



COMMONWEALTH OF AUSTRALIA

JOINT STANDING COMMITTEE ON TREATIES

Reference: Treaties tabled on 30 September 1997

CANBERRA

Monday, 20 October 1997

OFFICIAL HANSARD REPORT

CANBERRA

JOINT STANDING COMMITTEE ON TREATIES

Members:

Mr Taylor (Chairman)

Mr McClelland (Deputy Chairman)

Senator Abetz
Senator Bourne
Senator Coonan
Senator Cooney
Senator Murphy
Senator Neal
Senator O'Chee

Mr Adams
Mr Bartlett
Mr Laurie Ferguson
Mr Hardgrave
Ms Jeanes
Mr Tony Smith
Mr Truss

For inquiry into and report on:

Treaties tabled on 30 September 1997.

WITNESSES

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Present

Mr Taylor (Chairman)

Mr Adams

Mr Bartlett

Mr Laurie Ferguson

Mr Hardgrave

Ms Jeanes

Mr Tony Smith

The committee met at 9.06 a.m.

Mr Taylor took the chair.

BARDSLEY, Mr John, Deputy Director of Safeguards, Australian Safeguards Office, Department of Foreign Affairs and Trade, Casey Building, John McEwen Crescent, Barton, Australian Capital Territory 0221

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LENNARD, Mr Michael Andrew, Senior Government Lawyer, Office of International Law, Attorney-General's Department, Barton, Australian Capital Territory 2600

CHAIRMAN—I welcome the officers from the Department of Foreign Affairs and Trade and the Attorney-General's Department. This morning—we will not keep you long on this—we are dealing with three areas: one in relation to nuclear weapons, one in relation to the trade and economic agreement with Malaysia and some amendments and protocols to the Asian-Pacific Postal Union. Then later this morning—some of you will be involved as well—we have a further hearing on the Australia-Indonesia Maritime Delimitation Treaty, in which we will be hearing from the East Timor Relief Association, just to round the picture, if that is the right word, from what we got in Darwin the week before last.

Any questions that we ask you to take on notice could you please get back to us by Friday, because we intend to report to the parliament on Monday, 24 November and keep our 15 sitting day remit to the parliament. I will be indicating, when I table the 10th report of the committee, that we will be making separate reports to the parliament: one is in relation to a bilateral treaty with Kazakhstan and the other is the Australia-Indonesia Maritime Delimitation Treaty. We will have, with both of those, some discussions with ministers and some further discussions with officials before we finalise those reports. With

those brief opening remarks, Les, perhaps you would like to make an opening statement in relation to the nuclear weapons protocol.

Mr Luck—Thank you, Mr Chairman. The proposed treaty action entails ratification of the protocol, which would strengthen Australia's nuclear safeguards agreement with the International Atomic Energy Agency as part of a global effort to strengthen safeguards developed by the IAEA Board of Governors in response to limitations in the IAEA's nuclear safeguards system which were highlighted following the discovery of Iraq's clandestine nuclear weapons program in the aftermath of the Gulf War.

The protocol, which we would conclude is based on a model protocol, intended to provide the new standard for comprehensive bilateral safeguards agreements between all individual non-nuclear weapon states and the IAEA. The history really is that Iraq's nuclear weapons program showed that a determined state, prepared to spend enormous resources on developing an entirely separate nuclear fuel cycle clandestinely, could do so without detection by the IAEA. This is essentially because the traditional safeguards approach is aimed primarily at detecting the diversion of nuclear material from declared activities.

The new strengthened arrangements will enhance the IAEA's ability to detect undeclared nuclear activities. Thus, it extends the IAEA's existing safeguards arrangements to ensure greater assurances over declared safeguardable nuclear materials and increases its ability to detect undeclared nuclear activities.

