of trade liberalisation and facilitation to the Australian community?

Dr Roche—Yes, and we have been endeavouring to do that, but probably not well enough. I would say that we most likely need to be more focused and more structured in that. I do not think we can provide business with too much information regarding ABAC, and to this point in time there may be not quite enough. I think we could do a better job.

CHAIR—Could I just follow on from that? Who has the actual responsibility, in your view: ABAC itself or the government or DFAT? Where does the responsibility lie to create this environment where people are being educated about APEC?

Dr Roche—I think it is a bit of a partnership, actually.

CHAIR—That is why we want your view.

Dr Roche—I do not think either stream will be as effective trying to go it alone. One of the things that the Australian delegation considers as perhaps something of an impediment vis-a-vis some of our counterparts from other economies is that they have representatives from very, very large enterprises who have whole departments devoted to official and government relations. So, in terms of the staff that accompany some of those delegations, it is very impressive. We do not have those resources and we as three representatives really have to rely to some degree on the back-up support we get from DFAT. I certainly do not have a public relations and government liaison branch in my organisation. Neither does Michael and neither does Malcolm.

CHAIR—You're it!

Dr Roche—When we sit across from Jeffrey Koo from Taiwan and Gordon Wu from Hong Kong and Jack Murofushi from Japan, we are looking at people who have at their

disposal very extensive resources. So it does have to be a partnership, as far as we are concerned.

CHAIR—This is an important issue. One of the things that I have raised with other witnesses is the general lack of knowledge out there in the community, whether it be the business community or the community at large, about APEC, its role and what its purpose should be. We have tried to address the issue of how one brings the business community and the community at large with you if one is going to go down that path. For, if one leaves them behind, then all one sets up is an environment of anger, an environment of envy and an environment of disbelief as to how someone else is trying to pull all the strings. So, if you can assist us with any innovative ideas, we would be most open to them and would welcome hearing what you have got there.

I just want to quote something. You stirred me into action on a comment which appeared in a submission before us from ACCI. It is not their words, it is from Dr Joan Spero, the United States Under-Secretary of State for Economic, Business and Agricultural Affairs, to the United States House of Representatives International Relations Committee, Washington DC, on 18 July 1995. She said:

APEC is not for governments; it is for business. Through APEC, we aim to get governments out of the way, opening the way for business to do business.

And she goes on:

And the litmus test for APEC's success will be whether its work has practical relevance to the business community.

I do not think your submission has gone that far, because I think you see a fairly cooperative role with government. How important is the role of government, internally within Australia and within the forum within APEC? How significant a role need we play within that forum?

Dr Roche—I think government has to be the conduit because, much as I respect that comment from a very learned lady, irrespective of how many business bodies get together—and you have had PBEC actually meeting for the last 30 years and you have other organisations meeting—we must have the conduit into government, into the ministers, into the leaders to be able to take up the recommendations that come from business. Business needs to be able to provide government with the how-tos but it is up to government then to take those suggestions on board and to implement them. Business cannot implement them alone. So that is why I say it has to be a partnership.

CHAIR—So where do the agendas that are brought about at the ABAC meetings come from? Do they come from you as the representatives on ABAC? Do they come from your forum that you have with the business community? Do they come from government? Just how is the agenda put together?

Dr Roche—Michael might want to respond to that in detail. I would just say to you very quickly that it is an amalgam.

Mr Crouch—I have to dwell on the word 'partnership'. Despite Dr Spero, we live in a world where we cannot do without government; government is there. It has to be a partner-

ship between business and government. Government is creating the framework, government initiates or government responds. It does not matter. Government has created a framework, the parameters by which we in business have to live. So the APEC process is a joint venture between business and government. Certainly it is to the best benefit of business. But it can only be to the benefit of business and ultimately to the benefit of government or to the benefit of individual nations.

Dr Roche—If I can expand on that just a little, in terms of the program we work with year to year, we look for the program to be a continual one. So the work of the PBF in the first two years was to identify the issues that needed to be addressed over the ensuing years. The last two years have been engaged in identifying the process of implementation.

As to the work agenda, that definitely comes from the input of the three ABAC representatives, together with the input that we privately and through government actually attract from the business community. Then we also go through a process of liaising with DFAT to make sure that we are encompassing in our work agenda the broader issues that are important to Australia in terms of Australia vis-a-vis the other 17 economies, who also have their own individual agendas. So it kind of comes together in that sense as an amalgam.

CHAIR—My concern, and I am now voicing this on a fairly regular basis, is the fact that we seem not to be bringing the rest of the community with us. Whilst we are talking to you as representatives of the business community, we seem not to be bringing the broader community in. We have had representations made to us on this committee that there is a need to involve not only the business community but also the wider community, whether it be NGOs, community organisations, trade unions or whatever. What is your view on that? Should we be going down that path, or is that going to make the whole APEC system too large? Is APEC really about business and business alone, or should it have a broader agenda as well?

Dr Roche—I believe APEC should be focused on business. There are a lot of other forums for other interests. If it becomes too broad, I think you water down the focus. The other thing is that it is about resources. So I suppose we have to assess what resources are available to broaden the constituency of this endeavour. The broader you take any particular focus, the less likelihood there is of coming out with some positive result. It is like having a committee of 50 people. One can achieve far more with five.

Mr Crouch—Let me come back to the definition of APEC, which is economic cooperation. It is best summed up by saying it is a process of trying to improve cooperation among the 18 economies to the ultimate benefit of business and therefore to the ultimate benefit of—if I can sum up all the other bodies that you mentioned other than business—the consumer. So we have the consumer, who is being served by business and being served by government.

I agree, and I am sure we would all agree, that the consumer is not aware of the benefits of the APEC process. But I think you in government and we in business are all aware of the benefits of the APEC process. We cannot live in isolation any longer. I have a certain personal attitude to tariffs. I do not think tariffs really come into it, because an organisation,

to exist today, has to adopt world best practice. It has to be more efficient than its competitors. That means that it has to be more efficient with its labour cost than the lower labour cost prevailing in other countries, and it can only do that by adopting world best practice. I do not think that view is generally understood because there are initial reactions that are coloured up the moment you start talking about tariff measures and non-tariff measures. Mention non-tariff measures to the consumer and I do not think he understands.

So there is a role for government to make better known the advantages that will emanate from the APEC process. To try to determine those advantages, we all want to carry out a message to the consumer and we use a variety of ways. Some are successful and some are unsuccessful, but there is a need there and there is a need to better inform him.

CHAIR—Yes, I do not disagree there. But, for example, in Indonesia recently there has been real talk in Indonesia, because of the intervention by the IMF and the difficulties there, that there is a real potential for social unrest and disorder as a result of the crisis, without going into the whole crisis. That may well be in part due to no other reason than the fact that there may have been an elite, if I can call them that—the politicians, the bureaucrats and the senior business people in the community—who knew what was going on in terms of the economy. And then, left down there are the rest of the people, who had no idea whatsoever. So it is a real issue, for me, that needs to be addressed.

There is just one other issue I want to raise with you before I hand across to one of my colleagues and that is where you see APEC situated in relation to the WTO. Obviously, APEC is going down the path of open regionalisation. It is a forum that has just taken a decision to admit a number of other major economies—Russia being among them—but at the same time has excluded other economies for a period of 10 years—and, predominantly, I think there of India. It is a major forum as a vehicle for reform on trade liberalisation, facilitation and those other areas that we have discussed. Where will it sit then in respect of the WTO? Will it be a lever within the WTO for further reform and will it be compatible with having a reformist role within the WTO, given that APEC has a non-binding consensual sort of operation whereas the WTO has binding arrangements? Given the different basis on which they operate and given the different environment, where one is inward looking and the other is outward looking, where does the APEC organisation sit within the WTO?

Mr Crouch—I do not know if I have sufficient skill to comment on that, but I see two different agendas there and, although there are matters common to both organisations, I think one is devoted to a global scene and one is devoted to a regional scene. I think there are many issues that the APEC process will adopt and examine other than that pertaining to the WTO. Would you agree with me?

Dr Roche—Basically, I see APEC as being in some ways a complementary subset that may be able to show even some leadership to the WTO in the kind of approaches that APEC will adopt as maybe influencing in the longer term some of the deliberations of the WTO. Whereas the WTO might be far more formalised and restrictive, the very voluntaristic approach of APEC, particularly given the attitude of the ASEAN countries to one another, could make it a valuable subset that may provide some leadership in the years ahead for the direction of the WTO. Can I make another comment, because we did not fully answer some of your questions?

CHAIR—Yes.

Dr Roche—In terms of what suggestions we have to make in embracing a broader constituency into APEC, my first comment would be: the general public does not want to know about it. They are really not interested. There is nothing that could be written about APEC that would really interest the general public per se. With respect to your comment about the unions and the NGOs and so forth, yes, possibly, there will be elements within those organisations that could be very interested. The study groups, the APEC study centre and some of those organisations should perhaps harness them with some involvement and certainly make available to them any information and intelligence that would be of interest to them.

The way in which we could have a broader appreciation of APEC in the general community could most effectively come—and bearing in mind we are still talking about the fairly long term; we are talking about 2020 for the undeveloped countries so we have got 22 years ahead of us in reaching those objectives—can most effectively be addressed through our education system. I believe that if we are looking at the mature citizens of today, their interests and understanding is most likely to come through the things that the younger generation is learning and being interested in.

It is my view that we do not address our trade issues and our export-import issues anywhere near effectively enough in our education system. Maybe we do with those few who may make a detailed study of economics but, as a general principle, we do not do so. We need to consider a way in which we can integrate an understanding of Australia's place in the world, vis-a-vis our need to trade. We cannot be an isolated island at the bottom of the world. Not only is our wellbeing and our economy at stake, our very security is at stake. There are so many issues of which we have to develop a broader understanding and perhaps the best way we can do it is through education.

