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DEFENCE AND TRADE

(Foreign Affairs Subcommittee)

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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Foreign Affairs Subcommittee

Tuesday, 25 July 2000

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

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

Senators and members in attendance: Senators Calvert, Ferguson and Quirke and Mrs Crosio, Mr Jull and Mr Pyne

Terms of reference for the inquiry:

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

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

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Subcommittee met at 9.14 a.m.**HALLIDAY, Mr Ian, Director, Operations—Australia/New Zealand, Kraft Foods Ltd**

CHAIR—I declare open this public hearing of the Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade to gather evidence for the subcommittee's review of Australia's relations with the Middle East. Today we will hear from further Melbourne based organisations and individual witnesses who will present evidence on Australia's links with the Middle East. The issues we will be examining today include the trade relationship between Australia and the Middle East as well as issues raised by community groups.

ON BEHALF OF THE SUBCOMMITTEE, I WELCOME MR IAN HALLIDAY FROM KRAFT FOODS LTD. THE SUBCOMMITTEE PREFERS THAT ALL EVIDENCE BE GIVEN IN PUBLIC, BUT SHOULD YOU AT ANY STAGE WISH TO GIVE ANY EVIDENCE IN PRIVATE YOU MAY ASK TO DO SO AND THE SUBCOMMITTEE WILL GIVE CONSIDERATION TO YOUR REQUEST. ALTHOUGH THE SUBCOMMITTEE DOES NOT REQUIRE YOU TO GIVE EVIDENCE ON OATH, I SHOULD ADVISE YOU THAT THESE HEARINGS ARE LEGAL PROCEEDINGS OF THE PARLIAMENT AND THEREFORE HAVE THE SAME STANDING AS PROCEEDINGS OF THE HOUSE ITSELF. I NOW INVITE YOU TO MAKE A SHORT OPENING STATEMENT, IF YOU WISH, BEFORE WE PROCEED TO QUESTIONS.

Mr Halliday—I would just like to thank you for offering me the chance to come along today to talk about relations with the Middle East. I put in my submission that, for Kraft, the Middle East market is certainly one of the single largest markets that we export to, and we see it as a very important market for us. We welcome the opportunity to participate in this inquiry.

CHAIR—My understanding is that Kraft had a huge market in Iraq before the war and that that has virtually collapsed.

Mr Halliday—That is correct. Prior to the Gulf War, commencing back in the late 1980s, we were doing in the vicinity of 8,000 tonnes of canned cheese into Iraq. With the advent of the Gulf War, that business ceased. We have been attempting for the past three years, under the UN Oil for Food program, to get some further business with Iraq. There have to date been seven memoranda of understanding (MOU). In terms of process, the UN allows or allocates a value of funds under each MOU that lasts for approximately six months. At the moment, it is about \$5.6 billion. The Iraqis then need to pull together a distribution plan saying what they are going to spend that money on. It primarily has to relate to medical or food supplies. They then submit that distribution plan to the UN for ratification.

IN THE FIRST THREE MEMORANDA OF UNDERSTANDING, THE IRAQIS WERE NOT LOOKING TO PURCHASE ANY PROCESSED CHEESE. IN MEMORANDUM NO. 4, THEY IDENTIFIED PROCESSED CHEESE AS A REQUIREMENT. IN MOU 4 THE IRAQIS PURCHASED UP TO THE VALUE OF ABOUT \$100 MILLION WORTH OF PROCESSED CHEESE. KRAFT ATTEMPTED TO SECURE SOME BUSINESS THROUGH OUR CONTACTS IN THE MIDDLE EAST MARKET. I ACTUALLY VISITED IRAQ PERSONALLY AND WE SPOKE TO THE RESPECTIVE AUTHORITIES, BUT WE CERTAINLY DID NOT SECURE ANY BUSINESS. THERE

HAVE SUBSEQUENTLY BEEN MEMORANDA OF UNDERSTANDING NOS 5 TO 7, AND WE HAVE NOT SECURED ANY BUSINESS THROUGH ANY OF THOSE MOUS.

WE HAVE BEEN TOLD—AND I SUPPOSE THIS IS ANECDOTAL—THAT THERE ARE TWO REASONS WHY WE HAVE NOT RECEIVED ANY BUSINESS. ONE IS PRICE. MOST OF THE BUSINESS OF PROCESSED CHEESE HAS GONE TO COMPANIES THAT ARE PRODUCING PROCESSED CHEESE TRIANGLE PORTIONS. THEY ARE CERTAINLY A LOT CHEAPER THAN CANNED CHEESE. THE SECOND IS THAT WE HAVE BEEN TOLD VIA OUR PEOPLE IN THE MARKET THAT IT IS ALSO A POLITICAL DECISION FROM THE IRAQI GOVERNMENT. THE IRAQI GOVERNMENT TEND TO HAVE A FLOATING LIST OF FRIENDLY COUNTRIES, NON-FRIENDLY COUNTRIES AND COUNTRIES THAT SIT IN THE MIDDLE. AUSTRALIA IS DEEMED TO BE SITTING IN THE MIDDLE—IT IS NEITHER FRIENDLY NOR NON-FRIENDLY. THEY ARE SAYING THAT, UNTIL RELATIONS WITH THE AUSTRALIAN GOVERNMENT IMPROVE, THEY ARE UNLIKELY TO GRANT KRAFT FOODS ANY BUSINESS. WE HAVE SPOKEN EXTENSIVELY TO AUSTRADE IN JORDAN, AND THEY DENY THIS IS THE CASE. AUSTRADE HAVE INDICATED THAT IT IS NOT A POLITICAL SITUATION, BUT OUR DISTRIBUTORS IN THAT REGION SAY THAT IT VERY MUCH IS.