Australia has been a very firm supporter of the IAEA's effort to strengthen the international safeguards system and has played a key role in bringing the model protocol negotiations to a successful conclusion. Australia is the first country to have concluded a protocol, to have signed a protocol, pursuant to the model protocol. The safeguards system is a vital part of the international security system, and our support for it serves fundamental Australian security interests in ensuring that the civil nuclear programs and nuclear cooperation in no way contribute to nuclear proliferation in our region or elsewhere.

Pursuant to article 17 of the protocol, it will enter into force on the date on which the agency receives written notification from Australia that our statutory and constitutional requirements for entry into force have been met. Minor amendments are required to the Nuclear Non-Proliferation (Safeguards) Act 1987 to enable Australia to implement the protocol. The amendments in question have been included in the Foreign Affairs and Trade Legislation Amendment Bill. That bill passed both Houses on 2 October and is currently awaiting royal assent.

The foreseeable direct financial costs to Australia of compliance with the protocol are modest, essentially entailing costs which would be met from within the existing budget of the Australian Safeguards Office. That is all I would say at the opening, Mr Chairman.

I welcome questions.

CHAIRMAN—Thank you, Les. You indicated that we are the first signatory. What sort of intelligence do we have of immediate or near immediate signature of other nations?

Mr Luck—I think there are a clutch of other nations which would be not too distant from signing. Coming to mind there would be the Czech Republic, Armenia and Georgia. Other countries, particularly those with rather large nuclear industries, we imagine will take rather longer to essentially get their act together, to get their internal regulations, procedures and so on in shape, before they will be in a position to sign. We are urging countries to sign as quickly as possible so that this becomes, as soon as possible, the international safeguards system—the new standard. But we do recognise that some countries will take a little while longer than we have, obviously, with no nuclear power program to put our arrangements in place.

CHAIR—Let us take the Iraq situation. Iraq seems to not want to satisfy its obligations. Is there anything in this protocol which will in any way perhaps strengthen on a multilateral basis what Iraq is all about or not about in their NPT?

Mr Luck—A close reading of the protocol itself reflects the lessons of recent history in terms of the importance of full information being available to the agency and much greater and unimpeded access by the agency to the nuclear programs of its member states. For example, provisions for free or unfettered communication are written specifically into the protocol as a direct experience of the problems that we have experienced in monitoring the Iraqi program after the Gulf War. In many ways it captures the lessons of that experience. I do not know whether Mr Bardsley might have something to add there. He has had direct experience of dealing with Iraq in these matters.

Mr Bardsley—Iraq itself will continue to be under UNSCOM, and there will be a continuous monitoring program which is separate from this particular regime. The purpose of the regime is to increase the agency's understanding of the nuclear power programs and nuclear programs in various states. To be able to come to a conclusion about the correctness and completeness of those declarations that states make, it will have access to a whole range of new sources of information. It will be able to analyse that information and compare it to an expanded declaration which states will now put in, which will go beyond the previous declarations that states have made about their nuclear activities.

In going through this information, the agency will compare the data that it is getting through other sources with the data that the state has declared. If any questions arise from the analysis of the information, then it will ask the state to explain further what these questions might mean. It may ask for complementary access, perhaps, in order to determine that a facility at certain coordinates is not engaged in clandestine nuclear activities. This is the sort of activity which is new. The agency has never had such

freedom before. It has always been restricted in what it can and cannot do.

Ms JEANES—It seems to me that basically it is coming down more heavily on those of us who do the right thing. This is the story of life, is it not? I am assuming it is to keep a much closer track on nuclear material, but given that you still only need a small amount—is it three kilograms that is the critical mass for a—

Mr Bardsley—The agency uses eight kilograms of plutonium.

Ms JEANES—It is still not a lot of material to go missing, is it?

Mr Bardsley—I agree.

Ms JEANES—What do we know about states potentially in a position to do what Iraq did? What is it actually going to do to prevent them doing what Iraq did? I do not find anything specific—

Mr Bardsley—The system that is in place at the moment is based on materials accountancy, so the agency monitors the material in the state in facilities like Lucas Heights.

Ms JEANES—Which this strengthens?