I also made a recommendation some time ago when I had an opportunity to speak to a group of officers from DFAT as to how we get some of this information out to small business. I believe that the most effective way in which we can do that is through the professions, and the most obvious profession is the accounting profession because every business has to have an accountant. We have to have ways in which we can disseminate some of the opportunities that are open to business through that profession so it could find its way through the small business community, the various specific industry groups and the industry organisations. Much as we try, I really do not think, unless we do something outrageous, that we are attractive enough to the press to want to write regularly about APEC or about the people who represent APEC. In some ways it is a challenge to be able to find a lever to make us interesting enough for the press to write about.

Senator QUIRKE—Is it important to have this public support, do you think? I would have thought that the key elements in the economy that are getting something out of APEC know all about it and are quite happy to go with it. I am not sure that public support in this instance is necessary.

Dr Roche—I think I would agree with you. I really do not think the public, unless they would have a specific interest, really want to know about it. For those who do have a

specific interest, we have to make the information accessible to them. It really is the mechanisms by which we make the information available to interested parties.

Senator SANDY MACDONALD—But the problem is that the broad impact of APEC generally is bad publicity. It is the reduction and the wind back of tariff levels in the TCF industry, which is basically an APEC undertaking, or it is a commitment to provide some lower level of tariff protection for some farmer who is in a specialist industry which is something that we export. Obviously if he is going broke, it is no comfort to him to know that we are selling four times more citrus than we import or something like that. It is difficult to find an area where you can promote the benefits of it, isn't it? Michael, it was interesting when you were talking about the consumer. Of course, the consumer for you is the voter for us.

Mr Crouch—I felt that he embraced everybody and I preferred to use that word.

Senator SANDY MACDONALD—You did very well.

Mr Crouch—I would like to say that the APEC process has been supported by all governments within Australia during the past 10 years. In fact, it may have been said that it partly evolved as an initiative of Prime Minister Hawke. I have heard that tribute being paid to him and I think it is probably a very correct tribute.

It is quite hard sometimes to know where these thoughts generate from but as such—coming back to the term, Asia Pacific Economic Cooperation—it is a process which is going to occupy us all, every individual. If there were a role for the government of a nation—the government of this nation particularly—it would be to look ahead, regardless of who is in office, and say, 'We now exist in this marketplace with 17 other nations in Asia and there will be more coming in. Therefore, for Australia to sustain a standard of living, it is necessary for us to try and identify the areas in which we are strong.'

Australia has a most wonderful manufacturing base. We have abundant energy, We have sulfur-free fuel. We have a wonderful climate. We have a wonderful depth of resource in our middle management, far superior to Asian nations'. We have land. We really have water. What if you said: what can government be doing to further the APEC process? The development of those individual plans for underdeveloped countries is 2020—that is 22 years away—and we should be trying to identify where this country is going over the next 20 years, regardless of who is leading it, what we can do and what resources we can give to the development of Australia to make Australia take its place as a leader in those current 18 nations. That is how I would like to answer your question.

CHAIR—In its 1997 report ABAC said:

Half of APEC's members announced tariff reductions beyond their Uruguay Round commitments. However, real progress on lowering non tariff barriers is difficult to discern.

Are some members not taking their action plans seriously? Is this going to be a problem for us as we head towards 2010-2020?

Dr Roche—The answer to that is yes. There will be some economies which will certainly skirt around some of the issues that are of most interest to us and many other economies and, because there is no compulsion in this whole process, we are going to have to rely on the relationships. Most specifically, the relationships will come out of the ASEAN group and, of course, all of the other economies in concert.

Yes, it will not be an easy process; everybody recognises that. It seems that achievements are happening at a snail's pace but, when we review what happens in the WTO, for instance, and all other international forums, APEC is progressing very well. But we have to recognise that there will be a high degree of protectionism, something we have to be constantly alert to. We will have to look at ways in which we will be able to influence through relationships some of the people who may have greater influence than we have on some other economies. So it will be very much a matter of relationships.

CHAIR—Thank you very much. This has been very informative. We do take your evidence very seriously, and we welcome the fact that we have had two people from the grassroots level here to give us the inside information on ABAC. Thank you so much for coming.

Mr Crouch—We are obviously very supportive of the whole process.

CHAIR—We gathered that.

Mr Crouch—We are very pleased to have appeared before you.

Proceedings suspended from 3.32 p.m. to 3.47 p.m.

ARCHER, Mr Frederick Owen, Associate Director, International and Corporate Secretariat, Standards Australia, 1 The Crescent, Homebush, New South Wales 2140

WALSH, Mr Peter, General Manager, Standardisation Policy and Development, Standards Australia, PO Box 1055, Strathfield, New South Wales 2135

BIRCH, Mr John Alexander, Executive Director, National Standards Commission, 12 Lyon Park Road, North Ryde, New South Wales 2113

RUSSELL, Mr Anthony John, Deputy Chief Executive, National Association of Testing Authorities, Australia, 7 Leeds Street, Rhodes, New South Wales 2138

CHAIR—Do you have any comments to make on the capacity in which you appear?

Mr Walsh—I am currently the acting chief executive. The boss is overseas.

Mr Birch—I am also the convener of the Asia-Pacific legal metrology forum.

Mr Russell—I am here representing our chief executive, who is also overseas at present.

CHAIR—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. The committee has before it written submissions from the National Standards Commission dated 13 August 1997, Standards Australia dated 18 August 1997 and the National Association of Testing Authorities, Australia, dated 19 August 1997. Are there any alterations or additions you would like to make to your submissions at this stage?

Mr Walsh—No.

CHAIR—The committee has already made the submissions public documents. Although a question may be addressed to a particular witness, the other witnesses are welcome to add their comments on that matter. Further, I request that at the end of our session you remain behind so that the Hansard officer can verify details and information provided to the hearing by you during the course of this afternoon. I now invite you to make opening statements and then we will proceed to questions.

Mr Walsh—I think you have our submission from Standards Australia. The position we want to put is that we are highly supportive of the government's activities in the APEC area. In terms of standardisation, it is a significant program in both the standards and the conformance area. We are involved in both. Of course, we have an international focus and we see all the activities within APEC as having a strong international basis. I think most of the things were covered in the papers.

There are some logistics issues in terms of what APEC can and cannot do in the standards context which we probably need to cover in this discussion. I think one of the issues that may be not as clearly stated in our submission is the fact that in terms of

standardisation most of our effort and the effort of our fellow APEC members is put into international standardisation. But one of the downsides within APEC is the spread of different opinions you get within the APEC member economies. It is about the same spread of different opinions that you get within the international standards environment. So to some extent you have a mini international standards spread of views.

There are some fairly strong players in terms of the international standards environment within APEC—mainly the US, who in a lot of areas still takes a fairly parochial view of the standards world and does cause both in the international environment and in the APEC environment some challenges to be overcome. I think they are some of the positions.

Having said that, APEC does provide a foil to some extent to some of the activities within the European Common Market. As you are probably aware, within standardisation the European Common Market have directives which make certain standards mandatory within all of Europe. So, if a standard is mandated by the European Commission, it must be adopted by all the member economies. They often are used in terms of conformance of products and services to those standards throughout Europe.

In a lot of those areas Europe has decided to do its own thing. The rest of the world really is not coordinated enough to go it alone without Europe. So a lot of standards that work internationally have been put on stand-by because of Europe. APEC can play a more significant role in trying to unlock that—perhaps in bilateral discussions with the European Union, something which I think has not happened significantly enough to date. There have been some bilateral discussions, but probably in the standards area there have not been enough. Countries like Australia are left out in the cold in some of those sorts of areas. That is one of the issues in terms of APEC.

The other issue that I think is in our paper and we would also emphasise is that we see some value in other regional alliances being strengthened, such as the alliance with the ASEAN group of nations. We think that there would be some increased value in that perhaps as a mechanism for regional alignment of standards based on international standards rather than necessarily through the total APEC environment because of the differences of some of the big players—although I must say that in relation to standards Japan has had a conversion on the road to Damascus in the last couple of years and quite interestingly has now seen the necessity of alignment within international standards.

That has been a welcome development within the international standards environment. I think it is reflected in the fact that they used to be able to manufacture to whatever standard of whatever country they were exporting to. They are now finding out that they can no longer afford to do that. The idea that they can manufacture to one standard, test it once and certify it once in the world is in their advantage as well. They have a very strong program of adopting international standards. So within the APEC environment we are now finding that Japan is one of our strongest allies in terms of the adoption of international standards and gingering the international standards bodies to be a little bit more proactive, particularly in dealing with Europe. The US tends to deal with the Europeans on a one-to-one basis and does not use the APEC environment very much.

We are part of an organisation called the Pacific Area Standards Congress, whose membership very closely represents the same membership as APEC. There are one or two exceptions. I am sure Mr Archer can tell you what they are. We also run a subcommittee of that Pacific Area Standards Congress which closely parallels the work of the APEC standards conformance subcommittee. Owen is the secretary of that group. We work with the government on some of the issues which are being dealt with within APEC of trying to align our national standards with international standards. We will wait and see whether some of the other players will fall into line within the time frames that the subcommittee on standards conformance have set. I think we are waiting with bated breath in a few areas. That is probably all I have to say at this stage. I am happy to answer any questions later.

Mr Birch—Yesterday the committee met with the CSIRO. One of the witnesses there was Dr Barry Inglis from the National Measurement Laboratory. Barry would have talked to you about the need for harmonising scientific metrology in the higher standards of measurement. I will be talking to you about the more practical measurements—the regulatory measurements, of which the traditional one is weights and measures, now known as trade measurement. But increasingly there is a very wide range of regulated measurements in occupational health and safety, environmental measurements and many other areas.

The main interest in those measurements is, firstly, in the measurements themselves. Australian commodity trade is done on the basis of measurement and so we need to ensure that the measurements which we make of the shiploads of the goods going out of Australia are agreed among our trading partners—and the measurement equipment itself. One of the big areas which we are particularly involved in at present is utility metering, where there is a very big trade in electricity, water and gas meters. Tens of millions of those are installed and are traded every year and it is a major area of activity at present.

Senator QUIRKE—Are they also made in Eastern Europe?

