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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

(FOREIGN AFFAIRS SUBCOMMITTEE)

Reference: Australia's relations with the Middle East

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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Foreign Affairs Subcommittee

Monday, 19 June 2000

Members: Senator Ferguson *(Chair)*, Senators Bourne, Calvert, Chapman, Cook, Gibbs, Harradine, Sandy Macdonald, O'Brien, Payne, Quirke and Schacht and Fran Bailey, Mr Baird, Mr Brereton, Mrs Crosio, Mr Laurie Ferguson, Mr Hawker, Mr Hollis, Mr Jull, Mrs De-Anne Kelly, Mr Lieberman, Mr Martin, Mrs Moylan, Mr Nugent, Mr O'Keefe, Mr Price, Mr Prosser, Mr Pyne, Mr Snowdon, Dr Southcott and Mr Andrew Thomson

Subcommittee members: Mr Jull *(Chair)*, Senator Gibbs *(Deputy Chair)* Senators Bourne, Calvert, Chapman, Ferguson, Quirke and Schacht and Mr Brereton, Mrs Crosio, Mr Laurie Ferguson, Mr Hawker, Mr Hollis, Mr Lieberman, Mr Martin, Mr Nugent, Mr Price, Mr Pyne, Mr Snowdon, Dr Southcott and Mr Andrew Thomson

Senators and members in attendance: Senators Gibbs and Quirke and Mrs Crosio, Mr Laurie Ferguson, Mr Hollis, Mr Jull, Mr Nugent, Mr Price, Mr Snowdon and Dr Southcott

Terms of reference for the inquiry:

To inquire into and report on Australia's relations with Middle East nations and the Gulf states, with particular reference to:

- Opportunities and impediments to expanding Australia's trade relationship with the Middle East and the Gulf states;
- Australia's contribution to the Middle East peace process, and the prospects for resolution of the Arab-Israeli conflict;
- The role of the United Nations, and Australia's involvement, in promoting regional stability for the Middle East and the Gulf states, including consideration of the United Nations weapons inspection program and the impact on Iraq of internationally-applied sanctions;
- Australia's defence relationship with the Middle East and the Gulf regions, and the scope for promoting Australia's strategic interests;
- The impact of destabilising influences in the region including the potential production of weapons of mass destruction;
- Progress on the adoption of human rights principles in the region; and
- Social and cultural linkages, given the levels of migration to Australia from the Middle East and some Gulf states and with particular reference to the Australian aid program towards the Middle East and the training programs for students from the region.

WITNESSES

Subcommittee met at 9.35 a.m.

ANDREWS, Mr Richard, Director, Chemical Disarmament Section, International Security Division, Department of Foreign Affairs and Trade

BOWKER, Mr Graeme Robert, Acting Assistant Secretary, Middle East and Africa Branch, Department of Foreign Affairs and Trade

COURTNEY, Ms Jill, Director, Special Projects, Middle East Branch, Department of Foreign Affairs and Trade

GRENENGER, Mr Tony, Desk Officer, Iran, Department of Foreign Affairs and Trade

HEYWARD, Mr Peter Maxwell, Director, Human Rights and Indigenous Issues Section, Department of Foreign Affairs and Trade

HILL, Mr Stephen John, Executive Officer, Arabian Peninsula, Middle East Section, Department of Foreign Affairs and Trade

SINGH, Mr Sean Karam, Executive Officer, Chemical Weapons Convention, Department of Foreign Affairs and Trade

BENNETT, Ms Nona, Director, Africa and Middle East Section, AusAID

JONES, Mr Richard, Middle East Program Office, AusAID

CHAIR—On behalf of the Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade, I declare open this public hearing. The committee is inquiring into Australia's relations with the Middle East, including the Gulf states. The terms of reference are extensive and cover a very wide range of important issues. Today's proceedings are the first stage of the public hearing program for the inquiry. This morning we will hear from representatives from the Department of Foreign Affairs and Trade, AusAID and Austrade. The discussions today will give the committee the opportunity to explore the overall framework of Australia's relations with the Middle East region.

Although trade is a very important aspect of our relationship with the Middle East, there are other aspects which we wish to examine today—for example, Australia's contribution to the peace process in the Middle East, the role of the United Nations in promoting regional stability, the destabilising influences at work in the Middle East and progress that needs to be made in promoting and protecting human rights. As well, we would like to explore the social and cultural links which have been generated by the levels of migration to Australia from most countries in the Middle East region.

The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private, you may ask to do so and the subcommittee will give consideration to your request.

Mr Bowker—Since DFAT's submission was provided to the committee in April, there have been a number of developments which impact upon Australia's interest in the Middle East and the Gulf region and, to varying degrees, these will affect prospects for a comprehensive peace in the Middle East and have an impact also on our political and trade relationships.

The key assessments contained in the department's original submission to the committee remain, in our view, valid. But I would like to rehearse those in summary for you and, in due course, we will be very happy to answer questions. I will also bring to your attention some of the more recent developments that have taken place in the region. A major theme of our paper was that there is a growing sense of confidence in the Middle East. We believe the major political problems and the security concerns that have troubled the region in past decades appear closer to resolution, or at least stabilisation, even if much needs to be done to ensure a political environment that will allow the region to realise its full potential.

At the same time, there are demographic pressures and there are increasing expectations from a young and increasingly articulate population. That is a situation that poses great opportunities for Australia and it also presents some important challenges. On the one hand there is demand for more efficient infrastructure, for better services, for new technologies to keep pace with those popular expectations. Governments are under pressure to respond to the challenges of global economic and communications revolutions. For Australia, it means new prospects for trade, new prospects for flows of investment and the opportunity to increase the breadth of our commercial and our economic involvement with the region. We are, of course, going to remain a key supplier of commodities to the region.

Our exports to the Middle East have been growing at 16 per cent a year since 1995. They were worth over $4.3 billion in 1999 which is 4.7 per cent of Australia's total exports. Our total market share has increased from 1.2 to 1.9 per cent over that period.

The relationship with the region has benefited from the exchange of visits that has been taking place. We have had visits by Mr Vaile to the region in April and May this year. We have had the visit of the governor of Riyadh, His Royal Highness Prince Salman in April. That produced a much greater focus by Saudi Arabia on Australia as a trading and investment partner. Our relations with the UAE have benefited from exchanges of trade missions. Our exports to Egypt, which were $472 million in 1999, are expected to grow as Australian companies become involved in the Egyptian agricultural sector. Our colleagues from Austrade will speak to that. The Iranian market is increasingly valuable for Australia but it requires careful attention as relations between Iran and other Western countries continue to strengthen. Exports to Israel in 1999 were $149 million. There are very good opportunities for Australia's participation in Israeli communications, electronics, information technology, biochemistry, agrotechnology sectors and the like. Mr Vaile, who is planning to visit at the end of June will be exploring those both with Israel and the Palestinian Authority.

Transformed manufactures are a major success area for Australia's exports to the region. They now comprise 27 per cent of our total exports, compared with only 12 per cent of our exports there in 1995. The Middle East is now the largest export market for Australian motor vehicles. The services trade is growing. There is a range of opportunities which Austrade can speak to.

I would highlight one particular activity which demonstrates the strength of Australian capacity to contribute to meeting the demand for services in the region—that is, the success of an Australian organisation known as SAGRIC in securing a major project management consultancy for developing the tourism sector in Iran. Drawing on expertise in Australian hotel and hospitality training, it is a project that will be worth many millions of dollars to that sector in Australia and will provide opportunities for it to develop export links and other connections with the region.

We have also been active in seeking to improve our own market access through encouragement of accession of regional governments, including Saudi Arabia and Jordan, to the WTO. The department has made a major study which is expected to be released in August 2000 on Australia's trade and investment relationships with the countries of the Arabian Peninsula and Iran and the business opportunities there.

Our key objectives and priorities in the Middle East, including in the Persian Gulf region, are to promote strong commercial relations with key trade and investment partners. We are striving to enhance Australia's perceived relevance to decision makers at both government and business levels, using our diplomatic network, high-level visits and joint ministerial commissions which draw together business and government activity for periodic review. DFAT puts a lot of its resources into providing advice and assistance to Australian business, including through trade delegations accompanying the Minister for Trade and to state governments to assist in their own trade and investment delegations. Our posts are active in identifying regional trends and assessing the then impact upon Australia's interests, and advising means of responding in ways that may benefit Australia. Market development is a major focus of the work of Australian posts in the Middle East and in the Gulf.

A further important Australian objective is to make a modest but meaningful contribution to the search for regional peace and security in its various forms. We are not a key player. We are not a commentator on each and every regional development, good or bad. But conflict in the Middle East has global and regional implications that are important to Australia and shape the environment in which Australian interests are pursued in the region and globally. Australia has clear interests in the achievement of a just and lasting peace in the Middle East in which Israel and other states may live in peace and security and in secure and recognised borders. We support the right of the Palestinians to self-determination. We expect the precise shape of a Palestinian entity, including the option of a Palestinian state, the timing of its formation and its relationship with Israel, will emerge from the bilateral negotiations.

We are also concerned to support regional security. We have interests in combating the proliferation of weapons of mass destruction, in reducing possible threats to our lines of communication between Europe and East Asia and in seeing the continued flow of oil essential to our trading partners as well as to Australia itself. Australia has been an active contributor to the UN and other peace monitoring forces both in the Middle East and in the Gulf. We maintain a level of defence cooperation in the Persian Gulf consistent with Australia's strategic interests. We are concerned at the consequences of economic and social disruption in the region, both as a humanitarian issue and as it impacts more broadly upon Australia through refugee and other humanitarian issues. We are also committed to and we devote substantial resources to providing responsive and efficient consular assistance to Australians resident and travelling in the region.

If I may turn now to recent developments and rehearse very briefly some of those that have occurred since the beginning of April. The observation I would make is that developments in the region and in the multilateral context affecting the region since April have generally supported the continuation of the positive trends which are identified in the DFAT submission in April. There remains a great deal which is unpredictable, but there continue to be grounds for optimism concerning the outlook for the region and Australia's interests in it.

The peace process outlook is dominated by developments in Lebanon, where the Israeli government announced on 5 March that it would withdraw its military forces from Southern Lebanon by the middle of July. In fact, the withdrawal was completed unilaterally in early May, accompanied by the rapid disintegration of the Israeli allied South Lebanon Army, or SLA. We have been fortunate that the worst case scenarios for cross-border violence and retribution against former members of the SLA have not been realised. The situation on the ground is relatively calm, but we cannot say with any real certainty that the situation now is stable. Australia certainly hopes that all the parties with interests involved will exercise utmost restraint in the present circumstances.

The United Nations has delineated the international Lebanese-Israeli border. On the weekend the Secretary General announced that the Israeli side had withdrawn to that border line. That has not yet been a view which has been endorsed by the Lebanese government. We have had mixed signals over the weekend as to what exactly is the Lebanese government's position in regard to the extent of the Israeli withdrawal. Clearly, there is substantial work being done on all sides to ascertain the extent of the Israeli withdrawal and to reinforce UNIFIL to a level where it can actively report on and supervise developments in the border area.

The forces of UNIFIL are supported by UNTSO observers, and we have some Australian military personnel who are seconded to UNTSO who are working in support of that UN effort in areas evacuated by Israel and the SLA. The Lebanese government has announced funding for a range of rehabilitation works and infrastructure projects in the south, funded in large part by donations from foreign, mainly Arab, governments. According to Israeli sources, approximately 5,500 former residents of the zone occupied by Israel have sought refuge in Israel, where they have been granted one-year visas and the possibility of applying for permanent residence after that time. Of those, approximately 4,500 have SLA connections, either as members of the SLA or as dependants.

Turning to Syria, we think it is still too early to say what effect the death of President Assad will have on the peace process, but, having made a strategic decision to pursue a peaceful settlement of the conflict with Israel, we are not anticipating any rapid change in Syria's policy direction. A period of focus on domestic considerations within Syria is to be expected, and moves are under way to confirm the succession of President Assad's son, Bashar, who has been appointed head of the Syrian armed forces and nominated for the presidency. This is likely to be confirmed by the Syrian parliament on 25 June and then it will be put to a referendum.

The latest round of direct negotiations between Israel and the Palestinians commenced in the United States on 13 June. The comprehensiveness of an eventual outcome from those negotiations remains to be seen. There appears, however, to be a serious effort on both sides to establish a sustainable basis for drawing the conflict to a close, even if the implementation of

that agreement may take some time in some areas. The visit of the Australian Prime Minister, Mr Howard, to the region was especially timely, given the challenges that both sides are now facing, and his message urging both sides to remain committed to the process was well received.

