COMMONWEALTH OF AUSTRALIA

JOINT STANDING COMMITTEE

ON

FOREIGN AFFAIRS, DEFENCE AND TRADE
(Foreign Affairs Subcommittee)

Reference: Relations with ASEAN

MELBOURNE

Tuesday, 16 September 1997

OFFICIAL HANSARD REPORT

CANBERRA

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE
(Foreign Affairs Subcommittee)

Members:

Mr Taylor (Chairman)

Senator Bolkus	Mr Bob Baldwin
Senator Bourne	Mr Bevis
Senator Chapman	Mr Brereton
Senator Childs	Mr Dondas
Senator Forshaw	Mr Georgiou
Senator Harradine	Mr Hollis
Senator MacGibbon	Mr Jones
Senator Schacht	Mr Lieberman
Senator Troeth	Mr Nugent
	Mr Price
	Mr Slipper
	Mr Sinclair
	Ms Worth

Matter referred for inquiry into and report on:

The development of ASEAN as a regional association in the post Cold War environment and Australia's relationship with it, including as a dialogue partner, with particular reference to:

. social, legal, cultural, sporting, economic, political and security issues;

. the implications of ASEAN's expanded membership;

. ASEAN's input into and attitude towards the development of multilateral regional security arrangements and processes, including the ASEAN Regional Forum (ARF);

. ASEAN's attitudes to ARF linkages with, or relationship to, other regional groupings;

. economic relations and prospects for further cooperation, including the development of the ASEAN Free Trade Area (AFTA) and possible linkages with CER;

. development cooperation; and

. future prospects - in particular the extent to which the decisions and policies of ASEAN affect other international relationships.

WITNESSES

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

(Foreign Affairs Subcommittee)

Relations with ASEAN

MELBOURNE

Tuesday, 16 September 1997

Present

Mr Taylor (Chairman)

Senator Cook	Mrs Gallus
Senator Harradine	Mr Georgiou
	Dr Southcott

The subcommittee met at 9.14 a.m.

Mr Taylor took the chair.

GANTNER, Mr Carrillo, Chairman, Asialink Centre, University of Melbourne, 107-109 Barry Street, Carlton, Victoria 3053

McGREGOR, Ms Jenny Margaret, Executive Director, Asialink Centre, University of Melbourne, 107-109 Barry Street, Carlton, Victoria 3053

CHAIRMAN—I declare open the Melbourne segment of our public hearings into ASEAN, its development, and in particular its multilateral relationship with Australia. It is timely that we should be looking at this in ASEAN's 30th year, particularly with the expanded membership in the last couple of months, and with the question mark over Cambodia. We have already had hearings in all the capital cities. We will be wrapping up fairly shortly, and today's hearing is one of the last before we do that. Today we will hear witnesses from Asialink Centre, the APEC Study Centre, the Victorian Arts Centre, AusHeritage and, interestingly, Transparency International, with Mr Bosch. It should be quite an interesting segment.

On behalf of the committee I welcome you both. In this committee we do not expect people to take the oath or affirmation, but we do prefer evidence to be given in public. If you want to give something in camera, that can be accommodated, but generally we prefer that it be open session. Even though we do not swear or affirm witnesses, I remind you that these are proceedings of the parliament and will be treated accordingly. We have received some broadsheet information on the centre. Would you like to make a short opening statement?

Mr Gantner—What I was asked to do was to repeat the closing address of a seminar on ASEAN which the Asialink Centre held in Melbourne on Friday 29 August, which had all nine of the ASEAN ambassadors from Canberra, the Indonesian Minister for Communications, His Excellency Mr Harayanto, and a range of senior business, academic and government people. This was the paper that I gave about our relationship with ASEAN.

CHAIRMAN—Can I just ask you to keep it brief. Keep it point by point if you can. How long are you going to make it?

Mr Gantner—I was asked to give the whole thing. I am not an academic, so it is not too convoluted. I will try and do a little instant editing as I go along. Then Jenny is going to introduce the Asialink Centre and the work we do there. Of course, we can do it in either order.

CHAIRMAN—Let us have the Asialink Centre background first, please, just to find out what the centre is all about.

Ms McGregor—We should say that we were not proposing to make a formal submission to the committee, but we were asked to come and make a presentation on our

work because it was perceived to be of interest and value to the committee. Very briefly, the centre is an initiative of the Myer Foundation and has a very large number of philanthropic, corporate and government sponsors, so it is not a traditional university centre and it is not predominantly a teaching or research institute. Its primary role is to educate the Australian community about the countries and cultures of the region. We have been going now for seven years and we have grown extraordinarily during that time.

One of our most important areas of work is in school education, because our founders determined that the very best way to change Australia as a nation was to start where it begins, in primary school education. We began with production of materials like these children's books I have here, with colourful and glossy presentation, because what we knew in the early nineties was that the teachers in Australian schools had no education themselves about the countries of the region. It was extraordinary if they had.

CHAIRMAN—Do you want to introduce those two documents as exhibits or do you want to hang on to them? If you have got copies, we would be delighted to have them if we do not already have them. Could you, for the record, just read what they are.

Ms McGregor—Actually we have 15 books and six videos that we have produced.

CHAIRMAN—We would like just examples of the ones you have there.

Ms McGregor—We will table the *Ticket to Asia* series, *Visiting Ghosts and Dragons*, a text for primary students, and *Exploring China*, a teacher resource book. We also have a secondary text called *Business in Asia*, which is case studies of a number of Australian corporates working in the region, and an English text for primary students titled *Many Flowers*. A very important part of our work is in the education area effort where we build on the across-the-curriculum approach. Most teachers in our system have little knowledge about this. There was frequently a unit in existence in secondary school, which many of you may have done, called Asian studies. It appeared in about year 10 but most people did not do it, which is why we have a population of teachers with very little experience. The first thing we did was to produce these exemplary materials which reflect contemporary Asian cultures. The second thing we did was to work with teacher education and provide professional development programs for teachers throughout Australia. We work in collaboration in this area with universities throughout the country, and we run year-long courses for teachers.

The other thing that has proven to be a very effective mechanism for change with teachers is sending them to Asian countries on study tours. We have been doing this now for four years. We are now sending 150 teachers, annually, to Asian countries. We go to both north Asia and south Asia and in particular we focus on the ASEAN countries. This year we are going to Vietnam, Indonesia, Laos and Thailand. Those study tours occur in the summer in teachers' summer holidays. They have to make a contribution themselves of approximately one-third of the cost of the tour. They go for three weeks; they are

required to collect curriculum resources whilst they are there, to teach in schools whilst they are there, to make professional associations and to set up relationships for their classrooms. When they come back they are required to speak at professional association meetings, to share their experience within their own schools and to generally increase the understanding of the school population.

There have been some fabulous stories in this area. We have taken teachers to Asian countries who have never been out of their own little town and never been on a plane. It is a pretty mind-boggling experience for them. Our evaluator has determined that it is one of the most powerful and effective mechanisms of change. It is not a very high cost undertaking because we have contributions from the participant, as I said, from the state education system and also we have been able to secure corporate sponsorship to support the program—Singapore Airlines have been a long-term and valuable sponsor.

The teachers come back not only initiated and educated but also inspired. If any of you have much to do with schools, you will know that we have a cohort of teachers who have been in the system for quite a long time and anything that inspires and enthuses them is good for our children.

A very important initiative that we undertook this year, which did relate to ASEAN, was our first international conference called Linking Latitudes. It was held in Indonesia in July. It enabled Australian teachers to go and spend three days at a conference with Indonesian counterparts. Then we sent 110 of those 200 participants off on field study trips around Indonesia. We were actually amazed by the response from the Indonesians because we had undertaken this initiative from a relatively small base in Australia and we found that we had participation by the Indonesians at an extremely senior level.

We had the head of the Indonesian education system stay for the whole time for the three days of the conference. People said, 'How is this happening; we can never get to him for that long.' We were quite overwhelmed at the end of the conference at the response of the Indonesians on a systemic level. They were saying, 'We really want to work on a longer-term basis. We want a counterpart organisation and we want to develop collaborations.'

Our work in education in schools is predominantly funded by the Department of Employment, Education, Training and Youth Affairs. That department has been funding us now for five years and we have a commitment for another year. That work is predominantly focused on the domestic issues. So our brief is to educate students and teachers in Australia. We do not have a brief for that international collaborative work. We can do it in so far as it meets the needs of our teachers but once it becomes predominantly an aid focus, or assisting the Indonesians to address their issues, it becomes quite difficult for us to move in that area.

We have a situation at the moment where we have a number of requests from the Indonesians, and we are going to have to look at how those can be met by state systems and by federal departments. We do not have a brief for that. I guess, though, the points for the committee are that the enthusiasm was extraordinary and that very productive collaboration is possible there.

We have three program areas. Our first, and biggest, as I said initially, is education funded predominantly by DEETYA, but we at the centre add $2 to every dollar that we get from DEETYA. We do that through matching it with state government money, philanthropic money or corporate money, and we have been very successful at doing that.

Our second area of work is in the arts. In the arts area we send exhibitions of Australian contemporary art to Asian countries. We have also been doing that for five years. The point of doing that is to assist in presenting Australia to our Asian counterparts as a sophisticated culture. We have all heard the reports about how we are perceived to be lying on beaches, drinking beer and riding kangaroos down streets. We are presenting, through a very vibrant contemporary art scene, an alternative view of a very cultured Australia.

We run exhibitions of the highest quality Australian art. We are funded to do this by the Department of Foreign Affairs and Trade and the Australia Council, and we select contemporary art exhibitions from all around Australia from the best galleries. There is a competitive process of selection. We then tour them around a range of countries. So we make those exhibitions really work.

One of our most successful exhibitions recently has been a show called *Alternative Realities*, a computer based show with the centrepiece being a thing called the human genome project, where you could select the characteristics of your unborn child, and that did extremely well in north Asia. We sent it to north Asia and it was then picked up by a number of galleries and toured further. It has also been in Singapore.

We very carefully pitch the show to the country and to the culture. We have sent some quite dramatic shows to the Philippines. A very famous Australian artist, Mike Parr, lay in a bed of dead chooks in the Philippines. Obviously that would not have been a suitable show to send to many countries in South-East Asia but it worked very well in the Philippines where it got a very enthusiastic response. We do not normally send shows like that—they are normally slightly more acceptable.

Senator HARRADINE—Did you say gendome or genome?

Ms McGregor—Genome.

Senator HARRADINE—I will ask you a question about that later.

Ms McGregor—I hope I can answer it. This year we have sent 11 exhibitions to 17 venues in the region. The interesting thing about those exhibitions is the flow-on effect. We send the shows for very small amounts of money. We can send a show to a number of venues for around $50,000, and that includes the establishment and the creation of the catalogues. We also do bilingual catalogues. This Vietnam show has the material in both Vietnamese and English. It was a collaborative show so that enabled the artists to work together and develop new works out of the show.

We provide high quality catalogues wherever we go, which is an important part of presenting Australia as a sophisticated nation. We encourage the posts always to come along to openings and to invite key business people. We also encourage businesses to sponsor shows and to use those for their own promotional purposes.

The other thing we do in the arts area is to send artists on residencies to countries in the region. We send them in the areas of visual arts, performing arts, arts management and literature. We started off in visual arts five years ago and we have built up that program. This year we have seven residencies in the visual arts, four of which are to ASEAN countries; eight in the performing arts, three to ASEAN; five in arts management, only one to ASEAN, and five in literature, three to ASEAN. There are a total of 25 residencies, with 11 going to ASEAN countries.

The value of the residencies is that they are for top Australian artists or craftspeople, writers or whatever. They go and work with their counterparts for between three and six months. They are located in an institution, an arts school—for example, the Singapore Arts Centre—and they develop professional relationships. They also very often promote the excellence of Australian arts products. In the management area, we have sent technical people as well. They are able to demonstrate their technical expertise with the expectation and hope that work will flow on from that initial introduction.

Our final area of work, which is also a significant area, goes under the program name of public affairs. We are attempting to educate the business community and the broader community about the countries and cultures of the region. We run a public lecture series and a seminar series. We have a network of young Asia-skilled Australians who belong to the Asialink Circle.

In the lecture series, we provide forums for both eminent Asian dignitaries and Australians to look at the future of the region. We ask them to look at a 25-year time frame, which they do not often do. We have President Ramos deliver one of these; we have had Australian prime ministers in the recent past; we have had Mrs Ogata, the United Nations High Commissioner for Refugees; and Anson Chan, the Chief Secretary of Hong Kong. We expect to have Prime Minister Chavalit from Thailand in November, failing disasters. That provides a forum to bring Australians together to contemplate the future of the region. A very important aspect of those lectures is the networking that occurs around the table. We deliberately put together people in business and in the education and arts

sectors.

Our seminar series is an increasingly vibrant series. We run that at the Melbourne Business School and we are getting up to 150 people coming along. We had Malcolm Fraser deliver a lecture most recently which attracted about 180 people and was a very thorough overview of regional security and foreign affairs relationships.

In terms of ASEAN, just this year in public affairs we have had the ASEAN heads of mission; the ASEAN symposium, which Carrillo spoke about earlier; a member of the Cambodian National Assembly; the Thai shadow foreign minister; Jose Ramos Horta; Deputy Prime Minister Fischer on the new ASEANs; Dr Nguyen, the vice-minister for industry for Vietnam, and Minister Harayanto. That is a strong series of lectures. We also record those and make them available on the web.

I mentioned the Asialink Circle. I have here a newsletter, which I will table, of the Asialink Circle. It is a terrific organisation and gives us hope for the future. It is a network of young Australians who have mostly done Asian studies or languages in their careers. Many of them have been on exchange to Asian countries. These people are developing a network to support others in their language and cultural studies and also to support themselves in getting jobs.

One of the important pieces of feedback coming out of this group of people is that they have been encouraged strongly to do this study and been told that this is the solution to their job issues. They very often find that, whilst they get jobs based on their language expertise, they are often not being used in business. So next year we are having an employers-employees conference to look at how business can better make use of young people with Asia skills.

Mr Gantner—There are a lot of young Asian Australians who are members.

Ms McGregor—That is right. It is a good connection between Asian Australians and a very good avenue for graduate students to link into the Australian community. We also run the Weary Dunlop awards program, which currently has young Australians on Weary fellowships in the Philippines, Thailand, Cambodia and Indonesia. Peter Batu, who was one of our Weary Dunlop fellows the year before last, is looking at the UN peacekeeping operation in Cambodia—he was General Sanderson's aide-de-camp there. He is using the fellowship to study the peacekeeping process and write up that process. He has recently been asked to speak in the US, at the Washington defence university, on this project.

We also run a Dunlop leadership program for young Australians which is based on the work of the Australian National University in the Asia-Australia perceptions project. We spend a year with those young people looking at the tough issues you face in working in the region, such as different approaches to business ethics, to the media, to the

environment and to democracy. We work through the derivation of those perceptions with them and get them to understand and cope with working in those environments. I had better stop there.

Mr Gantner—If I were omnipotent, I would be working hard towards Australian membership of ASEAN. We need to think that it is thinkable; more, that it is desirable. There are obstacles on all sides but it is in our national self-interest to identify with the major groupings of our regional neighbours. We need to define what the positives of such a move would be and then increase them. We need to identify the obstacles and then set about eliminating them. To go forward, we need to learn from, and utilise, the ASEAN virtues of patience, flexibility, understanding, respect and consensus.

ASEAN is the greatest success story of our region and the 30th anniversary of this grouping is cause for congratulations and celebrations, not least from all Australians. In my view, Australia and ASEAN are natural partners. No other region is more important to Australia than South-East Asia. Our geographical proximity gives us a myriad of common interests and agendas. With the exception of Thailand, we share the common historical experience of having been colonies of Britain or other European nations. Today, our complementary economies make us natural partners in trade. ASEAN security concerns are our security concerns. Without peace and stability in the region, there would be no economic development. ASEAN has played a critical role in maintaining a positive security and strategic environment that has provided a backdrop for all our countries to develop.

Under the ASEAN Treaty of Amity and Cooperation in South-East Asia, all ASEAN members have pledged to renounce the use and threat of force in preference for peaceful methods of resolving their conflicts. Given the regional tensions that have existed in the past, this has been a critical document. This treaty, the introduction of the ASEAN Regional Forum and a solid history of cooperation between the ASEAN countries allow all Australians to sleep easier at night. The inclusion of Myanmar as an ASEAN member gives us hope that the ASEAN style of quiet diplomacy will help move that country towards a more active and equitable engagement with the world. ASEAN's involvement in seeking a peaceful outcome in Cambodia is also a welcome, if challenging, role.

ASEAN is the very best body for managing regional tensions and part of its remarkable success can be attributed to its members' pursuit of economic development. Getting Australia more closely involved in ASEAN's extraordinary economic growth is critical for our own development. The recent currency crisis in Thailand and Australia's contribution of $1.3 billion to a joint rescue package to prop up the baht revealed the extent of goodwill and cooperation between ASEAN countries and Australia, as well as the inextricable links between our economies. In addition, preliminary figures show that our government, through AusAID, provided $285 million in aid to the nine ASEAN countries last year. If we include Cambodia, that figure is $315 million.