Mr Birch—They are made all over the world, including Australia. The commission has responsibilities under the National Measurement Act for advising the government on the needs of the national measurement system and for coordinating the measurement system.

We also have responsibilities under a 1955 treaty on legal metrology which was aimed at ensuring that there was harmonisation on any regulations which dealt with measurement. We have been very active in that particular organisation in ensuring harmonised standards. If you are going to have harmonised standards, you also have to worry about the implementation of those standards and to actually implement them and agree that the standards are being conducted in the same way in each country. It has generally been agreed that the world is too big to do that on an international basis and so all the international technical bodies are establishing regional groups within which they can harmonise within those regional areas and then join those regional areas together to establish an international measurement system.

We have been active. The Asia-Pacific Legal Metrology Forum was set up only in November 1994, but we have had a very active program of intercomparisons of measurements both within the region and connecting into Western Europe. We have run a number of training courses, which are important to ensure that people are in fact trained in the same way because there is tremendous diversity in this APEC area in terms of cultures and where

people have come from. We have also developed a number of information and communications systems to ensure transparency.

As I say, the important thing is that we try to join those together, and so not only are we active in the Asia-Pacific Legal Metrology Forum but we also keep very strong contacts with other regions. We have just set up an Indian Ocean Legal Metrology Forum based on the charter countries. We have close relationships with the southern African group. I spoke at a conference in Latin America in October last year on world metrology for the intra-American/Latin American group and we have extremely close contacts with the Western European legal metrology organisation, of which I am an associate member.

That aspect of linking together the regions into an international system is important. Of course, the regions are similar, whereas the European organisation is a supranational organisation. It has, if you like, supranational laws; APEC does not have that and I really cannot see us going to have that. So they are quite different in terms of their roles and that has, I believe, a marked impact on mutual recognition arrangements which you can enter into.

The other point which I would like to make here is that one of the things which globalisation and the involvement in this regionalisation has done has been to highlight the fact that so many of the national measurement systems, particularly the Australian one, have been very much directed at only national needs and they have quite a few inadequacies with regard to being able to perform adequately in this global system. The Australian constitution gives the Commonwealth government power for the measurement system—section 51(xv)—but that has hardly been implemented. There has been a number of inquiries and I am sure you are aware of those—the most recent one having been held only a couple of years ago on standards and conformance—which have recommended a much more unified system. Unless we get a much more unified system, we are going to have major national impediments to our ability to participate in a number of these global activities. That is all I want to say as my opening remarks and I will leave it at that.

Mr Russell—Our submission is on behalf of the National Association of Testing Authorities. Our role in Australia is to provide the national authority for the evaluation and recognition of the competence of Australian testing and measurement laboratories. NATA is the first such organisation in the world—we are the biggest and the most comprehensive—and has been used as a model by many of the similar programs that have been developed over the last 20 years. NATA also currently holds two international secretariats: the International Laboratory Accreditation Cooperation Secretariat and the regional body, the Asia-Pacific Laboratory Accreditation Cooperation Secretariat.

The purpose of our submission is to alert this review committee to two related issues. The first is that testing is one of the significant non-tariff technical barriers to trade. The non-acceptance of test data by importing countries has been recognised both within APEC and also within the WTO as a significant non-tariff barrier. The other purpose of our submission is to highlight the fact that Australia is very well placed in terms of the sophistication of our technical infrastructure to demonstrate that our testing and conformity assessment activities are at world's best practice.

The processes that are currently emerging amongst the practitioners in the technical community are, as John mentioned, with legal metrology, the processes evolving to try to break down this lack of recognition to develop mutual recognition agreements. The Asia-Pacific Laboratory Accreditation Cooperation's major aim is to establish and maintain a multilateral agreement around this region for the national accreditation bodies. The purpose of that is to provide confidence in the competence of laboratories that are accredited. At the moment we do not have harmonisation of standards in the region. The challenges for laboratories in different economies are to actually be able to test not only to their own national standards but to the differences and the variations of other markets.

APLAC has achieved its first major aim, at least in part, in that it has now signed its first multilateral mutual recognition agreement. That is one minor amendment to our submission. It was foreshadowed in our submission, but that was signed last November by seven member bodies of APLAC from six APEC economies.

The next challenge in the APLAC environment is to assist those non-compliant member organisations in APEC and the broader community to meet the requirements to enter into that multilateral agreement. To do that there are a number of technical steps that the organisations have to follow. Firstly, they have to demonstrate to the other bodies in the region that their data is comparable to that from the accredited laboratories from other economies. In addition, they have to demonstrate to the group that their programs are operating at best practice. That is done through quite a rigorous multinational on-site evaluation process. So, it is a highly technical activity.

In this context the Australian government has provided NATA, as the secretariat of APLAC, with considerable support to assist not only the actual finalisation of the first core group of this mutual recognition agreement but also to provide the development assistance to the other APLAC members that currently cannot meet those requirements. It is our prediction that some of the additional APLAC economy members will in the next two or three years meet the requirements but there will be a long lead time for many of the developing countries to demonstrate to their peers that their testing and accreditation practices can be accepted with confidence.

In the APEC context there are a number of government to government negotiations for mutual recognition. Our submission tries to highlight the difference between what I would call acceptance level mutual recognition agreements—those that are derived at a political level but have the same objective to facilitate acceptance of other people's test data, their product certification arrangements, their standards, et cetera.

Beneath that though, our belief—I believe this has been supported by Australian government support for our program—is that those government to government mutual recognition agreements need to be underpinned by technical arrangements. Our efforts are directed at maintaining, enhancing and developing the network of mutual recognition agreements amongst the laboratory accreditation bodies not only within this region but in terms of broader relationships with Europe and other regional bodies. Our submission touches on some of the other regional groups and their interest in this topic.

I guess our main message to the committee would be that we believe Australia is very favourably placed in terms of the full range of our conformity assessment arrangements. Our standards, our legal metrology fraternity and our national measurement system are well respected in the region. We are currently selling our technology, and sometimes giving it through the APEC support initiatives, to the region but we believe the benefits of that will be that the more our regional partners mirror our arrangements and our standards of conformance, the more simply our manufacturers and exporters will be able to add confidence to their products, et cetera, with certification and test data coming from Australia. We certainly seek the continuing and strong support that we have enjoyed to date from both DIST and DFAT and the other government supporting bodies.

Senator LIGHTFOOT—For some reason I have almost a perverse interest in this science of yours. It is so new, and it covers such a wide area and practically everything on earth that humans handle. Because I have not taken much interest in it before and I suppose that is why I am prompted to say that it is a science of immense scope, and it is one that affects all developing and civilised or developed countries. I am intrigued by the rice water meter that I think you, Mr Birch, have had something to do with. Why couldn't you adapt, for instance, the one we use extensively in Australia for measuring the moisture content of wheat, oats or barley?

Mr Birch—There is a rice moisture meter used in Australia, in the Murrumbidgee Irrigation Area. The ones which are used down there cost \$20,000 each. They require the rice growers to bring their rice into the depot to get the readings, and they are too expensive to be used out in the paddy fields of Thailand. It is as simple as that.

Grain moisture generally, though maybe this is not recognised, is still a significant problem around the world. It is so significant that the United States government passed legislation on the consistency of grain measurement in 1988 which related to both the grain protein analysis and the grain moisture analysis.

Senator LIGHTFOOT—In all grain crops?

Mr Birch—Particularly in wheat. It was a major problem in wheat, but it is in all grain. There is an international recommendation on this particular area, which OIML has developed, but it is an area in which generally the standards development has been directed towards the countries who get involved in the standards process. They tend not to be the countries who are rice growers; they tend to be the wheat growers, if you like. Germany and France, for instance, are two of the big countries in that.

The Thais and the Vietnamese in particular brought this up at our meetings. They see it as a major problem in terms of the sale of rice. It has a major impact on the price of rice, as you possibly know. When rice is harvested, it is very damp. It has to be reduced in moisture and then they have to hold that moisture content, otherwise you start to get cracking and so forth of the rice.

It is becoming a more important factor, just as the sale of wheat or grain was purely on the basis of volume—bushels—or mass, and then on chondrometry, the hectolitre density. We used to keep the standard for that at one stage at the commission. It is now based on

grain protein and grain moisture. All these measurements are becoming more and more sophisticated as people demand more and because of the great variety of different rices and different grains.

We have taken it on at the Asia-Pacific forum as a very symbolic issue in the Asia-Pacific to pick up rice moisture and see if we can understand and solve these problems. We have had some discussions on that recently with bread research experts at BRI, as it is called since it was privatised. We are hoping to actually get a project going on that in the next few months.

Senator LIGHTFOOT—Will that be some intellectual property, or will it be a patent that is held by your organisation pro bono publico?

Mr Birch—We certainly would not be in the business of trying to develop a rice moisture meter. Our belief is that, as was found in the United States, the problem has been not so much the lack of technology as the need for a system in place to ensure the consistency of the use of the technology. We talk about national measurement systems, but people quite often do not realise that, if they are going to work, they have to be a system. They have to have in place particular requirements to ensure consistency and measurement.

Senator LIGHTFOOT—But what about the intellectual property which is associated with something of that nature?

Mr Birch—If intellectual property came out of it, it would obviously be taken up. But there are a lot of rice moisture meters around, small ones which sell for about \$100. The trouble is that they are highly inconsistent in the measurements they get. Down in the Murrumbidgee, in my understanding, they discourage the use of those meters on the grounds that it only creates disputation. The big problem in measurement is not only to get the measurement right but to ensure that people agree that the measurement is right. What you are trying to do is to cut down disputation and minimise transaction costs. That disputation can occur—telephone bills are a good example—even when the measurement is right, if people just do not feel that the system is sufficiently transparent or that they have confidence in it. So disputation can create major financial costs to business if you do not have the confidence in place. The system is the important thing.

Senator LIGHTFOOT—When the supplier is also giving you the measurement, it does cause some doubt, I suppose, in the consumer's mind.