The Israeli Prime Minister, Mr Barak, has been threatened with the defection of three of his coalition government partners. The loss of support from the Shas Party, the National Religious party, and the Israel B'aliya Party, may not spell the end of the Barak government as he may be able to forge a new narrower coalition, or explore the possibility of a national unity government. Under either scenario, however, it is likely Mr Barak will face a major challenge gaining the support that will be required in the Knesset to confirm the outcomes of the current round of negotiations with the Palestinians, and there has been a lot of press speculation that early elections may become necessary in Israel.

Turning to Iraq, obviously we are concerned that Iraq continues to refuse to comply with the obligations imposed by Resolution 1284 of the Security Council. Nevertheless, a number of provisions of the resolution calling for action by UN member states have been implemented. I will just briefly summarise the relevant developments within the UN which have taken place since April. There have been no significant changes on either political or commercial fronts as far as Iraq is concerned. Iraq has accepted that it is now free to expend as much revenue as it gets from oil sales, on which there is no limit, for humanitarian purposes. The UN has agreed on expedited processes for food, education, agriculture and health items, and these listed items no longer require approval by the Sanctions Committee of the UN.

The UN has agreed to double the amount of money available for Iraq for expenditure on its oil production infrastructure—spare parts and equipment—from $300 million to $600 million in each six-month phase of the oil for food program, which has just been renewed. We are now in the eighth of those programs.

Members of the UN, notably the United States and Britain, have looked at the number of holds that have been maintained on contracts under the Sanctions Committee with a view to freeing these up in accordance with procedures mandated under Security Council Resolution 1284. As a result, the US have agreed to a number of contracts that they had previously blocked in respect of agriculture and petrochemical products.

The last enabling resolution of the oil for food program, which is Security Council Resolution 1302 of 8 June 2000, makes provision for a group of independent experts to prepare a comprehensive report and analysis of the humanitarian situation in Iraq and to make recommendations to the Security Council accordingly.

It also requires the Secretary-General to take actions necessary to ensure that the procedures for monitoring and distributing the goods under the program are expeditious and that all recipients are satisfactorily reached. The resolution also removes from the sanctions committee approval process supplies of items utilised for basic water and sanitation requirements. This range of developments has a specific purpose. They are intended to take into account the concerns that have been expressed, including in Australia, about the humanitarian impact of sanctions on Iraq. The government shares these concerns about the plight of the ordinary Iraqi,

and it therefore welcomes the actions taken by the Security Council to alleviate those concerns to the extent that is possible within the framework of resolution 1284.

The fact remains that Saddam Hussein's regime and its refusal to comply with successive resolutions of the Security Council are at the heart of this humanitarian problem. As we stated in the original submission, the means to prevent the problems caused by UN sanctions lie readily within the grasp of Saddam Hussein's regime. It simply requires the non-pursuit of weapons of mass destruction programs and compliance with other requirements of the relevant Security Council resolutions, including in respect of POWs, reparations and weapons inspections.

Turning to Iran, the issue that has been of most recent attention is the trial of 13 Jews, which commenced on 13 April in Shiraz in Iran on charges of espionage. That trial has proceeded in closed court, which was a development of some concern to the Australian government, which sent an observer to Shiraz to monitor the proceedings. We have remained one of the small group of countries that has continued to have a representation in Shiraz during the sessions.

So that you understand how it works, the embassy official remains in the building that houses the courtroom. The official remains in contact with the various legal representatives, the families and the judicial authorities in Shiraz, who have been most cooperative and helpful to the embassy in keeping us apprised of developments. The observer has been able to attend the briefings for the media and for the observers. Eight of the 13 accused have so far confessed to the charges, but their lawyers are challenging the validity of those confessions. We expect that all trial sessions will be completed shortly and verdicts and sentencing are possible before the end of this month.

The main political development in Iran was the convening of the Sixth Majles or parliament on 27 May on schedule, despite concerns about the possibility of disruption. The reformist representatives in the parliament now command a two-thirds majority of the 290 seats following their resounding win in the February elections and the subsequent run-off elections in May. A reformist representative, Mr Karrubi, has been elected Speaker of the Majles. With factional differences within the reformist camp and conservative views still well represented, both in the Guardian Council and also in the Expediency Discernment Council, the road ahead for President Khatami remains a difficult one, but the election results certainly strengthen the prospects for continued reform.

Turning to Israel and the Palestinian territories, I mentioned the fact that the Prime Minister undertook a very successful visit to Israel and the Palestinian territories in April and May, during which he met with both Prime Minister Barak and Chairman Arafat. During that visit the Prime Minister announced that Australia and Israel would negotiate a research and development memorandum of understanding to assist private enterprise joint ventures and the Department of Science, Industry and Resources currently is negotiating the detail of such an arrangement.

Recognising the strong achievements of the United Nations Relief and Works Agency for Palestine refugees in the Near East—known as UNRWA—in assisting Palestinian refugees, the Prime Minister also announced an increase in the amount of Australia's annual contribution to

UNRWA's core funding. The increase of $A1 million per year represents a 40 per cent increase in our annual contributions to that agency and through it to the Palestinian refugees.

The multilateral issue which is probably of most interest to the committee is the outcome of the NPT Review Conference, which was held in New York from 24 April to 20 May this year. Agreement was reached on a package of Middle East issues, the key component of which was an agreement to the long-held Arab group objective of explicit recognition that Israel is the only Middle East state yet to join the NPT and to call upon it to do so, and references to Iraq's compliance with relevant Security Council resolutions and its NPT obligations.

Iraq objected strongly to the references to it and threatened to block adoption of the entire final document, but retention of those references to Iraq was essential to ensure balanced treatment of Middle East issues. After intensive efforts a compromise was reached on 20 May, after the scheduled conclusion of the conference, and the final document was adopted. The agreed text on Iraq notes that since the cessation of IAEA inspections in Iraq in December 1998, the IAEA has not been in a position to provide any assurance of Iraq's compliance with its obligations under UNSCR 687. It reaffirms the importance of Iraq's full cooperation with the IAEA and its compliance with its obligations. Other outcomes on the Middle East include: reaffirmation of the importance of the resolution on the Middle East adopted at the 1995 NPT review and extension conference, endorsement of the aims and objectives of the Middle East peace process, and reaffirmation of the support for the objective of establishing an effectively verifiable Middle East zone free of nuclear weapons as well as other weapons of mass destruction.

Mr Chairman, the developments outlined reflect the diversity of the issues Australia has in its relations with the Middle East. The developments for the most part also suggest that positive trends are continuing in most areas affecting Australia's interests. While now approaching its most testing period, the Middle East peace process has regained momentum in its Israeli-Palestinian track and taken a major leap forward in regard to Lebanon. The death of President Assad will naturally affect the short-term outlook for the Israeli-Syria track, but the strategic commitment of both sides to resolving their differences peacefully continues.

The environment within which Australia's interests are pursued has also been enhanced by such factors as the political advances made by reformists in Iran and progress toward cooperation between Saudi Arabia and Iran. We will benefit from the continuing efforts of governments such as Jordan, Egypt, the UAE, Saudi Arabia, Oman and Yemen to strengthen their economic management and their engagement with the wider international community and the regional economy.

The humanitarian consequences of Iraq's ongoing defiance of its international obligations remains a deep concern. Those issues are being addressed with real determination within the framework of UN Security Council resolutions. Our trade and economic links with the region have strengthened. Our dialogue with our key players has grown. We are a valued and respected interlocutor and economic partner in a region whose horizons are expanding.

CHAIR—Thank you for that. Just before we get onto some of the more telling questions, could you just bring us up to date on our representation through the Middle East? You have

given us a list of where it is all based. Are there any plans to change that in the foreseeable future or is that reasonably settled now? And why did we close Damascus?

Mr Bowker—The current representation in the region is based upon an assessment of ways in which Australia can maximise the impact we have upon economic and political developments affecting our interests. That was the reason the government decided to open an embassy in Abu Dhabi after one had been closed for some time. It is also at the heart of the decision to close the embassy in Syria. In the case of Syria, while we recognise the important role that Syria has as a force for regional stability and as a player in the peace process, greater weight was given to the need for our resources to be focused upon the economic potential of the Persian Gulf region, and it was recognised—and had been recognised for some time—that to pursue those interests effectively we needed to be on the ground, in the UAE, in Abu Dhabi. Damascus was a casualty of that revision of our priorities.

The government's approach to future representation will be kept under review. Obviously, there are major developments ahead in the peace process, including toward the end of this year. I am sure that, from time to time, Mr Downer and Mr Vaile will wish to consider what impact those developments may have on the nature of our representation in the region.

CHAIR—One of the interesting things that seems to have evolved in the last few years is an incredible increase in the birthrate in Arab countries. Could you reflect on that and give us an indication of how that may change our future relationships? Does that in fact not give us some hope that we might be able to make greater inroads into some of those areas? What opportunities does it give us, particularly in areas such as education?

Mr Bowker—The demographic problems and challenges that the region faces are quite extraordinary. In practical terms, speaking from my United Nations experience in Gaza, the expansion of the population there, with a birthrate of around four per cent a year, has meant that each year education facilities have to be found for an additional 11,000 refugee children in Gaza alone. That means building six schools a year and double shifting them in order to keep children's access to elementary education. It means one has to find the recurrent costs of the salaries of teachers, the maintenance and refurbishment of existing facilities, and so on. It is an enormous challenge for many societies which are still coming to grips with the modernisation of their taxation systems and with trying to find means of sustaining the overall infrastructure of the societies weighed against those population movements.

For Australia, it certainly provides a basis for continuing optimism that we will be a key supplier of commodities. It is simply not economically viable for many of our major current markets to become significant agricultural producers in their own right. It does not make economic sense. Some countries, such as Saudi Arabia, have already wound back efforts to produce wheat, for example, to the benefit of Australian exports. At the same time, we are not alone in being commodity exporters to the region, and competition, particularly from the United States, Canada and Europe, is fierce. We have from time to time expressed our concerns about unfair practices in that trade, and we will have to continue to be on our guard against such practices.

When you combine the demographic outlook with the changes in expectations and the impact of communication upon the region, there is a wide range of opportunities for Australia to contribute. Expectations are rising, for example, in terms of where those people who have the capacity to take holidays abroad may wish to go. We have enormous opportunities for Australia to benefit from tourism, particularly from the Persian Gulf area. From that tourism flows opportunities for investment in Australia and for students to come to Australia. Those, in turn, feed back into our potential as an exporter of services and also of elaborately transformed manufactures to the region.

When one looks at the high income states of the region, there is a very substantial and positive outlook as a result of those demographic changes. If one looks at the low income states of the region, the situation is somewhat more ominous for them and less promising in terms of Australian exports. Take, for example, Syria. Syria has a population of around 13 million. By the year 2025, it will have a population of around 36 million. Its known oil reserves are expected to be virtually depleted in eight years or thereabout from now. It has a certain amount of gas which it may be able to develop as an alternative. This population increase and the expectations of its population mean that economic structures which have underpinned the nature of government in Syria and places like Syria—a statist economic structure that has allocated certain rewards in certain directions over many years—are going to be challenged by the need for the opening up of those economies and markets. That is a very sensitive political equation that will face the incoming ruler of Syria. It will certainly be an issue that most of the countries of the Middle East which have traditionally had a strong state role in their economies will have to face.

CHAIR—What has come out so far is that obviously a stable Middle East is terribly important for Australian trade. You said in your opening statements that we were not regarded as a major player in terms of any solutions to the Middle East. What is Australia's image in the Middle East? Are we regarded as an honest broker? Do they know anything about us at all? Even if they do know anything at all, could they care less?

Mr Bowker—I think it is important to differentiate, as many people in the region do, between perceptions of Australia as a trading partner and perceptions of Australia as a concerned country so far as the political developments of the region are concerned. We have an extremely good reputation in the region as a reliable and efficient trading partner. The focus upon Australia has traditionally been shaped by our role as a commodity exporter. I will go back into a little history to give you an illustration of how this has worked to Australia's advantage over the years. In 1973, when the OAPEC oil embargo upon Western countries was imposed in the course of the 1973 war, Australia was placed by OAPEC in the group of countries which was not to be supplied, or at least that was the intention, as we understood it, of the Saudi Arabian officials who were developing this list.

The fact that Australia had maintained a positive trading relationship with Egypt, supplying wheat at times when other suppliers were unwilling to do so because of commercial risk considerations, stood us in enormously good stead. Contact was made with the Egyptian government which, in turn, contacted the Saudi Arabian authorities, and a deal was done whereby Australia was not placed on any list, either to receive or not to receive. Through that Egyptian intervention, Australia's capacity to continue to receive oil was sustained. That sort of

imagery of Australia is a bankable commodity for us. We must go to great lengths to preserve our reputation as a reliable trade partner because it does ultimately protect our interests in a number of other ways.