ASEAN as a group is Australia's second largest export market after Japan. Sixteen per cent of our total exports go to ASEAN countries. We export more to ASEAN than we do to the European Union or the United States. Last year, our total two-way trade exceeded $19 billion, but it is not just trade that is two-way. It is well known that the ASEAN countries need to increase their human resource potential and technological capacity if the region is to sustain its high growth rates and compete with an emerging China. Australia is well positioned to assist in both these areas.

Among our growing exports to the region is education. Last year there were nearly 30,000 students from South-East Asia studying at Australian tertiary institutions. Australia's education services are world class, as many ASEAN government and business leaders can testify. So why aren't our universities doing more to cultivate their ASEAN alumni?

In Malaysia alone there are reportedly 200,000 Australian university alumni. Within three years we are expected to have 100,000 alumni in Indonesia. Combined with those from Singapore and the other ASEAN nations, by the turn of the century there will be around half a million people from ASEAN countries who have completed a significant component of their education in Australia. Ideally, graduates from our universities will return home with a special affection for Australia and will build on their personal links with this country, translating them into professional networks that will benefit bilateral relations.

Urbanisation problems and pollution control are two other areas where Australia can assist the ASEAN countries. Australia is a world leader in alternative energy technology and it was reported in the media recently that our exports of renewable energy industries currently generate more than $100 million annually.

It is a depressing fact that despite the success stories we have heard from Australian businesses—the day of the seminar—Australian foreign direct investment in ASEAN countries is both slow and declining as a percentage of total foreign direct investment. Business needs to be much more active and the Australian government needs to give more encouragement for this. It seems to me there is an internal conflict between the government's tax policy, particularly changes made in the last budget, and its rhetoric encouraging Australian companies to expand into Asia.

The ASEAN free trade area has a 40 per cent local content rule. Once this is fully effective in 2003, there will be less than five per cent tariffs in intra-ASEAN exports with at least 40 per cent local content. Australian companies with investments in ASEAN countries would be well placed to take full advantage of this arrangement. Where many ASEAN economies are competitive, the economy of Australia is complementary. Despite increases in intra-ASEAN trade, the similarity in these economies means South-East Asian countries will always need other markets to complement their own.

The US and the European Union are still ASEAN's largest export destinations and North-East Asia remains an important market. However, the deputy secretary of the ASEAN secretariat pointed out at a breakfast last month that the only ASEAN countries importing more ASEAN goods and services than Australia are Malaysia and Thailand.

Last year marked the first year of cooperation between the closer economic relations grouping of Australia and New Zealand and ASEAN. Efforts to increase cooperation and linkages between ASEAN and the CER are a logical extension of both these agreements. The economies of these two blocs complement each other and so do our people.

We hear a lot about Asian values, that Asians have more respect for authority and their elders, that Asians place a greater value on the family or are more frugal. I think it is fair to say that we too love our families, respect our parents and respect authority, though not unquestioningly. We will not tolerate excessive abuse of power simply because someone holds a position of authority. But then I do not believe the people of ASEAN countries have a cultural obligation to tolerate such abuse. There are countless examples of people in these countries rising up against injustice, including the people power movement in the Philippines.

The differences within ASEAN are enormous and yet it is one of the group's greatest achievements that it has been able to manage these differences and lay them aside to focus on common aspirations.There is a great diversity in the region in terms of GDP and population as well as in ethnicity and religion, but the Muslim Indonesians and Malays have embraced the Catholic Filipinos; the capitalist ASEAN members have embraced communist Vietnam and Laos. Australia's differences fade when juxtaposed with these.

ASEAN's remarkable success has always been underpinned by the group's ability to focus on its members' common agenda; so should it be with Australia. It is our commonalities that we must focus on to support the bridges we are building between our countries.

Of course there is still an awkwardness when Australia deals with ASEAN. We need to address this awkwardness, to define the obstacles to closer engagement and then set our goals to overcome them. Differences over individual or human rights versus collective responsibility seem to be a constant irritant. We must acknowledge and respect each other's differences on human rights, not lecture one another or let the issue dominate every dialogue between us.

There has been a lot of talk about globalisation of economies and borderless worlds in the era of satellite TV and the Internet. Both are bringing changes to how all of us live and work, and with these changes comes fear of the unfamiliar. Australians have discovered their cultural reference points are not fixed where they thought they were. This

is a country in rapid transition. The Italian pizza shop owner cannot identify with the Jolly Swagman, and the Vietnamese accountant is unlikely to be an authority on Gallipoli.

In the ASEAN countries there is also a lot of change. Some people have caught the first waves of modernisation and quickly become middle class, while others are left behind wondering why the benefits of development have not reached their corner of the country.

Economic differences can be dressed in racial robes. In Indonesia, we have observed race riots against the Chinese and the burning of churches. But astute observers suggest it is not so much a race or a religious debate as a class problem. Race, however, is an easy scapegoat.

In Australia, the Hanson debate has been a vehicle for a number of disenchanted Australians. It too is a manifestation of the way some people in the community feel they have been abandoned by the political process or overlooked by economic development. Hanson has played on this and demonstrated that racism does exist in pockets of our country, but we are not alone in this, and it must be said that, overall, Australia is an extraordinarily successful and harmonious multicultural society.

However, the failure of the Australian government to deal swiftly and effectively with the Hanson debate means that it is still an issue today. The Right Honourable Malcolm Fraser delivered an Asialink seminar recently and I believe he is right when he said that all parties have got to put her last in preferences at the next election. Until the Liberal Party confirms it will not give it preferences to Ms Hanson's party, it is encouraging doubt about the integrity of our engagement with Asia.

The recent withdrawal of our public affairs staff from embassies in Asia and the cuts to Radio Australia services to the region might also have served to compound the perception that Australia is withdrawing from its active and productive engagement in the region. That perception, I think, is not correct.

Just as schoolchildren in the ASEAN countries are now learning the history of their neighbours, so too are Australian children. South-East Asian children are learning English and our children in large numbers are learning Indonesian, Chinese, Vietnamese and Japanese. Every South-East Asian language is now offered in a classroom somewhere in Australia. Around Australia, more than ¼ million children are studying a South-East Asian language. In Victoria, more than 80,000 of these study Indonesian.

Asialink's Asia Education Foundation is at the forefront of increasing understanding between Australian youth and the people of ASEAN. Earlier this year we took 40 Australian teachers to Vietnam, Thailand, Laos and Indonesia. In January next year we will take another 60 teachers to the same countries. Their experiences are translated directly into curriculum materials for Australian classrooms. The AEF has also produced many textbooks aimed at helping young Australians understand the peoples and

cultures of Asia. You have just seen some of those that Jenny has tabled.

Culture and sport are also important areas for increasing cooperation. Asialink's art department, in conjunction with the Australia Council and the Department of Foreign Affairs and Trade, encourages cross-cultural exchanges in the areas of visual and performing arts and literature. In the past five years we have sent 44 Australian artists ranging from dancers to painters, writers and arts administrators to six of the nine ASEAN countries. We have toured 13 Australian contemporary art and craft exhibitions to 42 venues in six ASEAN countries.

The opportunity to increase sporting exchanges are enormous. Australia will host the 2000 Olympics and the next few years will provide an ideal chance for ASEAN athletes to become familiar with our country. A number of our own top athletes have their roots in ASEAN countries, including weight lifting champion, Johnny Nguyen, who was born in Vietnam and is currently an inspiration to countless young Australians.

Australia is one of the world's strongest swimming nations, and one of our upcoming champions is Brisbane's Geoffrey Huegill, whose mother was born in Thailand. Geoffrey is now ranked fourth in the world in his event, the 100 metres butterfly, and took out gold and silver medals in this year's world short course championships in Sweden. Many of ASEAN's best swimmers are coming to train with Australian coaches. We should be sending more of our aspiring badminton players to work with ASEAN's best coaches in Indonesia and Malaysia.

In December next year, athletes from 42 countries will meet in Bangkok. There will be sportsmen and women from Jordan, Lebanon, Kuwait, Tajikistan, Saudi Arabia, Uzbekistan, Japan and the Maldives. Competitors from India and all the ASEAN countries will also be there, but Australia will not. Why not? The occasion is the Asian Games. In Melbourne we are fretting about winning the 2006 Commonwealth Games. Would it not be much more productive to put the same energy and resources into gaining Australian entry into the Asian Games?

Mao Zedong talked about the historical imperative of the Chinese Communist Party. For Australia there are clear geographic, economic, strategic and cultural imperatives in linking more closely with ASEAN. As I said at the start, if it were within my power I would be lobbying for Australia's integration with ASEAN, for Australia to be the 11th member. We would all benefit if Australia signed the treaty of amity and cooperation. We would all benefit if Australia were more closely involved in economic cooperation with the region.

I welcome the remarks that were made earlier in the seminar that ASEAN is not an exclusive group but open to engagement with others. 'Open regionalism' was the term that Dr Chee from the ASEAN secretariat used. For me, ASEAN makes much more sense and offers much greater long-term value than APEC, as important as that grouping has been in

matters of trade liberalisation and networking among leaders. Despite its importance and despite Australia's role in its initiation, APEC remains an unwieldy conglomeration of vastly disparate interests. By comparison, ASEAN looks a model of cohesion, stability, common purpose and real achievement.

CHAIRMAN—Jenny, can I just ask you this to start off with? With lots of the teachers going on the ground, what is the feedback, if any, in the role of Radio Australia in the region?

Ms McGregor—From the teachers, not directly. We get more feedback on Radio Australia through our seminar series where, since the announcement, at every single seminar we have people are bemoaning the demise of Radio Australia.

Mrs GALLUS—I would like to ask Mr Gantner about his very strong recommendation that we try harder to get into ASEAN. You have made very clear the benefits to Australia. If we look at it from the other point of view, what are the advantages to ASEAN of including Australia?

Mr Gantner—I mentioned some of them in the economic area where Australia has expertise and technological leadership. I think, for all the Asian countries—because of our European heritage and the multicultural nature of the society—we actually give those countries a way into Europe and North America that they are comfortable with, or at least into Western organisations. We give credibility to some of the initiatives they take in those areas. We give strategic strength to defence alliances in the region, and we give further cultural diversity to a group that is, as I have pointed out already, very culturally diverse.

Mrs GALLUS—Having heard you say that, you would think that ASEAN was knocking on our door.

Mr Gantner—No, I do not think they are. In fact, I said at the beginning that there are—

Mrs GALLUS—I said that they should be, to hear you give these advantages, and this is obviously not the case, so—

Mr Gantner—I think if we cultivated ourselves and our serious interest and intent in moving in the direction I have described, after a while we would find greater interest among ASEAN leaders in having us more closely involved. I think that Dr Mahathir and some of the current leadership are probably not enamoured of the idea, but they will not be around forever, and there are many young leaders that we have dealings with, young Malaysian cabinet ministers we have hosted and leaders in Thailand, such as Mechai Viravajia.

Mrs GALLUS—So it is a new generation. You are saying that when this generation of leaders goes and the new generation starts coming up, then we can look to a much more positive reaction from ASEAN to take in Australia?

Mr Gantner—If in the meantime we have been seen to make conscious efforts to lift our game, yes.

Senator HARRADINE—Why is Australian investment in ASEAN either plateauing or declining?

Mr Gantner—It is difficult trading with some of the countries because many Australian business people are ill equipped for dealing with Asia. They do not have language skills and they do not have cultural skills. If you talk to business people—I am chairman of a company that invests in the region—one of the things they say most frequently is that we lack cultural skills. It is an unusual use of the word because many Australian business people are scared of the word 'culture'.

But they recognise that frequently they do not understand the way into the society. The norms are sometimes different. Certainly the whole legislative framework is different. There are taxation disincentives for Australian companies to invest in the region. Australian business, like Western business—the Americans in particular—tends to take a very short-term time frame for its expected returns, whereas an Asian company will take a much longer time frame in which to earn returns.

Senator HARRADINE—You mentioned taxation disincentives. Could you outline for the record what you consider these to be?

Mr Gantner—In the last budget—I am not a tax expert, so if my vocabulary is wrong I apologise—the list of countries which have a parity in taxation regimes was changed and every Asian country was eliminated. It now includes, I think, France, the United Kingdom, North America and Germany—I believe there are seven or eight countries which are listed as tax neutral. In the other countries which are not on that list, a company will now pay taxation in that country and then their company tax here. So they are effectively paying 1½ times, or one and a percentage times, more tax than they would pay for an equivalent investment in one of the 'approved' countries.

Senator HARRADINE—As a result of your work and the work of others, as you know there has been a significant increase in Australia in the number of students studying Asian languages and Asian culture—380,000, I think, throughout Australia. This problem that you identify about language skills and culture—

Mr Gantner—It may take a generation or two for that to flow through.

Senator HARRADINE—But this has been developing for quite a while though,

hasn't it? You mentioned the emphasis in Victoria on Bahasa, for example.

Ms McGregor—It has been going since only the early 1990s, so we are not getting those students through tertiary education yet.

Mr GEORGIOU—They have been teaching Bahasa since the 1950s.

Ms McGregor—It happened in the 1970s.

Mr Gantner—But the number that is actually going through into tertiary study with it is actually quite small still.

Ms McGregor—It has waxed and waned. We had some in the 1950s. We had a big injection in the 1970s but, as we said, it was nowhere near as significant as it is now.

Mr Gantner—I think we have also failed to exploit the resource we have in terms of Asian Australians being used as bridges back into those countries. You talk to young tertiary-qualified Asian Australians who have, in many cases, several languages of the region who find it difficult to get employment with major Australian companies and have their skills and their familial and personal networks used.

If you do business in Asia, it exists almost entirely with networking. Australian companies are loath to invest the time and resources for what they see as unproductive because it is not part of our business culture. We tend to go straight for the contract. In Asia you have to invest time in the relationship.

Ms McGregor—I would make one more point about the education issue, which is that we are certainly doing a considerable amount—and have been since the late 1980s—but there remains an enormous amount to be done. For example, through the Asia Education Foundation, we are the national body with responsibility for changing the curriculum and educating teachers. But we get only $1 million per year from the federal government to do that. That is a very small amount of money when you consider that there are 10,000 schools in this country. We have 1,000 schools in the Access Asia network, by building that money through matching dollars, but there are 9,000 schools we are not touching.

Dr SOUTHCOTT—You mentioned that in the future there will be half a million Asian students who have received part of their education in Australia. What do we know about their impressions of their education in Australia? What can we do in terms of using that resource? Traditionally, a lot of the elites of South-East Asia have been educated in Australia. Are we building on those person-to-person contacts effectively?

Mr Gantner—I am not aware of any formal research to quantify or exhibit what they feel about Australia. When I travel in the region, I meet a lot of people with a lot of

goodwill. Indeed, I would have to say that the ones who are well disposed towards Australia are the ones who are most concerned at the moment at what they rightly or wrongly perceive, through their media, as a change that is happening in Australia.

In recent years, the universities have got better at linking up with their alumni in the region. But my perception is that they are largely doing that for financial benefits, looking for donations through their alumni, rather like the American universities do it. I was a graduate of Stanford and I can tell you that you can never get off their mailing list, no matter how many times you change your address. They are very good at the fundraising business and we are getting better at it. I do not think that, as a country, we have utilised the huge resource of goodwill that we have there.

I am a Melbourne city councillor at the moment, and we have now taken each year to having a reception for the foreign students, largely Asians, in the Melbourne Town Hall—just to formally welcome them and say that we hope they have a good time here. That is a very little gesture but one that has been enormously appreciated. The city government has gone out of its way to invite them into the town hall—which otherwise they might walk past for the three or four years of their time here and never venture into. We all need to be a little more imaginative as to how we utilise that resource and how we continue an association with those students which goes beyond fundraising.

Ms McGregor—Can I answer that? Just one of the things that we do after our seminars—a number of which are given by alumni of Australian universities, because they tend to want to come back—is to give them dinners in corporate boardrooms. What has really struck me is their overwhelming generosity in making themselves available to help Australians. A recent example is that we had Hishmudine from Malaysia, who is widely predicted to be, if not a future prime minister, a leading light in the government there. We had 30 corporates around the dinner table. He said, 'For anyone of you who comes to KL, my door is open.'

The law firm who hosted that dinner then did ask to come in through the open door, and the net result was that they sewed up a relationship with his old law firm and were one of the first Australian law firms in when the legal system was freed up. We frequently have alumni from Australian universities behaving in that way and saying, 'My door is open; I will give you a place to stay.' And I think we are beginning to capitalise on that better.

Mr GEORGIOU—What is your budget?

Ms McGregor—The overall budget of the Asialink Centre is $4 million annually.

Mr GEORGIOU—What are the sources?

Ms McGregor—Government is responsible for about $2 million of that. Of the

philanthropic foundations, the Myer Foundation is a significant donor, as is the University of Melbourne; and the rest is made up of corporate and state government contributions.