Mr Bardsley—Yes, which this strengthens. What happens is that the agency will now conduct short notice inspections. Before, the agency was required to give quite long notice and did things in a mechanistic way, so one could predict when they were next coming. This new system will allow them to come at any time, and we will have to give them multiple entry visas in order to allow that to work. But these are things which can be done and which we see value in.

Ms JEANES—But this is for states that have signed up?

Mr Bardsley—States that have signed up to the protocol, yes. For those which have not signed to the protocol, it will still be possible for the agency to invoke a thing called special inspection powers. It did not do that in Iraq, and perhaps it should have done, but it will be more sensitive to that possibility. The special inspection powers are seen by many states, though, as being a sort of accusation. The new system of protocols is designed to allow the agency to update its knowledge and to query things without appearing to accuse the state of breaching its commitments under the NPT.

Ms JEANES—What if the state says, ‘No, we are not going to do it’?

Mr Bardsley—The state must produce some explanation to the agency, or the agency can then go to the board of governors and make a statement that it is not satisfied.

It needs to have strong evidence for that, but there is this potential sanction. Ultimately, of course, it could go the Security Council, because that is the agency that would ultimately have to deal with it.

CHAIRMAN—Can I just go back to domestic consultation and the National Consultative Committee on Peace and Disarmament. Would somebody like to talk about the extent to which that committee was consulted, and what industry officials were consulted? This committee has quite a lot to say about consultation, and it will have more to say later on today, but could you just go into that?

Mr Luck—Certainly, I would be happy to. Basically, there were three levels of consultation. One was with the states. Advice that the protocol was under negotiation was notified through the Commonwealth-State Standing Committee on Treaties' schedule of treaty action. In addition to that, a briefing on the protocol was provided to the Commonwealth-State Standing Committee on Treaties in May this year. Mr Fischer has also written to the state Premiers informing them of the federal government's intention to sign the protocol and willingness to consult further as necessary prior to Australia taking steps to bring it into force. To date, we have had responses from three Premiers—the Premiers of Queensland, New South Wales and Victoria—indicating no objection to the entry into force of the protocol.

The second level was with industry. Industry has been kept informed in a general way of our intentions, but a seminar was held by the Australian Safeguards Office in September this year to explain the operation and implications of the protocol. State and territory officials were also invited to that but elected not to attend. Industry representatives have raised no objections at all to the protocol.

Then a briefing on the protocol and Australia's implementation plan was provided to the National Consultative Committee on Peace and Disarmament, which comprises academics, members of parliament and NGOs. At the last meeting of that, I think in June 1997, the NCCPD was given a briefing on where we were at that point, and it was positively disposed towards the protocol and Australia's signature of it. Again, no adverse comment has been received on the intention to sign.

Perhaps I could respond a bit further to the question about the point in taking this extra step. It does build on an existing system in which we have a high level confidence. The whole business of pursuing non-proliferation objectives involves locking in countries to sworn commitments not to acquire nuclear weapons. Indeed, part of the broader objective of eventually ridding the planet of these weapons involves locking countries in and making them live up to their promises. Some 186 countries have now signed the NPT, and all the relevant countries with nuclear activities have nuclear safeguard agreements. This will incrementally improve the operation of those agreements. That is why we are showing the way: because we believe it is important to lead the way and have other countries join and, in effect, lock themselves in. We are hopeful that in time this will be a

universal standard. It will take time, because there is a lot to be done by countries, particularly with large power programs, but that is the objective.

Ms JEANES—It is an admirable objective and I am glad that we are leading the way, but I am sure there are still going to be a lot more flaws to be found along the way.

Mr Luck—Our experience over the years has been that you are always looking for incremental improvements in these systems. None of them provide absolute guarantees. This is very much an illustration of exactly that point: that a system that had served us well up until Iraq needed improvement. The same system, I might add, did prove rather successful in dealing with the North Korean nuclear program. It did reveal information that was important in enabling the international community to engage and bring about what we hope will be a successful resolution there.