If one looks at the changes that are taking place in the region and how those are affecting perceptions and expectations of Australia, we also have an extremely positive reputation as a provider of services. We are capable of providing high quality medical services in Saudi Arabia, and education services in the Gulf generally. We are regarded as having skills in the development of dry land farming, in water management. We have the image of a country which has a concern to provide a quality product in areas which go well beyond the commodity trade. That is clearly working to our advantage.

At the political level, it is fair to say that countries in the region do not look to Australia for comment upon their issues. We are regarded as being a long way from the scene. We are regarded as being well-disposed and sympathetic to the Palestinians' demands for self-determination—we have long supported that demand. The relationship with Israel is an extremely strong relationship, reflecting longstanding political connections, and there is no sign of that diminishing. I have worked in and on the Middle East for 27 years now and have never seen a direct connection made between Australia's stance on the Middle East peace process and elements within that peace process, and attitudes to Australia as a trading partner, be it in commodities or services or investment. So I think the region is quite comfortable seeing Australia from a certain perspective which suits our interests very considerably. Our political position is certainly broadly acceptable to all the players with whom we deal.

Senator GIBBS—You mentioned sanctions and the humanitarian problem that we have with that. I know it is a very delicate thing if one imposes sanctions and then the average person, through no fault of their own, suffers. Do sanctions actually work? If we place sanctions on people because there are problems and we do not agree with their policies and what they are doing, do they work?

Mr Bowker—The general question about the application of sanctions is probably outside the remit of an official to discuss. In the case of Iraq, however, the government has taken the view that the application of sanctions is the best, if not the only, non-military option available to the international community to secure the implementation of Iraq's international obligations.

There has been widespread recognition of the shortcomings of the approach that has been taken in terms of Saddam Hussein's capacity to twist that approach to place extraordinary and undue pressure upon elements of his own population in order to try to dilute the coherence of the sanctions regime. The only approach we believe is appropriate under those circumstances is to maintain the coherence of the sanctions regime through the Security Council resolutions, including resolution 1284, but to encourage the Security Council to do its very best to see that those provisions of the oil for food program work with the maximum effectiveness and efficiency within that framework. I really cannot comment on the broader question of whether to sanction or not to sanction. I think that is something which would go more into the realm of general government policy on matters beyond the Middle East. But that is certainly the way the government views the Iraq issue.

Senator GIBBS—I understand that. Do they take notice of it and abide by it and do the right thing? Obviously, you cannot answer that. With regard to human rights, Australia has expressed our concern about human rights in the Middle East for quite a while—torture and all of those sorts of things, particularly the vile and foul things done to women and the way women are treated. How does Australia express those concerns? Is there anything that we can do about what is happening?

Mr Bowker—I will ask Mr Heyward to speak to that, but I lead off by saying that the government has a very strong focus on human rights issues in the Middle East. The government has pursued its agenda on those issues in a variety of ways, both through multilateral and bilateral dealings, including at ministerial level. Mr Downer has been particularly active with regard to Iran where, in connection with the ongoing trial of the 13 Jews, he has personally made five representations at ministerial level dealing with his concerns on that score. During the recent visit of Prince Salman from Saudi Arabia, Mr Downer had a substantial engagement with Prince Salman on precisely the issues you are raising, including the question of women's rights. The government is pursuing these questions in parallel with and as part of its wider interest in the economic and political relationship with the region.

Senator GIBBS—Thank you. I am particularly interested in the treatment of women.

Mr Heyward—As Bob has said, Australia works through a variety of different levels to pursue our human rights objectives in relation to the region. Firstly, Australia is an active player at the multilateral level where international human rights standards are set. We have been active where that specifically deals with the Middle East, for instance, in resolutions of the Commission on Human Rights or the UN General Assembly, which relate to countries like Iran and Iraq, and some of the ones dealing with Israel and Palestine. Some of those resolutions also deal with what are called thematic issues and the one you mention in particular, the rights of women. We have also been a strong advocate of accession to the Convention on the Elimination of Discrimination Against Women. In our dealings direct with countries at a bilateral level, one of the issues we will pursue is that those countries look at becoming parties to international instruments which set international standards and then provide a yardstick against which their performance can be measured.

But as well as that multilateral level, there are two other levels at which we engage. Mr Bowker has already talked about bilateral discussions at senior levels, where ministers are visiting and we raise these issues. These are not often public or showcases of our concerns, but that is not to say that the concerns are not raised in a very strong way and pursued vigorously. Aside from ministerial level visits, at officials level, through our representation in the region and through our relations with the diplomatic representation of those countries here and in the margins of other international meetings, we make clear our concerns about the lack of respect for human rights in some areas, and the way women are treated is one of them. That is also done through raising specific cases of concern with states. For instance, if we get to hear through the Amnesty International parliamentary group here in Australia about a case of a woman whose rights are not being respected in one of the Middle East countries, we may well raise that through our mission in the country concerned or through our diplomatic representation to that country and ask whether the allegations made are true and, if so, what is being done about them.

So there are those three levels: at a multilateral level, at a bilateral level and regionally through UN regional meetings and programs. There has been extensive work in recent years in this area through trying to promote the establishment of national human rights institutions which can then deal with human rights at a national level, through technical assistance to assist countries in adapting their legislation so that it will better promote human rights, and through strengthening their legal systems and the way their police forces and other security forces operate in respect of human rights. It is mostly a question of exchange of information and of provision of technical assistance rather than anything more definitive or forceful than that. We have found that that process has worked quite successfully. I guess our focus from a national level has been more on the region of more immediate concern to us, as Mr Bowker has said. Our strength as a player in the Middle East is not the same as for those who are more directly concerned but, that said, we still contribute to regional efforts to promote and protect human rights.

Senator GIBBS—So we do not actually have a hands-on approach; we do not have people in these countries running human rights institutions where we are actually working with people from that particular country? Let's face it, there must be certain groups there who do not absolutely hate women and want to put them to death all the time. We do not actually have people in a hands-on situation? I know it is very delicate. I know it is a cultural thing and obviously a religious thing, but have we advanced that far?

Mr Heyward—We do have people working in a hands-on way, but not systematically, I guess, is the way I would answer it. The resources we have and the links we have with the countries are not such that we are able to devote major government programs to that effect. But through AusAID—and I am sure they will tell you this when they appear before you—we do support non-government organisations in some Middle East countries. Some deal directly with women, very often just looking at ways to empower women to work through the political processes available to them in their country and also to provide more information about what rights are recognised at an international level and how they might be applied in their own situation.

Through our missions, obviously, we are not able to work in that sort of way. That said, we are able to provide information about what happens in Australia and about what happens at an international level, and through our work with and through the United Nations we are also able to make the same sorts of information available. It is not all at a diplomatic level—there is quite a lot of more direct, more on the ground work done. AusAID does a lot in supporting the work that Australians in other non-government sectors do in that region as well. So it is not true to say that we do nothing on the ground, but it is true to say that we are not doing that systematically at a government level.

CHAIR—AusAID is here. Would they like to add to that at all?

Ms Bennett—In response to your question about practical application for promoting human rights, we do have an established project called the Rule of Law Project which works with the Palestinian Authority. Currently we are contributing $1.2 million over two years for the second phase of this project. It is being implemented by Australian Legal Resources International and it is scheduled to be completed in September 2000. It focuses on developing a comprehensive

legal institutional infrastructure in the Palestinian Authority and has a number of other components to it. It is also improving the quality of legal training provided by the university law centre and improving the adherence to an awareness of human and civil rights in Palestine.

One of the benefits of this project is that it has been a groundbreaker in a very difficult sector to work in and has had a major catalytic role in attracting other donor support. Our contribution, which has been perhaps small, has attracted $US76 million in terms of other donors seeing what is possible in this sector. That is at the institutional capacity building level.

We also have, as Mr Heyward said, a number of projects going through Australian NGOs with their counterparts. All of these are focused squarely on the human rights of individuals, the health and education services and in complementing those, especially for women and children in refugee camps. There are a number of those that we have going. A further method of contribution for us is through our core contribution to the United Nations Relief and Works Agency, which also provides services for the Palestinian refugees living in the West Bank, in Gaza, Jordan, Syria and Lebanon.

Mr LAURIE FERGUSON—In reference to Gaza and refugees, et cetera, what is your projection as to where they are going in terms of the whole outcome in the Middle East? Obviously in Lebanon there is a degree of concern because of their religious make-up—both the Shiites and the Maronites really do not want to see them in the Lebanese political system. What is your projection of where that whole issue and their treatment is going long term?

Mr Bowker—The refugee question in general?

Mr LAURIE FERGUSON—Yes.

Mr Bowker—My best sense of where the refugee issue will come out is that the final status negotiations will secure a Palestinian entity, probably a state, and that state will become the focus of the efforts of the Palestinian leadership to bring refugees back to 'Palestine'.

The notion of return has been fundamentally affected by the acceptance by the PLO in 1988 of resolution 242 and 338 and by the launching of the Oslo processes. Resolution 242 refers to the need for a just settlement of the refugee problem. The Oslo processes refer simply to refugees as an issue for discussion between Israel and the PLO. Both resolutions leave open the question of where those refugees should be treated within the final settlement. But it is quite clear that any solution, based on two states, will require the preservation of Israel as a Jewish state and Israel's government and its political system simply will not entertain the notion of any significant number of refugees returning to Israel proper.

The situation of the Palestinian refugees in Lebanon is especially sensitive as you point out; they are seen in Lebanon by the Lebanese government as having the right to return to Israel proper. The interpretation of resolution 194 by Lebanon and subsequent developments is such that the Lebanese will be very anxious to see the refugees leaving Lebanon in as large a number as possible. Whether they are able to return in any significant number to Israel, as I said, is extremely problematic. A certain proportion may choose to go to the West Bank and Gaza, certainly to the West Bank, but they have no familial connection with the West Bank. The

350,000 or so refugees in Lebanon are refugees largely from the Galilee and from the coastal cities, Haifa and those further to the south. They have, I suspect, very little interest in actually going to a West Bank state.

So it is one of the great unknowns of this whole process: whether there will be a Palestinian state, whether it will be able to accept a large number from Lebanon and whether Israel may accept a small number on the basis of family reunification or some other basis. The chances, I think, are not promising as far as those who are currently in Lebanon, wanting to go back to Israel itself, are concerned.

Mr PRICE—What do you mean by significant? Can you give me a number?

Mr Bowker—An American academic, Donna Arzt wrote the paper which is the most widely discussed paper on the question of the future of the Palestinian refugees. It is a book called *From refugees to citizens*. In her book she proposes that, as part of a comprehensive settlement of the refugee issue, 75,000 refugees should be accepted into Israel proper, provided that surrounding Arab states are willing, for their part, to accept their existing refugee populations and give them citizenship and that Western countries contribute to resolving the problem by taking very substantial numbers of refugees as migrants. That proposal has been highly controversial in the Arab world and in Israel. It has a long way to go before it is accepted as policy thinking. But it is certainly the only serious proposal on the table in track two circles at this stage.

I would not like to venture a suggestion on how many refugees may eventually return to Israel. If it is to happen it would be on the basis though of a sovereign decision by Israel to permit those to return, not as a matter of the exercise of the right of those refugees to return to Israel.

Mr PRICE—Should that proposal come to fruition, have you, with Immigration, done any work on what Australia's position might be in terms of doing our fair share?

Mr Bowker—No. To the best of my knowledge—and this is more a matter for the Immigration Department than my department—that issue is not yet an active one in a policy sense.

Mr PRICE—But if becomes part of a political assessment, a political solution, it would become part of your department's—

Mr Bowker—Yes.

Mrs CROSIO—I would like to come back to a couple of things in your supplementary submission, Mr Bowker. The pages are not numbered but if I can refer you to page 3, you have there in italics:

Our key objectives and priorities in the Middle East including the Gulf region are to promote strong commercial relations with key trade and investment partners.

Is Australia's interest in having peace and stability in the Middle East mainly based on trade?

Mr Bowker—No. Our interests in the Middle East are shaped by our economic considerations, but there is a range of political, strategic and human rights concerns of a global nature that are played out in the Middle East and which clearly could—

Mrs CROSIO—You have told us in evidence that Australia is not a major player. How major are we in supporting the European nations or the United States, for example, in taking their part there?