Mr GEORGIOU—So it is 50 per cent government. What about state governments?

Ms McGregor—State governments contribute to programs, so they contribute to the schools program and to the residency program. But it is on an annual basis: 'We will come to you with a proposal and we will be a partner.'

Mr GEORGIOU—Is that in the $2 million that you stated you got from government?

Ms McGregor—No.

Mr GEORGIOU—So it is $2 million, plus $2 million from external sources, plus whatever you get from the states.

Ms McGregor—Yes.

Mr GEORGIOU—Could I pursue the issue with Mr Gantner of the linguistic and cultural capacities of Asian Australians? Whenever I read about cultural insensitivity of Australians in Asia not knowing the networks, for some reason the language and cultural resource of Asian Australians never seem to be mentioned. Fitzgerald, for example, waxes eloquent at some length about our disadvantages, yet the fact that we have significant generations of Asian Australians never gets a look-in. That is my general question. My specific question is that you made a point about Australian firms not utilising these talents or capacities effectively. Could I ask why? It does not seem really sensible.

Mr Gantner—I agree with you. I do not know. Australian firms, particularly the larger corporations, tend to be fairly traditional in their hiring practices. You would see that women would complain about many firms in terms of promotional opportunities, and non-Anglo Australians suffer the same sort of prejudice—although 'prejudice' is too active a word: they are not thought of—

Mr GEORGIOU—'Under-recognition'?

Mr Gantner—Under-recognition. I do not think they are thought of as a really good resource that we have in this country. I agree with you that we do not give credit for that percentage of the population that is ethnically Asian, or Anglo, who have very high language skills. The Asialink Circle has 400 of these young Australians with very high skills levels not only in languages but in economics, politics and business skills. They are a really exciting group that give us hope for the future because those people do exist in this society, and we have to learn to use them better.

Ms McGregor—Can I add to that? One of the really positive things about the schools program has been that it has captured that group of first-generation migrants who are traditionally too busy building their lives to spend time participating in school activities usually: having that focus on Asian cultures brings them into the school and enables them to participate. We find that this also enhances the self-esteem of the kids in those schools, because they feel that their culture is valued and that it is okay to be different and that it is valuable to be different.

Mr GEORGIOU—In terms of government—and this is something that we should actually look into in terms of resources—do you get a sense that the Department of Foreign Affairs and Trade is actually pursuing these reasonably scarce cultural and linguistic resources in their recruiting?

Mr Gantner—In terms of Asian skills I would say not: that is my impression. You mentioned Stephen Fitzgerald, and his book makes the point that there has never been a head of the department who has an Asian language, which is fairly extraordinary. It is, to my knowledge, correct that that is so in this country.

I was cultural counsellor at the Australian Embassy in Beijing for three years on a contract—I am not a career diplomat—and in the mid-1980s I had a lot of cultural dealings with China, importing Peking opera and acrobatics and puppetry here and taking Australian companies there. My observation would be that, if you started to learn Chinese or Japanese or any of the difficult Asian languages, you basically took two years out. The career diplomats took two years out of their professional life for language study, to bring them up to a moderate level of competence—the same level of competence that you probably would acquire in three months if you were learning Italian or Spanish. There was no compensation for that in terms of their advancement, and so it was detrimental to their careers, in normal promotional terms. Often, if they had good Chinese or Japanese, they were sent to South America or Brussels. That seemed—

Mr GEORGIOU—Perverse!

Mr Gantner—Yes, perverse. I used to joke about that.

Senator COOK—I think you will find Stephen Fitzgerald's statement was probably true at the time he wrote it, but you will find that Philip Flood does have Bahasa Malay as a language.

Mr Gantner—That is good.

Senator COOK—I am curious to understand why you think ASEAN is more important than APEC, when APEC is an 18-nation Asia-Pacific organisation not in competition with ASEAN, and when in any case ASEAN in economic terms can be seen as a subset of APEC. You said that we have got to help ASEAN compete with an

emerging China. Why do we have to? Why can't we take advantage of the economic opportunity in both?

Mr Gantner—I did not say we had to help it compete against China. I said there is an opportunity for an Australian business in that ASEAN does compete economically with China. I think that is a different way to say it. There are opportunities for us there. In terms of APEC, I have enormous admiration for Australian involvement in that initiative. It has been, and will continue to be, very important in trade liberalisation and in providing rather splendid photo opportunities for leaders.

CHAIRMAN—Batik shirts!

Mr Gantner—Batik shirts or otherwise! Looking at the grouping there, with the United States, China, ASEAN and other Pacific nations, it seems to me that in the long term that sort of grouping cannot hold together, because the differences are too great and the strategic, commercial and cultural pressures will eventually pull it apart. Australia's long-term interest is better served by a closer relationship with ASEAN. That is not saying we should not participate actively in the meantime in APEC: we should, and we should make it work as well as possible.

Ms McGregor—The important thing is that we in Australia have invested a huge amount of energy and resource in the APEC process. We are saying that we would like equal energy to be devoted to getting Australia into ASEAN.

CHAIRMAN—I think some of the pressures to which you refer will do exactly the opposite. They will tend to pull APEC together rather than make it disintegrate.

Senator COOK—I challenge some of your basic assumptions about APEC.

Mr Gantner—That is good.

Senator COOK—I think they are wrong, because the greatest foreign market for ASEAN exports, outside the ASEAN area, is the United States. Looking at the commercial pressures, the reason APEC works is that the United States is in the mix. It provides a multilateral forum for the Chinese-US relationship to be talked out. It provides a multilateral forum for the Japan relationship with the rest of Asia and with the United States to be sorted out, as well.

They are reasons—as the chairman has just indicated—for binding it together rather than driving it apart. The economic interest of China is open access to the US market, straight and simple. The US interest in China is, of course, to stop the pirating of intellectual property but it is also to get access to that burgeoning market. Anyway, that is a debate we may have.

On the question of foreign directed investment, I would be interested to know what measures you think the Australian government should undertake to encourage foreign directed investment in ASEAN, and whether it should encourage it for ASEAN. Or should it encourage more foreign directed investment in foreign economies, per se? Is it just ASEAN we should be looking at?

Mr Gantner—Being someone with a fairly international bent, I would say that we should be encouraging Australian investment overseas. But it is in our self-interest to give a particular emphasis, perhaps, to our own region. I suppose I am wanting to have my cake and eat it too. I would want both. In terms of the mechanisms for that, firstly you have to have an economic climate which has healthy Australian business. Then there have to be mechanisms that encourage that business to go offshore. Taxation is one of the primary mechanisms that governments have at their disposal to encourage that.

As I said, I am not a tax expert, and so I do not want to get involved in the detail of it, because I am out of my depth. But there needs to be an incentive beyond pure self-interest which ought to be driving business, to get them into those markets, particularly to train their staff and their managers to deal comfortably with the region, and to encourage Australian participation in multilateral trade activities, be they trade fairs or conferences or whatever.

CHAIRMAN—Could I come back to the APEC-ASEAN argument? APEC, as Peter Cook has said, is a far wider forum. The anecdotal evidence in terms of ASEAN's expanded membership was, 'Let's get in before China gets hold of them, like Myanmar, et cetera,' and therefore smacks—even though they would deny it publicly—of some sort of containment policy, whereas APEC is opening up the doors and widening and getting around this perception of containment. Would you like to rethink what you said about APEC?

Mr Gantner—No. As I said, APEC has a very important function, particularly in the trade liberalisation area. It is important that Australia continue to be an active player in it.

Senator COOK—Surely, as a forum in which the only meeting of all of the leaders of those nations in this part of the world occurs, it is also very important.

Mr Gantner—That is very important. But, as a long-term grouping, it lacks the sort of coherence and natural logic, and even the logic of geography, that ASEAN provides. I am not suggesting we should pursue one instead of the other. We can for some time have both, but we need to be putting a lot more effort into ASEAN, because it is a much more comfortable grouping.

Mr GEORGIOU—From your statements, all I really take is that your argument is that we ought to be putting more effort into ASEAN, to which you then add the

incoherence of APEC. Basically, your argument really is that we should put more effort into ASEAN and balance the relative efforts.

Mr Gantner—Yes. Their functions are different.

Mr GEORGIOU—Not one to say you ought to be more involved.

CHAIRMAN—But what about the AFTA-CER relationship? Your views are somewhat different to those of Alan Oxley. He puts a big question mark over the strengthening of that relationship, whereas you tend to take an opposite view.

Mr Gantner—No, I said that we should be encouraging—

CHAIRMAN—That is what you say, but he does not. He says that there is a big question mark about the viability of the CER-AFTA relationship for practical reasons. We will explore that later on this morning.

Mr Gantner—Yes, I have not read what he thinks those obstacles are. It seems to me that Australia and New Zealand would be comfortably housed in the ASEAN orbit. What is appropriate for us is also appropriate for New Zealand.

Ms McGregor—I do not know whether you are hearing from Professor Peter Lloyd at Melbourne University. He is the AFTA-CER guru.

CHAIRMAN—No, but we will make a note of his name, thank you. We may have to.

Dr SOUTHCOTT—With AFTA, isn't there a danger that in some ways as a regional trade organisation, it can actually undermine the trade liberalisation efforts in APEC and also in the World Trade Organisation and, rather than create new trade, it can just end up with the diversion of trade?

Mr Gantner—What do you mean by the diversion of trade?

Dr SOUTHCOTT—More inter-regional trade within ASEAN.

Mr Gantner—The great strength of the ASEAN economies is that they are export oriented and so I do not see that has happened. The strength of their economies has been export driven. I am not an economist.

CHAIRMAN—It is true that, at this time, a relatively small percentage of their exports goes intra-ASEAN.

Mr Gantner—But it is growing very rapidly.

CHAIRMAN—It is growing but, as you say, the emphasis is on export from ASEAN.

Senator HARRADINE—You mentioned that ASEAN was keen when it comes to liberalising matters in Myanmar. Its approach to Myanmar has been constructive engagement over a period of time. But that does not seem to have worked, does it? From all reports, the human rights situation in Myanmar has gotten worse.

Mr Gantner—It is a fairly bleak picture, I agree. However, simply taking the American line of lecturing and haranguing has not been very successful either. You are much more likely to get change as you get an engagement that involves economic development as well. It is not a quick process. You have generals there who are fairly intransigent and do not want to give up their power.

Senator HARRADINE—What do you think is the real reason for ASEAN's admission of Myanmar?

Mr Gantner—You would have to ask them that. I do not feel qualified to answer.

Senator HARRADINE—Do you think it had much to do with security of the region?

Mr Gantner—Obviously, security is part of it. Economic issues are part of it. Geographic logic is part of it. You had better ask our foreign minister, who was at their meeting.

Senator HARRADINE—I just come back briefly to that human genome project. Could you explain to the committee what role Asialink has with that?

Ms McGregor—Our role is to initiate exhibitions. We call nationally for expressions of interest, usually from major galleries and sometimes from university galleries. People put forward proposals for exhibitions which they think will fulfil the objectives of presenting Australia as a sophisticated culture.

The idea behind the human genome project came out of the Melbourne University Gallery. It was particularly targeted towards North Asia and Singapore to show that in our arts area we are technologically sophisticated as well as artistically. It made use of CD-ROM, a couple of years ago now, when CD-ROM was not commonly in use in the arts area, and it was an interactive CD-ROM. It really served to present us as a technological and artistic community.

Mr Gantner—That was just one work of an exhibition of computer or technology related art.

Senator HARRADINE—The mapping of the human genome is a matter that is currently being dealt with through UNESCO and I wondered whether the contribution that Asialink is making to that in art form dealt with the serious ethical questions of eugenics that may result, or of the problems of privacy if persons in the future need to carry around their gene maps—their problems of getting insurance or a job, for that matter. These are the sorts of things I wondered whether you had taken into account.

Mr Gantner—It poses questions like that but I must say that that particular work was done with a great sense of humour.

Senator HARRADINE—Well, we need the humour, I think.

CHAIRMAN—As there are no further questions, thank you very much indeed. You have been most helpful.

[10.36 a.m.]

OXLEY, Mr Alan, Chairman, Australian APEC Study Centre, Monash University City Offices, 6th Floor, 30 Collins Street, Melbourne, Victoria 3000

CHAIRMAN—Welcome. We have received your paper. Are there any errors of omission or fact you would like to correct?

Mr Oxley—Since the paper was written, we know more about AFTA than we knew then so I can expand.

CHAIRMAN—All right. We will get you to expand on that, but there are no errors that you want to correct on the *Hansard* record?

Mr Oxley—No.

CHAIRMAN—Would you like to make a short opening statement, perhaps bringing out some of those points?

Mr Oxley—Yes. I think it is important with ASEAN to understand that we need to look at it from two perspectives. One is the political significance of ASEAN for Australia and its relations and the other is the economic importance. The paper I submitted to you focused on the impact on Australian business of the ASEAN free trade agreement.

Since that paper was written, I have been involved in a rather more detailed study of the ASEAN free trade agreement for the United Nations Development Fund as part of a project to assess the impact on Laos of its membership of the ASEAN free trade agreement. In the process I have come to understand more about the agreement.

In addition, since then there have been some decisions announced by some of the members of ASEAN which make a difference to the economic character of the ASEAN free trade agreement. For example, as I understand it, two members of ASEAN—Indonesia and the Philippines—have announced that the tariff cuts they will make under their AFTA obligations, they will in fact extend to all countries and will make them what is in the jargon called MFN cuts. If this is the case, it means that of the large ASEAN economies, three of them—Singapore, Indonesia and the Philippines—would be making tariff cuts which were not discriminatory. That alters significantly the character of the ASEAN free trade agreement.

At the time at which that paper was written for a forum in Indonesia, I was asked to address whether or not the ASEAN free trade agreement would be in the interests of or to the disadvantage of Australian business. At the time, in that paper, I warned that, given the discriminatory character of the ASEAN free trade agreement and given the fact that there were some sectors which were not covered, in particular processed food, there was a

risk that the agreement would in fact disadvantage Australian exporters. It offered up the concept that ASEAN countries would reduce their tariffs on trade among themselves and not with trade from countries outside, in particular Australia.

From a global standpoint, one of the significant areas of increase of exports from Australia has been manufactured products and the growth into the ASEAN countries has been quite strong. The idea that the ASEAN countries may reduce tariffs among themselves in those products at a faster rate than with Australia was a bit alarming, particularly taking into account the fact that Singapore, to all intents and purposes an advanced manufacturing economy albeit with a narrow base, would have the opportunity to export manufactured products, including processed food, into the other ASEAN countries at rates which were more favourable than the rates which would have been available to Australian exporters.

The conclusion to draw from this is that one needs to make quite precise judgments about these things, and be wary of broad sweeping assessments of the trade effect of some of these changes. I think today the ASEAN free trade agreement is less ominous for us than was the case, but it still means we need to watch closely these sorts of things.

I also think the lessons from this can be translated across to an assessment of the impacts of the current currency crisis, which is moving through the ASEAN economies. We need to make quite measured assessments of the impact of that, not rather sweeping ones such as those now rather popular in the media saying that we are going to be in trouble because the level of dependence of our exports into the region is higher.

We also need to be careful to make what I would call measured assessments of the direction and trends in ASEAN itself. I have a paper here which I am happy to leave with you. It is a presentation I prepared for the Economist Intelligence Unit about the character of the expansion of ASEAN, particularly the ASEAN free trade agreement.

It is easy to accept at face value the policy prescriptions of others; perhaps I should put it that way. All governments and all foreign ministries are in the business of talking up their achievements and at times one has to be careful to assess the stated policy from the fact. In the case of ASEAN, the ASEAN countries are very bullish about the changes taking place.

At that particular conference I went to in Jakarta, there was a senior Malaysian former minister there who declared that the new expanded ASEAN was going to be a new powerbroking group, that it would be a major new force in the world economy, and he cited the population numbers and the production numbers and all this sort of thing.

When you look at the ASEAN free trade agreement itself, and this is supposed to be the core of the new economic power, the ASEAN secretariat always report that the

level of trade it will cover of the ASEAN countries is about 20 per cent—that is, it is very important to remember that the ASEAN free trade agreement only affects intra-ASEAN trade, trade among the ASEAN countries. They said that intra-ASEAN trade represents 20 per cent of the trade of the ASEAN countries with other countries.

People have a bit of a habit when doing assessments of Asian regional trade trends to forget about re-exports. When you in fact take out re-exports from Singapore, Singapore has very remarkable trade figures way in excess of their GDP. The reason for that is that half the formal Singapore exports and imports are in fact the exports and imports of Malaysia, Indonesia and Thailand going through to Japan and the United States. For example, on paper, Malaysia's biggest trading partner is Singapore. In fact, Malaysia's biggest trading partner is the United States when you wash out the re-exports. The same applies in the case of Hong Kong trade.