CHAIRMAN—I do not think we have got any other questions, Les. The committee is pleased, coming back to consultation again, that it is not just SCOT and that industry and other groups are associated. The point that this committee would want to make to anybody giving evidence, particularly to departmental officials, is that the consultative process does not finish with SCOT, although that is part of it. But in this one it is pretty clear that wider consultation has taken place, and I am sure I speak for the committee in saying we are very pleased about that. Thank you very much.

[9.25 a.m.]

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CHAIRMAN—We welcome representatives of the Department of Foreign Affairs and Trade and Austrade to discuss the Trade and Economic Cooperation Agreement with Malaysia. Thank you very much for coming. Mr Dauth, would you like to make an opening statement?

Mr Dauth—Yes, thank you very much. The committee will be familiar with trade agreements of this sort. Generally they are in many respects different from the sort of treaty that you have been considering already this morning. They usually relate, though not invariably, to countries with which we have a substantial trading relationship and they are usually designed to commit governments to very specific obligations and more to encourage the growth of a trade relationship or, indeed, of an economic relationship more generally between the two parties. This trade agreement is very much in that mould.

As you will know, Malaysia is a substantial trading partner for Australia. It is our third largest trading partner in ASEAN and our 12th largest trading partner overall. Between 1991 and 1996—years that were important to me personally in this respect—our total bilateral trade with Malaysia doubled and it stood in 1996 at \$A3.9 billion.

We have no doubt that, despite recent economic difficulties, Malaysia is a growing economy, that it will continue to grow and that its significance for us as a bilateral trade and investment partner will continue to grow. This agreement is designed to encourage that process and to provide a framework for substantially deepening the bilateral commercial relationship—indeed, I think, the bilateral economic relationship more generally.

It is a mechanism for both sides to explore opportunities for collaboration in industry, science, technology, trade and, importantly, investment. The obligations provide,

for example, that the parties will give each other MFN status. It encourages an intensification of trade promotion and it contains specific reference to the joint trade commissions. JTCs are now formalised as ministerial level meetings, and Mr Fischer is in Kuala Lumpur today involved in such a joint trade commission with his Malaysian counterpart, Minister Rafidah.

This particular provision was a priority objective for us in reaching a new agreement. The Malaysians are now locked into annual ministerial level process through which we can discuss concerns and include new issues which are not covered in the current agreement. This is important with the changing economic relationship in which significant growth opportunities in Malaysia arise in areas like information technology and in particular in the services trade.

The impetus for negotiating this agreement came from the Malaysians. In 1992, at the then officials level JTC, the Malaysians indicated to us that they believed we needed a new agreement. The old agreement, concluded in 1958, was frankly archaic. It was rather two-dimensional and out of date. It included, for example, Commonwealth preferences and was questionable, frankly, in terms of our consistency with WTO obligations. The only one of those preferences still used was a five per cent preference on imports of canned fruit into Malaysia, which meant that the tariff for Australian exporters was 15 per cent instead of the 20 per cent applied to MFN countries.

Obviously, that was something which we were reluctant to give up. One never gives up any trade preference easily. But the Malaysians were very clear that they were going to get rid of the old preferences and they considered them archaic. They believed they were inconsistent with WTO obligations and they indicated clearly that they were going to move towards ending the old agreement if we could not reach agreement on a new agreement. They only needed six months notice to do that. Moving in that dramatic way would have been unhelpful, particularly to the economic relationship. More generally, it would have been an unhelpful development in bilateral relations. We would have lost the preference on canned fruit in any case.

To alleviate the impact on the exports of canned fruit, amounting to a million dollars only—they were important for the exporters but still a small figure against the overall trading figures—we decided to argue strongly for a two-year phasing in of the new regime from 1996. We did not achieve it all. But I must say that Mr Fischer at last year's JTC cut a deal with Rafidah which, in my judgment, achieved for us the maximum possible. That is to say, we did get agreement that the treaty would not take effect until 1 January 1998, and the old preferences will stay in place until then. We also received an assurance that the Malaysians would look closely at our request for a reduction in the MFN tariff on canned fruit. This is a priority for Mr Fischer today in his meetings with Minister Rafidah and others in Kuala Lumpur.