Mr Bowker—In respect of—

Mrs CROSIO—In support for those major powers, the major player, what does Australia do in respect—

Mr Bowker—In respect of political developments?

Mrs CROSIO—Yes.

Mr Bowker—The answer simply is we are able, from time to time, to express support for the initiatives that are taken by the parties themselves and—

Mrs CROSIO—Can I just stop you there. We only express support, we never actually lead, do we? In anything I have read or in any of the evidence I have heard, Australia is only described as a small player, not a big nation, as not being involved there, and never do I see in any statements concerning what is happening in the Middle East where Australia—and I am not being political here—takes a leading role, a leading voice. I have just come back from Jordan again, but we seem to be seen as the follower. Do we ever actually—

Mr PRICE—What do you mean 'again'? I have never been there!

Mrs CROSIO—I am sorry. I am a little concerned, both at the political level when you are talking to politicians and at the level when you are talking to people on the ground, we as Australia seem to be there as a follower, not as a leader. Can someone around the table tell me why we seem to give that impression overseas and why we give that impression as a nation, that all we want to do is follow everybody else? Surely we want to do more than that?

Mr Bowker—I can only say in answer to your question that there has not been, in recent years at least, an initiative on the political issues involved in the peace process led by the Australian government. The position that the government has taken, however, has been broadly acceptable to all the parties in the region. We are not called upon by any of the parties to take a higher profile. In fact, as I was suggesting earlier, the region would be somewhat surprised if Australia was to initiate a proposal in regard to the core issues underlying the conflict that has dogged the region for the last 50 years. We are not seen in the region as necessarily having a political role. We are valued, but not because we are looked to to present solutions to issues under negotiation between the parties themselves.

Mrs CROSIO—Part of our inquiry is looking at peace and stability in the Middle East. Could I take you again to that same page where you say:

A further important Australian objective is to make a modest but meaningful contribution to the search for regional peace and security in its various forms.

Could you elaborate a little further on that, Mr Bowker?

Mr Bowker—I can give you examples, starting with the Prime Minister's visit where he dealt directly with both Mr Barak and Chairman Arafat, urging them to stay the course, to be willing to sustain the momentum for peace despite the difficulties that each was obviously facing in his domestic political circumstances to deliver an agreed outcome.

Mrs CROSIO—But we have no control over whether 13 September is going to be reached or not, do we really?

Mr Bowker—No.

Mrs CROSIO—None whatsoever.

Mr Bowker—We have the capacity to lend moral and practical forms of support to certain issues or activities which may contribute to a sustainable outcome, for example, our support to UNRWA in developing the basis for Palestinian education, health and social services.

Mrs CROSIO—Can I just stop you there? If we have a practical way of delivering education, health and practical services, hasn't Australia made a commitment that we were going to provide the means to build a technical high school in the Gaza region so that we could accommodate some of the Palestinian refugees? The commitment was made by Canada then to do the ongoing school above that providing Australia met their commitment. Is Australia still examining that issue?

Mr Bowker—What has happened is that the Palestinians have re-examined the process themselves and have come up with a different set of suggestions.

Mrs CROSIO—Because they had hung on to the land for about 12 months before we made a motion on it—I know we are not always to blame on it but that was the case.

Mr Bowker—I will let AusAID speak about this. Effectively what has happened is that, on further discussion with the Palestinian authorities, it has become clear that their priorities lie elsewhere. They are certainly keen to have Australian assistance with education but the issues related to a technical college have become somewhat more complex, including such issues as whether it is, in fact, their highest priority at the moment. It seems from very recent discussions that it is not. I will invite my colleagues to elaborate on that.

Mrs CROSIO—So it has changed in the last month or two, has it? They do not want a high school any more?

Ms Bennett—In the last month or two there has been a mission over there to look at the feasibility of building that technical college that you referred to. The Palestinians had a look at the proposal for a new building and, given that they had a couple of new buildings which are underutilised, they decided that the better form of Australian assistance would be to look at their system of delivering vocational education which had been—say, where Australia was 10 or 15 years ago—very much a supply driven way of delivering vocational education. They wished to turn more towards looking at what sorts of industries and labour their people may be involved in and then strucuturing their system around those rather than assuming that there were traditional ways of working. So they have asked us to come in with a fuller design mission later this year to look at what their needs are in vocational education, taking advantage of Australia's very clear international leadership in vocational training policies and delivery systems.

Mrs CROSIO—So if they come up with a solution we are prepared to put the money in, in other words?

Ms Bennett—Yes.

Mrs CROSIO—I am sorry, Mr Chairman, I have got only about four pages left but I will never get them through, I know. Again, Mr Bowker, from the Foreign Affairs point of view, exactly what do you see in the Middle East process as the key issues yet to be resolved in the Arab-Israeli conflict?

Mr Bowker—They are really summed up in the Oslo process and the final status issues are listed in the declaration of principles of 13 September 1993. They are essentially: the future of Jerusalem; the future of the refugees; the future of settlements; and the underlying question of Palestinian statehood which is summed up in the expression 'borders'.

Those issues are not in all cases without some hope of resolution. The art of the peace process is in how one balances those various discrete objectives: what sort of political package can be arrived at over what period in order to then turn to the domestic audience, both Palestinian and Israeli, and seek endorsement for it. No-one—outside those who are directly engaged in the negotiations currently going on in Washington—knows precisely what sort of package is emerging at the moment. There is a great deal of speculation that the refugee issue is to be traded off against the establishment of a Palestinian state.

Mrs CROSIO—When you say 'the refugee issue is to be traded off', does that mean that they stay where they are? I think half of it is a right just to think that they could return. Many of them have established another life in another area, but I think there is always that veil in their minds that they cannot go back even if they wanted to. Are you saying we are trading off the fact that they have no right to return whatsoever or not even a visiting right?

Mr Bowker—No. There is concern—this is not a government position and is based on what we see in the media—particularly among refugee groups that the deal that may be done will involve the Palestinian political leadership forsaking the right of return in order to have Israeli endorsement of the establishment of a Palestinian state.

Mr PRICE—The right of return to Israel.

Mr Bowker—Yes. The right of return to Israel proper. There are a whole series of assumptions and misunderstandings involved in that perception, particularly in regard to whether or not a right of return was established by resolution 194. I will not bore you with an academic discourse on 194, but the popular political mythology is that such a right of return does exist. It will be extremely difficult and sensitive for Mr Arafat to give any popular expression to the abandonment of that perceived right. On the other hand, the Israeli side want to draw a line under the question of right of return and to sell a peace deal to the Israeli population which leaves open the notion that a right of return out there somewhere to be had would be extremely difficult. There is a body of law in Israel established since the early 1950s dealing with abandoned property of the refugees. It is almost inconceivable, even in the Middle East, to find a government capable of changing that because it goes to the heart of people's understanding of their own place in Israeli society. It would be an extremely challenging task for Barak, therefore, to turn around to his population and say, 'We have done a deal but these refugees may yet be able to return on their own terms.'

Mrs CROSIO—Return to what? Other people have occupied their houses and their land for the last 50 years. That is what the biggest problem is.

Mr Bowker—I may use a small anecdote. A very dear Palestinian friend of mine, when I was ambassador in Jordan, went back to visit the family home in Haifa. She went to see the house and met an Israeli lady living in that house. The initial discussion was amicable but then gradually it dawned upon her Israeli interlocutor that this person was from that house, had lived there, and had a certain emotional affinity for that house. The situation became very awkward for them both, with the Israeli lady expressing herself very loudly to the effect that she had put her life savings into paying the Jewish National Fund for the right to occupy that property. It was not her fault or her children's fault that those refugees had left. She had come to Israel after they had gone. Her family's life was based around that house.

Mrs CROSIO—That might compare with our indigenous people in Australia, I should imagine.

Mr Bowker—This is, in a sense, an unresolvable argument, and no politician in Israel would be prepared to pick it up and address it at this stage.

Mrs CROSIO—You have just mentioned what they have put their life savings into. As an observer, one of the biggest problems we are also seeing is the fact that settlements are still being built even though commitments were given in the past by Barak, when he got elected—because he was not going to be the same as Netanyahu—and other governments that no further settlements would be built. I physically saw settlements being built even though I was told face to face, 'We are not building any more settlements.' I said, 'Excuse me, I was there. I saw the tractors. I saw the cranes. I saw the building going up.' When you talk about the Israeli lady who had put her savings into it, those people are being told that if they go into those settlements they will get cheaper loans and more facilities. So one of the biggest problems we see there is the fact that this is an ongoing problem—and it is still happening.

Mr Bowker—There is media speculation that, to deal with Israeli settlements, particularly around Jerusalem, that are deeply entrenched both politically and physically, there may need to

be some trade-off on the amount of land provided to the Palestinian state as it emerges. That may involve transfers of territory between the two states. It may also affect the rate at which certain settlements which it is speculated will have to be abandoned by their Jewish occupants are handed over to the authority of the Palestinians. These are all issues which are clearly under debate and discussion in Washington in the various talks that are going on over there at the moment, and nobody is privy to the details of those deals that are being put forward or being scotched.

CHAIR—Mr Nugent has been incredibly patient. I have never seen such a magnificent display.

Mr NUGENT—I am always patient. I would like to pursue three areas, all of which have been touched on to some extent. First of all, on the subject of Iraq you have declined to say whether sanctions are or are not an appropriate thing to do. But you are the professional. What is your assessment? I would have thought that people like Mr Halliday and others who have made submissions to this inquiry have presented pretty persuasive cases for saying frankly that sanctions in Iraq have failed. Given that they have failed, with the rider that I accept we cannot do things unilaterally because we are not big enough and we have to act within the United Nations, should we not be more active in looking for other ways of trying to address that vexed question in Iraq? It seems to me that the political leadership there could not give a damn about what happens to the people. The only people who are really getting hurt are the people on the ground. That is not the object of the exercise. The object of sanctions, it seems to me, is to change the political leadership's behaviour. It is not working. It has not worked over several years. Why don't we look at some other option?

Mr Bowker—Can I start by pointing out that our responsibilities as a member of the United Nations are to support the implementation of Security Council decisions. The government is quite unambiguous about its stance in that respect. I did not mean to suggest that I would not be happy to talk about sanctions on Iraq. I simply could not talk about sanctions as a general policy instrument.

Mr NUGENT—I am asking about Iraq.

Mr Bowker—As far as Iraq is concerned, the core question is whether there is a means of securing the outcomes that the international community wishes to obtain from Iraq which is more effective than the application of sanctions. The government's view has been that there is no more effective means available to the international community, short of military measures, which, frankly, are not something to be desired if there is an alternative available.

Have they worked? Frankly, at this stage the answer is that there are grave doubts that Iraq has complied with its obligations in respect of UN resolutions. I will invite Mr Andrews to elaborate on that. The notion that the answer to dealing with those shortcomings lies in the lifting of sanctions does not take into account, from our perspective, two things. Firstly, there are no impediments to Iraq exporting oil to the limit of its capacity to export that oil, or to import medicine and foodstuffs, or to address the infrastructure weaknesses that have been commented upon. Secondly, it is a leap of faith to believe that the lifting of sanctions would see the Iraqi regime giving priority to addressing the humanitarian needs of the Iraqi population

ahead of resumption or expansion of existing WMD programs. It may be the case, but it may not be the case either. There is every reason, against that background, to stick with what the United Nations Security Council has determined to be the most efficient way of getting to the results that all the P5 want—Iraq's concurrence with its obligations.

Mr Andrews—I do not have a vast amount to add on the question of Iraqi compliance with its international obligations, other than in respect of its weapons of mass destruction programs. As noted in the submission, Iraq has not yet indicated any willingness to allow inspectors under UMNOVIC to enter Iraq, and to that extent it has not been possible for the international community to verify whether Iraq has taken any steps at all to comply with its obligations. Allowing UMNOVIC into Iraq is one of Iraq's obligations under that Security Council Resolution 1284.

Ms Courtney—I want to make a couple of supplementary points in response to your questions. Firstly, looking at 10 years of sanctions, we have to recognise that a lot of the success of UNSCOM—and UNSCOM did some serious disarmament in Iraq—definitely took place as a result of the sanctions process that had been put in place. Certainly, looking at it with a historical perspective, you would have to acknowledge the role of sanctions in getting to a certain point with the disarmament process.

Mr NUGENT—You would repudiate Mr Halliday's position?

Ms Courtney—I do not want to comment on Mr Halliday's position; I think he is saying something slightly different. He was saying that at a certain point in time the sanctions were no longer working and were only affecting the civilian population, and that is a different judgment. I am saying that over the period of time that the sanctions have been in place there is no question that they were effective in getting rid, to a large degree, of the weapons of mass destruction programs.