THERE HAS JUST BEEN ANOTHER ROUND ON OFFER WITH MEMORANDUM OF UNDERSTANDING NO. 8. THERE HAS BEEN QUITE A LOT OF ACTIVITY IN THE PAST COUPLE OF WEEKS. I HAVE HAD A NUMBER OF DISTRIBUTORS RINGING ME UP FROM THE MIDDLE EAST MARKET, PARTICULARLY FROM IRAQ, SAYING THAT THEY HAVE BEEN INSTRUCTED BY THE MINISTRY OF TRADE TO SEEK OUT KRAFT FOODS BECAUSE THEY WANT TO DO BUSINESS. I AM TRYING TO CONFIRM WHETHER THAT IS FACTUAL.

CHAIR—Do you know where they are sourcing their supplies?

Mr Halliday—In MOU 4 through to MOU 7, the Iraqis were getting processed cheese from companies domiciled in France, Egypt and Turkey—countries that we know were on the friendly list with Iraq. The volumes are quite staggering—in the order of about 30,000 tonnes of processed cheese. That is \$100 million worth of business. I believe that in MOU 7, the Iraqis reduced quite significantly the volume of processed cheese that they were getting. At this stage I am not sure whether they bought any at all. It is because the packaging of the cheese that they were receiving—triangle portions—was a foil pack, and this was not conducive to the marketplace in Iraq, where the temperatures get upwards of 50 to 60 degrees during the summertime. I think they had a lot of spoilage. The last we heard was that they were trying to re-engage some of the dairy manufacturers across Iraq, but I think they have struggled because of funding. That could put some credence into the fact that now they are possibly seeking canned cheese to replace the portions.

CHAIR—You do all your own negotiations, or do you rely on people like Austrade?

Mr Halliday—We use a combination of both. We use both distributors that we have based primarily in Jordan or Beirut that then have subdistributors in Baghdad. We also use Austrade. I was in contact with Austrade last week in Jordan. We have good relations with Austrade. The ambassador for Australia in Jordan was in Australia only three weeks ago. I met with him and talked to him about this situation.

CHAIR—Are you happy with Austrade's operation there? Do they do the right thing, as far as you are concerned?

Mr Halliday—I certainly think they are trying on our behalf. They have had a number of visitations into Baghdad. I know that when they do go in they talk from the Australian industry's perspective. They are certainly endeavouring to get some business for us.

CHAIR—Have you joined any of the Austrade delegations to the Middle East?

Mr Halliday—I was intending to go into Baghdad last October with Austrade. They were doing another visitation. Unfortunately, I had to pull out of that particular trip. They did facilitate a trip that I took in October 1998.

Mrs CROSIO—There was a recent trade mission led by Minister Vaile. Was Kraft invited to go?

Mr Halliday—No, we did not participate in that. I might explain a little about how we are structured within the Middle East business. You may have read from my submission that we have been in that market now for about 50 years. In the last 12 years, because that business was growing so substantially, Kraft Foods International, of which Kraft Australia is a part, decided to establish an office in London which has a closer proximity to the Middle East market than Australia. We now have what we call a business unit that manages the Middle East market out of our London office. Australia is essentially what we deem a source unit. We manufacture all the processed cheese sold by Kraft in the Middle East. We organise all the freight and send the products into the market. The marketing, administration and selling of the goods is handled out of our London office, but we also have a substantial office in Dubai that manages the Middle East market on behalf of London. When we talk about the Middle East market, we also make reference to our London office.

Mrs CROSIO—So whether it is done out of London or Dubai, your product comes directly from Australia.

Mr Halliday—Absolutely, yes.

Mrs CROSIO—You say that Australia is neither friendly nor unfriendly. Looking at some of the orders that Kraft is no longer getting and at the destination countries, Egypt is much closer, isn't it? Price-wise it would be more competitive, wouldn't it?

Mr Halliday—For processed cheese portions, yes. But when you look at Australia and New Zealand as the low-cost producers of processed cheese on a global basis—and we have confirmed that through doing benchmarking on a global basis—that does not necessarily mean that we are the low-cost supplier. By the time we add freight, which is in the order of 10 to 15 per cent of the cost of goods, and possibly duties—taking Saudi, for example, at 12 per cent—that adds another 20 to 25 per cent on to the total cost of our goods, which puts us in not a low-cost supplier situation. Then you have countries like Egypt which then place what we deem non-tariff barriers such as six months shelf life. This prohibits us being able to get our products into those markets and sell them effectively. By the time we get the products to the market, two

or three months shelf life may have already expired on a 12-month shelf life product. Distributors do not want to handle product that has short shelf life remaining on the product.