Mr Birch—That is right. Are any of you wheat growers? There is a report on the consistency of grain measurement done for the Grain Research and Development Board; if you have not read it, I would recommend you do so. It is a very interesting report. It suggested, in fact, that they establish a national chondrometer for Australia, which we established in 1974 at the request of the Western Australian Wheat Board.

Senator LIGHTFOOT—A highly efficient organisation.

Mr Birch—It was only used for five years and then it disappeared. I am not sure whether FAQ was replaced by grain protein at that stage, or what.

Senator LIGHTFOOT—Mr Birch, what about the agreement that you were pursuing last year with the European Union? It would be something of a coup if you were able to have that massive organisation give you that agreement with respect to weights and measures.

Mr Birch—This was on weighing equipment. We are doing an intercomparison. The Europeans have participated in that—Germany and the United Kingdom have participated in particular, and the United Kingdom chairs the west European legal metrology cooperation. That is coming to the end of its stage. We had the first meeting of the APLMF, the Asia-Pacific mutual recognition group, in Tsukuba, Japan, in September this year and drew up the requirements and conditions that we want. There is a meeting being convened in April in the United States, which was originally to be a meeting between North America and Europe about mutual recognition but they have decided to expand it to the Asia-Pacific countries as well. I will be attending that. We are hoping to draw up those requirements.

I suppose the difficulty will be that we might be able to meet the technical requirements but whether we will be able to get the political requirements in place is another matter. As I say, there are very significant differences between the structure of the Asia-Pacific forum and that of the European forum. The Asia-Pacific forum does not operate as a political body. It is purely a technical body, for a start-off, whereas the European directives are very much political, technical directives which are agreed and applied right across all national borders in Europe. So they have got a capacity to do that. We will just have to see, but we would certainly hope at least to be able to enter into arrangements with some of the Europeans, if we cannot enter into all.

Senator LIGHTFOOT—You already have that arrangement, I understand, with some European countries?

Mr Birch—No, we do not have any arrangements yet for accepting those sorts of measurements. There are a couple of issues there I could briefly mention that are—

Senator LIGHTFOOT—What would it mean, though, if you could answer at the same time, for trade facilitation for Australia?

Mr Birch—Trade facilitation would be in two areas in this particular area. One is in ensuring that there is acceptance on the measurements. I will just give you a simple example of wine exports to Europe. Recently there was a bit of difficulty experienced when the United Kingdom decided that they would start testing to make sure that all the wine bottles had 750 millilitres in them. They asked us to what extent we had in place a system that would provide a guarantee of that. We do not have a system in place which is adequate to provide that guarantee to the European Community. That reflects my comments about the weaknesses of our national system at present.

In October I had discussions in the United Kingdom with the person who is doing the testing, and with the Department of Trade and Industry people, about that system. I believe we can set up a system of licensing bottlers. I have also been discussing this, of course, with the wine industry people, who seem to be very enthusiastic about the idea. We would hope to be able to set up the system so that there would be recognition of the processes in

Australia as being equivalent to the United Kingdom, and we would ensure that there was no technical barrier to trade, in terms of the bottled wine going in, with regard to what was on the label—namely, 750 millilitres and the alcoholic content.

Senator LIGHTFOOT—That implies a static temperature at sea level or something like that?

Mr Birch—Yes, you will obviously have to bring the bottles to a constant temperature, and that is what was done in the United Kingdom when they did the testing. What is also done in Europe but is not done out here in terms of the report on wine bottles which came before the parliament, I think recently—and it is rather interesting—is that all the wine bottles in Europe are actually stamped bottles, measuring container bottles, so they are like a beer glass of a certain size. The checking is done by putting templates up against the neck to actually check what the quantity is. While the Australian wine bottles, I believe, are also of sufficient quality to be able to be stamped, they are not—which is another weakness in our particular system of measurement here, and that is another one which I am currently discussing.

Senator LIGHTFOOT—You are discussing with whom?

Mr Birch—I am discussing that with the Australian wine and brandy producers, a statutory authority, with the wine industry committee of the wine industry people, and with the European people as well.

Senator LIGHTFOOT—Is that a precautionary measure taken by the wine producers or is that something that was initiated by their—

Mr Birch—Europe put an E mark on prepacked goods. When they put their Epsilon mark on them, that allows those prepacked goods to be transferred over borders without being tested to ensure that they meet the weights and measures requirements. They have been trying for about some 10 or 15 years, I gather, to get access to the Epsilon mark in Australia. I have been trying to facilitate that in the last few months, and I think we are making progress on it.

Senator LIGHTFOOT—In terms of volatile gas—or any gas, but I am particularly thinking of Australia's exports of LNG which is a significant world player—how does one accurately measure it? I know it is measured in joules. Has it got some calorific value? Has it got some old British thermal units? How do you measure that?

Mr Birch—We usually do not sell it on energy content. We usually sell it on either volume or mass, and you measure it essentially by volume meters or mass meters.

Senator LIGHTFOOT—But it is charged at so much a joule.

Mr Birch—That is what the domestic gas company has to do. It measures the energy content on a daily basis and charges you on the basis of the average energy content.

Senator LIGHTFOOT—Who is likely to win under that system—the supplier, I suppose?

Mr Birch—In terms of the international trade aspects of it, the only point I would make here is that it is a big area. The Asia-Pacific forum has seen it as an important area and we ran a three-day workshop in Tsukuba in September on high capacity oil and gas flow measurement, because many of these countries have tremendous exports of gas and oil but have very little in the way of measurement capability. We thought we needed to do something about that and we needed to do something about Australia's capability.

One of the problems is that we had a conference at the commission 10 years ago on oil and gas flow measurement, and we identified that a major issue was a lack of a calibration facility for high pressure gas meters—the sorts of gas meters which are used in pipelines and big stuff. We have not been able to get that calibration facility in Australia, so our meters have to go usually to Holland to be calibrated. We really need such a facility in Australia not only for our needs but as a regional facility, and it would give us a particular importance in the region if we had such a major facility here.

Senator LIGHTFOOT—Where does a company such as Slumber J test wellheads and pressure? Surely you do not leave that to someone in a foreign company and say, 'That wellhead testing is okay.'

Mr Birch—I would have to say that we do not have any calibration facilities for large capacity metering.

Senator LIGHTFOOT—Is that an anomaly?

Mr Birch—It is not an anomaly; it is just—

Senator LIGHTFOOT—One that you ought to have—

Mr Birch—It is a total inadequacy in the system.

Senator LIGHTFOOT—Yes. Is it something you would like to see rectified?

Mr Birch—Yes. In fact, we are in the process of organising another major conference. I said we had one in 1988. There is a conference held in Norway and the UK every second year called the North Sea gas conference. We are in the process of applying to organise that conference in Australia, bringing some of those experts from Norway and the United Kingdom out here from the national engineering lab and also getting the Asia-Pacific people down to that conference. We are hoping to hold that conference about May 1999.

Senator LIGHTFOOT—Would that be an opportunity for occupational health and safety to have some contribution to it?

Mr Birch—I doubt very much. I think it is going to be very much at the level of the technical measurement of that particular proposal. At present we have a new policy proposal

in before government to try to get some funding to organise this conference. But whether we get it or not, I think we will still be going ahead to somehow organise that conference.

Senator LIGHTFOOT—Speaking as a Western Australian, we would certainly like to see you involved in that area because of the massive production of gas and exports. Western Australia in June 1996 became the biggest producer of petroleum condensate and gas emanation.

Mr Birch—The Western Australian government is supporting this proposal which has been developed particularly out of the Centre for Oil and Gas Technology at the University of Western Australia. Dr Terry Edwards, its deputy director, is a member of the National Standards Commission. So there are the linkages.

Senator LIGHTFOOT—Excellent; that is wonderful. Is NATA self-funding? If it is, how do you get your funds? If it is not, where do you get your funds?

Mr Russell—Its major funds come from self-funding. The majority of our funds come from accreditation fees and the fees we charge for our evaluation of laboratories. As I mentioned earlier, there are 2,500 of those.

In addition to that, we receive about eight per cent of our funds from commercial training—training in areas of laboratory management. About 20 per cent of our training fees come from foreign training. We run our courses in the United States and Western Europe, but mainly in the South-East Asian region.

In addition to that, we receive a national interest vote from the Commonwealth, a grant in aid each year, which also represents, at the moment, about eight per cent of our funds. That is targeted at agreed national interest objectives. Amongst those are the support for our involvement in these regional mutual recognition agreement arrangements and also, more broadly than that, into Europe.

You mentioned earlier about acceptance in Europe. We do have multiple recognitions for our accreditation program amongst our counterparts in Europe, and it is those sorts of activities which are being used to underpin the government to government mutual recognition agreement discussions, which I mentioned earlier, which are currently in play between Australia and Europe.

It is those sorts of activities which are part of the national interest vote. Part of the national interest vote is also dedicated to giving us additional resources to continuously check, through what we call 'proficiency testing', the capability of Australian laboratories. So there is a domestic component to that as well.

Senator LIGHTFOOT—Do you budget for surpluses?

Mr Russell—For modest surpluses, yes.

Senator LIGHTFOOT—Do you achieve those modest surpluses?

Mr Russell—Yes, in the main we do.

Senator LIGHTFOOT—Do you increase your budget year?

Mr Russell—Yes, we do. That is based on a combination of growth in demand for accreditation services plus, I must say, additional demands from government in terms of support for trade facilitation initiatives.

Senator LIGHTFOOT—Do you ever feel inhibited in your expansion through NATA through not having sufficient funds?

Mr Russell—I think everybody would like to have more funds. One of the difficulties we have is resource allocation and opportunity costs. We are a relatively small secretariat, and every time we are required to work offshore that does dilute our home activities. In that sense, it would be desirable for us to have, I guess, more predictability of special support. Our greatest concern, I guess, is that government funding is something which is there for a fairly short period of time.

Senator LIGHTFOOT—What ministerial portfolio do you come under?

Mr Russell—DIST, the Department of Industry, Science and Tourism.