Mr NUGENT—So you have moved to Mr Halliday's position now?

Ms Courtney—I am not really going to comment on Mr Halliday's position. It would be outside my remit, I suspect. I was just going to give you some additional points in respect of the sanctions process. In the additional submission that we made this morning, we listed a range of actions which have been taken within the context of the UN to try to alleviate the effects on the civilian population of the ongoing sanctions process. There are quite a large number of them and they are clearly designed for that purpose.

This is a supplementary point that I really want to make: the sanctions have activated a serious discussion within the United Nations itself, of which we, of course, are a member, about the role of sanctions more generally. That is a bit outside the framework of this discussion, but a paper looking at sanctions has been put by Canada. The Secretary-General of the United Nations has spoken about the possibility of so-called 'smart sanctions'. They are sanctions which would put the focus more on the members of the regime and less on the comprehensive economic sanctions which affect the population. There is no doubt that Australia will be one of the participants in that discussion. We are not a member of the Security Council which means, currently, that our influence and our ability to contribute will be perhaps somewhat limited, but

there is no doubt that Australia will be looking at those issues and participating in that discussion. Mr Halliday aside, the government is very much concerned about these questions.

Mr NUGENT—I would like to move on and pick up some issues concerning human rights and, particularly, aid. Peter Heyward outlined some of the things we do to advance human rights. I accept that there are limits to what we can do in many senses. I think you said that we were fairly successful—I am not so sure that I personally would accept that we are all that successful, particularly in the treatment of women in the Middle East. The record shows over and over again that it is quite appalling and I am not sure that we are making a lot of advances. In some countries, particularly Afghanistan and Pakistan, for example, things are going backwards. Ms Bennett talked about the legal project in Gaza, and I have seen that particular project.

My question is to both Ms Bennett and to Peter, and you may wish to take it on notice. It seems to me that there might well be further aid projects that we could undertake to advance both good governance and human rights issues in the region. Could your department supply us with a list of projects you would like to undertake, or could undertake, in those areas if more money was available?

Ms Bennett—I can certainly say that there are many good ideas. Had we further funding, there is an almost bottomless well of innovative ideas, particularly in relation to women's rights and empowerment of women. At the moment, our NGO programs are very much focused on women's rights and combining that with good governance. There are very good gender sensitive governance programs that look at ensuring that women not only are given basic services, which is where our NGO programs are aimed at the moment, but also are brought into the decision making process of the government. That is a very difficult cross-sectoral issue which we look at in all our governance projects, not only in the Middle East but throughout the world. We have quite good steps for making sure that gender issues are considered in consultation with women in the process of designing projects and in determining benchmarks for ensuring that their needs are met. It is a long process and, you are right, it takes additional funding.

Mr NUGENT—I accept what you have just said as a general statement. There is the catch 22 in diverting your resources from doing good work to doing something else, but it would be very useful if we could get some idea of some specific projects that could be undertaken in this area were more funding available. I cannot speak for the committee because it has not deliberated yet, but the committee may wish to make recommendations to government about increasing funding, for example. This is my third and last question.

Mrs CROSIO—I will interrupt there, because I know we need this in evidence: have we any NGOs operating at the moment in Afghanistan?

Ms Bennett—In Afghanistan, no.

Mr NUGENT—Am I permitted a third question?

CHAIR—Yes.

Mr NUGENT—I want to turn to the peace process, Mr Bowker. I am not as well travelled as Mrs Crosio—

Mrs CROSIO—It is all about putting your hand in your pocket.

Mr NUGENT—but certainly when you go to Israel you are struck by the settlements. I was there 18 months to two years ago, and whilst the government was spouting about not increasing settlements, there was no question that it was going on. I understand from people there that the vacancy rate in those settlement properties is very high. People quoted figures like 60 per cent vacant. I do not know how accurate that is. Therefore you can interpret, it seems to me, the settlement process as a way of extending the land grab rather than as being based on any other justification—not to mention the fact that people get the land on advantageous financial terms. Given the difficulty that the present Prime Minister of Israel is in, and given that although the words might be different actions do not seem to have changed—I am not talking about Lebanon; I am talking about Israel and the PLA—are there any tangible signs of progress in terms of resolving this issue on the ground in Israel/Palestine? I am not talking about Lebanon at all.

It seems to me that there is a lot of talk about the hand back of land and the treatment of the Palestinian people, but there is not a lot of action. You might like to respond to that. Coupled with that, have we as a country dealt with Israel and the Palestinians on an even-handed basis over the last five years in international forums in the way we have voted or abstained? It seems to me that we are very quick to condemn the Palestinian side if they do something naughty—and I am not saying we should not do that—but we are more circumspect about being prepared to vote against the Israelis when there is a United Nations' motion criticising them over something that they might have done that was naughty. If you do not have information available perhaps you could take on notice to give us a list of our voting record in those sorts of matters over, say, the last five years.

Mr Bowker—I would be very happy to provide you with information on our voting record over the last five years, but the point you are raising is whether our record is one of balance. The government's position has been to address the issues involved in each individual resolution that comes forward, and to decide on the merits of that particular issue and what this resolution says about it. It does not support resolutions that are unbalanced, including in regard to Israel. It does not support resolutions that seek to introduce political criteria into what should be humanitarian instruments. But, at the same time, the government also makes its position very clear on the substance of the issues involved.

For example, on settlements, the government has stated publicly that it considers settlements are contrary to international law and harmful to the peace process. Our voting record reflects those concerns. But, as I say, we do not address the question of even-handedness between the two sides. What we do address is the merit of the particular resolution and the language in which it is cast. You asked where it is all going. Do you mean the general process or the settlement process?

Mr NUGENT—Are we making substantial progress in the peace process in resolving the problems? There is a lot of talk and there are a lot of resolutions. The new Israeli government is

saying, 'Yes, we are going to.' The sounds coming from the new Israeli government are better than the sounds from the previous Israeli government. But is there any substantial evidence of activity on the ground that gives substance to the words that we are hearing from the Israeli government, in terms of hand-back of land or any other specific developments?

Mr Bowker—I think at this stage we can say that you have 43 per cent of the West Bank effectively under Palestinian control. By the end of the process, in the sense of the conclusion of a comprehensive statement of principles or a framework agreement, there is widespread expectation—in the media at least, possibly reflecting trial balloons that are flying from the Israeli camp—that around 90 per cent of the West Bank will become the domain of the Palestinians. It is not clear over what time scale that may happen, and it is not clear what compensatory devices may be introduced in order to get that outcome. It is also not clear that Mr Arafat and Mr Barak are yet ready to meet with President Clinton to put the seal on such a deal. The trend is nevertheless there towards such an outcome emerging.

The issue is how comprehensive the deal will be, and whether or not they can come up with an answer on the refugee question or an outcome on Jerusalem that each side can present to their domestic audiences as a win. I believe that they can, but I also believe that it will be something which involves agreement on a set of principles whose application will take a very considerable period of time. I think the political momentum remains. I believe that the issues which need to be dealt with can be dealt with in a more technical framework once the issues of principle are resolved.

Mr NUGENT—I have a thousand more questions but I will give Mr Price a chance.

Mr PRICE—I will just follow up Janice's point and make an observation that we like to think we can punch outside our division in a number of areas, but the Middle East seems to be excluded. Could you give me something about our historic representation in the region. Do we open an office by closing another? Hasn't that been the historical pattern?

Mr Bowker—Working our way backwards—

Mr PRICE—If you could take the 10-year thing on notice, that will do me.

Mr Bowker—Yes, happily. No, we do not simply close one post in order to open another.

Mr PRICE—It just looks that way.

Mr Bowker—We review globally. As it happened, when we closed Damascus, we also closed in Kazakhstan. In the same year that we opened in Abu Dhabi, we reopened in Copenhagen and Lisbon. It is a global picture.

Mr PRICE—I suppose people always criticise your submissions for one reason or another, although I have found them good. You write about each country as though it has an homogenous population. I think part of the inquiry is that we have to get a feel for minorities and how they are going. Finally, what is the pace of economic development in the Palestinian

Authority at the moment? What will it need to be to ensure the stability of an elected authority or an elected state?

Mr Bowker—I take your point about not wanting to represent societies as being homogenous when they clearly are not, but nor are the countries we are talking about homogenous. They each have their individual character and we tried to get that message across in our April submission, that to work effectively in the Middle East one has to respect and understand the differences between the various countries there. And they are very real differences.

As far as the Palestinian Authority itself is concerned, the economy has shown signs of life of late. It had about a four per cent growth rate last year, but it is starting from a very low base. It is also growing largely in the public sector at the moment. The jobs that are being created are overwhelmingly in public service, security forces and other areas which are not necessarily a sustainable proposition. There is very limited investment in productive enterprise in the West Bank and in Gaza at the moment. Partly that is a factor of the absence of coherent law facilities, which the AusAID project is meant to address; partly it is a question of political uncertainty. You are not getting Palestinians coming back and investing in productive enterprise, although many people come back and invest in real estate—and that has a certain tokenism about it rather than being a sustainable exercise. The Palestinian Authority has produced for the first time a balanced budget, but that balanced budget does not include such things as recurrent maintenance costs, which suggests that there is a long way to go before they get the taxation structures and so on in place.

Mr PRICE—Is there any move to an economic union in the Middle East?

Mr Bowker—No. At a political and rhetorical level it is a constant refrain. In practice, the economic systems that apply across the Middle East are so divergent that it is not really a possibility. In the GCC you have efforts to harmonise tariff arrangements and in the Arab League there are ideas of that nature, but all of those take a long time to introduce and they are making very slow progress, even in the context of the GCC which has at least taken some firm decisions in that area.

CHAIR—I will be guided by the committee, but I am afraid we are only about halfway through what we would like to discuss with Foreign Affairs and I wonder if we could get you back some time, rather than infringe on our examination of Trade, if that is okay?

Mr Bowker—Yes.

CHAIR—There are a couple of things that I will put on notice which might save a bit of time next time. Can you give us all the General Assembly and Security Council resolutions relevant to the peace process? Can you give us a copy of the voting patterns which I think you have already indicated? Can we also get a bit of a briefing on the peacekeeping operations in the Middle East in which Australia has been involved? There was the UN Truce Supervision Organisation, the UN Disengagement Observer Force, the UN Iraq-Kuwait Observation Mission and the UN Interim Force in Lebanon. And can you give us an indication of how much those operations have cost us?

Mr Bowker—In fact, those are all very much in the realm of the Department of Defence and I am sure they could provide you with that information more readily. We would simply be going to Defence to get from them advice on things such as costings. I am happy to alert Defence to those questions on your behalf, if you wish.

CHAIR—Okay.

Mr PRICE—Does the department have a view about the longevity of these operations? I note that Australia is moving to open-ended peacekeeping operations in its most recent initiatives under this government, but these are really longstanding ones in the Middle East.

Mr Bowker—The mandates for those various operations are constantly being reviewed. They are mostly annual and our contribution to funding for them is obviously reviewed in the same breath. But you are right: there are very few peacekeeping operations around the Middle East that were temporary that have disappeared over the years. That may change, particularly with organisations such as UNTSO, where you are no longer dealing with truces but with peace treaties—but that is looking down the track. The information on the United Nations General Assembly and Security Council resolutions is assembled by the United Nations itself. We would be happy to provide you with the relevant UN documents, rather than assembling them as a department, if that would be acceptable to you. There is a range of UN bodies that seek out such things, including the Committee on the Inalienable Rights of the Palestinians and so on, but they pull all that stuff together in a volume. If we could lay our hands on that for you, would that be acceptable?

CHAIR—That would be great.

Mr NUGENT—I am not sure that I recall seeing in the submission much on the Eritrea-Ethiopia front. Is that categorised as the Middle East?

Mr Bowker—To my infinite relief, no.

Mr NUGENT—All right, you are off the hook.

CHAIR—Thank you very much for your attendance today. If there are any matters on which we might need additional information, the secretary will contact you. You will be sent a copy of the transcript of your evidence to which you can make corrections of grammar and fact.

[11.26 a.m.]

BAYLISS, Mr Roger, Executive General Manager, Middle East/Indian Ocean, Austrade

ENRIGHT, Mr Jim, Manager, Middle East/Indian Ocean, Austrade

LANGHORNE, Mr Peter, Deputy Managing Director, Austrade

MURPHY, Ms Christina, Project Officer, Austrade

ZARIFEH, Mr Ghassan, Manager, Middle East, Austrade

CHAIR—Welcome. Perhaps we can move to our examination of the trade section. Peter, do you have an opening statement you wish to make?