So when you take that into account, and when you remove the re-exports, intra-ASEAN trade falls to 12 per cent. As a friend of mine pointed out, when you remove, say, oil and fuel, which is a very large commodity, intra-ASEAN trade is about five per cent. Why would you remove oil and fuel? When you are looking at intra-trade, you are looking at the extent to which a trade is creating a phenomenon of integrated economies and inter-dependent manufacturing. So if we take out oils and fuels, we come down to five per cent—at best we are at 12. What that tells you is that ASEAN's major trading partners remain countries outside the region and, therefore, the economic impact of the ASEAN free trade agreement is actually much slighter than the degree to which it is talked up. But one should not in fact make a separate judgment: often these free trade agreements have a political value.

The ASEAN free trade agreement, in fact, is the first time the ASEAN countries have actually significantly institutionalised their relationships. Today, ASEAN has been mainly a political forum where they meet and frankly do not do much—lots of committees, lots of meetings. But the ASEAN free trade agreement is the first time they have attempted to put in place some international laws and rules which would govern their behaviour. So I think I will leave my introductory remarks at that.

CHAIRMAN—Let us procedurally introduce that paper into the evidence. For the *Hansard* record, could you record what the title is?

Mr Oxley—This is a presentation and paper entitled, 'New Asian trade groups; old Asian paradigms'.

CHAIRMAN—Thank you. The bottom line, then, from what you are saying, is that you have revised your pessimism about that initial submission in terms of the AFTA CER relationship, have you? You put a big question mark over it. Or what are you saying?

Mr Oxley—I think I am really saying you need to ask fairly specific questions on the AFTA CER relationship. I think it is something that we should aim for in the long run, but we should be under no illusion that it is going to grant us any significant trade benefits in the short run and we should not underestimate the political difficulty of being made a member. I personally cannot see, under the current policy settings, that the Malaysian government would be comfortable about the idea of formal linkages between CER and AFTA which were particularly significant. But, by the same token, I would certainly support the current process of discussion and exchanges taking place. It serves to build confidence and linkages, and there is a value in that.

CHAIRMAN—We just took evidence, as you probably know, from Asialink. Senator Cook and I, in particular, explored the APEC-ASEAN differences. Mr Gantner's view was that perhaps APEC has the potential to not disappear but to dissipate, whereas ASEAN can only strengthen. We would not agree with that. Obviously, you would not either. Could you just talk a little bit about the ASEAN-APEC relationship—how strong each is and where you see both going?

Mr Oxley—I do not really see why one would seek to compare one against the other in terms of prospects of success. I think the things that drive each are quite independent of each other. ASEAN existed long before APEC. Having to assure the APEC countries that APEC did not threaten them was one of the key things that had to be done when APEC was put together. It does warn you about where you think the dynamism for strength in APEC lies. I always thought that once the decision was taken to put China, Hong Kong and Taiwan into APEC, the objectives would have changed the relative internal balance of forces inside APEC. APEC exists only for economic reasons, so the only assessments made within APEC are economic.

If you compare the economic and trade weight of China, Hong Kong and Taiwan to the ASEAN countries, they are in fact far more significant than the ASEAN countries, and probably will be forever. It is a bit of a statistical sleight of hand because China is so large but, even in Australia's economic interests, Taiwan, Hong Kong and Korea—we will put China aside for a moment—are in fact more important trading partners than any of the individual ASEAN countries. They are much more advanced economies. If you compare Taiwan, for example, with Malaysia—they are about the same size—Taiwan to all intents and purposes is a fully developed, advanced industrial economy. If it were not for the politics, they would be in the OECD much more quickly than Korea. The business prospects for Australian companies in Taiwan are far more significant than in Malaysia and I would hazard to say that it is probably a more stable environment for business than it is in Malaysia.

On that basis, therefore, when Australia was working to get APEC established, it was quite important to have full consideration given to the ASEAN interest. Today, I do not think the ASEAN interest is as significant in that range of interests. The ASEAN countries have ASEAN; their need for APEC was less, whereas the countries who really

did need APEC were countries who were not in that organisation. I do not think it is an accident that APEC began on the basis of an agreement really between Australia and South Korea—two countries concerned about their linkages and where they fitted in this region, in the emerging Asian set of networks that they did not have an institutional part in.

Let us look at APEC for a moment and its prospects. Since I took over as chairman of the centre—I am only a part-time chairman—we had a look at the APEC activity across the board and I confess that I was quite astonished. We tend to assess APEC only from the standpoint of trade liberalisation but in fact APEC really has two processes and I think the non-trade liberalising process has greater dynamic and institutional strength to it.

In the last year, there were something like eight or nine separate meetings of APEC ministers on things unrelated to trade liberalisation. They now have ministerial meetings for transport, energy, information technology, telecommunications, small business and science. They have a human resource development group. Finance ministers now meet, and all their programs are unrelated to the key objectives of the Bogor declaration, which was to remove all trade barriers.

The rate of growth continues and I predict we are going to see many more APEC committees formed. I have often wondered why that is, and I think the reason is that it is the forum in which, when the people walk into the room and look around the table, they see mainly Asian faces. There is not another international forum like it. If they go to an OECD meeting or a meeting in the Americas or a UN meeting, it is the same old mob, and the new strength and persona that the Asians feel they have got is not reflected. All these institutions were set up before these economies were significant. But in today's world, where you have new growth and new assertiveness, I think they like APEC because it is their forum.

That, in a funny way, is the thing which will keep it going. You have this phenomenon, APEC, where it is being dragged along by political impetus. If you look at the programs of most of the working groups, they are really not very good. There are endless programs of collecting lists of names and research lists and things which are available elsewhere. They reflect a desire by ministers or senior officials, when they meet, to say, 'This is a good idea, let's have another meeting,' and they turn around and say, 'What are we going to do?' Only now in APEC are you starting to see things coming up through the organisation, which I think are starting to respond to the needs. Infrastructure, for example, is a key point. There are major infrastructure needs in the region.

What these other committees and bodies are really more like is the OECD. So in my opinion there are really two APECs. I have had the personal view for some time that we have tended to, by focusing too much on the trade liberalising objectives of Bogor, overlook the other process taking place, which is building quite important linkages. I think

it is interesting to compare the region with where Europe was after the Second World War. They needed the OECD or its precursor organisation to come together to deal with the common problems with development. Europe had to be reconstructed, its industrial base had to be rebuilt and they had major problems with migration. They sat down and discussed these issues and worked out common policy proposals.

Look across the region. To a large degree, many of those countries have common problems in development: how do they redistribute wealth; what do they do as they get more prosperity and higher demands from industrial organisations for a say; what do they do about re-skilling the work force as the costs rise; when are they going to properly manage their financial sectors and issues of more modern systems? There are very large issues and a common study of these questions would benefit them. Therefore, if you consider that and you consider the need, APEC will continue.

The second thing which I think is critical to APEC is the Pacific leg. We often treat APEC as if it were synonymous with Asia. In fact, if you look at the patterns of trade and investment in the Asian-Pacific region, you cannot discount the United States. The United States is a major trading partner of all but two of the 18 APEC members. It is the major trading partner of Malaysia, which makes you wonder about the common sense of the rather anti-western tone of many of the pronouncements of the Prime Minister of Malaysia. You read the official policies and statements in Malaysia about encouraging trade investment among southern countries—the south idea—but, if you look at the practical reality, like everyone else in the region, Malaysia is plugged into Japanese investment for supplying the US market and it is a broad pattern.

The investment in the region is Japanese and American and now some of the new Asian money. If you take that trans-Pacific pattern of investment and trade flows, it is a reality. It is going to stay in place for at least a half a century and, in a way, it is around that that APEC sits. I would be confident that the organisation has a natural function and a natural life. Provided it continues to provide an interest to the members, we will continue to see it.

Let us switch across to ASEAN and what drives ASEAN. I have often wondered actually. When I was with the government, my first posting as a junior diplomat was in Singapore. I used to wonder why all these countries were aggregated together. There are some historic precedents. In many ways, the ASEAN countries straddle the old Indian empires, if you know your mid-thirteenth to sixteenth century history—I do not much. I was up there recently and—

CHAIRMAN—It is not something I read every day.

Mr Oxley—I have to confess I did supposedly study them when I was at university but that was the year I spent a lot of time at the pub. But it is quite remarkable. Indonesia has the roots of an old Buddhist and Hindu culture, which you still see in Bali.

It is the same culture in Thailand, Laos, and Myanmar. The residuals of it are in Malaysia. So there is a natural cultural framework around which they are aggregating. I think it has a new impetus. That is fear of the growing strength and power of China. For the ASEAN countries, the security in having a larger political association and the national satisfaction of having a bigger voice—everybody has nationalist inspirations in their political structures—means that it will continue to grow.

I do not think the ASEAN free trade agreement is going to build anything like an economic community among the ASEAN countries until such time as we see significant advances along the economic path where they start to develop much larger consumer markets and to manufacture products to supply each other's consumer markets. We are looking at some potentially very large economies, very large domestic markets. Indonesia, Thailand and the Philippines and Vietnam in their own rights will be very significant economies. All things being equal, once they get up to a certain industrial scale, they will be able to supply themselves as well as markets outside. Then we will really see something. But that is 30 to 50 years out, I would say.

Senator COOK—Alan, I always think you bring a refreshing dimension to this debate, which pricks the pomposity that sometimes we politicians espouse. We think in terms of institution building. Your contribution is often in terms of where the actual commercial interests are, which is not necessarily the same focus as the institutions.

I read a piece by you recently saying, in a way, that the most important relationship was the relationship of the United States with this region rather than any of the regional structures like ASEAN or APEC or whatever, because of the economic interdependence and dependence on access to the US market for growth. What I am really asking you is: do I have a correct understanding about where you see the commercial trade flows and investment flows for ASEAN with the US and with the broader region, or do I not? I think you have actually covered a large bit of this.

The second point which you might wish to comment on is that the MTIA Australian Food Council, at the ASEAN business level, has just commissioned and published a paper written by the Centre for International Economics—Andy Stoeckel's outfit—looking at the economic benefits of joining CER to AFTA. I think there are a lot of misunderstandings about the nature of CER and the nature of AFTA, and about whether you can pick them both up and just join them together as if you were merging two things that are the same. Have you seen that paper? I think, Mr Chairman, we should get hold of it and have a look at it, because it does tabulate the barriers to particular items of export.

Mr Oxley—On the US interests: yes, Senator, you have fairly closely identified the perspective I have. I confess I have started to become a bit concerned that we are starting to overlook the significance of the United States to our own interests. Certainly there has been a mild anti-US sentiment emerging in the region, and it seems to me there is a combination of a range of factors for this, some of which are strategic and some are

geographic.

In terms of the information that comes out into our system, you only have to go to any of these meetings, whether it is among academics or officials, to sense the friction that exists between Japanese and American officials and academics. It is quite palpable. They have been having a go at each other across the Pacific now for about 20 years, and it has led to a bit of an interest among Asian scholars in downplaying the significance of the United States and playing up the significance of Asia doing it by itself without the United States. The Nomura Research Institute is probably the body which first produced these numbers talking about intra-Asian trade, and you generally find that at about the fourth paragraph there is a sentence which says, 'and therefore the importance in the United States in the region is much less.'

Political interests to a degree have inspired a lot of the work, and the perspectives. The rates of growth of US business in the region are quite interesting. If you look in that paper that I have tabled at who the fastest growing trade partners for ASEAN are, you will see that certainly at the moment they are Korea and Taiwan, off a small base; but the rate of growth of US trade with those countries is quite high as well. They are going to remain in the region for some time.

The other thing is that in terms of global powers, we are in a fairly quiet period in this post-Soviet, post-Berlin Wall era; and also China does not use the belligerent communist language that it used to. It seems not to be supporting revolutionary movements as it did through the sixties, and it is concentrating on building its economic strength. But great power relationships are great power relationships, and I do not think we should assume that what was the case will not return.

I am not suggesting that we will have a cold war between communists and anti-communists again, but what we will see is the emergence of friction and tension between big powers once China starts to flex its muscles a bit in the region. Most of those countries who live around its periphery, in their longer term history, have spent their time trying to avoid becoming some sort of vassal state to China. They are quite sensitive to this anyway, and I think they will probably start to whistle the US back into the region as some sort of counterweight in the way in which it traditionally has been.

There is a broader set of interests there, and I think the US political and strategic interests in the Pacific region have a long way to travel yet. I think it is quite important that we have a wider picture in terms of all that growth. In terms of our own growth, I think it is quite interesting that if you look at global patterns now, you find the US economy is looking like it is probably going to be the world's leading competitive economy for some time. The basics are all quite sound. They have actually got lower inflation than they have had for a long time, the growth prospects are significant, and I think they will probably start to exert a larger, rather than smaller, influence.

In terms of the MTIA work, I have not seen the CIE report, but I would be interested to have a look. I understand it was a piece of econometric modelling, and I do not know how you can econometrically model something which is not numerically finite. I have observed privately to the MTIA that they would have done well to have had a policy look at AFTA, because two of the policy concerns among their members that impelled them to have a look at this were the question of barriers to Australian exports of autos and auto parts, and food processing. These are the two areas in which the commitments among the ASEAN countries to reduce barriers in the ASEAN Free Trade Agreement are weakest.

On food processing, it is all over the place. There are about four categories, and there is a very distinct reluctance by some key ASEAN countries, in particular Thailand, to commit to reduced barriers to processed food imports; and you will not find reference to automobiles in the ASEAN schedules. We inquired privately of the ASEAN secretariat when we were doing work for Laos, and it is something of an embarrassment. It simply has yet to be addressed, and given how important and how high the barriers are in Malaysia, Indonesia and Thailand, it is really quite an issue.

So there is a long way to go. The presumption behind the idea could be that there is a clean commitment among the ASEAN countries to reduce barriers among themselves, and if we linked the two agreements it would give us some way of getting in. I do not think it is going to produce that.

In the long run, I think the idea is quite sound. If you have a long view about the growth of these markets and how important they will be, then I think it is a very tangible way for Australia to demonstrate an association and affinity with the ASEAN countries, and I would strongly support doing it; but we need to be clear in our heads about why we are doing it. If we think that that process is going to assist with the campaign to reduce trade barriers, which are a particular problem in those two sectors, I do not think it will work. Frankly, I think we would get a better return from concentrating our resources and dealing with those countries one to one.

Mrs GALLUS—You talked about trade barriers, specifically in the auto industry and in food processing. Is there any move to get more transparency into the non-tariff trade barriers, for instance, which work so effectively against the auto industry and the other industries?

Mr Oxley—I think it is better than is often said. Our auto companies know the range of barriers. They know where the non-tariff trade barrier problems are. You find that where a company wants to have a concentrated go at trying to get a product into a particular market, the company knows. If you went and spoke to John Clarinbould at Mars, say, which is quite a significant exporter of confectionary into the Asian region, you would find there is not an aspect of the trade barriers that that company faces in any of those markets that they do not know. They spend a lot of time and effort in dealing with

them.

It is also important not to underestimate the importance of the Uruguay Round agreements. Basically, one of the most important things of the Uruguay Round was a commitment to phase out the non-tariff measures, and that is a very significant process which is taking place. Particularly in agriculture, by early next century most non-trade barriers will have been converted into tariffs. There will always be areas where there are other things to do, but I do not think the issue of non-tariff barriers assumes the same strategic significance that it did before the Uruguay Round.

Mrs GALLUS—You admitted that a lot of time and energy goes into trying to overcome these non-tariff barriers, and that is part of the problem. The monetary effort that goes with this, in the end, often does not make it worthwhile to actually do that. It is often harder to get around than those very clear tariff barriers, especially when countries like Korea are out there saying, 'Look at us, we have dropped our tariff. There is no tariff barrier,' or 'We have brought it down to 8 per cent,' or something. Then, when you get there you have all these other apparently invisible barriers, but they are visible to the people who want to get into the market. Is there a feeling, after the next round, that these will all be disappearing? It seems like these countries have relied on it for a long time, including Japan. Let's face it, those non-trade barriers are in Japan as well.

Mr Oxley—Yes, Japan is a bit of a special case because of the way in which its internal distribution and retailing system works. In my observation over the years, where a country tends to have high levels of tariff barriers you find they have had high levels of non-tariff barriers. It has become a bit of a truism to say, and it has been around since the late 1970s, that countries will cut tariffs but they do not bring the non-tariffs down.

Senator COOK—Every time you push down tariffs you push up the non-tariff barriers. That used to be the old argument.

Mr Oxley—Yes, that's right, but since the Uruguay Round and the regional trade agreements that are around, the non-tariffs have been captured as well. They are well within the net now.

Mr GEORGIOU—Tell us about the Australian APEC Study Centre? I am trying to get an institutional fix on what is around. How much do you spend? Where does it come from? What is it spent on?

Mr Oxley—I apologise, I should have brought some information about the centre and I will get—

Mr GEORGIOU—If you can just send it.

Mr Oxley—The centre was set up just under three years ago as a result of a

decision by the APEC leaders at the American summit in Seattle. The Australia government invited university groups to submit proposals to run a centre and it was awarded to a consortium proposal put forward by Monash and the University of New South Wales.