I heard very clearly what you said about consultation and was proposing to address

that issue this morning. We were acutely aware of the committee's very sound concerns on this point before we came to see you today. We are in the process of negotiating the agreement, lots of other government departments have been involved but, more particularly, industry and trade organisations were consulted. For example, we were in direct contact with the Australian Dairy Corporation, a major beneficiary in the trade relationship with Malaysia at the moment. Through the Department of Primary Industries and Energy, interested sectoral groups were consulted. Mr Fischer personally met with representatives of the canned fruit industry—several times, needless to say.

I should say also that the agreement has been extensively discussed with the Australia-Malaysia Business Council, a peak body in this country. Mr Paul McClintock is the national president of that organisation. They are very enthusiastic about the new agreement, on which agreement was reached last year at the JTC and the signing of which will be today in Kuala Lumpur.

Certainly when I was in Malaysia we were determined to develop in the new agreement a framework which offered a modern, forward looking arrangement between Australia and Malaysia which reflects the realities of the 1990s rather than the realities of the 1950s. The realities of the 1950s were that Malaysia was a very small aid-dependent economy where our interests related to some very specific exports to that economy.

In the 1990s, for all of the recent economic difficulties, the Malaysian economy is a very different sort of economy, characterised, for example, by a very large degree of outwards investment, including significant amounts of Malaysian investment in Australia. We needed a framework arrangement between Australia and Malaysia to encourage, to enhance and, to a degree, to regulate an economic relationship which would take us into the next century. That is what I think we have. Not only are lots of government officials very comfortable with that notion but, more importantly, the business community are extremely enthusiastic about it.

CHAIRMAN—Thank you, John. I hear what you say about the substantial nature of the bilateral trading relationship and bilateral relationship—full stop. In the light of the problems with the ringgit in recent weeks and, most recently, Friday's budgetary announcements, and the disappointment from Transfield in particular about the JPV not going ahead, to what extent will this agreement build on all of that to Australia's benefit rather than just to Malaysia's benefit?

Mr Dauth—Trade agreements themselves, and governments for that matter, never make business. Ultimately, business has to make business. What this agreement does is offer as favourable, regulatory and promotional an environment as is possible. That is something which will work very much to the benefit of Australian business, the Australian private sector, as much as it will benefit the Malaysians.

Ms JEANES—Was the automotive industry consulted at all in any of the industry

bodies?

Mr Dauth—I am a bit reluctant to be categorical given Hansard is recording what I am saying, but I assume that is the case.

CHAIRMAN—Would you like to take it on notice?

Mr Dauth—I had better take that on notice. Automotive exports to Malaysia are important, not just of automobiles but more particularly automotive parts. They will have been watching the developments in respect of the Malaysian budget last week where there may be some more problems for them. As you know, there have been traditionally very high tariffs on the import of automobiles into Malaysia. So I assume that consultation took place, but I had better just check that and get back to the committee.

Mr BARTLETT—You mentioned the figure of \$3.9 billion for trade. Was that the figure for Australian exports?

Mr Dauth—No, that is the two-way trade. Remarkably enough, there is a slight balance in our favour. From memory, it is something like \$2.1 billion of Australian exports and \$1.8 billion Malaysian exports to Australia. So, unlike quite a number of other economic relations in the regions, the thing is very much in balance—not that bilateral balances are important in themselves but it does make for a more comfortable trading environment.

Mr BARTLETT—In your view, is this new arrangement, particularly with regard to the most favoured nation treatment, likely to enhance the slight surplus in Australia's favour?

Mr Dauth—That will be less affected. The performance of Australian exporters will depend less on the provisions of the agreement and more on their own exporting performance. It certainly offers the best achievable environment as can be provided by government, but ultimately exporters will have to perform on their own.