Senator LIGHTFOOT—Yes, I thought that—certainly science.

Mr Russell—But our council actually has representatives from six federal government departments.

Senator LIGHTFOOT—Has your handbook that was due out late last year been published? Is that ready for distribution?

Mr Russell—Which handbook is that? I am sorry, I am not sure.

Senator LIGHTFOOT—It is the one I have written down here of legal metrology in the Asia Pacific.

Mr Russell—No, that would be John's handbook.

Senator LIGHTFOOT—That is not published yet?

Mr Birch—That is the second edition of this particular one, and it is in the process. I expect it in the next month or so.

Senator LIGHTFOOT—I have no doubt that you will be reasonably generous with the distribution of it.

Mr Birch—I will certainly send you a copy.

CHAIR—That is a simpler way of putting it.

Senator LIGHTFOOT—I am nothing if not amused, Mr Birch. I do appreciate your answers to my questions. I found them most interesting. Thank you very much indeed.

Senator QUIRKE—As I understand this, in the last 10 to 20 years, particularly in the Asian region, there has been an adoption of a number of standards—standards for electricity, standards for the distribution of electricity, safety standards, and a whole range of things like that. Is that what you people are about?

Mr Walsh—Yes, certainly some of the issues in terms of product safety. That is one of the big issues. In fact, one the APEC programs at the moment is to try to align all the electrical safety standards.

I will put it in context. We write the actual standards. The people whom Tony is talking about organise the testing to those standards. But, in terms of electrical safety standards, yes, we are trying to get those aligned. In those areas there are very strong international standards which we have mostly adopted with some local modifications—and a lot of other countries have local modifications as well. But we are trying to align those standards.

In terms of the electricity supply industry, basically there are not as many national standards in that area. The Electricity Supply Association of Australia attempted to set a lot of its own standards. Through competition, we are going into a brave new world in this new, less regulated, environment. It is a little bit like the story given earlier of the gas meters. I think the issue there was that while all the big gas suppliers were public authorities and things like that, there was probably a level of confidence. But now there will be fairly significant competition in some of those areas; some of these issues that were previously not regarded as significant, I think, will be much more significant in the more competitive, deregulated marketplace.

Senator QUIRKE—I was going to ask you that next. In fact, what you used to have in the various states in Australia was one authority—particularly in electricity and, for that matter, in the provision of water as well.

Mr Walsh—That is right, yes.

Senator QUIRKE—It was a state government agency and there was only one of them. They were responsible not only for the determination of whatever the regulation would be but also for any accreditation and licensing of tradespeople who would do various bits of work. All of those things are in a mess now, are they not? We are going through a very difficult phase with these things.

Mr Walsh—I think the words ‘in transition’ might be a good way of putting it.

CHAIR—That is another way of saying ‘in a mess’.

Mr Walsh—To some extent you are right, and Mr Birch mentioned earlier about the directives and mandates within the European Union. It is often said in the area we are involved in—that a lot of us are involved in—that the difference between the states in Australia can be greater than the difference between the countries in Europe.

There is no doubt that in a lot of areas we are involved in that is the case. What is actually happening in a lot of areas is that, as governments are deregulating or re-regulating, the onus of compliance has been put back on to the manufacturer, the supplier or the owner of the premises, and, in what were previously fairly regulated areas, the regulations are shrinking to be nearly penalty based regulations.

Occupational health and safety is a classic example where the proprietor of the premises is now much more responsible for their actions. In other words, they are not inspecting safety; you are responsible for your safety. So what is actually happening is that a whole lot of initiatives are coming out from the industry itself demanding uniform standards, and even demanding compliance schemes. The industry is setting up its own compliance schemes to a large extent to try and fill the vacuum that the 'mess', as you quoted, is leaving in some cases. There are a lot of arguments to say that mess in some areas is not a bad thing; a lot of these areas may have been overregulated.

Mr Birch—If I could just supplement that, we are in the process of trying to amend the National Measurements Act. We have a legislative proposal, for which we have not been able to get priority, to bring electricity and water metering—and eventually gas—under a national system. In the case of water, in fact, there are 420 water metering authorities in Australia and they all tend to set their own requirements. The state regulators have very limited impact on that area. Electricity is slightly more consolidated but still has major differences.

When you go internationally—I have just been to some international meetings on water metering—it is just as big a mess, frankly. There is no acceptable international standard on water metering, although we hope to clear that up in Washington the week after next; we are having four days of meetings of the two international groups there.

There is a need to try to get our national system in place if we are ever going to participate in the global system. There is a heck of a lot of what I call culture. Each country did not necessarily develop water metering to create technical barriers to trade. It was a bit like railway gauges and things like that; everybody did their own thing and they just became technical barriers to trade. We have to get it together. We have to try to ensure that we can get a system. I will not go into the detail here. In a simple thing like water metering, it is just amazing the different procedures in place in different countries relating to the way they drink water. It has been commodified now and we have to measure it accurately.

Mr Russell—Some of these difficulties about consistency in Australia are varied, depending on the sector you are looking at. In electrical safety, for example, for stuff coming into Australia, Australia is very amenable to acceptance of foreign test data. Some of that is backed up by product marking schemes and at other times by competent testing through accredited facilities. But we are fairly open in terms of stuff coming in and also domestic acceptance in some areas. There is good coordination in terms of common acceptance in Australia for electrical safety of appliances, for example. The states have a clearing house for agreeing that if an electrical appliance is accepted in one state, it is accepted nationally. You have to look at individual sectors to decide whether you have a mess or you have actually got a working system for acceptance of product. It does vary sector by sector.

CHAIR—It seems to me that what we have here is a huge impediment to our exports, regardless of tariff barriers that might be in place overseas. It seems to me that the non-tariff barriers are as large, if not larger, than the tariff.

Mr Walsh—They are taking longer. If you want to study where that happened, look at New Zealand. When New Zealand had very high tariff barriers, those companies that were prepared to export into New Zealand had two things—regulatory controls and tariff barriers. They had a double whammy. They had to jump over the tariff barrier and they also had to jump over the regulatory control. They withdrew their tariff barriers and a lot of their regulatory control based on standards, testing and metrology, et cetera, at the same time. So that became the open market on both areas at the same time.

A lot of the regulated areas in New Zealand are trying to pull back—they are not telling the politicians that they are pulling back—on this because they are finding now in a lot of cases that products which do not comply with standards and which are potentially unsafe are starting to get into that marketplace. Previously, even in a non-regulated area, getting out of the tariff barrier was so high. It was mostly the bigger, more reputable companies that were jumping the tariff barriers; it was not the two container loads of crook products that hit Paddy's market that were getting into the country, but now they do. It is a big issue. Standards and performance are a big issue in terms of non-tariff barriers to trade. As the tariff barriers go down, these become much more obvious.

Mr Birch—It is becoming bigger as these countries develop their systems. What you had some years ago was a reasonably open slather because they did not know what was coming out of the country. As they developed a system, they started saying, 'Look, you blokes aren't doing it according to that standard.' They may or may not be right. As they develop, particularly developing countries, they start to look more closely at things and we then have to make sure we are doing it right and that we both agree what right is. So it is that system.

Senator QUIRKE—Just getting back to what I was saying earlier, are we addressing this issue nationally? I would suggest that over the last five or six years we have seen all sorts of problems emerge, particularly in electricity, where we have gone over to sometimes reluctant state authorities and said, 'You will now assume the mantle of all this stuff here.' In the state that I come from there was a search to find which government department was going to be responsible for regulatory stuff, who would be responsible to license electricians, who to licence electrical engineers and what the standards should be.

There were people who were working in what was ETSA, the Electricity Trust of South Australia, who found overnight that they were working for the department of mines because they were the ones who had got caught with it. They are still scratching their heads. It is a very slow transition and it must be hurting us.

Mr Walsh—You are right. What did happen in electrical safety, which I had a lot to do with some years ago—in the old days; I know the old system and the new one—was that the one single authority like ETSA would act as the de facto state regulator.

Senator QUIRKE—It was not de facto.

Mr Walsh—It was and part of its portfolio was to act in that role. When it became corporatised, that role was no longer applicable to it. There is an interstate committee called the electrical regulatory approvals committee, an electrical registry for licensing committees, which is the representative for all of those different state regulators and which looks at consistency. So, by and large in the electrical area in terms of that level of consistency, we are not that far with being consistent.

One of the things that was put in place by governments to capture some of these things was the mutual recognition arrangement between the states and trans-Tasman. That is probably working fairly patchily at the moment; I think that might be the polite way of putting it. There are still individuals in some states who want to keep it as a states rights issue. It is the usual. We are talking to senators and you will know exactly what we are talking about. There is still a lot of bureaucracy in states rights that comes out in some of the things that happen. I will leave it to others to judge whether it is adding to the inefficiency of the country. In our view it probably is.

Senator QUIRKE—But it must be slowing down some of our potential market penetration into some of the Asian countries in particular, where these systems are not as well developed.

Mr Birch—If we do not have national systems, just in terms of that simple thing of water meters and electricity meters, you have a fragmented market, you have inefficiencies in production and you allow your own manufacturers to be picked up by imports that can come in and pick out particular niches. This fragmented market in the manufacturing of equipment is crazy. We have the requirements and we are in the process of doing it in terms of the National Measurements Act; bringing electricity, water, gas and all of those utilities under it so that we have national requirements, at least at the measurement. That does not cover everything. It does not cover the pipe fittings and all of those other things which these people have to do.

In terms of the measurement, if you are going to have a competitive market in electricity you have to make sure the measurements are the same. NEMMCO are the group setting out those requirements and they have recognised our role in it. We are writing those measurement requirements in the NEMMCO documents. If you see those NEMMCO documents you will see the National Standards Commission is now referencing all of those and the National Measurements Act. At least we have a constitution which provides for a national measurements system; the trouble is, we have to set it up now.