Mrs CROSIO—What you are saying is that it is not just Iraq—it is all parts of the Middle East where you are trying to get into the market, isn't it?

Mr Halliday—The main markets for us are the GCC. That is where we sell most of our products. Saudi in particular is our single biggest market, followed by the UAE and Kuwait. Those are our biggest markets. And then we have what we deem development markets, which are all the other markets such as Jordan.

Mrs CROSIO—Are there problems with shelf life in getting your product into Jordan?

Mr Halliday—No, there is not. For example, in Egypt—where there are restrictions on shelf life—we do not do a lot of business with processed cheese. We have just had an instance in the last six weeks where Jordan was talking about introducing a six-month shelf life. So we did a lot of lobbying. That is when I spoke to Ian Russell, the Ambassador to Jordan. We also engaged our contacts in the US, who do a lot of lobbying with the US government, to overturn the possible ruling that was to be legislated, because that would have been a significant impost. We would have stopped doing business into Jordan if that six-month ruling had been introduced.

THERE ARE STILL INCONSISTENCIES WITH THE APPLICATION OF TECHNICAL BARRIERS AND TECHNICAL TERMS AND THE WAY THE COUNTRIES APPLY THEIR QUALITY STANDARDS. I HAVE INCLUDED IN THE SUBMISSION THAT THE GCC ARE CURRENTLY WORKING TOWARDS COMMON FOOD STANDARDS. WE WOULD CERTAINLY LIKE TO ENCOURAGE THE APPLICATION, THE CONTINUED DEVELOPMENT AND THE CONCLUSION OF THOSE COMMON FOOD STANDARDS AND FOR THOSE FOOD STANDARDS TO BE THEN APPLIED ACROSS OTHER MIDDLE EAST COUNTRIES, BECAUSE AT THE MOMENT WE CERTAINLY FIND THAT YOU WILL GET UNILATERAL DECISIONS BEING MADE BY DIFFERENT COUNTRIES THAT COULD THEN IMPACT ON EXISTING BUSINESS OR BUSINESS THAT WE WOULD LIKE TO PARTICIPATE IN IN THOSE COUNTRIES.

Mr PYNE—Is there expertise in Australia that we could lend to assist in that process?

Mr Halliday—There certainly is. There is AQIS. Our own Australian Quarantine and Inspection Service could participate in that, because we do have good regulations. There is the Australia-New Zealand Food Authority, which could also help and participate in that process. There are symposiums that are being held in the Middle East on a fairly regular basis. We could also invite some of the relevant food authorities to Australia to start to create a dialogue with our own authorities.

I USE AN EXAMPLE OF A PARTICULAR ISSUE THAT AROSE EARLIER THIS YEAR THAT COULD HAVE AN IMPACT ON OUR BUSINESS WITH THE MIDDLE EAST IN THE FUTURE. ONE OF OUR MAJOR COMPETITORS IN THE MIDDLE EAST MARKET—A COMPANY CALLED MD FOODS—SOURCES A LOT OF THEIR MATERIAL OUT OF DENMARK. BACK IN MARCH OF THIS YEAR THERE WAS AN INSTANCE OF MAD COW DISEASE REPORTED IN THE PAPER, AND THE SAUDI AUTHORITIES GOT HOLD OF THAT. THE MD FOODS PRODUCT—WHICH IS

BRANDED ‘PUK’ PRODUCT—IS THE MARKET LEADER. THE SAUDI AUTHORITIES PUT A BLANKET BAN ON ANY PRODUCT COMING OUT OF DENMARK. THAT BAN THEN FOLLOWED ON TO KUWAIT. SO WHAT TENDS TO HAPPEN IS THAT, IF YOU END UP WITH A QUALITY ISSUE THAT THE AUTHORITIES DO NOT LIKE, THEY ARE VERY QUICK TO ENACT BANS AND VERY SLOW TO TAKE THE BANS OFF. THIS BAN HAS HAD A MARKED IMPACT, I AM SURE, ON MD FOODS’ BUSINESS.

WHERE WE CAN ALSO ADD SOME VALUE IS IN THE PROTECTION OF OUR OWN AGRICULTURAL INDUSTRY; TO ENSURE THAT WE DO NOT HAVE THESE SIMILAR SORTS OF INSTANCES, WHICH COULD IMPACT NOT JUST ON THE MIDDLE EAST MARKET BUT ALSO ON OUR ASIAN BUSINESS, BECAUSE COUNTRIES ARE VERY SENSITIVE AT THE MOMENT TO THINGS LIKE MAD COW DISEASE, GMOS, ET CETERA, WHICH COULD RESULT IN FAIRLY SIGNIFICANT IMPEDIMENTS IN TERMS OF OUR BUSINESS IN OUR EXPORT MARKETS.