Mr BARTLETT—So, apart from the issue of the canned fruit tariff, will the introduction of the most favoured nation treatment mean a comparable reduction in tariffs on both parts?

Mr Dauth—No, MFN preferences are a universal commitment. That is to say, the action is not so much in giving as in withholding. I do not think it will have a substantial impact on tariff levels where the tariffs we apply and the tariffs the Malaysians apply are very much more governed by their WTO commitments than bilateral trade agreements.

Mr BARTLETT—What about informal methods of protection?

Mr Dauth—Non-tariff barriers?

Mr BARTLETT—Yes. What level of protection does Malaysia apply in that regard to Australian exports and will this new arrangement lead to a reduction in those non-tariff barriers?

Mr Dauth—I could not give you an undertaking that it would have a specific impact on any non-tariff barrier. I would say, though, generally speaking, that Malaysia is a very good international trading citizen. The Malaysian economy trades much more than the Australian economy in relative terms. Malaysia is currently the world's 19th largest trading nation and we are the 20th. Maybe those relativities have shifted slightly, but slightly in Malaysia's favour. Malaysia trades over 80 per cent of its GDP by comparison with Australia which trades something less than 30 per cent of its GDP. Malaysia is a very trade dependent economy. It is an economy which depends on international trade. The Malaysian government are very conscious of this, and for that reason they are good trading citizens. The only ASEAN economy which is a freer trader than Malaysia is Singapore.

For that reason, the Malaysian market is not a market where Australian exporters have traditional market access problems. I am not saying there are none—of course there are, naturally, and automobiles is a very good example where there are these fantastically high tariffs designed to protect a domestic industry—but, generally speaking, Australian exporters to Malaysia do not face the same sorts of tariff and non-tariff barriers that they do in some other markets.

Mr ADAMS—What does the most favoured nation status that we announced going into this treaty mean between us and Malaysia?

Mr Dauth—It means in effect that we will accord to Malaysia the same trading status as we do with all other parties to whom we offer the same status. Most favoured nation is rather odd language. My current responsibilities are not specifically for trade negotiation issues. Someone coming at it for the first time might imagine there was some special status involved in MFN. In fact, it is very much more a matter of MFN being the norm from which you depart if you want to have a less than favourable trading relationship with another country.

Mr BARTLETT—What does that mean in terms of the reduction in tariff levels that we apply to Malaysian goods vis-a-vis their reduction for Australian goods?

Mr Dauth—It means in effect nothing. It means that we will accord to Malaysia the same tariff levels, and they will accord to us the same tariff levels, as they agree to accord to others under the terms of their WTO obligations.

Mr TONY SMITH—I would like you to comment on the fact that there has been

a depreciation in the Malaysian currency, there has been the failure of the Transfield bid and there has been some pretty erratic behaviour in the leadership over there. Has all of that been factored in? What really are, in real terms, the prospects of future trade in all of this given this background? There is a disturbing trend in Malaysia in recent times that seems to cover financial aspects. It has covered the Transfield situation, which many Australians are very disappointed about.

Mr Dauth—It beats me. I committed five years of my life to helping to achieve it.

Mr TONY SMITH—Exactly. Indeed, it seemed like it was in the bag at one stage, although these things never are, I suppose. Given all of those things, do you see a cloud on the horizon as far as Malaysia is concerned?

Mr Dauth—Absolutely not. The Malaysian economy, like the Indonesian, Thai and Filipino economies, is going through a period of some shaking out, some adjustment, but I am very confident that in the long term, and in the medium term, there will be continued growth. I noticed that Finance Minister Anwar's budget of last week posits growth for 1998 at seven per cent. It sounds a bit optimistic to me, but nevertheless he is a very sound Treasurer with a global reputation. They have got a very competent series of technocrats who have made economic decisions, not always the right ones it would appear now in recent times—

Mr TONY SMITH—Are developments in Thailand such as the resignation of the finance minister also a fact that will impact on Malaysia's position? What if Thailand goes really bad in a trading sense?