Mr Langhorne—Thank you, Mr Chairman. By way of explanation, I was originally, I believe, down to lead on the Austrade submission. However, we are fortunate today to have Roger Bayliss, our executive general manager from the Middle East/Indian Ocean region, who is based in Dubai in the United Arab Emirates. With the committee's agreement, I would like to ask Roger to introduce his team and to make an introductory statement before the committee.

CHAIR—Thank you.

Mr Bayliss—Mr Chairman and committee members, I will introduce members of the Austrade delegation who are all based in Canberra in the Middle East/Indian Ocean office. Many of them, particularly Mr Jim Enright on my left, manager of that office, Christina Murphy and Mr Ghassan Zarifeh, have had extensive experience and exposure to the Middle East in Austrade over many years.

I will make a brief opening statement, and I would welcome questions after that. We are delighted to appear before the committee. I am pleased that I happen to be visiting Australia at the time of the hearing. Austrade operates six offices in the Middle East with a seventh about to be established by the appointment of a trade consultant in Jeddah, Saudi Arabia. As members will have noted from submissions and presentations this morning, the countries of the region are vital trading partners for Australia. I will not dwell on statistics—they are very well covered in the various submissions—but the important ones are 4.7 per cent of our total exports and growth of 16 per cent per annum over the last five years, which has meant essentially a doubling of our exports from $1.8 billion in 1995 to $4 billion in 1999, a pretty impressive and strong growth record.

Whilst our overall exports to the region in 1999 were down marginally on 1998, one point we would like to stress is that many Australian companies who have entered the markets of the Middle East during the last few years have still yet to get up to full power and realise their full potential. Like any international market, it takes time. Middle East markets take as much, and I would say in most cases more, time to reach full power there.

We have a number of companies interested in the region and lined up. I think some of this has resulted from a diversification and interest following the Asia crisis and events in South-East Asia, in particularly 1997-98. In our UAE offices, for example, the number of fee-paying clients of Austrade would now be about 150. It has doubled over the last two years. When we measure fee-paying clients, we know they are fairly serious about what they are doing.

Our colleagues from DFAT made mention of our traditional reputation in the Middle East as a quality supplier of commodities, particularly agricultural commodities—dairy, grains and so on—for which we are very well known. That is changing and it will need to change more, but we now have some 27 per cent of our exports as transformed manufactures, of which built-up passenger motor vehicles are the most prominent. The region now represents Australia's largest market for built-up passenger cars—about $800 million. That is not just the serendipity of international automotive sourcing; it is very much a commentary on the product suitability and competitiveness of the Australian automobile industry.

I think any commentary on the region must make some mention of oil. I do not intend to make any predictions on oil prices. However, I recently read some interesting projections from the US Department of Energy which are worth noting. The historical peak for Middle East oil exports as a proportion of world oil trade really peaked in 1974 around the time of the oil crisis, if you like. At the time, the countries of the region made up something like two-thirds of oil traded in world markets. In 1985, when the oil price collapsed, that of course reduced considerably.

But as I said, estimates from the US Department of Energy indicate that Gulf producers are now expected to account for more than 50 per cent of worldwide oil trade for the first time since the early 1980s as we move into the next decade. These are longer term projections, but it is a longer term business we are talking about. It is particularly appropriate, in view of recent relatively short-term increases in world oil prices, that the region will be expected to resume what could be described as more of a 1970s profile in terms of its share of world oil trade.

I would like to move specifically from statistics to trends and, in a more qualitative sense, the business 'fit' between Australia and the Middle East which I think is a terribly important one for the committee to consider and one that is not always reflected in the reams of statistics which we provide to you. Our colleagues from the Department of Foreign Affairs and Trade mentioned demographics. Some 60 per cent of this region's population are now under the age of 21. Consumers in this segment of the market are both very brand and quality conscious, and very different from preceding generations.

Market realities such as this do provide our companies with very significant opportunities, but, indeed, they have to be addressed in a very specific way and they have to be set against the very strong cultural traditions of doing business in the Middle East. It is often said—and it is said about many parts of the world—that personal relationships are a very important and a crucial factor to trading in the Middle East. I would agree with that. I would say that, of any of the regions that I have worked in in my career, it is probably a region where personal relationships are still one of the most important factors. It is a very deeply embedded facet of doing business in the region.

The other element—and once again this was mentioned earlier—is the importance of high-level bilateral exchanges. Visits by ministers, joint ministerial commissions, parliamentary delegations, individual parliamentarians, state government ministers and trade missions all provide a very important high-level backdrop and an endorsement factor in the bilateral relationship which really do help Australian companies in doing business. It is where the government-to-government and the official parliamentarian-to-parliamentarian high-level contacts are very important. Recent visits to the Middle East by the Minister for Trade, Mark Vaile, together with a very large business delegation of about 60, made a real impact. I have only recently moved into this job and I was not in the region at the time of the minister's visit.

However, I did follow the footsteps of the minister and that visit both in the United Arab Emirates and also in Saudi Arabia, and there is no doubt that the impact of groups such as this is very strong there as compared with other countries in the world. They leave a very durable and strong imprint. In fact, our partners and colleagues in countries like that very often talk very positively about the advantages of these visits and the endorsement that they provide to the relationship. Very often the question is: where are we going next? It is obviously an ongoing factor.

The presence of Australians working in the region is clearly another very important element of the relationship. On a straight factual basis the greatest growth there has been in the United Arab Emirates where we now have about 4,000 Australians based. That would make it now approximately the sixth largest global concentration of Australian expatriates anywhere. That was a surprise to me, as someone new in the job. There has been strong growth in the Australian expatriate community.

Visits from people in the region to Australia are a very strong factor in developing our relationships. In the Consulate General in Dubai we expect to issue 20,000 visitor visas for Australia. Australia is certainly becoming a very popular destination. Mrs Crosio was in the region recently but others will be aware of this relatively recent strong increase in Australia as a destination. By the way, those visa numbers are up three times since 1997 and, in fact, could be higher than the 20,000 I mentioned.

One factor is the increase in Emirates Airlines flights to Australia from 7 to 25 per week and Gulf Airways have another two flights. Emirates, of course, have rights in both Brisbane and Perth which they have yet to exercise so there is more down the track there. What at this stage is tourism translates into a far greater awareness of Australian products and technology. It is a pattern of market engagement that I have certainly observed in South-East Asia in my time working there through the 1980s and 1990s where we in some countries in that region were known for Surfers Paradise, Gold Coast, Western Australia, whatever—the tourism attractions. We are building on what has been a long-term and reliable reputation for Australia as a solid supplier of commodities, particularly foodstuffs. But with the increasing movement of business people between the region trade will begin to broaden substantially and deepen across not only the traditional areas but, also, well beyond that.

The crisis in 1997 in South-East Asia did really cause a shift in awareness for many of our companies to the Middle East. We have a number of programs that are designed to 'migrate exporters' from like markets, in particular—I know Mr Nugent would be very well aware of this

with his strong interest in Singapore—Singapore to Dubai is a very obvious point of migration. There are others. I mention that as one that is a very obvious one. We have programs to identify those companies that are doing well in markets such as Singapore and Malaysia, for that matter, and we approach them and say, 'Can we something for you in the Middle East where there are a number of similarities?'

I would like to say a few words about the promotion of investment in both directions. It is a very important element of the broadening of our business relationship rather than just the buy-sell, the traditional wheat, grains, dairy products and so on. At present the level of engagement is fairly low. On the Australian side our investments in the region are relatively low but there are some very promising signs. In an anecdotal sense I can speak of one relatively small but highly specialised company from the Hunter Valley in New South Wales that is establishing a joint venture in Saudi Arabia for the production of shock absorbers and suspension parts for trucks. This is a business that requires ISO and other international automotive endorsements, qualifications and meeting of specifications. We are seeing not just the big guys but smaller companies venturing into the region to form a more durable presence than just a buy-sell relationship.

Middle East investment in Australia, like many other countries at a formative stage of investment, is heavily centred on real estate and portfolio or equity related financial instruments. This is similar to many countries of our region. I do keep coming back to Asia. That is, I guess, where most of my experience has been but there are certainly many parallels there with those increasing links between education, particularly graduate and postgraduate education—and even below that, of course, secondary—and real estate investment which often follows that. Portfolio and the other easy entry investment flows can very rapidly and very readily spread to other areas that lead to much deeper forms of business engagement. I am very hopeful of that and I think we are already, in anecdotal form, seeing signs of it. We are expecting this year, through the very uncomfortable July-August months in that region, to see a very strong trend of visitors from the Middle East spending part of the year in Australia as a destination rather than other parts of the world. The visit of Prince Salman from Saudi Arabia and increasing visits certainly from those in the Emirates but also from other countries send back the word that Australia is a great place to visit. Increased airline flights really are an important factor for us and, in particular, for our companies in building on those linkages.

I would like to conclude by saying, both in our submission and in other information we can provide the committee, that Austrade operates a range of three-year rolling business plans across a variety of sectors in the various countries of the region. They range from agribusiness in Egypt to information technology in Saudi Arabia. We have a very extensive range of programs. The principal features of those are designed to make sure that our companies, before they leave Australia, readily understand the situation. I am talking specifically of companies that may be heading to the Middle East for the first time. We help them prepare well for what they can expect, what happens when they arrive in the airport, some of the differences from other markets and also how meetings are conducted. A very important part of doing business in the Middle East is how you conduct yourself in a meeting which can, as many of you know, consist of a large room with many people in it.

We try to make sure that exporters are skilled in what you describe as the business culture. I am talking about not only the drinking of cups of tea and those aspects of business culture but also the dynamics of the way business meetings are conducted in the Middle East. We are making sure our exporters are prepared for that and providing them with the best possible market entry programs at an affordable cost through our fee structure. In many cases, it is a subsidised fee structure for companies new to the market. We want to get them in front of quality buyers and past some of the impressions that it is all very difficult and to provide them with the platform to walk into those meetings well prepared and understanding what is going to happen next.

Mr NUGENT—You mean you do not walk in and put half a dozen tinnies on the table?

Mr Bayliss—No, nor your feet on the coffee table. Finally, if I could just mention the Export Market Development Grants Scheme, in the 1998-99 grant year, which has just finished, 264 Australian exporters to the Middle East received grants under the scheme and were responsible for exports to the region totalling $132 million. Mr Chairman, I will finish my statement there. Obviously, my colleagues and I would be very happy to deal with any questions the committee members may have.

CHAIR—Thank you very much indeed for that. There was one aspect of your introductory remarks that I found of interest because in another submission to this committee, and indeed in a general sense, there has been a certain Australian airline which has been fairly critical of the fact that so many rights have been granted to Middle East carriers. I think we might have to examine them on their estimates of the number of passengers that would be emanating from the Middle Eastern ports. But really that was one of the most significant things in terms of opening up the whole thing, wasn't it? If you have not got the air links, you have almost got nothing.

Mr Bayliss—Yes.

CHAIR—You were talking about these 20,000 applications. Can you go beyond that and maybe give us an indication of what is happening with charters, for example? Invariably when I go out to Brisbane airport there are a couple of Boeing 747 SPs with white tails sitting out there. If you believe what you read in that august newspaper the *Gold Coast Bulletin* these are charters of some of the leading lights of the Middle East ports coming in here, taking over four and five floors of international hotels and allegedly spending up to $2½ million a week while they are here. Is that right?

Mr Bayliss—I hear similar anecdotes. Mr Chairman, I could not confirm who, where and when. The very large delegation that accompanied Prince Salman in March spent considerable time in Queensland. At Brisbane airport you too may have noticed it was an aircraft not with a white tail but with 'Saudi Arabian Airlines' on it. There are certainly other groups that visit and they do have access to transportation. I am afraid I cannot provide any specific data on who visited when, how many and how much money they may have spent, other than to say that the anecdotes that you mentioned are commonly quoted.

CHAIR—How active is the Australian Tourist Commission in the Gulf?

Mr Bayliss—The Australian Tourist Commission is highly active. I am not sure where their base is. It is not in Dubai, so I might stand corrected on whether it is Bahrain, but they do have an active program. Companies such as Emirates Airlines with their increased frequencies have been followed by their Emirates Holidays subsidiary and also other local travel groups. On the front page of the *Gulf News* and other Dubai newspapers you will find lots of boomerangs. Australian package deals literally pepper the newspapers now much more commonly. That largely has been a result of the favourable experience of many people coming to Australia and the climatic factor. One of the reasons that the Gold Coast, in particular, and south-east Queensland appeal, apart from their obvious attractions, is the climatic factor. New York is not a terribly comfortable city in July and August and London can be a bit uncomfortable as well. However, in south-east Queensland at that time of the year, and in other parts of Australia, you do not need airconditioning, you do not need heating, and that climatic factor is an important one as well as the other attractions.