Mr PYNE—Are we doing anything at the moment? Is the Australian government involved anywhere with respect to these food standards in the Middle East?

Mr Halliday—I am not sure whether we are or not. I cannot answer that question.

Senator CALVERT—Could you give us some examples of the difference in standards between some of the countries? You quoted Saudi, UAE and Jordan. What sorts of standards would those countries have that differ so much that there is a need for cooperation so that you get general standards?

Mr Halliday—For example, there could be differing standards in terms of shelf life. Also, different countries have different requirements as far as labelling on our goods is concerned. So we might have to do different labels or apply stamps or stickers going into different countries. It is all adding cost.

WE HAD AN INSTANCE LAST YEAR WITH PRODUCT GOING INTO ONE MARKET WHERE THE PRODUCT WAS IN A CONTAINER ON A SHIP AND THE TEMPERATURE IN THE CONTAINER WENT OFF POWER FOR ABOUT 12 HOURS. THE SPECIFICATIONS STATED THAT THE TEMPERATURE IN THE CONTAINER HAD TO REMAIN BETWEEN TWO AND FIVE DEGREES. THE TEMPERATURE WENT UP TO SEVEN DEGREES, SO IT WAS TWO DEGREES ABOVE. WHEN IT GOT TO THE RELEVANT PORT THE AUTHORITIES STOPPED THE SHIPMENT OF THAT PRODUCT BECAUSE IT WENT ABOVE THE STANDARD BY TWO DEGREES; YET WHEN THE PRODUCT THEN GETS INTO MARKET IT GETS SUBJECTED TO TEMPERATURES OF 30 TO 45 DEGREES. SO THE APPLICATION OF SOME OF THE STANDARDS IS ALSO AN IMPEDIMENT FOR US. WE ENDED UP HAVING TO BRING THAT PRODUCT BACK TO AUSTRALIA.

Senator CALVERT—Does New Zealand have the same problems as Australia? Are they treated any differently as far as favourable nation status goes?

Mr Halliday—I do not think they would have similar sorts of issues because they do not do a lot of exporting of branded value added product. Our company would certainly be the single largest exporter of value added branded processed cheese products. The application of standards would be different. New Zealand would be exporting a lot of butter or bulk cheese, which does not require very stringent labelling or shelf life expectations.

Senator CALVERT—Are you aware of any other dairy products that go into the Middle East, such as milk powder? Do others have the same problems that you have with cheese?

Mr Halliday—I am certainly aware of other dairy products that go in, but I am not aware that others have issues similar to ours. Again, I would stress that it is mainly because we are in the value added branded products. We are in the retail consumer packs rather than bulk commodity type products.

CHAIR—Kraft have a fair range of food products. Is there anything else you have tried to get into those markets, like peanut butter or even Vegemite?

Mr Halliday—No. Vegemite is very much an acquired taste.

Mr PYNE—You can say that again!

CHAIR—There is nothing wrong with it.

Mr Halliday—We have looked at other products. Certainly we see our advantage in the area of processed cheese, so we focus on that as core business. Other products such as peanut butter are a fairly small market. It is very competitive, and you are competing against product that is coming out of Europe or the US. Our focus has really been on processed cheese because we are, as I said before, the low cost producer on a global basis. We have been doing it for a long time. Kraft is well known within the Middle East market. In fact, if consumers say that they want to go and buy some cheese, they say that they are going to buy some Kraft, even though it may not necessarily be the Kraft brand of product that they buy.

Senator CALVERT—Does the fact that Kraft is an American name turn off the Iraqis? Do you think that has something to do with it?

Mr Halliday—We get leverage from the fact that the product is coming from Australia. We do not necessarily refer to ourselves as American. If we go back in history, we have been exporting this product out of Australia for 50 years. We say that we are an Australian organisation, and we have been here for nearly 80 years now. The product is all Australian. We certainly deal as though we are an Australian organisation in this process.

Senator CALVERT—What kinds of restrictions does the US have in Iraq, for instance? Does it find it tougher to get in there?

Mr Halliday—Absolutely. I do not think you will find any business being undertaken by any US organisation or British organisation in Iraq. This comes back to the ‘friendly list’ that I was talking about earlier. You will find that most of the business is being done by companies that are domiciled in France, China, Egypt and Turkey—the countries that are supportive of Iraq as far as lifting sanctions, et cetera, are concerned. I am certainly not advocating support of the lifting of sanctions, but it is a situation where every effort needs to be undertaken to try to secure some business through the Oil for Food program. We are not looking to go outside the Oil for Food program.

Senator CALVERT—Even so, you have just stated that you do not believe there is any problem with the Kraft brand name but, given that there is such anti-American and anti-British feeling, surely there would be some rub off?

Mr Halliday—I do not believe so. I have been across there and spoken to the authorities. They realise that this is an Australian product and, because of the history, they see the connection with Kraft Australia.