Mr Russell—In an APEC context this complexity is really more of a technical barrier to stuff coming into Australia than stuff going out. I think the issue here is that, if we have complicated regulations, that is part of the technical hurdle that our importing countries have to overcome. So we have a complexity in our own right that they have to hurdle over. That is mirrored around the region in that we have separate regulatory requirements for essentially the same products going out.

Our challenge has been to try to encourage harmonisation of standards through the technical standards and, through John's organisation, to try to encourage harmonisation of the regulatory requirements in the legal metrology area. In our area we are trying to harmo-

nise the approach for how you can actually determine the competence of the people that have to test sometimes to a plethora of different standards, and get confidence in both directions. That is the issue in terms of the complexity of both standards, regulations and regulations in the different members of APEC.

Mr Archer—The point is that the one thing that is not harmonised in this whole exercise is regulation. This is where the problem is. We are well on the path to harmonising standards. We have things in place which will lead to harmonisation of practices and so on. But within the APEC group it is the non-harmonisation of the regulations—even what products are regulated in a particular sector. We talked about electrical safety; you just have to look at the APEC countries and each one would probably have a different part of, say, appliances regulated. Each would call up a different part of a harmonised standard. This is the thing that confounds trade.

Mr Birch—And the impediments. I think you need to recognise the difference between agreeing that what you do over there and what you do over here is the same. That is the easy part. The hardest part is agreeing that what you do over there we will accept here. The effect of that can be to wipe out a regulator—he no longer has a job because all the measurements are done over there. So, from a negative point of view, you get a major downsizing in terms of those regulators.

The other point of view—and it is not all negative—is that the country loses its capability. If it loses its capability, it loses the knowledge where, in fact, what that bloke is doing over there is in fact what you actually wanted him to do here. So the real problem is to cut down inefficient multiple testing and duplicate testing but to retain capability so that you not only have protection in terms of ensuring that things are complying but also are still able to contribute to the continuing development of new standards because they are being developed all the time. Do not get the idea that this is set in concrete. There is a new standard being developed every day. There is new equipment coming up. You have to have that capability; otherwise your national interest will not be protected. We have to find a way to retain capability whilst getting rid of inefficient multiple testing.

CHAIR—I think you have knocked us for six on this one. It really begs the question of the role of the APEC forum, in my view. Just how effective is it? Given this very specific and specialised area that you people have raised, how will we facilitate the processes through the APEC forum when we have a wide variety of economies, expectations, political situations? Really, whilst we have specific expectations in terms of the tariff barriers within the APEC forum, it seems to me that the non-tariff barriers are not yet fully understood and fully appreciated as to the impact that they will have on trade regardless of what you do with tariff barriers.

Mr Walsh—Just a comment on it, a very quick one. It is probably better to have them than not have them. That is one issue—to have some APEC initiative, to try to align standards. In terms of the conformity side of the business, which Tony and John have talked about, the regional activities there are very good.

One of the problems we face is in relation to a little manufacturer in Australia who makes product X and wants to get it on to the world market. There are two ways of getting

it on to the world market. You can get all the conformance activities done here—testing and certification—and then hopefully that will be accepted everywhere else. What actually happens in a lot of cases, in reality, is that they find the easiest path is to take product X over to country Y and get everything done there locally because it is easier. Theoretically, if all the little company Xs that were doing that were in a national system that was able to be that efficient they would not do that, but currently in a lot of areas they still find it much quicker and easier to jump on the aeroplane.

CHAIR—Go behind the barrier and operate behind the barrier.

Mr Walsh—Yes. What we are trying to collectively do is make the infrastructure—that is why we call this the standards and conformance technical infrastructure; that is the generic term used, particularly by DIST and others—as easy as possible so they can do that here. Unfortunately, that is a generic thing and it is not necessarily sector specific. Because it is not sector specific, it is sometimes not as sexy.

CHAIR—Are you able to give us examples of where Australian companies go behind the barrier to avoid the problems that you have outlined to us? Is it significant? Is it something that we could get some sort of appreciation of?

Mr Archer—Companies are quite often reluctant to reveal this. There is plenty of, let us say, second-hand evidence—

CHAIR—Anecdotal.

Mr Archer—Anecdotal evidence that this is happening but, when it comes to it, they are quite often reluctant to give specific cases because it might reveal something they are doing in the market—that Mr Email, an electrical manufacturing firm, is trying to get some product into Malaysia. He does not want to telegraph, ‘Come on, Standards’—or government or whoever—‘help me’ to everybody else, because it is going to reveal to his competitors that he is trying to open up a market for his fridges in Malaysia. So he will just throw money at the problem, fix it and try to get in there before everybody else catches on. We have spoken to industry groups and that is the sort of response.

CHAIR—Right. So we are actually seeing the export of Australian jobs as a result of problems with conformance, standards and so on.

Mr Russell—I would not like to put my hand on my heart and say I have a measure of that. But could I try to answer your earlier question in terms of whether APEC has a focus on this block of activities. There is, under the Committee on Trade and Investment, a Standards and Conformance Subcommittee, which is looking at all of the issues of standards, testing, product conformance, et cetera.

The advantage Australia has is that we have the secretariats for what they call five specialist regional bodies that are there to try to support that process, including the PASC, APLAC in our case, APLMF and APMP through the National Measurement Laboratory. So Australia is contributing greatly to that. In amongst that Standards and Conformance Subcommittee there are a number of action plans to try, along the same sorts of time periods

that were set from the Bogor declaration, to harmonise standards, to develop the technical infrastructure for accreditation of laboratories, to try to harmonise regulations. There are specific action plans within the APEC family to try to harmonise each of those segments. They have different time frames, and I think they will have different achievements in the individual economies. So there is action occurring. It has been identified as a substantive issue within APEC itself.

Mr Birch—We would not want to leave you with a too negative view of it. The whole process is to develop confidence, consistency and transparency. I believe the five specialist groups have made a tremendous impact on that over the last four or five years in this region. But it is a major job, and the real concern I have is that the issue is likely to be driven politically rather than our waiting until we get the thing in place. That, unfortunately, too often happens: political expectations run ahead of the ability to get the detail right.

CHAIR—Is that where the European Union and the US come into their own?

Mr Birch—The European Union certainly has been politically driven. Whether they have their system in place to establish that confidence is a moot point. Certainly I believe they have not. So I think they are having a process which is starting to show holes in it. In terms of the United States, that is a long story.

Mr Archer—Undoubtedly we do a lot in this APEC area and contribute a lot to these processes. Our problem is we do not have the market strength of, say, the US in dealing with Europe. They can negotiate from a position of market strength, and of course we do not. We have 1½ per cent of the world markets. So ours is largely a high moral ground rather than being able to force the issues from a market strength position.

CHAIR—You have the argument ‘give me the numbers any day’.

Mr Walsh—That is where the US stands in the negotiations.

Mr Russell—But our infrastructure has the respect of the others. We had a number of the developed countries studying our arrangements, so I think we have a lot to offer and I think that is recognised in the standards conformance area.

CHAIR—I am not trying to downplay the work. We first heard any real evidence about this yesterday. It seems to me that we are making some real impression out there in the forums but the progress is a lot slower than people would otherwise want to have happen.

I think that is about where we have to stop, unfortunately. I thank you for your evidence this afternoon, and we look forward to developments in your area with great interest.

[4.52 p.m.]

SHARKEY, Mr Stan, National Secretary, Construction, Forestry, Mining and Energy Union, 361 Kent Street, Sydney, New South Wales 2000

WILLIAMS, Mr Robert, Education Officer, Construction, Forestry, Mining and Energy Union, 361 Kent Street, Sydney, New South Wales 2000

CHAIR—Welcome 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. The committee has before it a written submission from the CFMEU. Are there any alterations you would like to make to your submission at this stage?

Mr Sharkey—No.

CHAIR—The committee has already made this submission a public document. I invite you to make an opening statement and then we will proceed to questions.

Mr Sharkey—Our written submission makes a number of points supporting the position that APEC does not operate in Australia's best interests but in the best interests of the huge conglomerate organisations operating across national boundaries almost at will. The purpose of this statement today is to reinforce those key points.

The standard model of transnational or multinational operations is for the head office of the corporations to be based in the home countries, usually industrially well developed and referred to as the core. Production is based at the periphery, that is, where labour and production costs are at their lowest. In the case of APEC, head offices are in Melbourne, Sydney, Tokyo or San Francisco and the operations are in Indonesia, Fiji, Thailand or the Philippines.

For this model to work at maximum profitability, the corporations demand minimum barriers or other obstacles that might hinder the flow of their capital and profits to and from the core and periphery. It is this demand for minimum intervention from governments and organised labour that causes the greatest concern for the trade union movement, where our sovereign right to set domestic policy, even on such critical matters as social welfare, is curtailed.

As we have said in our written submission, it is the economy of the country that motivates APEC, not the nation state or its citizens. Bilateral agreements, on the other hand, provide the best opportunity for governments to ensure that any trade agreement is in the best interests of the nation's citizens.

Tariffs are held out by the transnational and multinational corporations to be a major component of their perceived barriers to trade. Our written submission makes the point that the GATT 1994 bindings on tariff provide much scope for flexibility around various industries and, at the same time, provide real jobs for Australian workers. This union poses the question: why are we in such a frantic hurry to be the first nation with little or no tariff

safeguards on our economy? We believe the answer lies in the demands of the trading bloc, that is, APEC, to provide an unfettered ability to move capital and profits at will in pursuit of markets or reduced production costs. The aftermath of the so-called meltdown of the Asian economies is yet to be experienced in this country.

How will our membership in APEC limit or restrict our ability to manoeuvre and cope with the economic fallout that is headed our way? Does our membership in APEC mean Australians will also suffer a huge reduction in their living standards as the price of being part of an economic trading bloc? Within our submission is a schedule of policies openly promoted by APEC. Time does not allow us to work through each in detail, but one policy which has a direct correlation to contemporary events is the demand for competitive and flexible labour markets.