Mr Chairman, I might add that I have worked in the Middle East before, but in the 1980s, so I am coming back to a region that I certainly enjoy and like very much. I am out-of-date. However, having been there two months, my first impression is delight at seeing the increased recognition of Australia as a destination and as a good place where children can go to study with all the attendant benefits that we are well aware of and as a tourist business destination. I think we at this stage have a bit of a tourist and business mix. As I mentioned before, we have seen that blend move in many other countries.

The common reaction of visitors coming back is a standard one: 'I had no idea that Australia did that.' This, as I think all of us know from our travels in many other countries, is when key influencers such as buyers, government officials and ministers come back to their own countries with a comment like, 'I knew you produced great butter and cheese, but I really did not know that you produced smart card technology for transportation, telecommunications equipment and services for water treatment.' That is when you are really getting somewhere and making an impression.

Since my previous assignment in the Middle East you can see that starting to change. There is a strong thirst for information in the region. Saudi Arabia is our largest market in the Middle East. There is energy in the relationship on the part of Saudis that I have met with in my brief time there since taking up the position. I am speaking here of not a broad relationship but particularly the commercial relationship. There is energy here. Where do we go next? What is going to happen next? Are you going to be sending us more trade missions and delegations?

Mr NUGENT—Are we?

Mr Bayliss—Yes, we are, at both state and industry association level. In relation to other parts of the region, you and I have had discussions on this point in South-East Asia at different times. The impact of trade missions is relatively low and does not really make an impression in markets in which Australia is now well known. However, in the Middle East there is real clout in trade missions; they are taken note of. And, as I said, the backdrop of high-level interchanges is one that is, and in my view will remain for some considerable time, of great practical benefit to business.

Mrs CROSIO—How closely does Austrade work on the ground here in Australia in doing matches with the chambers of commerce or with people from a small firm, such as the one you mentioned in the Hunter Valley that went over and established?

Mr Bayliss—Very closely. Taking the example of the company from the Hunter Valley, we have an office in Newcastle and that company was introduced and went through an export qualification process through our Australian network before venturing to South-East Asia for the first time on a Hunter Valley export mission. They have since expanded their export activities from there. We are involved with companies such as this in qualifying their business contacts at the other end. In most cases we will present their products to the overseas buyer, either in brochures or in actual form. In the case of truck components it is more likely to be brochures than components.

Mrs CROSIO—I would have to go back to my notes but I know there are some submissions we received where they stated that they found it very difficult to set up industry and businesses over there because they have very little communication.

Mr Bayliss—Yes.

CHAIR—That was my next question.

Mrs CROSIO—The Australian-Arab Chamber of Commerce and Industry as well as a Mr Ronald Hoyles have drawn attention to difficulties in expanding Australia's trade with the Middle East. I do not know whether you have seen their submissions, No. 2 and No. 25.

Mr Bayliss—Yes, I have.

Mrs CROSIO—Would you like to elaborate a little further on that?

Mr Bayliss—Many of the difficulties are procedures such as visa issue, sponsorship requirements and so on, but they are difficulties that are not, in my view, vastly different from some of the difficulties that Australian business faces in dealing with other parts of the world, from eastern Europe to parts of Africa. If a company wants to be well prepared to go to, for example, Saudi Arabia, I am not suggesting Austrade is the only source of advice—we are not; and we work extremely closely with the Australian-Arab Chamber of Commerce and Industry—but when they go through the visa process we can provide a neutral sponsorship arrangement for companies such as that so they do not feel indebted to a commercial sponsor.

Mrs CROSIO—What criteria do they put to you to show that they are willing and have the ability to do the investment and cooperation?

Mr Bayliss—Through our Australian network and also with the assistance of other Australian agencies like AusIndustry, for example, and industry associations, we work with companies through an export readiness and export qualification process. If we feel that they are just not ready to tackle markets—and, let us face it, they are more difficult than many of the other markets—then we certainly make clear through a market selection process that, in our view, they would have much more success going to Thailand than elsewhere. That is a terribly

important part of Austrade's role, not to just say, 'Fine, because you are interested in Saudi Arabia we will help you go there,' if we think they are incapable of dealing with it.

We say to companies, 'These are the facts. You are going to have to make at least four visits before you get anywhere. Are you prepared to do that? These are the practical aspects of doing business in markets such as this. You are going to have to do a certain amount of research there. It is going to cost you money to produce your packaging literature in Arabic and any other local packaging or other product transformations. Are you prepared, as part of the export process, to go through all of that?' Sometimes people say, "Gee, I had no idea it was that difficult.' In which case, the answer is that perhaps Malaysia, or another market, is more appropriate.

So, yes, we do play a very strong role in qualifying companies through the process and, very importantly, through our overseas network. I will use Saudia Arabia as another example. When you get off the plane there, the immigration and customs formalities can be complex if your papers are not in order. There are no street signs in English. The geography of cities such as Riyadh, Jeddah and others are defined by flour mills or supermarkets, rather than street names. In Saudi Arabia, virtually all Australian visitors who utilise our services are accompanied by an Arab-speaking staff member to each of their meetings. We brief them beforehand not only on the profile of the company that they are meeting, but also on the way in which that meeting is likely to be conducted, which is terribly important.

Mrs CROSIO—Minister Vaile, from what I understand, took a very successful delegation over there. Was the minister required to sit in on all the meetings or does Austrade actually match up the groups that have gone? There were 60 or something, weren't there?

Mr Bayliss—The minister is not able to sit in. I think we had 60 members of that delegation. So, no, the minister does not go to each of those individual meetings.

Mrs CROSIO—But some of them would be interested in the dairy export; others would be interested in high tech. So they obviously break up in groups like that.

Mr Bayliss—Yes. Mr Enright was with the mission; I will ask him to make some comments there.

Mr Enright—What we did and what we tend to do with missions of this size is to work with some of our key allies in the market such as the chambers of commerce—for example, in Riyadh, Jeddah, Kuwait, Dubai and Abu Dhabi. The chambers of commerce in the Middle East are very active bodies. They involve, as part of their key decision-makers, all the leading business entities in those particular markets. So they are key allies for us to work with.

In the case of Mr Vaile's visit, we actually set up functions with these chambers of commerce. We gave details of our delegation and their specific interest. We produced quite a detailed mission booklet which outlined what people did and what they were interested in doing in the market. This information was provided to the chambers of commerce who then matched that with their particular members' interests as well. Then on the day, it was a case of—

Mrs CROSIO—When they return to Australia is there a follow-up procedure, or do they get in contact with our Austrade body in Australia?

Mr Enright—We have certainly been in touch with most of the mission members since they have returned for a number of reasons. We wanted to determine what they thought of the mission and what they got out of it. We wanted to determine whether they thought it was useful and whether there were areas that could be improved upon for future missions, so that we can take that into account. We also wanted to determine what success they might be having in those particular markets and whether there is anything more we can do to assist them to be successful.

In all of these missions, there is a mixture of old hands, people who have been in the market, who are looking to use these missions to promote their ongoing interests. I am delighted to say that, with Mr Vaile's mission, there were a number of people who were brand new to the market. They used this mission, with its high level entree, as an excellent entry into the market. It gave them quite a degree of credibility to be accompanying the minister and also to meet a very wide range of business contacts in a fairly short space of time. With those companies that are new, the key is certainly in follow up. No company is going to be successful in the Middle East by going in once and sitting back in Melbourne, Sydney or Newcastle. You have to continue to follow up.

Mrs CROSIO—Does Australia support the Middle Eastern countries becoming members of the WTO?

Mr Bayliss—Yes, we have. It is more a question for our DFAT colleagues but, certainly in Saudi Arabia after Mr Vaile's visit, our colleagues from Foreign Affairs sent several senior officials.

Mrs CROSIO—If we do that—and obviously the answer to the question is yes we do—how do we support Australia's interest or safeguard it?

Mr Hill—I am the executive officer for the Arabian Peninsular. I am not actually a WTO expert, but following a clear interest by the Saudia Arabians in receiving Mr Vaile, in part because of their keenness to accede to the WTO, Mr Vaile arranged for a senior negotiator from the department to visit Riyadh within a month, and a deal on market access was arrived at. I think this will go a long way to safeguarding our interests in the Saudia Arabian market once they accede to the WTO. So Australia has said it will support their accession to the WTO. They are not there yet, but they are that much closer.

Saudi Arabia has a hell of a lot of work to do with its own shape and structure as an economy to actually benefit from the WTO, but the fact that they are interested and keen and exposing themselves to the global trading environment, and that Australia has been able to support them, is a very positive thing. We also helped Jordan accede to the WTO. They got through, I think, in October last year. That has put us in a far better stead in seeking or gaining specific access for products that interest us.

Mr Langhorne—I would like to make one quick comment to follow up and that is just to note that, since the visit Mr Vaile, has attended a major function conducted by the Australian

Arab Chamber of Commerce in Sydney. So he himself is going through that follow up. I know that he plans, if he can possibly do it, to return to the region either later this year or certainly next year if that can be done, as well.

There is just one other point—I am not too sure whether it came up on the question of airline access to the Middle East—one of the reasons that the Minister for Trade was so anxious and supportive of getting additional air flights into that region was to increase freight capacity. It is not only the people that they carry, of course, it is also the freight, and I think that also is paying off. I am not too sure what the statistics are but, obviously, with the increases in flights across the board that has markedly increased our freight capacity, and if Emirates, for example, do take up the option to fly the Brisbane-Perth leg then, again, that will make it more profitable for Australian exporters to put more product into that region.

CHAIR—Are the shipping links now relatively stable and okay?

Mr Bayliss—Yes, although there is still a very high degree of transhipment. I do not think the question of transhipment appeared—I did not see it appear in any of the submissions to the committee. You will find certainly importers in the region saying, 'We would like more direct services. Our goods have to be transhipped.' There is often a knee-jerk reaction to transhipment. Most of that transhipment does take place through Singapore. Singapore is a very efficient transhipment port so my view has always been that there is nothing wrong with transhipment. You are much better having a service three times a week that is transhipped than a direct service that comes only once every two months. So very often there is this, 'Oh, we want more direct services,' but the logistics and the operation of the shipping industry do not work that way. So you will hear on shipping, where there is any examination of the daily commercial news or any of the shipping schedules between Middle East ports and Australia, that there are plenty of sailings, efficient sailings, some direct, mostly transhipments and, yes, from time to time someone will say, 'Yes, my shipment was late. I did not like it being transhipped,' But as I said, transhipment is a fact of life in the same way as hubbing airlines is. So it is fine to have a direct shipment—providing it is frequent.

Mr NUGENT—That is a pain in the butt, as well.

Mr Bayliss—Exactly.

Mrs CROSIO—The Emirates Airline that started here in March in Sydney: has that been successful? I guess it is two days a week, or three days a week—what is it?

Mr Bayliss—I tried to book to get back for the Olympics and I cannot. It has been very popular, yes, very heavily booked. The flights were previously only to Melbourne, so Sydney passengers were via Melbourne and were provided, I think, an overnight and a connecting flight as part of the deal. But a lot of that traffic was Sydney and there was certainly a strong demand from Sydney for that. But I think the Melbourne flights are also heavily booked.

Mr Enright—Certainly the Melbourne flights are very heavily booked and I understand that they are now doing daily flights out of Sydney—or if they are not already, then that is the intention.

Mrs CROSIO—Does that take with it not only passengers but also a lot of goods?

Mr Bayliss—It has increased airfreight capacity particularly and for our horticultural sector that is an important factor. Set against that, of course, is the attractiveness of higher value cargoes that might originate from Singapore destined for Europe.

CHAIR—Interesting.

Mr Bayliss—There is one little angle. In other words, whilst our airfreight capacity has significantly increased, we also have to compete with the other sectors with other goods, but it has made an enormous difference to our airfreight capacity.

CHAIR—Is it a similar story with Gulf Air?

Mr Bayliss—Gulf Air has two flights to Abu Dhabi and that certainly is, once again, for airfreight, and particularly for our horticultural exporters that has been a real plus.

Mrs CROSIO—The University of Wollongong has opened up a campus in Dubai. What courses do they teach there?

Mr Bayliss—It is a fairly broad range.

Mrs CROSIO—But they are the only university, to my knowledge. Is that right?

Mr Bayliss—They are the only international university to have an on the ground campus and they spent some years negotiating it. It was a good example in my view of just what it takes to be successful in the region—a very pragmatic, long-term and determined approach. Was it five years?