Senator QUIRKE—How much business are you currently doing with the Middle East?

Mr Halliday—We would be doing over \$100 million worth.

Senator QUIRKE—Has that been traditionally the pattern? Has it declined over recent years, or has it increased?

Mr Halliday—In the last three years, we have seen a substantial growth. If you went back into the 1980s, we were certainly doing more than that because we had the Iraqi business and then we saw a major decline in the late 1980s. But in the last three years, with some very good marketing programs, with improved product quality out of our own production facilities here, we have seen double-digit growth.

Senator QUIRKE—If sanctions were not there and if Iraq had not decided to do the sorts of things that it has done over the last two decades or so, what do you estimate would be the Iraqi component of your trade? It is obviously the major part.

Mr Halliday—It could be upwards of a 20 to 30 per cent increase—and probably not just Iraq but you could talk about places like Libya and Iran. Some of the sanctions in those countries are starting to be eased, so we are starting to look at those areas now. But it could be as high as 20 to 30 per cent. The products that we produce, particularly the canned cheese products, are so good and resilient for those sorts of marketplaces where you have got high temperatures and difficult distribution areas. A canned product is very good and conducive to being taken out into the desert.

CHAIR—Do you want to present any evidence in camera?

Mr Halliday—I do.

Evidence was then taken in camera, but later resumed in public—

[9.46 a.m.]

HUGHES, Mr Phillip, Accounts Manager for the Gulf Markets and Iran, AWB Ltd

McCONVILLE, Mr Andrew, Government Relations Manager, Public Affairs, AWB Ltd

CHAIR—The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I invite you to make a short opening statement, if you wish, before we proceed to the questioning.

Mr McConville—Thank you. Firstly, on behalf of the chairman and the board of AWB Ltd and the senior management team at AWB Ltd we would like to thank the committee for the opportunity to present. The Gulf markets of the entire Middle East region—Iran, Iraq and down into Egypt—are extremely important markets for Australian wheat, and, as such, we felt that it was important that AWB Ltd, which is the privatised version of the previous Australian Wheat Board, had an opportunity to put forward its views on the significance of the market and the factors that may impact on its ability to sell Australian wheat into that market.

AWB LTD AND ITS PREDECESSOR, THE AUSTRALIAN WHEAT BOARD, HAVE A VERY LONG HISTORY OF INVOLVEMENT IN THE MIDDLE EAST REGION. IT HAS BEEN SELLING AUSTRALIAN WHEAT INTO THE REGION SINCE 1942, AND IT ENJOYS A VERY STRONG RELATIONSHIP WITH MOST OF THE COUNTRIES IN THAT REGION. AWB LTD, SINCE PRIVATISATION, IS A GROWER OWNED AND CONTROLLED COMPANY. IT HAS A CAPITAL BASE OF AROUND \$625 MILLION, WHICH IS GROWER EQUITY IN THAT COMPANY, AND SO AT ALL TIMES IT LOOKS TO ACT IN THE BEST INTERESTS OF ITS GROWER SHAREHOLDERS AND ITS CUSTOMERS IN THIS REGION. WHAT IT IS ABOUT IN THE WAY IT DOES BUSINESS IS TO BRING THE CUSTOMERS IN THE MIDDLE EAST REGION—OR, INDEED, ANYWHERE ELSE IN THE WORLD—AND THE GROWER CLOSER TOGETHER BY WAY OF PROVIDING THEM WITH THE EXACT PRODUCT THAT THEY WOULD LIKE TO HAVE.

THE MIDDLE EAST REGION'S SIGNIFICANCE IN THE WORLD MARKET IS RIGHT UP THERE WITH THE LARGEST CONSUMING REGIONS IN THE WORLD. ON AVERAGE, BETWEEN 16 PER CENT AND 18 PER CENT OF WORLD WHEAT TRADE WOULD FLOW INTO THAT REGION. THAT TRANSLATES TO BETWEEN 16 MILLION AND 18 MILLION TONNES—WORLD TRADE IS AROUND 100 MILLION TONNES OF WHEAT—AND, OF THAT, AWB LTD IS THE SINGLE DESK SELLER OF AUSTRALIAN WHEAT. IT HAS ABOUT A 50 PER CENT MARKET SHARE IN THAT REGION. THAT DOES VARY FROM YEAR TO YEAR, BUT IF WE LOOK AT THE 1998-99 SEASON, SALES OF AUSTRALIAN WHEAT TO THE REGION WERE IN EXCESS OF \$2 BILLION. THIS YEAR AWB LTD WOULD EXPECT TO TOP THAT AGAIN. IT IS LOOKING AT SALES FOR THE CURRENT 1999-2000 SEASON OF AROUND 7½ MILLION TONNES, WHICH IS ALMOST 50 PER CENT OF ITS ENTIRE EXPORT PROGRAM.