The CFMEU believes that the events we are witnessing on the Melbourne waterfront are part and parcel of an agenda aimed at curbing legitimate and legal union activities in the name of competition and flexibility. Unions themselves are held up as an example of barriers to trade in that they will not accept labour markets being reduced to a tradeable commodity. Are we to experience more Melbourne waterfronts in other parts of Australia, particularly in those well unionised areas and, if so, simply because we are members of APEC?

It is interesting to compare the sequence of events last year with the bilateral negotiations with the European Union, where the demand there was not to reduce union power but to improve the lot of our Aboriginal citizens. It is also important to note that the EU promotes the rights of labour to organise, as was so eloquently described recently by German Chancellor Helmut Kohl when he stated that a strong, effective trade union movement is vital to a strong and healthy democracy. The CFMEU written submission concludes with a very clear statement that Australia should not be a member of APEC.

On behalf of the CFMEU membership, allow me to summarise today's presentation: firstly, use the GATT 1994 tariff levels to rebuild our domestic industries; secondly, restore the democratic rights of unions to obtain a fair share of Australia's wealth for their members, and the wellbeing and quality of life of the broader Australian community; thirdly, resume bilateral agreements; and, finally, send a message to the Australian government to the effect that it was not elected to look after only big business. The other half of the economic equation is the Australian families, who have a right to a fair and reasonable standard of living—not to be treated as another commodity to be traded at an international bazaar.

CHAIR—Thank you, Mr Sharkey. Mr Williams, do you wish to comment?

Mr Williams—No, not at this stage.

CHAIR—We will move, then, to questions.

Senator QUIRKE—Mr Sharkey or Mr Williams, you might be able to help me with this. When you say you are speaking on behalf of your membership, what consultation processes do you go through with your membership to make the sorts of statements you are making about the CFMEU membership wanting out of APEC?

Mr Sharkey—Very extensive democratic processes. We have a series of methods to enable such democratic consultation with membership. That process, for this period of our term of office, culminated in a national conference attended by some 450 delegates elected from their areas, jobs and projects which took place in October last year. That was preceded by a series of seminars, job meetings, off-the-job discussions and lectures which took place in the whole of the 12 months leading up to that national conference—the governing body of the union—a conference which is made up, as I referred to earlier but did not explain, of rank and file members, not elected officers.

Senator QUIRKE—I cannot understand exactly the position you are putting. What you are saying to us is that APEC somehow or other is a mystical body that is going to help big business, whereas bilateral trade arrangements between two countries is not going to achieve the same result. I would have thought that is a bit incongruous.

Mr Sharkey—I do not think that APEC is any mystical organisation. It is quite a transparent, open organisation that, in our opinion, is organised and operates in the interest of principal shareholders in very wealthy multinational corporations and not in the interests of the citizens of the countries in which they deal.

With respect to the second part of your question, I think history has shown that bilateral trade agreements are negotiated in an open way and in a way in which nations freely enter into. It does have the capacity to recognise specific issues, levels of industrialisation and other such matters in the countries concerned and to make allowances for those issues.

Senator QUIRKE—The same corporations that are based here in Melbourne which you mentioned at the beginning of your address are going to behave better, are they, if they are dealing with only one country at a time?

Mr Sharkey—What we clearly indicate in our written submission and what I sought to put to you earlier is that APEC and the related international finance organisations, like the World Bank, have more interest in the corporations from nations and not the nation state and the citizens of those nations in terms of their trading and profitability arrangements.

Senator QUIRKE—A number of countries are in APEC. One of those is Russia, the former USSR. Vietnam has just joined. Vietnam still does espouse a socialist perspective. I am not sure where you put the Russians these days. The Chinese are there, and they have an orientation towards more of a free market but in many respects it is still what could be traditionally described as having a socialist perspective, at least at home anyway. These states have decided to join APEC. How do you feel about that?

Mr Sharkey—My organisation and the trade union movement in this country were formed with the primary task of looking after the wellbeing, living standards and aspirations of the members we represent in this country. I expect that the trade unions of Russia, Vietnam and those other countries you have mentioned would be seeking to do the same thing in respect of the membership of their union and their citizens in their country. I do not think it is up to me to tell them what to do or to interfere in their particular problems and affairs.

Senator QUIRKE—How broadly do you think the views you are espousing here are of the Australian trade union movement?

Mr Sharkey—I think they are representative of the broad trade union movement. They are representative of the decisions that were taken, not only by my own union in its conference last year, but of resolutions of the Australian Council of Trade Unions and of other levels of the trade union movement in this country.

Senator QUIRKE—The ACTU has carried a resolution to this effect, has it? I do not know. I was not there. I am just curious.

Mr Sharkey—What are you asking me? You asked me earlier whether my statement is representative of the broad trade union movement and I tried to explain to you that it is. If you want to ask another question please do but do not try to put words in my mouth in respect of the question you have just asked.

Senator QUIRKE—I am not putting words in your mouth; I am trying to get an answer from you. I am asking you if the ACTU actually carried a resolution, as you say your organisation did, to pull out of APEC? That is what I am asking you.

Mr Sharkey—If that is what you are asking—your earlier statement implied that I am not giving you direct answers; very few around this table would agree with that—then yes, the ACTU carried resolutions, which my union participated in—

Senator QUIRKE—Saying, ‘We want to pull out of APEC.’

Mr Sharkey—Expressing great concern about aspects of APEC’s work and of the World Bank and other international financial institutions.

Senator QUIRKE—That is a different proposition. You are talking now about the World Bank. I would accept the ACTU would have considerable reservations about the IMF, the World Bank and several other organisations like that. I am asking you: has the ACTU carried a resolution on behalf of the trade union movement in this country advocating that we pull out of APEC?

Mr Sharkey—No.

Senator QUIRKE—Thank you.

Senator SANDY MACDONALD—Is there any sort of trading group or trade liberalisation regime that you would agree to? Do you find it totally unacceptable that, on a group basis, a group of nations talk about trade liberalisation? Almost everybody agrees that the reduction of tariffs does improve living standards and world trade. You are saying, ‘No, if we cannot be convinced that Australian workers are going to be better off then we want no part of it.’

Mr Sharkey—I did not say, nor does our statement suggest, that we are opposed to lowering trade tariffs. In fact, I think I clearly made the point that we support maintenance

of the 1994 levels. We are concerned. I am concerned and my union is concerned about the headlong rush for nil tariffs ahead of the rest of the world. There are a number of industries which are hurting badly at the moment because of the headlong rush to reduce tariffs—textiles, clothing and footwear is one such example. That will be destroyed and the skills and jobs lost to this nation if the reduction in tariff levels that is being mooted comes about.

Senator SANDY MACDONALD—In the same breath that you say that, I think you should be aware that our reduction of tariff barriers in some areas of manufacture, like in the dairy industry, has provided not only world best practice to those but also an increase in employment in those industries. Not for dairy farmers, because there are fewer dairy farmers, but for the manufacturing side of the dairy industry, which has more employees now. Part of the reason that they have been able to access markets in Asia, like fresh milk into Hong Kong every day and cheese into Taiwan, is the reduction in tariff levels, which would not have occurred if we had not started to wind back our tariff barriers. So it is not easy; it is not an easy argument. You have to see both sides of it.

Mr Sharkey—That is what we are asking the government to do. We are not opposed, I repeat, to negotiations on a bilateral or whatever basis or nation groups around trade agreements which bring about reductions in industries where it is sensible, wise and profitable in terms of the return to the nation to do so. You give the example of an industry, I must say, that I know nothing about. I can only accept your suggestion. But for every one of those industries that you can nominate, there are others. I have given a few. I also include the car manufacturing industry that will be destroyed—not just in the CFMEU's view, but also in the view of the ACTU and the unions in the manufacturing industry—if the aims that were set by the government are achieved. The government was even belatedly forced to recognise that in respect of car manufacturing after they had a visit from the companies concerned.

Senator SANDY MACDONALD—I think the government—and every government—has a responsibility to improve the prospects of everybody for sure. But I think you would have to acknowledge that our motor vehicle industry is in reasonably good shape when you consider that we make a very good product now. We have wound back tariffs from about 59 per cent or 68 per cent to 22½ per cent or 21½ per cent. I can imagine the doom and gloom you would have been espousing if you had known, when tariffs were at 68 per cent, they were going to be wound back to 21 per cent. You would have said that the world was going to end.

Mr Sharkey—It might surprise you to learn quite the opposite. I was then, and in retrospect would have been, a firm supporter of the reform program that was pursued by the Labor movement to bring about more efficiency and to bring about investment in technology and training to correspond with the reduction in tariffs at that time. We do not have our head in the sand. We are not opposed to change per se. What our paper tries to put to you, and what I have tried to put to you so far, is that there are a number of factors that need to be considered. The main one, as far as we are concerned, is the effect on people.

Senator SANDY MACDONALD—Yes, that is very good, very admirable.

CHAIR—I could just pursue the issue of the World Trade Organisation and APEC. The World Trade Organisation, as we know, has binding targets. The APEC organisation is completely different in nature and operates on a consensual basis of voluntary targets, so to speak.

So we are talking about two organisations which are basically trying to achieve the same thing—a general tariff reduction—but we are talking about two different natures of the two organisations. While you say you call for the Australian government's withdrawal from APEC, you nonetheless recognise Australia's commitments under the WTO and call upon the Australian government to return tariff levels to our tariff binding levels. I understand that. So why is there an acceptance, albeit reluctant, if I can interpret it that way, of the WTO, as opposed to the situation we are faced with with APEC, where there is a far more flexible approach, if we can term it as such? Is it not better to have an APEC in which Australia did play a fairly dominant role in its formation—if not the leading role, at least in its early days—rather than to be the subject of an organisation over which we have very little influence at all? Where do you see us sitting there?

Mr Sharkey—I will pick up a point you made. I do not see the aim promoted by APEC of nil tariff by a given date as flexibility. I see that as rigidity. It is partly that sort of rigidity that we are strongly opposed to. I have not been convinced of any value to the Australian community, other than to multinational corporations, derived from our being part of APEC.