Mr Dauth—No economies are absolutely insulated from each other, but I think the Thais did have some very special problems in their economy which led to the recent developments which, in turn, led to an IMF support package. I do not think any of us believe Malaysia has the same level of problems with, for example, their financial services sector. As I say, I am confident that, in the short, medium and longer term, there will continue to be substantial growth prospects in Malaysia and that Australia will be the beneficiary. The Malaysian economy doubled in size between the mid-eighties and the mid-nineties. In many respects, that was making the relatively easy yards. It was coming from a very small economy to a medium style economy, but there is a lot of growth left in that economy yet.

Mr TONY SMITH—It is basically a one-party state, is it not?

Mr Dauth—No, I do not think that is a fair description at all. It is a different sort of democracy from the Australian democracy.

Mr TONY SMITH—It is a description that many people have applied to it, though.

Mr Dauth—Yes, but, with respect, not by people who know much about the country.

Mr LAURIE FERGUSON—The background paper refers to privatisation actions. I want to get a bit of a background on what parts of the economy are being privatised. From your knowledge, there might not be Australian companies particularly active in that kind of agenda, but I am interested in a bit of background on that.

Mr Dauth—There were more robust times when the growth cycle had not been interrupted in the way in which it has in recent months. People used to say in Malaysia when I was there that the only thing that Finance Minister Anwar was not going to privatise was the cabinet, and he was thinking about that. There is a very strong private sector focus to government policy making. It is, nevertheless, a focus on a private sector that the government expects to be consultative with government. They have sought to develop a Malaysia Inc. notion about the way in which the Malaysian economy develops. But, anyway, that is a long-winded introduction to the answer to your question.

An example which occurs to me immediately is the education area. Malaysia has not, at any time in its independent history, had enough by way of universities to handle the number of Malaysians who want to go to university. They currently have nine state owned universities in effect, and that is not anywhere near enough. So they have 54,000 students abroad at any one time. This is a very substantial drain on foreign exchange reserves. It costs them over \$2 billion a year to pay for having that number of students abroad.

I think the investment in education has been a very significant motor in Malaysia's economic development. Nevertheless, if they could deliver those services onshore rather than offshore they would make a substantial saving. The state is not in a position where it can suddenly create another 10 universities, so they are looking to the private sector to develop the education sector. There will be many more private universities in Malaysia in the future.

Mr LAURIE FERGUSON—We have very limited time, but can we have a quick overview of the degree of government control? For instance, I am unaware of the transportation. I understand what you mean about universities when you speak about privatisation, but what other sectors of the economy are still state controlled enterprises?

Mr Dauth—While I was there they sold Malaysian Airlines, so there is no government interest any longer in Malaysian Airlines. They had sold off quite a lot of it but they had retained a 32 per cent share and they sold that. Another example is the Malaysian national shipping company—I would have to check that—but I certainly think that transport is a sector where they are looking to privatise very substantially.

Mr BARTLETT—I just want to return to the question of tariffs, just to clarify it

in my own mind. Will this new arrangement involve any reduction in tariffs on Malaysian goods entering Australia?

Mr Dauth—No. The tariff regime we impose on Malaysian goods coming into Australia is determined by our WTO commitments.

CHAIRMAN—Thank you.

[9.51 a.m.]

EMERY, Mr Patrick James, Legal Officer, Department of Communications and the Arts, GPO Box 2154, Canberra City, Australian Capital Territory 2601

NEIL, Mr John Brian, Assistant Secretary, Enterprise and Radiocommunications Branch, Department of Communications and the Arts, GPO Box 2154, Canberra City, Australian Capital Territory 2601

CHAIRMAN—I invite you to make an opening statement.

Mr Neil—Australia has been a member of the Asia-Pacific Postal Union since 1969. The APPU Congress, which is the supreme organ of the APPU comprising representatives of member countries, meets approximately every five years to review the acts of the union. The acts of the union provide a framework for the improvement of postal relations between members and for promotion of cooperation in the field of postal services. The congress last met in Singapore, from 6 to 12 September 1995.