MOVING FORWARD INTO THE 2000-01 SEASON, AWB LTD AGAIN EXPECTS SIGNIFICANT SALES, GIVEN THE NATURE OF THE MARKET THERE AT THE MOMENT WITH DROUGHTS IN IRAN, IN PARTICULAR, WHICH WILL LEAD TO FAIRLY SIGNIFICANT DEMAND. BUT THERE IS ALSO THE CHANGING NATURE OF THE MARKET BECAUSE OF THE IMPROVED WELFARE OF THE PEOPLE IN THE REGION. WHAT WE FIND AROUND THE WORLD IS THAT, AS COUNTRIES MOVE FROM ESSENTIALLY THIRD WORLD STATUS TO SECOND WORLD AND FIRST WORLD STATUS, THEIR TENDENCY TO CONSUME FLOUR BASED PRODUCTS INCREASES, AS DOES THEIR PREFERENCE FOR HIGHER QUALITY FLOUR. SO WE SEE A MOVEMENT AWAY FROM, SAY, A PREFERENCE FOR A VERY LOW GRADE EUROPEAN QUALITY WHEAT TO A PREFERENCE FOR AUSTRALIAN WHEAT, WHICH IS PROBABLY SOME OF THE BEST IN THE WORLD QUALITY WISE.

WITH THOSE OPENING COMMENTS, I WOULD REINFORCE THE IMPORTANCE OF THE REGION TO THE AUSTRALIAN WHEAT GROWER, AND HENCE TO AWB LTD, AND THE IMPORTANCE OF CONTINUING GOOD RELATIONSHIPS. AWB ENJOYS VERY GOOD RELATIONSHIPS WITH ALL THESE COUNTRIES. WE WERE, INDEED, ONE OF THE FIRST COUNTRIES INTO IRAQ AFTER THE GULF WAR AND WE HAVE CONTINUED TO HAVE VERY SIGNIFICANT SALES THERE THROUGH THE OIL FOR FOOD PROGRAM. THIS YEAR WE LOOK TO BE SUPPLYING ABOUT 95 PER CENT OF IRAQ'S TOTAL IMPORT REQUIREMENTS. IT IS A VERY SIGNIFICANT REGION AND WE HAVE VERY GOOD RELATIONSHIPS. WE HAVE EXCELLENT WORKING RELATIONSHIPS WITH THE GOVERNMENTS OF THOSE COUNTRIES AND THE AUSTRALIAN GOVERNMENT THROUGH AUSTRADE AND DFAT IN CANBERRA. WE WORK VERY CLOSELY TOGETHER TO TRY TO SECURE THE BEST OUTCOMES. THEY ARE MY COMMENTS. MY COLLEAGUE, PHILLIP HUGHES, MIGHT HAVE SOME COMMENTS TO MAKE IN TERMS OF THE NATURE OF THE MARKET AS A SELLER INTO THAT MARKET.

Mr Hughes—Thank you. We have four types of buyers in the region. We have state buying agencies, such as in Iran where there is a single-desk buyer. It is totally controlled by the government and done on a negotiation basis directly with AWB Ltd and the government trading corporation of Iran. Other state buying agencies in the region are the Iraqi Grain Board and Pakistan's MINFA, the Ministry of Food and Agriculture, which looks after imports. Also within the Gulf we have government mills in Kuwait, Abu Dhabi, and Qatar. AWB has strong relationships with these government mills, particularly in Kuwait, Abu Dhabi and Qatar where we supply 100 per cent of their requirements. There are also private mills which have been established in the region as it becomes more commercial. AWB is selling directly to these private mills and also through the trade.

MOST OF THE BUYING IS DONE IN TWO WAYS: EITHER THROUGH PRIVATE NEGOTIATION OR BY PUBLIC TENDERS. WITH IRAN, FOR EXAMPLE, ALL THE BUSINESS IS THROUGH PRIVATE NEGOTIATION, AND AUSTRADE WITHIN THAT COUNTRY ASSISTS AWB. IT IS VERY DIFFICULT TO GET INFORMATION OUT OF IRAN FOR OBVIOUS REASONS. AUSTRADE ASSISTS WITH REGULAR MEETINGS WITH THE GOVERNMENT TRADING CORPORATION. EGYPT RUNS PUBLIC TENDERS ON A REGULAR BASIS AND THE AWB PARTICIPATES IN THOSE TENDERS. IT IS A VERY TRANSPARENT PROCESS AND AT THE END OF THE DAY THE BEST PRICE WINS. AS ANDREW MENTIONED, WE ENJOY 49 PER CENT MARKET SHARE WITHIN THE REGION—AND THAT IS VERY IMPORTANT FOR AWB—AND, WITH THE LARGE POPULATION GROWTH IN THAT REGION, THIS IS CONTINUING TO BUILD.

Senator FERGUSON—Mr McConville, perhaps I should declare that as a wheat grower I have a continuing interest in your continuing success in the Middle East. I am trying to reconcile some of the figures that you have put to us. You told us that last year we produced 24 million tonnes of wheat, around 85 per cent of which is destined for the world market and by that I presume you mean for export. That would equate to about a 3.5 million tonne domestic consumption. Is that because you had a big carryover?