CHAIR—We have had a number of expert witnesses who have appeared before us—and I do not necessarily place any extra faith in an expert witness, but they have termed themselves that—who have put varying views as to whether or not the 2010 and 2020 targets will be reached under APEC. Some have said, 'No, we will not reach the targets'; others have said, 'Yes, we will.' So even among the so-called experts there is a diversity of opinion as to whether or not we will reach the targets and whether APEC will have to revisit the issue of the tariff barriers in time. I do not see that as being locked in at this stage. Whilst the targets are there, I do not necessarily think that there is a unanimous view that we will reach those targets by the prescribed dates, namely 2010 and 2020. But it does raise the issue of whether or not it is worthwhile proceeding down the path of trying to reach the targets, whether or not we reach them.

There is a secondary issue, which I fully agree with you on. That is the issue of the social impact of the changes which are brought about and how the social impact is handled. We can pursue that in a moment. I understand that there are probably two positions. You are locked into a position which your delegates have adopted as such and you have to espouse the adopted position. I have been in a similar position and I understand that. But what if the Bogor targets are not set firmly in place: what is the attitude then? Is it different on behalf of your organisation or is it still very much the same?

Mr Sharkey—Let me suggest that, if the experts—and I am certainly not one—

CHAIR—No, neither am I.

Mr Sharkey—If the experts have made submissions before your committee that the goals they have set need to be revisited, I suggest that that is a further example of their

rigidity. That is an example that they have adopted a far too rigid approach. That, it seems to me, confirms my fear that industries which are very valuable to the long-term future of this nation will be wiped out if those rigid targets are pursued. I do not see any contradiction.

CHAIR—I must say that I am not completely in agreement with you, but I do understand the position that you are coming from. I do not necessarily see industries being wiped out. We have not got to trade facilitation yet, which you heard a bit about before you came to the table. That was just one aspect of trade facilitation, the non-tariff barriers. It seems to me that, if we go down the path of trade liberalisation, which seems to be happening anyway under the WTO, the issue that you put and raise is a valid one. We need to accommodate those industries that are going to be affected as a result.

That raises the issue of government responsibility in the retraining and the redeployment of those people who are affected. It may well be that it is not feasible to maintain an industry for a wide range of reasons, but it may well be possible to retrain and redeploy the workers that may be affected under that industry. With the reduction of tariff barriers, whilst the job may well disappear there may be more jobs created over here. I am not going to say that I am 100 per cent convinced of that, but what is your attitude to that?

Mr Williams—With this whole question of trade liberalisation and the vexed question of where we go with tariffs, I think what we are trying to say in our written submission and what we have said this afternoon is that there is a recognition, with the increasing internationalisation of trade, with the move towards the various economic blocs, that Australia has to come to terms with this in its various forms. We are not saying that we should just ignore it.

CHAIR—We have to be a part of some trading bloc, do we not?

Mr Williams—As you are not convinced of parts, I am not convinced that we need to be in a trading bloc as such. The union movement in Australia is mindful of the experience of 1973 to 1975 when tariffs were reduced without a lot of thought put into what the impact was going to be on the economy, on the social aspects of Australians or whatever. We saw a lot of companies simply shut up shop and move to other parts of the region. I think there is a very strong point in the collective minds of the unions that we are seeing the same thing happen again. We are saying that, with the levels that have been set within the WTO bindings, there is sufficient room where we can look at phasing over time in the best interests of the company and in the welfare of the country.

There is a perception amongst unionists that Australia seems to be trying to win a race to be the first to reduce their tariff levels to zero. I think that is the key point that all unions are trying to make. We are not saying that you have to put up tariff barriers ad hoc just to keep out the hordes. No union is saying that. But we are saying that if they are going to be reduced they have to be done in a way that does not rock the boat all that severely, and with the greatest amount of equity across the board—whether it is to the employer or to the employee.

CHAIR—If I could take up your point there, it seems to me that one of the things that would need to happen—and we have had calls for this before this committee—is that the

people involved in the APEC process be broadened and also that the agenda be broadened. I can understand the fear that is in the minds of people where they do not understand the process, nor are they involved in the process. That brings nothing but fear, cynicism and a great degree of scepticism on the part of people. It does not matter what change it is. If you change the rules in a football match it brings about a degree of uncertainty. We have the same problem with people accepting change. So I accept what you are saying there. And the evidence that we have had brought before us by some people has been that there is a need to broaden the agenda in terms of APEC, and it should not just be a narrow focus on tariffs. Of course, there are other barriers—

Mr Williams—Yes, we recognise that.

CHAIR—And if you can remove some of those other barriers, you then improve the employment opportunities within Australia. Nothing was more convincing to me than the people we had before us this afternoon, and you may have heard part of their testimony. If we can get rid of some of those barriers, we are going to improve Australian job opportunities, and that to me is a real plus. However, it seems to me that apart from broadening the agenda one must also broaden the consultative base, and—I do not want to put words into your mouth, although I know I cannot—if both of those were achieved, that would take away a degree of the mysticism, if I can call it that, or the aloofness that has come about because of the process.

What you say about back in 1973, and I have fond memories of it, is true. There was no consultative process, it was an overnight sort of happening and people found themselves in the lurch. It is going to be the same with any change. So whilst you might not embrace APEC and whilst you might not embrace the WTO, if the mechanisms were changed it might start to change the perspective in which these things are held. Is that a reasonable statement?

Mr Sharkey—That seems a reasonable statement to me. If it were a change to make it more democratic, to take into consideration the citizenry of nations as well as corporations and profits, that could certainly go a long way toward doing what you are suggesting—make it more acceptable to the trade union movement and its members.

CHAIR—This afternoon we had a Mr Matt Ngui, from the Centre for Research Policy, University of Wollongong. He was relating his experiences within the APEC forum, and I am going to shorthand this. The interesting thing that he related to us was that, as a result of the meltdown in Indonesia, he was at a meeting recently where they have now invited him, along with a number of others, to look at the social implications of the meltdown in Indonesia. He specifically looked at the additional unemployment that is going to occur in Indonesia, Korea, Singapore and Thailand—

Mr Sharkey—And Australia.

CHAIR—Yes, but the specific request came out of those economies. His statement to us was that this would not have happened had it not been for the fact that he was a reputable operator within the APEC forum. So we have an issue now being looked at which would not have otherwise been entertained.

I think that is progress. I do not know what your view of that would be. It seems to me, though, that if we can overcome the problem of consultation we are heading down the path. Let me assure you that I started out this inquiry with a fairly open mind, and I still have a fairly open mind. I am concerned about the human face of change, and I am very much concerned about the impact upon individuals. But it seems inevitable that there is going to be change and that the best way we can handle change is to try and have a finger on it and manage it.

Mr Williams—Could I respond to that?

CHAIR—Yes, I would love you to. That is why I am putting this to you.

Mr Williams—The two of us here have got change coming out of our ears, from an industrial relations point of view over the last 10 or 12 years.

CHAIR—Been there, done that, know what it is about.

Mr Williams—We certainly understand what change is about and what the impact is on people who are affected by the change. In a bigger forum we are talking about much the same sort of thing.

As well as the tariffs and the economic impact of what we have been talking about, there is another perception by the union movement that APEC is about the parties bidding each other down to the lowest common denominator, whether it is in terms of standards of living, regulation or lack of regulation, labour rights or ordinary human rights. Whilst we have spent the last few minutes concentrating on tariffs and where all of that goes, maybe if we sat and listened and participated in a forum on why we should have a particular level of tariffs we would have a better understanding of the argument. But at the end of the day our participation in that forum is not going to have an impact on this downward spiral of bargaining down the costs of production.

That is why we have suggested, both in the written submission and in the presentation today, that we stand a better chance of preserving our standard of living in a bilateral agreement where we have the opportunity to look at our position as compared with the position of the other party that we want to trade with, as opposed to getting on a merry-go-round where we seem to lose that ability to say, 'Hang on. Let us preserve this at a level.' We are immediately accused of setting up some sort of a barrier.

As well as all these economic things, we have the social economic aspect of it. From our side of the table, we are at the dictate of the controllers of capital. They want the cheapest forms of production in order to maximise their profit, and they will move their capital around in order to achieve that. So we then play catch up, saying 'We can do better than them over there. We will give you less regulation.'

CHAIR—I understand the argument that you are putting, and we have heard evidence today on things like export product zones and the like. We have also had evidence which says that if you pay low wages you get low productivity; if you pay high wages you get high productivity and better work.

We could argue this thing ad nauseam, but I do understand the perspective you are coming from. Let me just assure you of one thing from my own position; I cannot speak for the rest of my colleagues and would not attempt to. I am not down the path of going to the lowest common denominator. That is my personal position. Let me also say, though, that it seems to me that, if Australia is to be a participator, it needs to have a community—the business community, the trade union community, the NGOs and the other—at least understanding what the agenda is about. That may well be one of the major weaknesses in this whole agenda at this stage.

Mr Sharkey—I could not agree with you more. Unless there is some feeling of ownership, of a trading arrangement from an industry basis, there will be not only scepticism and concern but also straight out opposition which we have expressed today. We have no philosophical or otherwise opposition to developing proper trading relations. We are not Luddites.

I, as a member of the Construction Industry Development Agency, for example, in the latter part of last decade and the early part of this decade advised construction industry employers on how they would best survive and prosper in trading arrangements with trading nations such as Malaysia, Vietnam and others in the construction industry. Those companies that took that advice have prospered. Those who adopted the old style that Pope John Paul recently referred to as 18th century capitalism, of going in and ripping out everything and leaving nothing, are the ones who have failed.

We have no objection to the sort of arrangement that you have just touched on. I think it is starting to get towards the democratic arrangements on consultation, understanding and education that are sadly lacking in the whole operation of APEC and other international trading blocs at the moment.

CHAIR—I think that is a good point at which to stop, because I think your view has been listened to by the committee. We appreciate the fact that you have come and expressed your view to us. I wish you all the success within your trade union.

Mr Sharkey—Thank you very much.

Committee adjourned at 5.37 p.m.