The amendments to the union that you have before you were proposed by Japan, as the chair of a working party which had examined the issue over the previous five years. They rationalised the acts of the union by reconstituting them. They are intended to make the APPU a more business oriented organisation, as well as maintaining and strengthening competitive behaviour within the regional postal industry.

At the congress, Australia sought to amend the Japanese proposal to move strictly commercial and operational matters such as postage rates and transit charges out of the treaty and into a separate agreement between postal administrations where they would not require ratification by governments. The Australian amendment was not supported, but we supported the Japanese proposal because it made worthwhile changes to the constitution structure.

Proposals to amend the APPU constitution must be approved by two-thirds of the member countries. Under the APPU constitution, member countries either ratify, accept or approve the amendments to the APPU constitution and general regulations as soon as possible. Ratification of the amendments passed at the Singapore congress will facilitate further cooperation between the postal administrations of member countries and enhance the quality of postal services provided to consumers of those services. It will impose no new substantive obligations on Australia.

Failure to ratify the amendments may send negative signals to postal administrations in the Asia-Pacific region regarding Australia's preparedness to participate in cooperative activities in the region, including training assistance. It could lead to questioning of Australia's commitment to improved service quality in the region and to encourage more competitive commercial management of postal services. Improvement of

postal services in the region has direct benefits for Australians who send mail to the region or receive mail from those countries. Australia Post meets the entire and relatively minor costs of participation in the APPU.

Mr ADAMS—Is there consultation with Australia Post? What sort of consultation has taken place since the last congress in 1995?

Mr Neil—The preparation for the 1995 congress was done in full cooperation with Australia Post. In fact, management of activities under the treaty are largely with Australia Post. I was joint head of a delegation with a senior officer from Australia Post, Chris Grosser, who is the head of their international area. The briefing and so on was jointly agreed between us and Australia Post.

Mr HARDGRAVE—Does this region focus on Australia as far as its role in this agreement is concerned? We are obviously one of the linchpins of this sort of agreement.

Mr Neil—I think Australia Post administration is respected in the region for its efficiency and is seen as a leader in the region in terms of developing more commercial approaches to the delivery of postal services and improvement of technology and providing training. The major practical effect of the treaty is through Australia Post's support of training activities under the agreement.

Mr HARDGRAVE—So, from that point of view, we are a linchpin because we are only really paying about one per cent of the total budget.

Mr Neil—Yes, outside the contribution to the bureaucracy of actually establishing a secretariat, Australia Post does contribute about \$50,000 towards a training facility that has been established in Thailand, and then spends other funds on providing assistance in the way of training for people coming to Australia and for Australia Post people to go to countries in the region and assist.

Mr HARDGRAVE—Are we printing stamps for other countries in the region?

Mr Neil—I am not sure of what Post is involved in in that activity.

Mr ADAMS—Are there any other bodies that we had this consultation with before we went into this treaty? Did you talk to the postal workers union or consumer bodies?

Mr Neil—No, not to my recollection in relation to the last round of the APPU congress. The Universal Postal Union is a larger and probably more substantive body in terms of setting international postal rates and so on. Consultation outside of Australia Post would probably be more of an issue in relation to the UPU than the APPU. But it is something we should consider for the future in terms of our continued involvement in the—

Mr ADAMS—It is just that this committee is very much about consultation before we sign treaties.

Mr Neil—Sure. As the Australian postal market becomes more commercial and, possibly, further deregulation occurs, the importance of consultation with bodies outside Australia Post will grow.

CHAIRMAN—There are no further questions. That was short and sharp, was it not?

Mr Neil—Yes.

CHAIRMAN—Thank you very much.

Mr Neil—Thank you.

Resolved (on motion by Mr Hardgrave):

That the committee authorises the publication of evidence given before it today.

Committee adjourned at 9.57 a.m.