Mr McConville—In terms of the numbers we used, 85 per cent of that is available for export. There is a carryover each year of about a million tonnes. With a 24 million tonne crop, that would translate to about 16.8 to 17 million tonnes available for export.

Senator FERGUSON—That is not 85 per cent of it, though.

Mr McConville—No. We do not include the carryover when we use the 85 per cent figure.

Senator FERGUSON—Domestic consumption is still about eight million tonne a year?

Mr McConville—It would be closer to five to six million. That figure might actually be closer to 80 per cent—it depends on the year.

Senator FERGUSON—So 7.5 million tonnes is destined for the Middle East, which is approximately half. For the purposes of your calculations, do you consider Egypt part of North Africa or part of the Middle East? You have written that North Africa imports 16.6 and the Middle East, 16.8. I do not know where Egypt falls in that.

Mr McConville—Egypt would fall in the North African market in that case. In terms of our approach to marketing, it is actually covered under the Middle East desk.

Senator FERGUSON—The Middle East desk does the marketing?

Mr McConville—It is a bit strange. The Middle East desk also does the marketing for Pakistan.

Mr Hughes—We do have an office in Cairo which comes under the Middle East marketing desk.

Senator FERGUSON—It sounds like you have a sort of a cultural area rather than a geographical area.

Mr McConville—That is correct: a cultural area rather than a strictly geographical one.

Senator FERGUSON—There are a number of places where you have 100 per cent of the market, places where you have established relationships with these countries.

Mr Hughes—Yes, that is right.

Senator FERGUSON—Are those 100 per cent commitments being affected at all by price sensitivity, particularly in light of the recent US subsidy arrangements?

Mr Hughes—Very much so. Kuwait was a market where we did enjoy 100 per cent market share up until the mid-eighties. Then when the US targeted EEP at the Gulf markets it got to the stage where AWB chose not to compete at such low prices and we sold into other markets. So for a period of time we did lose Kuwait as an AWB customer, but once the EEP program finished AWB was able to regain Kuwait as a 100 per cent customer.

Senator FERGUSON—Particularly in relation to Egypt, where you have got that 30 per cent stake in the Five Star Flour Mill, has having that commitment meant that you have been able to maintain or improve our sales to Egypt? Have they placed any significance on a commitment like that from Australia, and are there any other exporting countries that have commitments in the same style as that of our flour mill?

Mr McConville—To answer your last question first, no. Although they do have small stakes they probably do not have any to the same extent that AWB does in the Five Star venture. The important point to note coming out of that investment into Egypt is the changing nature of the Egyptian market. There is a government buyer, the GASC, but there is also an emerging private sector into Egypt. That emerging private sector is tending to target the higher end quality wheat, which is the sort of product we have been supplying to the Five Star Flour Mill. The Five Star Flour Mill will purchase Australian wheat only if it offers the best deal. There is no requirement for them to purchase Australian wheat but the quality we supply means that they have in fact continued to do that. The Five Star is actually about to undergo a 100 per cent increase in capacity in order to try to meet the demand for the flour products produced using Australian wheat. AWB would not expect to increase its stake of investment in that mill but it does provide excellent quality feedback for us.

THE OTHER POINT TO NOTE IS THE CHANGING NATURE OF THE EGYPTIAN MARKET. WHAT WE HAVE TRIED TO DO, AND WHAT WE HAVE LOOKED AT DOING RIGHT AROUND THE WORLD, IS SHIFT THE BUYERS' QUALITY PREFERENCE TO A HIGHER QUALITY PRODUCT. FOR EXAMPLE, 10 YEARS AGO, ALL OF THE WHEAT EXPORTED TO EGYPT WAS OUR BASIC GRADE, ASW. WE HAVE BEEN ABLE TO SHIFT THE COMPOSITION OF THAT MARKET SUCH THAT IT IS NOW ABOUT 38 PER CENT ASW, WHICH IS STANDARD GRADE, BUT 30 PER CENT APW, A MUCH HIGHER GRADE. THIS PROVIDES A BETTER RETURN FROM THAT MARKET. THAT IS VERY MUCH WHAT WE HAVE TRIED TO DO RIGHT AROUND THE WORLD AND IT HAS BEEN PARTICULARLY SUCCESSFUL IN MARKETS LIKE EGYPT WITH ITS EMERGING PRIVATE SECTOR. IN OTHER AREAS AROUND THE GULF, WHERE WE ARE SEEING A MASSIVE EXPANSION IN FLOUR MILLING CAPACITY, WE SEE BUYERS TAKING AUSTRALIAN WHEAT AND USING THAT TO BASICALLY BLEND UP THE QUALITY OF THEIR FLOUR. I SUPPOSE IT IS A QUALITY INPUT TO MAKE SURE THAT THE QUALITY OF THE END PRODUCT IS IMPROVED. WE HAVE SEEN IN A NUMBER OF THESE MARKETS THAT, EVEN THOUGH A LOT OF THEM ARE STILL PARTICULARLY POOR, IF YOU DO PROVIDE A GOOD QUALITY PRODUCT, THEY ARE IN FACT PREPARED TO PAY FOR IT.