The core funding was from Monash and from DEETYA. Roughly, DEETYA provided $200,000 a year for each of the first three years—that is how it averaged out—and Monash provided $100,000. In the last two years our budgets have been $700,000 and $800,000 because we have been able to undertake consultancy activities and various things which have been funded. For example, we ran the Countdown to Kyoto Greenhouse Conference in Canberra last week. Generally, with these activities, we try to do it in such as way that we can take a profit out of there which goes into the running of the centre. That is basically how we are structured.

The first funding phase for the centre finishes at the end of this year. We have no promises from DEETYA for continuing funding and we have a review under way at the centre to meet the original terms of the brief. There are things we are required to do by DEETYA including focus on activities related to the private sector. That has turned out to be neat because we have concentrated our efforts on trying to attract funding for activities which would attract private sector interest. That has been much of the concentration phase of our activities.

Mr GEORGIOU—Could we get some papers? What is the impact on APEC of the current currency instability? What's going on?

Mr Oxley—Have you covered this much in your previous—

CHAIRMAN—We had a little bit in Perth yesterday, but not much.

Mr Oxley—It started in Thailand. There are two broad ways in which it is being looked at. Firstly, there seems to be an excessive degree of applause in Europe. It seems strange to say this but the Europeans have had difficulty coming to terms with Asian growth and success and while there is heavy friction between the United States and Japan, you have got nothing like the degree of almost racist sentiment that is expressed in Europe. A few years ago the French Prime Minister described the Japanese as ants. The Americans get pretty strong in their language but I do not remember any of them ever using that type of language. American involvement in the region—trade flows, investment—has always been about twice the level from Europe. I have had European officials, friends of mine, say that all that is going on in Asia is a property boom, that it is a bubble that will burst. There is that view.

The second is that you have had this long process. In a way the Americans, I think, have been uncomfortable about Asian economic success as well, and there is a long debate running about whether or not all that is going on is that they are utilising what are their

resources. There is an American academic called Krugman whose thesis is that there is not real increase in productivity in the Asian economy and all that is basically happening is they are putting more people to work, they are using more land and they are using more people. Time will tell whether that is right. I mention those two things because they have informed, to a degree, some of the responses. But I think, from a financial standpoint, what has happened in Thailand is very simply explainable by two things. One, they have mismanaged their macroeconomic and fiscal policies—quite simply. The thing that got the Thais represents what is a weakness among the management of most of the Asian economies. Their monetary management in particular is quite weak.

What a lot of Thais did was in fact effectively link their currency to the US dollar. With the turnaround in the US economy in the last four or five years, the dollar strengthened and competitiveness has strengthened, and as greater competitiveness has developed in the US economy the dollar has inflated—the dollar has risen in value—dragging their currencies up. In the last 18 months their rise has been quite significant. I remember a treasury official telling me that it was in the order of about 20 per cent. Twenty per cent loss of competitiveness for these economies is quite a lot.

If that was to occur, they then needed to be in a position where they managed the changes that were going to be a consequence of that. They probably should have floated their currencies and they should have more carefully managed the flow of money in and out. The Thais did not and in the end such a large amount of money was flowing in, the level of speculation in their property market was so large that you got a classic boom situation where once the money was called up the disparity between the asset and the level of debt was so great that things collapsed.

Behind it is the bigger question and that is: can they deal with the issue of the loss of competitiveness? I am told by economists who know the Thai economy that they do have a problem about their low labour costs. Most of the growth in the region has still basically been a function of the exploitation of the low labour cost advantage. You see various manifestations of it and they are evolving in certain ways, but it is interesting how most officials in those economies are nervous about whether they can maintain their competitiveness. That is what is happening in Thailand.

In Malaysia, economists have been saying for about three years that the level of inflation in Malaysia has been too high. Economists on the sidelines have been saying that the official figures have been hiding the level of inflation. I think we have not yet seen the impact yet in Malaysia. Because of the way in which their Prime Minister has handled the currency crisis I suspect he is going to bring it on because they have already taken some action. Their economic management is not bad, although one must remember that it is a government which believes it can control markets. They lost several billion dollars trying to control the world tin market back in about 1986, which really was not revealed until a few years later. Not so many years ago they lost several billion dollars—I am told it is about 14 to 20 ringgit which is about $5 billion or $6 billion of ours—through the reserve

bank speculating. That was actually official government policy. The philosophy of the Prime Minister saying he could control short selling on the share market suggests he is somebody who really has not got a clear grasp of the way markets work and will be punished for it.

Similarly, there are concerns about asset inflation in Singapore. Singapore is so heavily cashed up that I suspect that they can quite easily manage, but I expect that we will see some interesting results there. But if it is widespread or not, it is linked to the conditions in each of those economies and it is important to separate the two. Someone in the *Financial Review* wrote a few days ago that it was going to matter to us because we had increasing exports to the region, that intra-regional trade was high and that it was going to affect the rest of the region. There are a few big leaps there which I think you should not make.

The conditions in Korea have been as they have been for some time and this is not really a change on that. Growth conditions in China and the Philippines remain pretty good.There is not the same sort of problem in Taiwan and I think it is quite important to remember that what is happening in three or four of the ASEAN economies is not what is happening in the region at large.

CHAIRMAN—How safe is Australia's currency exchange of $1.3 billion?

Mr Oxley—I think it is pretty safe. What it has basically done is the money has put the Thai officials in the hands of the IMF. It is a bit like putting your estate interests into one of those sort of crusty estate managers down the corner who usually have high levels of risk and take fairly conservative decisions. Frankly, we may actually get a reasonable benefit. One thing that the IMF will likely do, because it is in the range of standard prescriptions they apply in these sorts of circumstances, is force the Thais to reduce their tariffs. Our $1 billion might be a very effective form of trade policy.

CHAIRMAN—To our own benefit, yes.

Senator HARRADINE—You mentioned the average tariff barriers for ASEAN countries range from 16 to 40 per cent in the paper that you sent us previously. Just as a matter of interest, what is Australia's average tariff by comparison?

Mr Oxley—Our average tariff now is—

Senator COOK—Just under five per cent.

Mr Oxley—Is that trade weighted? It is under five. The two sectors in which we are higher are autos and clothing and textiles. In autos we are down to 15—

Dr SOUTHCOTT—It is 22½, I think.

Mr Oxley—It is 22½, to come down to 15 by the year 2000. That is right. Then textiles are 25, 15 and five, or will be in the year 1999-2000. We are a low tariff economy compared to countries in the region.

Senator HARRADINE—And NTBs?

Mr Oxley—Similarly. It is like Mrs Gallus's question before—are you talking about our NTBs or in the region?

Senator HARRADINE—Ours.

Mr Oxley—We do not have that many now. You could probably list them all on one hand. We do not have too many. Mind you, I thought the debate in Australia was a bit off balance because it tends to be whether or not we have gone down a clean free trade route or not. If you look back over the last 15 years—and the mix of instruments used by this government do not differ greatly from the ones used by the previous government—we have had a mix of reduction of trade barriers plus intervention. It is still what you got in the auto and textile sector and in some of the others.

Some of our industry groups like to walk around saying that we are lilywhite, that we do not do these other things. We have what you would call non-tariff barriers, which would apply in the auto and TCF sectors. Non-tariff barriers technically are a form of assistance which is not a tariff.

Mr GEORGIOU—You got yourself quickly off that fingers on one hand.

Mr Oxley—You can still list them. There are not that many and, compared to other economies, far fewer. But, equally, all of them are still subject to this broad set of WTO disciplines. I am not going to say the WTO is a panacea, I am not saying that people do not fiddle at the edges. Really, it is a bit like tax. You have a tax regime because there is an incidence of fiddling at the edges that does not disprove the ability of the regime at large. Trade barriers are a little like that. You do need to differentiate the broad picture from what you see at the specific level.

Senator HARRADINE—In the paper you also mentioned APEC's new priority to regional infrastructure development. What role does or should Australia play in that?

Mr Oxley—It would be in our interests to elevate the importance of this quite significantly. These are very large issues. There is very big business for Australian companies to be involved in and these are major problems which are confronting the Asian economies. I would almost be prepared to make the sweeping statement that, in the next five years, more could be done to support growth in the Asian economies by dealing with their infrastructure problems than further reductions in trade barriers. I do not say that we should ease up on the issue of trade barriers, but I make the point to indicate the

importance of infrastructure for continued development in the region. Certainly, it is becoming a much more significant area of focus in official activities, as I read it.

Dr SOUTHCOTT—Could you just elaborate on what sort of strategies you think Australia should adopt to avoid being locked out of AFTA? Do we need to look at increasing our foreign investment within AFTA? Do we need to put more resources into making sure that APEC, with its Bogor declaration aims, does not fail?

Mr Oxley—We are on the record, aren't we? I would be tempted to say the most important thing we could do is put a lot of money into Dr Mahathir's retirement fund. It is also important for Dr Mahathir not to think that we Australians are copping very special treatment. He reflects a distinct preference for relationships and associations with other Asians and other developing countries. He is a bit out of sync in terms of timing. It is much more like the sort of nationalist sentiment that you heard expressed by first generation nationalist leaders 25 or 30 years ago.

Beyond that, regarding our relations with the rest of the region, I think they are quite good. The short answer is to do more of what we are doing. Certainly, our business sector is moving very well. I do not subscribe to the view that our business people do not know what they are doing and what they are about. In many ways, I think companies are probably more advanced in understanding a deal on the ground with business people and other cultures in the Asian region than the rest of the community is. If you talk at an anecdotal level where these various companies, particularly manufacturing, are starting to work, they are doing very well—and more power to them. If anything, I think we should be continuing to talk that up and continuing to encourage it.

CHAIRMAN—What about the practical effects of a Radio Australia comeback?

Mr Oxley—We have gone through a big process of change in Australia. Despite all the concern about unemployment that we have, if you look at manufacturing exports, and if you look at the growth of new business to do with manufacturing offshore, something quite important is happening in this country. I sometimes make myself unpopular by saying that if the trends on increases of rates of manufacturing exports we have seen in the last 10 years continue into the next 10 years, and if average rates of growth in exports of mining and agriculture do not change, manufacturing will be Australia's major source of exports. This represents a very significant turnaround in how we see ourselves and how we think about ourselves.

That is quite novel for us. The idea that we are emerging as a competitive manufacturing exporter, able to export into the Asian region and really anywhere once we have got companies set up, is a fairly new idea. The constraint is that the sector is still small. It has to be given time to develop and grow.

If that is a new idea for us, it is obviously a new idea for the way in which other

countries in the region perceive us. I do think it is quite critical for us to work quite hard. This is a change of perception for countries accustomed to seeing Australia as mainly a mining and agricultural country. If you went to most countries in the region and said, 'Where would you go to for your engineering excellence', unless they know Australia, they would say, 'Germany, Japan, the United States.' We are just not part of that consciousness. Yet, if you look at the sectors where we are good, we are very good. It is a longwinded way of coming to the point that I think anything which involves a cutback in our resources—which are designed to promote the new Australia, if you like, in the region—is a serious mistake. I would put the cutbacks to Radio Australia in that context.

CHAIRMAN—Are there any more questions?

Mrs GALLUS—I am still curious about Petro's question and why Dr Mahathir made that decision to stop the selling short in the markets. The advice he got must have been saying, 'Don't do this.'

Mr GEORGIOU—They are all the same—politicians.

Mrs GALLUS—Was it just a knee-jerk reaction? It is a very hard act to actually understand—for a man who actually has a lot of sophistication in lots of areas.

Mr Oxley—Indeed. This man, when he was a medical student in Singapore during the war, had a column in the local newspaper which he wrote under a pseudonym. They have been published. This man has an excellent grasp of the English language; he has no misunderstanding about what 'recalcitrant' means. He is quite a special figure. He is a politician who has had considerable success. He has overcome some very significant political challenges. It is important to see him in the context of his own political system. The Malaysian political system is extremely vigorous. I think he is probably a more skilled politician than many in the region because the political system is such a demanding one.

In that context, history tells you that where we have seen politicians who have had major successes, they develop a higher level of self-confidence in their judgment and their preparedness to say, 'My judgment has carried me through, I am right on this one'. Certainly, in the past he has taken positions where others would have said, 'We should not do that, we should not do this'. In this particular case, he has just over-reached himself.

The reason I mentioned before those issues about markets is, I think, telling. Wise politicians would not have tried, by our own experience, to capture a world commodity market. It was quite expensive. In terms of the grand national development strategies, some are still to come to the test. The Proton is a very expensive process. That car still survives under about 100 per cent protection. If the lesson to be learnt is the way in which other countries have developed car industries and protected them and then tried to make them globally competitive in order to survive and not continue to support them by the

taxpayer, then they have an awful long way to go yet. I would put it down to self-confidence, but to my mind it is quite in step with his political character.

He also has some quite old-fashioned views about money markets and capitalism which are reflected in some of the things he has said and done.

CHAIRMAN—Alan, thank you very much indeed, you have been most helpful.

Short adjournment

[11.38 a.m.]

RANDALL, Mr Robert Brett, Chief Executive Officer, Victorian Arts Centre Trust, 100 St Kilda Road, Melbourne, Victoria 3004

WILSON, Mr Rodney James, Manager, Cultural Relations and Secretary-General, Association of Asia Pacific Performing Arts Centres, Victorian Arts Centre Trust, 100 St Kilda Road, Melbourne, Victoria 3004

ACTING CHAIR—You have given us a submission today. Would you like to add to that submission with some opening comments before we move to questions?

Mr Randall—Sure. I am assuming, of course, that everybody has read it thoroughly and committed it to memory.

ACTING CHAIR—I am sure everybody here has.

Mr Randall—A number of very important issues arise out of this submission not just for the Victorian Arts Centre but for the Australian cultural industry per se.The development of arts centres throughout the Asian region is accelerating quite rapidly. Within Indonesia, they have 26 planned throughout the archipelago. In Kuala Lumpur, they are building a big arts centre now, which the British are funding. In Shanghai, there is a huge arts centre being built, which the French are funding. In Beijing, another big one is being built, which the Japanese are funding. There is an important role for us in being able to take part as a regional player in supplying technology and art centre development and expertise to the region.

I think it is important to point out that when we talk about a cultural relations strategy, we are not just talking about sending over an orchestra or sending over a play or a musical; we are talking about a whole industry of expertise that ranges from the running of car parks within arts centres through to restaurants and art galleries—with all the management skills that go with that—to computerised flying systems that have been developed here in Melbourne by Bytecraft and the Victorian Arts Centre which is being installed in Malaysia at a cost of several million. We are talking about our ability to develop these niche industries and build upon our capacity to deliver it to that region.

The association of which I am the inaugural chairman was formed last October not long after my arrival back in Australia after seven years in Canada. The association is not built on performing organisations or upon people or any particular kind of expertise other than that is an association of arts centres as such.

With an arts centre like the Victorian Arts Centre with several hundred employees, the Sydney Opera House, the Queensland Performing Arts Trust, the Adelaide Festival Centre and the Perth Theatre Trust, there are several thousand theatre and cultural workers

who are actively involved in promoting and developing exchange programs based on that facility management.

We believe that it is a very valuable pathway for us and for Australia's cultural life to take a greater presence in the region and along that pathway not just to develop our cultural performance from the stage, but also to deliver our industry expertise and technology that is developing.

ACTING CHAIR—Mr Wilson, did you want to add to that?

Mr Wilson—Simply that I would like to be able to leave with the committee some examples of documents mentioned in our submission. They are a quarterly magazine called *World Stage* which we send to over 2,000 addresses in four languages as well as an international visitors program brochure, again in four languages. I expect only several of them will be of any use to the committee members.

ACTING CHAIR—Thank you. I will table those documents. As they have already been published we do not need to authorise their publication. Mr Randall, could you tell us how much in dollar terms is this sort of business worth to Australia? Can you put a figure on it?

Mr Randall—No, I cannot. At the moment I do not believe there has been any collection of this information because so many organisations do act independently—from the Australia Council through to Foreign Affairs and Trade through to the Australian ballet, the opera and a myriad of individual performers. I believe that it would be an important initiative to collect all of this information and actually put a worth on it.

ACTING CHAIR—What you are talking about is actually two important areas: the first is the dollar value of the trade and the second is the very importance of getting Australia known within the region. That is a key entry into other things. Unless they know Australia then there is a reluctance to actually move into other areas of trade with Australia, so you are covering two very important areas there.

Mr Randall—We are. There was a very good example in Singapore last year where a Singapore theatre company called Theatreworks was conducting an experiment in cross-cultural performance throughout the region in which they had performers from eight different countries performing in dance and music and drama.

We witnessed a performance by eight musicians—one from each country—who gave a performance for us on indigenous instruments they had brought from each country and we watched this beautiful performance take place. At the end of it they all cheered and clapped because they were so happy with themselves for having done this. As we discovered not one of them spoke the others' languages. It demonstrated to us so much how music and dance and other theatre forms do not require any language to cross this

cultural barrier that tends to keep us standing back. We do have mechanisms through these art forms to deliver ourselves across that language barrier and into their lives.