Mr Enright—Five years.

Mr Bayliss—It is now very well recognised in the Emirates.

Mrs CROSIO—Does it provide a basis on which we bring student exchange in as well?

Mr Bayliss—I cannot answer that.

Mr Enright—Certainly they have arrangements with the campus here in Wollongong, but primarily it is to deliver courses.

Mrs CROSIO—On the ground in Dubai?

Mr Enright—Yes, on the ground in Dubai.

Mr Bayliss—Yes, unlike the Malaysian twinning arrangement of the two plus one, three plus one, this is a three plus zero—

Mr Enright—Yes.

Mr Bayliss—but it is essentially on the ground rather than having an embedded course of one year in Australia. But yes, as Mr Enright mentioned, it has resulted in a number of exchanges and it has been very successful. As you would have known from your visit, it is planting the Australian flag and a very important and influential part of our relationship.

CHAIR—Are there other Australian educational institutions ploughing the fields there too? Have they focused on the Middle East to the extent that they have touched bases with Asia and even South America?

Mr Bayliss—Yes, indeed. The University of Wollongong is the only on the ground campus, Mr Chairman, but in terms of student recruitment for courses in Australia, yes. Our other institutions are becoming increasingly active in the Middle East. The DFAT submission provides the historical numbers from 1996 through 1999. You will see some pretty significant increases in some markets but some reductions in others—Iran, in particular. But you will see there that the 66 per cent change year on year for the Emirates is an indication of our level of increased activity.

CHAIR—Could I just move on briefly to Australian investment because throughout the submissions we see this magical one per cent figure. What sorts of things have Australians been investing in and can you give us any indication of what some of the future potential investments may be?

Mr Bayliss—To date investments, as I mentioned and I think the submissions may have mentioned, have been limited. I have mentioned a couple.

Mr Enright—Australian companies are now starting to set up a business presence on the ground in the Middle East. That is mainly focused in the UAE, in Dubai in particular, and there are a number of joint ventures that Australian companies are active in, certainly in engineering, goods and services and the building construction industry. Multiplex is one of the icon Australians in Dubai, having just completed one of the twin towers, which is one of the major construction projects. Certainly the provision of tourism services on the ground in the Middle East is an interesting two-way flow, I suppose. Not only are we bringing tourists to Australia but we are exporting tourism expertise to that part of the world.

CHAIR—And what is that—hotel management?

Mr Enright—Hotel management, cruise ships, that type of set-up, and hospitality training as well—and in the processed food area, repackaging of bulk Australian food. What we are seeing is that, as our trading relationship is diversifying, then that is starting to lead to investments on the ground, but it is still pretty early days and we certainly need to see a lot more. We are encouraging a lot more Australian investment on the ground there.

CHAIR—Our concentration to a great extent over the last half-hour or so seems to have been on the Emirates. Can we go beyond that to what is happening in some of the other countries. I was particularly interested in the growth of trade with Kuwait.

Mr Enright—Most of the trade with Kuwait is fairly narrowly based and it has been fairly traditional—live animals and also grains—but now we are seeing passenger motor vehicles going in there as well, which is leading to a substantial diversification. Kuwait is one of those smaller markets in the Middle East—there are a number of them: Qatar, Oman, Bahrain and Kuwait—where we have recognised that we do need to put in a bit more work. We do not have a physical presence on the ground in each of those markets. They are covered by various reporting responsibilities elsewhere in the region. Last year we appointed an Austrade officer—we call him a Gulf rover—to go around and focus on those smaller markets which, paradoxically, can be good markets for Australian companies because the very fact that they are small means that access is relatively easy and they are not necessarily overrun with competition.

Places like Dubai—to come back to that briefly—are intensely competitive and a lot of Australian companies who are there say they have to work very hard to make decent margins. Certainly some of these other markets, such as Kuwait, Oman, Qatar and Bahrain, do offer niche opportunities for Australian companies. In the case of Kuwait, there is a reasonably active Australian business community in Kuwait as well and there are a number of Australian expatriates who are very active in promoting Australian products in the market.

CHAIR—Did I read somewhere recently that Kuwait Airlines was interested in extending a Singapore service into Australia?

Mr Enright—I have not heard that.

CHAIR—Can the same be said, in terms of potential, of places like Jordan and the Lebanon?

Mr Enright—Jordan is actually a good little market for us. It is around $100 million a year. It is becoming more diversified. We have had a major success in the last couple of years with software services to the phosphate mining industry, which is one of the mainstays of the Jordanian economy. We have quite an active office in Jordan and we have just won a contract to supply turbines to, I think, some of the power industry. Lebanon has been a more difficult market for us. Our trade with Lebanon has not been substantial. It is around—

Mr NUGENT—Has anybody's?

Mr Enright—Lebanon's global imports are a couple of billion dollars—of that order. We have about $30 million of that, so it has been a difficult market for us to penetrate. It is at Europe's back door and it has a very Eurocentric focus on the world. There is an active chamber of commerce in Australia—the Australian-Lebanese Chamber of Commerce—and we work with them from time to time to promote opportunities in the market. It is a bit further and just that bit harder, I suppose. Lebanon has a number of economic difficulties, but it also has a lot of promise as well.

CHAIR—There is such a close association between the Lebanese population here and—

Mr Enright—Yes. The more mainstream Australian exporter, though, still tends to regard Lebanon as the Lebanon of maybe five or 10 years ago, rather than the growing economy that it is now but, as I said, it does still have some pretty difficult economic days ahead too.

Mr NUGENT—What about places like Turkey and Cyprus—do you count those in your region?

Mr Bayliss—Turkey is part of the region. Austrade manages the Consulate-General in Istanbul. We also have a consultant based in Ankara. Turkey is a market I have worked in before. It is one where it really is difficult and we really do have to work hard to compete against suppliers from Europe who are an overnight trucking distance away. So when we look at some of our traditional foodstuffs, processed foods or otherwise, and Turkey having a very strong industry in that area, there is not a lot for us there.

One of the growing areas—getting back to the Chairman's comments earlier—is education in Turkey, an area where we have been putting in significant efforts. It reminds me a little bit of when we first started to heavily promote our education services in India, and I can certainly see some of the same signs in Turkey. We are currently working with a number institutions in the first instance to set up a Turkish language web site for the promotion of Australian education services. Our traditional business in Turkey is related to the metallurgical industry.

Mr Enright—Certainly hides and skins and fast ferries—

Mr Bayliss—Yes, leather, and we have been successful in fast ferries in Turkey. You really have to work hard. It is hard work to get to the rest of the Turkish market. Wonderful Turkish companies—some of them terrific to work with—are saying, 'What do you have to offer?' I would have to say that our experience has been that we really have to make sure our opportunities are well crafted and tailored to get Australian business interested in Turkey. It is a long way away and they are forever looking at that overnight trucking competition for what you would describe as standard merchandise imports.

Mr NUGENT—Presumably the fact that Turkey and Cyprus are actually going to go into the European Union will make it even more difficult.

Mr Bayliss—Yes. In terms of the other countries, I would like to reinforce the remarks that Mr Enright made. In markets such as Oman, Qatar and Jordan where we do have an office, and Kuwait and Bahrain where we do not have offices, we have a very active program of visiting these markets regularly with highly mobile people either from Jordan—as our 'Gulf Rover' position is known—or from Riyadh as well, in the case of Kuwait and Bahrain, and visiting Qatar where we do see excellent potential over the next few years as their natural gas starts to pump big money into the economy. We know our British competitors are re-establishing their commercial presence with three people. I am not suggesting we are going to do that—we are not—but it is just an indication of how other countries, our competitors, are viewing the potential of markets and countries such as Qatar and other areas, as Jim mentioned, where access is much easier, competition is not so intense, and those that are there early and prepared to put in the work are usually the ones that are best rewarded.

The other country we have not mentioned is Egypt. Our presence there is largely as a result of a new policy proposal. Funding is relating specifically to the agribusiness sector and to the projects in the southern Nile. In fact our senior trade commissioner from Cairo is visiting Australia this week with a senior Egyptian business person, head of one of the investor groups,

for a series of high-level, intensive meetings with Australian companies, not so much on the broader seminar circuit but directly into the board rooms and executive offices of some of the Australian major agribusiness groups to specify exactly the sorts of opportunities that are offered. Australia has the expertise. On the Egyptian side, very often the expectation is that we will be large investors in some of these projects. For many of our companies that is not quite so easy. Clinton Condon, ex-chairman of the Australian Wheat Board, led a business mission and we do have an active series of missions visiting the region. Egypt in this sector of agribusiness is a very high priority for us.

CHAIR—Do we have exchange programs for young Australian business executives to go to Middle Eastern countries, and vice versa, so we build up some sense of understanding of the way we both work?

Mr Bayliss—No.

Mr Enright—We do have a small program, together with Deakin University, whereby we offer a scholarship. They run a program which is a joint Bachelor of Business and Bachelor of Arabic Studies. We arrange for one of these students to go to the Middle East. Typically they go to Syria for a period of language study, and then we arrange a secondment for them to work in an Austrade office. We have done this for the last couple of years, and that is part of training the export managers of the future.

CHAIR—But that is one.

Mr Enright—Yes, it is small progress.

CHAIR—Is there any sense in the culture of the place to try to promote that concept of interchanges between young Australian executives and some of the people from the Arab countries?

Mr Enright—We are not the only organisation, although we fund one person. They run a series of sponsorships through Deakin University. Those other bodies include the Australian Arab Chamber of Commerce and Multiplex. There are about four or five organisations that sponsor these students as part of this program.

Mr NUGENT—Mr Chairman, I think you are thinking of the Young Ambassadors program, which is probably driven more out of DFAT, which we have aimed very substantially into Asia rather than anywhere else. Perhaps the question ought to be directed to DFAT about whether we have a Young Ambassadors program with anywhere in the Middle East?

Mr Hill—The answer is no, we do not.

Mr NUGENT—Are we thinking about it? Should we be thinking about it? Can I quote you to the minister?

CHAIR—I cannot tell a lie. I am also on a trade inquiry into South America where this subject has been belted around fairly heavily. I was just interested to see if we were doing anything the other way as well.

Mr Bayliss—I was going to mention the Young Ambassadors program, which is one run by my Foreign Affairs colleagues. Austrade had previously, certainly in South-East Asia, managed a program for exchanges of this nature. When I say they were exchanges, they were not really exchanges. There was a program whereby we put young Australians into positions, essentially in ASEAN, but working positions, not study tours or fact-finding tours. We provided a top-up to the Australian company, a cash grant, and the requirement was that that person had to spend something like 40 per cent of their time studying the language of that country, the business culture and related aspects, as well as do a job for that company and make money.

That program ceased several years ago. I know in my time in Indonesia at one time we had something like 25 young people working on it. I certainly have seen it in action, and being closely associated with it I think it is a very effective way of making sure that people really understand how to do business, but use that knowledge in a very practical sense to maintain and build, within that company and the Australian business community, equity in the knowledge of doing business in those markets.

The other scheme that you may be familiar with, which was originally a government scheme, is the Australian Rural Leadership Development Program. It is a group of young rural leaders—not always young but certainly people who are very significant in their constituencies in the rural sector—which Austrade works very closely with. It is a 12- to 18-month program which involves overseas visits which we work very closely with. That is another program. I am not sure whether they have any visits scheduled for the Middle East. I think they have visited the region in the past. I am new in the job but I have done a great deal of work with this group in South-East Asia and I will certainly be asking them, 'What about the Middle East?' It is a very effective program. It is government supported but it is paid for by private sector and other agencies.

Mr Langhorne—Mr Chairman, it might be worth while for the committee to have a look at the demographics of those 4,000 people in the Emirates who are actually working there. A number of those people would be accompanying partners and airline pilots, but I know there are quite a few obviously working in the construction area and in education institutions. That alumni of Australians who are actually working in that area, together with what we would hope would be increased Australian investment and increased investment back from the Middle East—just not in the case of the Emirates—into Australia, over time, hopefully, would build up a very good working relationship and knowledge in trading with the area and working in the area itself. I do not know whether we have got demographics on those Australian citizens who are working there but the committee perhaps might like to look at that at some point.

CHAIR—We are out of time. Thank you very much for your attendance here today. If there are any matters on which we need additional information, the secretary will write to you. You will be sent a copy of the transcript of your evidence to which you can make corrections of grammar and fact. Thank you very much indeed for being here today.

Mr Langhorne—Thank you for the invitation.

Resolved (on motion by **Mr Nugent**):

That the subcommittee authorises the publication of the evidence given before it at public hearing this day.

Subcommittee adjourned at 12.25 p.m.