What was glaring in that performance was that there was no Australian. It indicated to me very strongly how we have not yet established ourselves in the minds of Asians as being a part of this region. Yet that same theatre company then turns around and comes to us looking for secondments and expertise and a certain number of other things, which they will hope to have free because they do not have a lot of money to pay for it in that area. It is just such a fertile field.

ACTING CHAIR—So what is the missing step there? Is it a political act that we need to perform here so that there is a thought, 'Oh, yes, we'll include Australia in that'? What is missing?

Mr Randall—I do not think it is a political act, I think it is a cultural export initiative. We have to be constantly sending our representatives from all our performing arts organisations and also our arts management organisations through the embassies and high commissions in the region to make the Australian presence much better felt. It must also be in partnership with them—not just through them but in partnership with them—especially when they are establishing arts centres which are going to be built and run on German and French technology. Just like the motor industry, that requires reliance on German and French and Japanese spare parts; and therefore, through that technology and through that use of expertise, they are setting up permanent links which make the centres reliant on those countries to provide that expertise continually. In that sense it is no different from the automobile industry or plastics or anything else.

Senator COOK—If there was one thing that you would make better, that would unleash the opportunity for you, what would it be? I get the impression from reading your submission that the lack is getting sufficient investment for the longer term in the work that you are doing in this region, because there is a lack of appreciation about what the benefits will be and what the return on the investment will be. Is that the right perspective, or is there something else?

Mr Randall—I think you are quite right. The initiative needs to be in the area of packaging up the sum of Australian theatre technology and management skills. We are very advanced on the world stage in this issue. As someone who has lived and worked overseas, my readiness to come back to the Victorian Arts Centre was because it is regarded worldwide as being one of the five premier arts centres in the world.

Senator COOK—If it is a lack of investment, then, is this public investment, private sector investment, or a cocktail of both?

Mr Randall—It is a cocktail of both, but it is also a recognition of opportunity. That is not being seen here. These companies do not recognise that there is an opportunity

for them to take that initiative.

Senator COOK—If you were making a pitch for it, what would be the major point you would put as to what the return on the investment will be?

Mr Randall—I do not think the return on the investment is so easily quantifiable in terms of dollars and cents, because the cultural initiative adds an enormous amount to an Australian profile on a very broad spectrum that brings returns throughout so many intangible areas. I do not think it is that easily put into little shelves and things.

CHAIRMAN—I apologise, I was delayed. I do not know whether Mrs Gallus has asked this, but we have just heard from Asialink. Do you work in conjunction with organisations like that, or is it a unilateral approach?

Mr Randall—No, we work very closely with Asialink. Our initiative is modelled on buildings—on centres—and as such it has a very solid ongoing presence. At the end of next week I will be going to the annual general meeting of the association in Seoul, where I will be handing over the chairmanship of the association to the Seoul Arts Centre, to Mr Lee Jong-Duck. From there it moves to the Philippines, then Aichi and then, I believe, Sydney. However, the secretariat for the association remains here in Melbourne for the next couple of years. It will probably remain here for much longer, so hopefully there is an anchor for the association in Melbourne that gives us that contact. But no matter who takes over the running of the organisations, in whatever country, it is the actual arts centre that remains the member of the association.

Mr GEORGIOU—Given that we have got all this fantastic managerial expertise et cetera, but at the same time the French, Germans et cetera are building the physical facilities creating dependence relationships, how much chance do we have of getting a leg in?

Mr Randall—It is very good. We have already sent technicians and so on to Malaysia. Actually, the Malaysians paid for our technicians to go to South Africa to learn certain theatre crafts to take back to Malaysia for them, because they do not even have the very basic understanding on which to build that learning. What we are doing is setting up a secondment program, not only for our staff to be able to go to arts centres throughout Asia, but also for their staff to be able to come to us.

Mr GEORGIOU—Sorry, that went right by me. We started off with a proposition that we had fantastic management, and suddenly the Malaysians are paying for us to go to South Africa to learn something. Could you just break that up a bit for a naive politician?

Mr Wilson—Let's go back one step. Performing arts centres as we know them in Australia are a Western concept. This is why we are talking about new performing arts centres being built in Asia: they have not existed before. The history there has been

performances, either in regional villages or centres, that traditionally happened outside. They were not lit with electric light or any of those things, they usually happened during the day. They were usually part of a festival, whether it was religious or whatever—to do with the fertility of the soil, perhaps. The concept of the performing arts centre, being Western, is where the French and so on have got their entree.

We have grown up with the Western concept of performing arts centres, and our training grounds have been in existence for some time now. We have people running our performing arts centres and our arts organisations who are graduates of the Drama Department of the University of New South Wales and then NIDA following that. That is a reasonably new concept. The knowledge and the expertise across the broad band of management and technology with the arts is very strong in Australia.

Brett was expanding on the fact that the opportunity is really very good for us. That event with the Malaysians was with the government department. It was the National Theatre of Malaysia, which is a part of the Department of Culture, Sport and the Arts. They chose to take a couple of technicians from our neck of the woods to South Africa because they knew that we knew all the stuff, even if it was produced and built in France, London or wherever. If they just travelled to South Africa themselves, at the invitation of the South African companies, they would not really have had a handle on what they were looking at, so our chaps were really brokers of knowledge and presentation.

Mr GEORGIOU—So the dependence relationship that is being built because of the construction of physical facilities is not all that tight. Earlier you were saying that it is like a German car factory: you are dependent on the Germans for their product. Is it not as tight as it would appear on the surface, or have I missed something fairly substantial?

Mr Randall—What I think you are missing is that the ability to use a spotlight—how to point it, how to focus it, and what colour to put into it—is quite different from the technology that has gone into the computer system that controls it, the actual electronics and the engineering of it. How you drive a car is quite different from how you build it. What we are trying to say is that we are very good at knowing how to drive the thing, but the building of it is something else that we are letting others get the inroads into.

Senator HARRADINE—You would get a fair handle, I suppose, on the image that Australia projects to ASEAN countries. What do you think was the effect of the Radio Australia decision?

Mr Randall—I have to say that I think it was very unfortunate. As I have travelled around speaking to people and tapped into Australian television or radio, I have realised that a lot of the information that people are getting about Australia comes from that technology. I do not think that initiative is the one that should be curtailed. We should be looking at how we can enhance and improve upon Radio Australia, ABC television or whatever mechanism we use to deliver information to the region, not at how we can pull it

back.

Senator HARRADINE—I want to follow up the recent events in Australia, particularly in the media, over the One Nation phenomenon.

Mr Wilson—In our contact with our performing arts colleagues, it is always raised, usually in the first three or four sentences, along with the weather and so on.

Mr Randall—Yes, there is a big awareness.

Mr Wilson—It is raised straight away along with which show is selling lots of tickets.

CHAIRMAN—But it is raised in what way?

Mr Wilson—It is raised as, 'What do you think, Rod? What do you think, Brett? What is going on?'

Mr Randall—They ask, 'What is actually going on?'

Mr Wilson—It is our personal relationships with those people that allow them to ask so soon in a conversation. They are looking for some reassurance that this is an aberration.

CHAIRMAN—Is there an apparent negative perception or are they just searching for the facts?

Mr Wilson—In particular, the most recent conversation was with a colleague who works for the Singapore Arts Centre, whose daughter attends the University of New South Wales. She currently lives in rented accommodation in Coogee. He attended and spoke at a conference that we had in June this year. In my conversation with him, he was talking about whether he should be moving further towards the inner city or further up the coast—this is for his daughter's accommodation. He was concerned about changes in behaviour patterns in the eastern suburbs of Sydney as a result of all the happenings recently.

Dr SOUTHCOTT—How do you follow up the person-to-person exchanges that you make?

Mr Wilson—It is just hard work. We do it every day. We talk by telephone. We communicate by fax. We are just developing, with the assistance of the Seoul Arts Centre, a huge Internet site which will list every event that is in the Asia-Pacific performing arts circuit. Invariably, the fax takes first place of importance in this communication scenario. We use the association as an excuse to communicate rather than one performing arts

centre getting in touch with another performing arts centre and talking about the nitty gritty of what is the ticket price on such and such. We are able to talk about the larger issues by way of this association of performing arts centres.

Mr Randall—E-mail is a growing method, too.

CHAIRMAN—Are there any more questions? Thank you very much.

[12.01 p.m.]

COOK, Mr Ian Leonard, Chair, AusHeritage Ltd, 33 Hurtle Square, Adelaide, South Australia 5000

RAMSAY, Ms Penelope Joy, Executive Director, AusHeritage Ltd, 33 Hurtle Square, Adelaide, South Australia 5000

SLOGGETT, Ms Robyn Joyce, Member, AusHeritage Ltd, 33 Hurtle Square, Adelaide, South Australia 5000

CHAIRMAN—Welcome. We received your summary, dated 25 August. Are there any errors of omission or fact in that package?

Ms Ramsay—No.

CHAIRMAN—Did you want to make a short opening statement?

Ms Ramsay—I would be pleased to summarise the key points from that.

CHAIRMAN—Please do.

Ms Ramsay—AusHeritage is a not for profit, incorporated company established with government funding 18 months ago for the purpose of drawing the heritage industry in this country together and thereby allowing it to export on a commercial basis, rather than on an aid dependent basis. The two significant points are that, up until that time, Australia was recognised as having very high skills in this area but all of the people who worked in this area worked separately and independently and, very often, competitively. So there was not a lot of cooperation in this country and there certainly was not anything like an export industry. The potential for that was seen by the Keating government at the end of its time in office.

Industry has been drawn together in that time. We have certainly been marketing very solidly into the east Asian region. In that work we represent our 32 members who, in summary, represent both the private and public sectors. We have six universities, including Melbourne and Sydney, and almost all of the national collecting institutions—the National Gallery, the National Library, the National Archives, the National Film and Sound Archives and so on. We have a group of very prominent private people, architects such as Philip Cox, Peddle Thorp, Walker, and Artlab conservation services. That group of people represents some of the best practitioners that the country has, so we are in a very strong position to offer services to countries in the east Asian region.

We recognised early that the countries that we were working in were almost all members of ASEAN and that it would be most efficient to operate through a body such as

that. After spending a lot of time up there we have realised that working top down was far more effective than working bottom up. In both formal and informal conversations with people there was certainly a feeling of imprimatur if we had just come from or were about to go to an ASEAN meeting or if somehow our links with ASEAN were mentioned, to an extent that really made us sit up and realise that we had to formalise this and really work very hard.

I would say that the main thrust of our work at the moment is our engagement with ASEAN as much as our separate engagement with various countries and organisations that we work with. I have listed our brief history, because we are only a fairly new company, with ASEAN in this paper that I have given you.

Most recently, we have been asked by the ASEAN secretariat to put forward a major flagship project to them. This was because they recognised the inefficiency of a lot of separate small projects that were never very well coordinated. After working with them for a few months we have put forward a project to them which they have approved in principle and for which we have funding, both from them and from the Department of Foreign Affairs and Trade, which we will soon supplement with some sponsorship from companies that work in that region. AusHeritage will then be able to engage all of its members in a project that will, in the first instance, run for two years, the second phase for probably up to five years and then one would expect that any number of things would come out of that which would go on on a permanent basis.

This project, which Ian will speak more about, will certainly allow us to engage at the highest level over a long period of time. In the very best way it will engage us, as a country, with those regions, doing work that we do well, that they want and that is to everybody's benefit.

Mr Cook—To strengthen what Penny has said, AusHeritage is about promotion, marketing and brokerage of the heritage industry. You may be asking: what is the heritage industry? I guess it is defined to a large extent by what our membership is: a mix of public and private sector organisations. What the growing heritage industry in Australia is trying to achieve is long-term relationships in the region.

We need access to key decision makers and we want legitimacy through government endorsement. To give you an example of some of the work that we have been doing, AusHeritage was asked to put in a tender for the fit out of the new national gallery in Kuala Lumpur. We were asked to broker a team of Australian practitioners to undertake the collection, development and management activities and fit out of things like lighting et cetera.

Our only competitor in that process was a British firm called North West Museum Services, but that group were very strongly supported through the British Council. One of the things that we are hoping to really focus on over the next few years is developing a

much stronger relationship between the business sector and the government sector in positioning Australia in the region, because our competitors—the French, Canadians, Dutch and the British, in particular—seem to have developed much tighter synergies, I guess, between the private sector, the government sector and their foreign affairs arms.

We have come a long way in developing our relationship with the Department of Foreign Affairs and Trade and, in fact, in the development of our proposal to set up a feasibility study to establish a program to develop a regional policy and strategy for cultural heritage management in the ASEAN region, the department has been a champion of that process. We see that kind of activity as becoming more and more important, if we are to position ourselves effectively in the region, because our competitors, and particularly the British, are doing that extremely effectively.

CHAIRMAN—Okay. Just for openers, I could not see anything in the papers about the size of your administrative team. Can you give us an idea how big the organisation is; what your annual budget is; what the source of that budget is—varying sources, I guess? Can we just have a feel for that?

Ms Ramsay—Yes. The administrative team is small. It is basically two people. I answer to a national board of 12, which includes representatives from the Heritage Commission and Department of Communications and the Arts. The annual budget is $328,000. We are at the end of our period where we have had seeding money from the government.

CHAIRMAN—That is $328,000 from the department, is it?

Ms Ramsay—No, they gave us $212,000 a year for two years. They also funded production of a video, which was some $250,000. So that, in total, they have put in the two years funding and the cost of the video. That seed funding ended, as we have known it would by the terms of the contract, on 30 June this year.

CHAIRMAN—Where is your source of revenue from now on?

Ms Ramsay—There are a range of sources. The sources of revenue for this next year are from aid-based projects, membership fees and a couple of commercial projects that we are doing now and others that are on the cusp of happening.

CHAIRMAN—What is your projected annual budget?

Ms Ramsay—I think it is about $353,000.

CHAIRMAN—AusHeritage is only two people, that is it?

Ms Ramsay—In one sense it is, yes. AusHeritage is a funny animal. It is as if

there are two people conducting the orchestra. I have got 32 members, each of whom give a great deal. For example, when we put in the bid to the KL art gallery, I came to Sydney and at weekends worked with people from Peddle Thorpe & Walker, architects. We worked together to pull the proposal together, which in turn was drawing on work and information from various key members who had done their bit and fed into it.

I work closely with Ian and members in the day-to-day running of it. When something particular crops up, which it does all the time, I go to the person or the group of people whom I work with on that, and we work on it. But the paid staff are two.

Ms Sloggett—But it enables a critical mass that is much larger than that, that can actually drive the programs.

CHAIRMAN—Has the involvement with the Department of Communications and the Arts now been discontinued, or is it still there?

Ms Ramsay—It is still there. And I will in fact report to them until September 1998. It is a very good relationship. When Senator Alston opened some on-line technical thing the other day, he actually mentioned AusHeritage in his speech.

Senator HARRADINE—This strategy was put to the 32nd meeting of ASEAN, was it?

Ms Ramsay—Yes.

Senator HARRADINE—How was it received?

Ms Ramsay—It was received extremely well because, as I am sure you know, one of the characteristics of ASEAN is that, although it operates really well as an organisation, each member has at heart their own interests as well as the interests of the larger group. When we came in to present a proposal was at a time when three new members were about to be taken on board—it was the following week that Cambodia was out of it—and it was a time of great strain within the organisation because of the extra sharing. They took five days of the conference to talk this fully through.

But, again, in the way that ASEAN works, they started with some people having some anxieties about something that might not have been in their best interests; but, at the end of the five days, they had the full consensus of every person at that meeting. If you know you can achieve that over that time, when you get to the end of it, you have got the backing that you are going to need for a project of this size and for continuing engagement with them.

Mr Cook—For a long time, the ASEAN COCI program—the Committee on Culture and Information—has funded, basically through a Japanese funding source, a

variety of ad hoc projects. The secretariat want a much more strategic approach to the way they develop their programs, and we are in a unique position in that Australia has come along and said that we can provide an opportunity for a much more structured way of looking at heritage and cultural management and development for the region. While some of the countries have taken some time to come to terms with putting self-interest aside, the secretariat is very proactive in our support, and that is obviously going to be extremely useful for us.

CHAIRMAN—How closely do you work with the Victorian Arts Centre and Asialink?

Ms Ramsay—I do not work at all with the Victorian Arts Centre but I am sure that some of my members do. I would be certain that some of my Victorian members do. I have worked both in this life and in a previous one with Asialink. I do not work extraordinarily closely with them but, certainly, when issues relating to the work of each of us come up, I would get on the phone to one of them or else we would meet in Melbourne. We have had various meetings where we talk about training in museums, et cetera.

Ms Sloggett—It is about networks. AusHeritage is a business network and the members bring in their own networks. In actually having this focal point, you bring in a wide range of networks that feed up into a business process. It is about developing a sustainable industry through a business network which actually has links into areas that are not industry but which can support the process.

Mr GEORGIOU—What is the biggest bid you have put in for a project?

Ms Ramsay—The KL Art Museum, which was in three stages. Overall, it would have added up to about $3 million or $4 million.

Mr GEORGIOU—Can you tell us about how you actually interrelate with the ASEAN institutions, the secretariat? How do you actually do it?

Mr Cook—The ASEAN structure, which I assume you are all familiar with, is quite similar to, in cultural terms, our federal-state system—the cultural ministers' council. We have parliamentary level ministers, council or committee, standing committees and subcommittees. Those processes are managed by a series of secretariats. There was the ASEAN/Australia forum at which Penny and Professor Guy Pethybridge put forward a paper the year before last and then we had the invitation to present our proposal as part of an Australian team in Langkawi in early July. There was a sort of one-to-one interaction with the full committee. There were about 80 people present at the session that we did our presentation at, so it was a direct presentation.

That was one of the first times that a dialogue partner was actually invited to do a

presentation to the full forum, which was sort of groundbreaking in itself. But most of our activity at the moment is associated with liaison with the secretariat. If the standing committee which meets in November for the COCI group approves our program, then they will appoint an ASEAN manager to liaise with our infrastructure to develop the program and move forward. Our proposal is based on six months to do a feasibility study. What that is really about is providing an opportunity to develop some relationships with some of the subgroups of the COCI forum structure and, hopefully, out of that process create a longer period for developing relationships in the region. The whole concept of our proposal is one of providing some infrastructure and opportunities to work with people; to get key people from our heritage industry—whether it is staff from the National Library or the State Library of New South Wales or a private architectural heritage conservation firm—to work with appropriate colleagues and decision makers throughout the Asian infrastructure.

Ms Ramsay—One of the things that makes it easier to work with the secretariat is that many of the people who head up the subcommittees in culture and information are people that we know anyway. They are heads of museums or heads of cultural institutions in the region that we have worked with in the past outside that structure. We are often dealing with people with whom we already know we can work well.

Mr GEORGIOU—But it does provide an institutional focus for a relationship?

Ms Ramsay—Yes.

CHAIRMAN—No more questions. Thank you very much.

Short adjournment

[12.51 p.m.]

BOSCH, Mr Henry, Chairman, Transparency International, PO Box A2327, Sydney South, New South Wales 2000

ROOKE, Mr Peter, Chief Executive, Transparency International, PO Box A2327, Sydney South, New South Wales 2000

CHAIRMAN—Welcome. We have received your written submission. Are there any errors of fact in the submission or omissions from it which you would like to correct on the *Hansard* record?

Mr Bosch—No.

CHAIRMAN—Would you like to make a short opening statement?

Mr Bosch—I would like to make a short opening statement, Chairman, and then perhaps you will permit Mr Rooke, who has just come back from an international conference on these matters and from launching the Transparency International chapter in Malaysia, to follow on.

I would like to make a submission which can be encapsulated in two propositions. International grand corruption has increased, is increasing and ought to be diminished; and, second, the legislative initiative announced by the Australian government on 16 May this year is welcome, necessary, but not sufficient to deal with the problem. May I elaborate briefly.

Corruption, of course, is very old. It is mentioned in the Bible, and has been mentioned many times since. It takes many forms. We see political corruption in Thailand, and police corruption in some states of Australia. There is nothing new about that. What is new is international grand corruption, which springs from the great disparities in wealth between the developed and the underdeveloped countries, and the enormous flows of money that move between the developed and the underdeveloped world to invest and to aid.

These give rise to very large contracts which are highly prized by the international companies in the developed world, and there is enormous competition to get those contracts. Many companies are prepared to use any legal means to get them. While the bribery of public officials within one's own country is prohibited by law in almost every country of the world, it is prohibited by law in almost none when it concerns the public officials of other countries. Thus, it can be argued by many companies—and it is—that it is quite legal to bribe foreign officials. It is also, in the great majority of countries, tax deductible so to do. Consequently, we find companies engaging in bribery in a large and growing way.

On the other side of the equation, the ministers and officials of underdeveloped countries often come from very poor backgrounds, and are dazzled by what seem to be enormous sums of money on which they are deciding. There is a great temptation to milk some of it off for themselves.

You will note from what I have said that these bribes are made for illegal purposes, to distort decision making and the pattern of trade, and they involve large sums. They are to be distinguished from facilitation payments—the sorts of things that I am sure that all of you have come into contact with many times yourselves. For instance, in Jakarta at the moment if you want a telephone connected to your house you have to pay a facilitation payment of $US100. That is the standard rate, and you do not get your phone connected unless you do. I am not talking about that. Transparency International deplores the wide extent of facilitation payments. It does not regard them as morally defensible, but they are nowhere near as damaging as the grand corruption to which I have been referring.

I said that international grand corruption has increased and is increasing. That applies both geographically and in scale. Geographically, in the 1960s there were a comparatively small number of countries that were known to be outstandingly corrupt. It was quite easy to avoid them. The number has increased greatly over the last few decades. In my own experience, in the 1970s I was responsible for 10 factories in Papua New Guinea. There was no corruption whatsoever.

Last year, Peter Rooke and I were asked to go up to address the first conference of the Business Council of Papua New Guinea on the subject of ethics in business. We inquired, what matters of ethics were of concern in PNG, and there was only one: corruption. In that time, between 1980 and 1996, that society has become vastly more corrupt than was perceivable in my dealings in the 1970s. The scale of bribes has also increased to this extent. In the 1960s, a large contract could be won for five per cent of the contract payment. Nowadays five per cent will not buy you a good contract; 15 per cent or even 20 per cent is the going rate.

I said that international grand corruption ought to be diminished. There are, of course, ethical reasons for saying that. I will not weary you with them, but let me point to a small number of serious practical reasons for wishing to diminish grand corruption. First, it does very severe damage to developing countries. It does it in the following ways. It first diverts large resources from productive uses to personal wealth—you only have to look at ex-President Mobutu of Zaire to see that. I saw a Swiss Bank report recently which said that some $20 billion dollars is being held in Swiss Bank accounts at the present time by leaders of African countries, and no doubt that has included Mobutu.

Second, corruption distorts decision making. When major projects are awarded not on the basis of who will do the best job for the lowest price but who will pay the biggest bribe, the whole pattern of trade is altered. Third, it leads to projects being done very badly. I imagine that you have all seen new roads cracking, new buildings with systems

that do not work, and so on. When bribes have been paid, it is very difficult to order the paymasters to maintain high standards.

Fourth, corruption leads to a bad selection of projects: not those that are needed most by the countries, but those where the largest bribes are most easily and quickly available. Going on from that, corruption diminishes confidence in the market and in the fairness of society, and it undermines the reputation of the country concerned and makes it harder to attract honest investment capital.

But the damage that corruption does is not confined to the developing countries. There are some disadvantages for the bribe payers, too. There is, of course, a massive waste of aid money. Whether it is World Bank or bilateral aid, neither taxpayers nor donors, I suggest, find it acceptable that significant parts of their contributions go to the personal enrichment of a few individuals. The second disadvantage to the developing countries is that the allocation of major contracts as a result of corruption tends to distort international trade.

Senator HARRADINE—To developed countries, or developing?

Mr Bosch—Developed countries.

Senator HARRADINE—I thought you said 'developing'.

Mr Bosch—Then I apologise. I meant in this section to say that there is a disadvantage to all our businesses if our trade pattern is distorted by corruption. There is then a disadvantage in terms of flow-back. If companies appoint representatives in the international field and they learn the tricks of corruption and are subsequently transferred back to the domestic sales forces of the companies, it will not be long before they begin to apply the tricks that they learnt to be successful in the export area.

I think we have recently seen a good deal of that happening in Germany. Germany is one of the worst countries for the payment of bribes. Foreign bribes are tax deductible, they are not illegal, and it is the culture of the country for the exporters to pay them on a large scale. We have seen recently a number of corrupt practices creeping back into the German economy, to the extent that the German equivalent of the Business Council last year came out with some very strong statements to try to combat corruption. That was for the first time.

There is one final reason why we in Australia should consider grand corruption to be bad: that Australians are rather bad at it, and we lose far more contracts than we win as a result. Perhaps we are less unscrupulous, or perhaps we are just smaller scale.

My second proposition to you was that the legislative initiative of the Australian government of 16 May was welcome, necessary but not sufficient. It is welcome and

necessary because, first, the OECD Ministerial Council has now passed three resolutions on corruption and is pressing member countries to take action. It would be disadvantageous for Australia to be seen to be a laggard in that area.

Second, Australian companies which wish to compete honestly would be strengthened if they could argue in countries where they would otherwise be paying bribes that to do so would be illegal. We have seen a number of fine examples of Australian companies standing up against it. I think particularly of the ANZ Bank in Port Moresby, where recently they were building a big headquarters building. They stated from the beginning that they would not pay any bribes associated with the matter. They finally got their building built, but it took them an additional 10 months. A company standing up against that sort of thing would be greatly armed if they could say that their own country prohibited the payment of the bribes.

The third reason that we might think that it is desirable to take this action is that Australian taxpayers are surprised that our tax system allows the deductibility of bribes. I have made quite a lot of speeches in the last year, and when I come to the point of saying, 'Of course, under Australian law you deduct your bribes for tax,' I always get a great shout of laughter and a lot of questions afterwards. I think people care about that sort of thing.

Finally, I think that the Australian legislation will help to lead other OECD countries to conform with the OECD Ministerial Council recommendations, and the general removal of tax deductibility and the institution of criminality would help to reduce the incidence of corruption.

But I argued in my second proposition that the legislation by itself would not solve the problem, and that is because corruption these days is so complex. Nobody actually sets out from Australia with a suitcase of money which they dish out around the place. Rather, whether they come from Australia or Germany or anywhere else, bribes are paid through commission agents or through local partners who are given the responsibility of squaring the government, or even local suppliers who are given the same role. So while legislation is helpful, it will not of itself deal with that situation.

What, then, is needed? We in TI believe that the creation of awareness is one of the most important things. There is something of a conspiracy of silence about corruption, or at least there has been until the last few years. We are now beginning to find that as people become more aware of it, they seek to find ways of combating it. We can do something along that line, too. Transparency International has spent a great deal of effort trying to build up the resistance to corruption in the developing countries. We have talked about Papua New Guinea, but Peter Rooke has just come back from launching the Malaysian chapter, and last year he had a big hand in launching the Philippines chapter. Perhaps this is the point at which I should pass to him.

Mr Rooke—Before I talk about TI's work in some of the developing countries in the region, I would like to take up one of Henry Bosch's points about the distorting effect on international trade investment of cross-border bribery. It increases the cost and the risk to international businesses and it also reduces predictability. Some recent research conducted by a professor at Harvard University suggests that an increase in the level of corruption from that of Singapore—which, in the TI corruption perception index, is similar to that of Australia—to that of Mexico, which is similar to the level of corruption in Indonesia and most other ASEAN countries—although Malaysia is maybe somewhere between the two—is equivalent to an increase in the rate of income tax of more than 20 percentage points. In purely arithmetic terms, this is a cost which business has to bear.

But I think what business is more concerned about, even more so than cost, is predictability. If they do not know what they are letting themselves in for, it is a major problem particularly for the larger and more reputable businesses. It is a particular problem for companies in sectors involving long-term investment, such as the mining and natural resource sectors. They of course are vulnerable to increasing demands made on them after they have made their initial investment and during the lifetime of the project.

From there I would like to say a bit more about the supply side of bribery. A lot of attention is focused on people receiving bribes and sometimes extorting bribes from international business. Of course international business is the payer and this is really where the main thrust of the OECD initiatives that Henry Bosch has mentioned comes. The OECD countries, as you all know, account for about 70 per cent of world trade and about 90 per cent of foreign direct investment worldwide. So what the OECD member countries do has a huge impact on the problem.

The OECD has produced a series of recommendations and Henry has mentioned three main recommendations. The most recent was in May of this year. That recommendation has a two-track approach to it involving both the negotiation and implementation of an international convention and the introduction of an international bribery offence into the domestic laws of member countries. There is a very tight timetable for this process. The convention is to be open for signature by the end of this year and proposals for legislation are to be introduced into national parliaments by April 1998, with both the convention and legislation to be in force by the end of next year. That is the OECD proposal.

There is a great deal of technical work being done particularly in the working group on bribery in the OECD and also in the parallel group which is dealing with the tax issue that Henry—

CHAIRMAN—What is that convention called?

Mr Rooke—It is a convention on the criminalisation of bribery of foreign public officials. I do not know what it is called but that is certainly the subject matter of the

convention. That is under negotiation at the moment. There is to be a meeting in Paris early next month, and another one in early November, to finalise the text of the convention by the end of the November. It will be open for signature by national governments in December.

In parallel, there is the initiative to encourage member states to introduce into their own criminal laws a specific offence of bribing a foreign public official. It would be the equivalent of the Foreign Corrupt Practices Act of the United States, although not necessarily using the particular formulations that the Americans used. The OECD is only one of a number of international organisations working on the issue but it is perhaps the one with the most concrete proposals and the one that has got the furthest.

In the Americas, there is the convention of the Organisation of American States against bribery. There are moves in the EU, the Council of Europe, and there is also talk of a regional convention in southern Africa. What seem to be missing are any similar moves specifically focused on the Asia-Pacific region. The issue has been addressed only in very tentative terms by APEC and not at all, so far as I am aware, by ASEAN.

In the APEC statement of principles the word transparency is used quite often but there has been no attempt that I know of to flesh that out and particularly to address the corruption aspects of transparency. At a technical level, in international terms, the two areas most vulnerable to corruption are foreign direct investment and government procurement. As you will know, the APEC non-binding principles for foreign direct investment refer to transparency but as far as I know there has been no discussion in the APEC committees about corruption as an element of that.

In the work program there will be similar non-binding principles relating to government procurement. Again, I know of no intention to discuss the corruption aspect. We feel that, with all the goodwill and the other work that is being done, unless one tackles corruption as a distortion to international trade and investment one is really not going to succeed in lowering the barriers and making the playing field level.

It may be of interest to the committee that there has been slightly more progress in the South Pacific Forum where the issue was discussed. I spoke to a group of investment promotion agency heads in Fiji in April and the secretariat of the South Pacific Forum has now picked up the issue. I think it was addressed at the Cannes meeting and there are other initiatives now in the South Pacific Forum to address the issue.

It is also on the agenda of the Commonwealth, which countries in the region are members of. To my knowledge it was first picked up by Commonwealth law ministers and most recently at a meeting in Kuala Lumpur in May 1996. They requested the Commonwealth secretariat to develop a program to tackle the problem. I believe it is coming up again at CHOGM, which is in Edinburgh very shortly. It is important to Australia. It is important generally in the context of world trade and investment that non-

OECD economies, particularly in the Asia region, which are active as exporters—and direct investors into other countries—are brought into the process.

The OECD recommendations do have an outreach provision. There are already five non-member countries party to the negotiation of the treaty—that is, Argentina, Brazil, Chile in South America, the Slovak Republic and Bulgaria in central Europe. At the moment no Asian country is involved in that process. Clearly, some of them are significant players and growing players in the international marketplace and it would be most helpful if they were to participate. The convention would, of course, be open to accession by non-OECD countries so one does not have to be part of the negotiating process to actually accede later on. Certainly, as I say, the countries I have named have thought it appropriate to actually become part of the negotiating process.

I have dwelt quite extensively on the OECD and the other international initiatives because I think the whole question of the supply side of bribery and its control and the ending of tax deductibility are important issues in themselves, but they are also important if we, as industrialised countries, are going to have any influence in the developing world in encouraging them and helping them to put their own houses in order.

That is the other side of the equation that TI is very much involved in. We do not presume to go and tell people in other countries how to solve their problems. What we do is to alert them to their problem, indicate some of the solutions which have been helpful in other parts of the world and offer them technical support and encouragement. Then it is really up to each country to decide how to go about the problem. What TI feels is that governments sometimes need encouragement to tackle the problem. They always need support. They need support from the private business sector. They also need support from civil society.

That is really where TI comes in because we seek, at a national level and at a global level, to build coalitions. Just to give you very briefly the example of Papua New Guinea, Henry Bosch and I, as he mentioned, went there last July at the invitation of the business council. One of the outcomes of that meeting was a decision to launch a national chapter of TI in Papua New Guinea and it was launched in January. I attended a workshop meeting in May, in the middle of the election campaign, to develop a national action plan—not a TI action plan—to deal with corruption and also an integrity pledge.

It was a most inspiring meeting. It brought together 12 organisations—women's groups, youth groups, trade unions, business groups, the churches, some government departments and agencies and the parliamentary draftsman—to talk very seriously about the problem. They came up with a very impressive action plan. They also came up with an integrity pledge which everybody at the meeting signed. Also, political party leaders were invited to sign the pledge in the course of the election campaign and a number of them did so.

Since the election, TI is pleased to note that the new administration has put high on its list of priorities for legislation the establishment of an independent anti-corruption commission in Papua New Guinea, which was one of the points in the action plan. There is also a human rights institute planned, which was another thing the group considered important. There are a number of other detailed proposals which I will not go into now.

Basically, the publicity attaching to that meeting and the fact that such a wide spectrum of PNG society was involved in the process is actually making a concrete difference. This is what TI is seeking to do. Talking is fine but unless there is some concrete achievement we cannot really expect people to go on talking.

We could give you many other examples but I think the PNG one is an extremely good one. It was presented at the international anti-corruption conference last week in Lima, Peru, with 1,000 delegates from 93 countries and I can say that there are a lot of other countries very interested in what PNG had managed to achieve.

That pretty well covers everything that I want to say, apart from the fact, as Henry Bosch mentioned, that we are working with other TI national chapters in Asia. In the past 12 months, I have been to 11 countries in Asia, ranging from Pakistan in the west to Korea in the east—quite a number of countries, particularly in South East Asia. Where the TI formula receives a favourable response, we help people mobilise their civil society—as they are doing now in Malaysia very effectively, and as they did a year ago in the Philippines. There are other national chapters on the stocks. This is our process. We want to help both on the supply side, mainly through the international organisations, and on the demand side in the developing countries.

CHAIRMAN—Thank you very much for both of those contributions. Before we move specifically to questions, let me make a comment. Putting on my other hat as chairman of the Joint Standing Committee on Treaties, I assume the feedback at this stage is that Australia will be an early signatory to that, or do you not have any bead on it yet?

Mr Rooke—All I can say is that I was told that Australia did not have a representative at the last meeting of the working group on bribery, which I think is unfortunate. But I have not had any feedback on the specific point you mentioned.

CHAIRMAN—What will be interesting, of course, if and when we do sign—and my committee gets involved between the signature and the ratification, and it involves consultation like this—is the degree to which a national interest analysis can be produced. That will be an interesting evolution in itself, particularly if the time scale is as short as you are suggesting, about 12 months: the bureaucratic inertia might dictate otherwise in Australia.

My first question is a definitional one. Mr Bosch, you referred to international grand corruption. In the submission, you talked about much corruption being imported in

developing countries. What actually do you mean by corruption or, more specifically today, international grand corruption?

Mr Bosch—We mean payments made by international companies to the public officials of 'host' countries, for purposes which are not in themselves legal. We distinguish between facilitation payments and grand corruption on the basis of whether the payments are made for illegal purposes or not. Thus, if you want your telephone connected or you want your container cleared from the wharf, those are quite legal purposes: you would get them without a bribe in Australia.

Mr GEORGIOU—So is building a dam, presumably. It is a legal purpose. What is at issue is not the end purpose but the means whereby you get your crate off the wharf or you get your contract for the dam. You have lost me there.

Mr Bosch—No, I think there is a distinction. If a tender process is in hand in which the criterion is to be the lowest conforming bid or whatever it happens to be, and then the higher bid wins on the basis that a bribe was paid on the side, that is not a legal purpose.

CHAIRMAN—Where do you draw the line between facilitation fee and international grand corruption? We had evidence in Darwin, for example, in this inquiry when we specifically asked about this sort of thing. We had a round table of business people and other people in a dialogue. The general reaction was, 'That is part of their culture.' But what I am searching for is whether there is any empirical level at which you move from the sort of facilitation approach that you are suggesting and into corruption.

Mr Bosch—I do not think that there is a quantum. Facilitation payments are almost always very small, and are almost always paid to very low level officials. What we are talking about is almost always large and almost always paid to very senior officials or the politicians, but we have not sought to draw a quantum line.

CHAIRMAN—So one element of it is institutionalisation? Another thing that was raised by Professor Blunt in Darwin was that, in his view—and I would be interested in your response to this—the level of corruption has climbed as a correlation of the level of development of government organisations or government in a country. That is a particular view. Do you share that view?

Mr Bosch—It is not something I am familiar with. I would not share that view. I feel that there is plenty of evidence that, where bureaucracy is very well entrenched and there are many discretionary decision points in the process, that encourages corruption. One of the points that TI makes is that decision making processes should be streamlined and the opportunity for officials to delay processes should be reduced.

CHAIRMAN—My understanding of what he was arguing in Darwin—and we take

the PNG situation as an analogy—was that corruption in PNG has been on the increase simply because their governmental institutions have become more sophisticated. It is not an argument that I would necessarily share, but that is a view that he had.

Mr Bosch—I have not heard it before, and it is not something that immediately appeals.

CHAIRMAN—No.

Mr GEORGIOU—I have a problem with your concept. I do not think it holds water. The distinction between a facilitation payment and corruption is, as you describe it, simply not valid. If a company put in the lowest, best quality bid for a dam and made a payment and actually won the result, on the basis of your definition that would not be corruption, because it was just the outcome that should have occurred through the system in the first place. Could you tell me a bit about the organisation? It sounds fascinating: 'TI Australia relies on subscription income.' How does TI actually work?

Mr Bosch—We put up our banner and say, 'Please join us.' Those who choose to join as individuals pay $100 per year. Those who choose to join as companies pay $1000 per year.

Mr GEORGIOU—How many members do you have?

Mr Bosch—Not very many.

Mr Rooke—Just under 60, of which 20 are organisations. The other point to stress is that we operate entirely on a voluntary basis, so that all the financial resources go into our programs rather than to pay staff or offices or whatever else organisations often have to pay for. But we also do get support from government, particularly from development aid agencies. In the past year we have had support from AusAID, from the Swiss Development Corporation, The World Bank, the UN, The Frederik Ebert Foundation from Germany, which is a philanthropic foundation, and also occasionally from companies. This is very much project related, though, when we are working overseas. But the subscription income is really what keeps the organisation in existence.

Mr GEORGIOU—You got $20,000 from companies and $4,000 from individuals: is that your total effective budget?

Mr Bosch—Yes: about $20,000 per year.

Mr GEORGIOU—And from project aid?

Mr Bosch—In addition to that, I should say a total of about $50,000 when one includes the project based income. It is a modest amount of money, but TI attracts people

who actually have something significant to contribute to its work, and so there is a lot of business and professional and other relevant expertise available to it on a voluntary basis: this applies worldwide and not just to TI Australia.

Mr GEORGIOU—So it is not just drawing on members for voluntary work. It is going beyond the members for voluntary work.

Mr Bosch—Yes.

Mr Rooke—We have supporters who are not actually members who are providing in-kind assistance.

CHAIRMAN—Going back to this convention, has there been an NGO input into that or is it all government? I am thinking of TI International: has that had an input?

Mr Rooke—As an international organisation, TI has had a considerable input from its very inception in 1993. We have participated in two major symposia which the OECD have put on to get input from the private sector. We have also given evidence direct to the working group on bribery and, indeed, we are anticipating doing the same again at its next meeting on 6 October. In fact, I am coordinating the input of TI. We have got 15 national chapters all coordinating their input.

CHAIRMAN—Where is that being held?

Mr Rooke—In Paris. We also, of course, brief our own national governments both at a political and official level. For instance, we convened at the beginning of August a round table meeting to bring together government officials responsible for the criminalisation and the tax deductibility issues with business leaders, with professional people from the private sector. That was considered to be a useful process. There are many ways that we are engaging. Particularly on this, we feel that the OECD process is a very important one.

CHAIRMAN—What are the sorts of things that the convention is saying to member states? Bearing in mind, in the Australian setting, it has got to be converted into domestic statutory legislation.

Mr Rooke—The recommendation is an extremely broad one. It covers a whole range of related issues. The convention is focussing, really, on one key issue, which is the issue of criminalisation. What I think the OECD has, quite rightly, identified is that one needs to see action on an interlocking basis in a number of countries, but also in a number of different ways. The recommendation covers seven different areas—criminal law, tax legislation, company and business accounting, audit and internal control—

CHAIRMAN—So double taxation and that sort of thing, too?

Mr Rooke—I do not know so much about double taxation as the denial of tax deductibility for bribes.

CHAIRMAN—Yes.

Mr Rooke—To continue, the recommendation covers internal company controls and banking and financial provisions, really looking at the question of banking secrecy and the extent to which that facilitates international bribery, public subsidies and procurement. For example there are questions of whether it would be appropriate to deny public advantages—to black-list a company at home—if it were seen to misbehave overseas and the question of civil law remedies, administrative remedies and also international cooperation. It is one thing to have a law. It is quite another to enforce it, and mutual legal assistance and other measures are very much a part of the process. It is an extremely wide-ranging process. The convention, though, is focussing principally just on the one aspect of criminalisation.

CHAIRMAN—I see. I am digressing a little, but I think it is pertinent to what we are discussing in terms of this hearing. At the moment, we have a number of bilateral conventions along those lines and, in fact, in recent months, we have processed some of those through my other joint standing committee. From what you are saying, this is going to be an attempt to convert that into some sort of acceptable multilateral approach. Is that what you are saying?

Mr Rooke—That is what I am saying. It is a feeling that people want to know that their main international competitors are moving in the same direction. It is very difficult to do what the Americans did 20 years ago and go out on a limb, only affecting one's own business community. So that is the purpose of it.

CHAIRMAN—We dealt recently with money laundering and a few things like that which I assume will come under the umbrella of the sort of criminalisation that you are talking about. I just wanted to get a little more background on it.

Senator HARRADINE—Just to follow up on that, as you have said, you can have the laws, but you have got to have the evidence. What about beefing up external audit procedures and international accounting and business controls and that sort of thing?

Mr Bosch—That would be immensely valuable, but the world has not got to that point yet.

Senator HARRADINE—What about World Bank ADB? One has heard stories that so long as they can get the money out—

Mr Bosch—The World Bank is a very interesting point. Until 1993, the World Bank did not recognise corruption at all. Indeed, the founder of Transparency

International, Peter Eigen, was a senior official of the World Bank, who tried to get it to resist the corruption that he found going on in the contracts that he and his colleagues were letting. To make a long story short, he was forced out of the World Bank because of his agitation. They did not want know.

Since then, James Wolfensohn has become president of the World Bank and there has been a complete change in the World Bank's attitude. It is now, along with the International Monetary Fund, taking a leading role in trying to stop this sort of thing. You would have noticed recently in Kenya that loans that had been pledged to the country were withdrawn because they would not clean up their act. So those agencies just very recently have started to do it.

Senator HARRADINE—But ADB?

Mr Rooke—ADB have been a bit slower than the World Bank. They adopted, at board level in October 1995, a new governance policy which included the issue of corruption, but getting it actually implemented seems to have been quite a slow process. In fact, TI put on a seminar for them in May to help them formulate the implementation of the policy on this issue; they wanted our views on that. We see ADB as having made the right basic policy decisions but they are not yet in the implementation phase, whereas the World Bank is maybe a year ahead.

The whole process to some extent is coordinated in the development aid area through the Development Aid Committee at the OECD, and they put out some quite clear guidelines. At the same time, for example, we were suggesting to AusAID here and to the Department of Foreign Affairs and Trade that AusAID should follow the lead of the World Bank and also the DAC recommendations. I am pleased to say that, in March, AusAID changed its procurement guidelines to introduce specific anti-corruption wording, which was something that we had been recommending they should do. So there is this process going on at a multilateral and at a bilateral level.

Mr Bosch—I was going to say, Senator Harradine, if you are interested in the World Bank's position, I have got here its media release dated 1 October last year at which it changed tack. Would you like us to table that?

CHAIRMAN—By all means, yes, please do.

Mr Bosch—While we are on the subject of tabling, since you, Chairman, expressed interest in the OECD, would you like to have the—

CHAIRMAN—For the *Hansard* record, would you just read out the titles to both of those documents?

Mr Bosch—This is the official statement of the OECD Council, headed 'OECD

countries to reinforce measures to combat bribery'.

CHAIRMAN—And the other one?

Mr Bosch—A World Bank press release, 'World Bank president outlines a new agenda—describes a bank "on the move" '.

Senator HARRADINE—I just ask very quickly for the record, could you respond to this idea that corruption—and we are focused on ASEAN in this area—whether it be the type of grand corruption that you are talking about or the facilitation corruption, is the Asian way and culture? That was not my understanding.

Mr Rooke—This issue was raised at the launch of TI Papua New Guinea by a then minister in the Papua New Guinean government. The chairman of the meeting said that he thought that in Papua New Guinea most people saw no difficulty in distinguishing a gift from a bribe. It was quite clear that the meeting supported that statement.

I think we always raise this issue because certainly the question of values and attitudes being imposed from the West or from outside is always one that we are very sensitive to. The answer is that, with every country that we have been to, they say no when the issue of culture comes up. It is a convenient argument that some people with vested interests like to use, but it is not true, and we can give you many examples. I do not believe it. Certainly, there are differences in business practices, in decision making and in the way in which public officials operate, but culture as an excuse for corruption is nonsense.

Mr GEORGIOU—I am just interested in the issue of tax deductibility. How do you get tax deductibility for a bribe?

Mr Bosch—I have met a man who told me that he had paid a bribe, received a receipt and put it into his tax return here as a business expense and had it allowed.

Mr GEORGIOU—Is there any difference between that sort of tax deductibility for foreign public officials and domestic public officials?

Mr Bosch—I think so. The bribery of public officials in Australia is illegal.

Mr GEORGIOU—But you declare presumably taxation from illegal purposes.

Mr Bosch—Is that so?

Mr GEORGIOU—I should imagine so. There have been stories about SP bookmakers. You would remember those. But seriously, basically all you say is you paid X to a foreign official for something or other. I am still hung up on the distinction

between facilitation and bribery. I think when you reconsider the distinction that you make, it does not hold water, but why?

Mr Bosch—It is one that started from the American foreign corrupt practices legislation and has been picked up elsewhere. It is something that I rely on quite a bit in order to avoid having to combat the very large number of facilitation payments that are made. If we were to try to combat every—

Mr GEORGIOU—No, that seems to me a matter of quantum. If you say, 'I am not interested, I am only interested in grand corruption' or 'petty corruption'—you can call it whatever you want. That is not the focus of TI. I still am puzzled. You state that facilitation payments are designed to get you something that you are entitled to as a right: so say I am entitled to a telephone, but they will not give me a telephone unless I sling them a hundred bucks. How different is that from my having just put in the lowest bid on a big dam—I know it is a best quality bid—and a detached tender process would throw it up? I sling in a million bucks on exactly the same principle as for a telephone.

Mr Rooke—I would like to address this from the point of view that TI feels very strongly that the only way that corruption can be tackled in any country is with political will and leadership from the top. If the people at the top, whether they are ministers or senior public officials, are seen to be taking huge amounts of money to subvert the decision making process for their own benefit, there is no hope of dealing with the problem further down the line.

Mr GEORGIOU—That was not my point.

Mr Rooke—No, but the point is that we feel, both as an international organisation and also as a matter of principle, that, as to how one tackles a problem, it has to be tackled from the top.

Mr GEORGIOU—I have no argument with that.

Mr Rooke—I accept the distinction that Henry Bosch is making between the big payments and the facilitation payments, but it is not something that TI wishes to dwell on. What we are really talking about is the big payments and the big people as opposed to the little payments and the little people. There are examples that one can think of of facilitation payments which are extremely large.

For instance, talking to some of the Australian mining companies, they say a big issue for them is the question of environmental controls and licences. If somebody can refuse to give a licence that a mining company is entitled to or whatever it is, that might come under the facilitation payment definition, it is something they are entitled to, but if they ask $1 million for it then it is a very large sum.

This distinction between facilitation payments and payments made to subvert the decision making process is, at the end of the day, not perhaps a helpful area to spend too much time on. What is important is to stress that the big payments—

Mr GEORGIOU—With respect, basically what you are saying is some sorts of payments are fine and other ones are not fine and the basis for that is—

Mr Bosch—We are not saying they are fine.

Mr GEORGIOU—You actually are.

Mr Bosch—We are saying we are going to concentrate on the others. I think I was careful to say that we deplored the fact—

Mr GEORGIOU—You deplored them but basically you are saying the distinction is between facilitation, not between big and small; it is not about small facilitations as against grand corruptions. I must say I am surprised by this.

Mr Bosch—To go back to your example, I do not think it happens very often but if there were a case when the lowest and best tender was won only on the basis of a bribe then I would be prepared to categorise that as a facilitation payment and not to fight it but if the contract is won—

Mr GEORGIOU—You are on very, very thin moral ice there.

Mr Bosch—I was careful to leave the morals to you.

Mr GEORGIOU—So getting an outcome by the payment of money may or may not be bribery depending on a distinction that says, 'If that outcome would not have happened but for the payment of the money, that does not mean necessarily that that is a bribe.'

Mr Bosch—I think we see enough cases. You have introduced the word 'bribe' there.

Mr GEORGIOU—I am sorry, 'corruption'. There was no corruption. There was no intention of sliding the ground.

Mr Bosch—Okay.

CHAIRMAN—We do not want to hold you up any longer. Thank you very, very much. That has been a very useful exchange. Like Petro, I am still a little confused but maybe we will collect our thoughts afterwards. I thank you very much for coming along. I know you are a busy man, Mr Bosch, and we thank you for that. I would like to thank all

the witnesses today. Thank you Hansard for the record. I adjourn the hearing.

Resolved:

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

Subcommittee adjourned at 1.49 p.m.