Senator FERGUSON—How important is quality over price? It would appear that for some of these countries price is not the most important issue and that quality is more important. But, with others, the price sensitivity must be the determining factor.

Mr McConville—That is correct. It depends. In the Egyptian market, for example, if you are selling to the GASC, it is price driven. If you are selling to the private sector, it is much more quality driven.

Mr Hughes—Some of the markets within the Middle East rely very much on visual quality. Australia produces white wheat only. Markets such as Yemen are looking to buy basically only white wheat and it has to be clean, white and pure. The other quality attributes are not so important in the visual markets. The Gulf markets, as Andrew mentioned, are highly competitive. They are looking to export on the world market, so they are looking for price and quality, and the new private mills are buying from not only Australia but from other traders. They use the Australian wheat to blend up with the wheat from Argentina, Turkey or wherever.

Senator FERGUSON—Do they blend it at the flour stage? Is that when it is blended?

Mr Hughes—With the new modern mills, they can blend it at either the flour end or the wheat end. This gives them a lot of options in what they do.

Senator FERGUSON—Is there any further opportunity to establish joint ventures by establishing mills in some of these countries to cement our export opportunities? It would seem to me that we have been quite successful in going into joint ventures and, in doing so, have actually made much more certain our export opportunities in those countries. If other exporting countries are not doing the same thing, it seems as if it is an opportunity that we should not neglect in all of those countries.

Mr McConville—It is certainly something that we are continuing to explore, because it is consistent with our core business, which is trying to find markets for Australian wheat. It depends on the approach. In a market like Sudan in North Africa, we have actually identified a buyer, a family that actually hold the Caterpillar franchise for large machinery. We have been able to be a partner with these people and to enter into a long-term supply agreement with them. They have agreed to purchase one million tonnes of Australian wheat over a three-year period. Written into the contract is a premium over Chicago, so every time we make a sale we get a set premium over Chicago. There is no equity for AWB in that arrangement. Because as a single seller we have been able to guarantee supply, which we would not be able to do in the absence of single-desk status, we have been able to provide them with a guarantee that, yes, we will be able to provide them with a million times of APW over a three-year period within a given quality specification. We have been able to do that in some market markets.

IN TERMS OF OTHER MARKETS IN THE REGION, THERE IS AN EMERGING PROBLEM OF EXCESS CAPACITY IN FLOUR MILLING, SO WE HAVE TO BE VERY CAREFUL WHETHER OR NOT WE UNDERTAKE INVESTMENTS. IT IS VERY MUCH A CULTURALLY DRIVEN THING THAT THEY ALL LIKE TO HAVE A MILL THAT IS BIGGER THAN THEIR NEXT DOOR NEIGHBOUR'S. THAT CAUSES SOME PROBLEMS. THERE IS SIGNIFICANT EXCESS CAPACITY SO WE DO HAVE TO WATCH THAT IN TERMS OF OUR INVESTMENT STRATEGIES. BUT WE CERTAINLY ARE PURSUING OPPORTUNITIES WHEREVER THEY EXIST, WHETHER IT IS THROUGH TRADING OPTIONS OR THE PHYSICAL CONSTRUCTION OF MILLS. FOR EXAMPLE, WE ARE CONSTRUCTING MILLS IN VIETNAM, ON THE OTHER SIDE OF THE WORLD. BUT IT IS CONSISTENT WITH OUR BUSINESS AND WE DO CONTINUE TO EXPLORE THOSE OPPORTUNITIES.

Senator FERGUSON—South America, in particular Argentina, have been for a long time a producer of reasonably low quality wheat but there has been an enormous move in the past few years to upgrade their quality, probably using some of our techniques and some of our strains. If they actually get to the stage of improving the quality so that they become a serious competitor with us, is that likely to have a serious impact on our export opportunities?

Mr McConville—Potentially it could. They are struggling. About two years ago they tried to put in place an initiative to develop a higher quality brand of wheat called trigo plata. In the end, they were not actually able to exert the necessary amount of control over the value chain. They had been unable to guarantee the quality. Argentina is a totally deregulated market and they really have struggled to provide consistent quality. That is the important point: it is the consistency of quality and the ability to supply year in, year out. In fact, if you can go even further—as we can do as a single seller—to provide a guarantee that that quality will be met, you can actually place yourself in front of your competitors. But there is a significant investment going on in Argentina to try to look at ways of improving their quality. I am actually travelling there this weekend with the chairman to examine exactly what is happening in Argentina. If they could get their act together, they would be a significant competitive threat. Obviously, we have to take steps to make sure that we stay in front of them.

Senator FERGUSON—Maybe if we could remove the poor quality wheat from the market they would not be a threat, because the poor quality wheat would not be there to be bought and to drop the price. The chairman and I were there about three months ago looking at what was happening in Argentina particularly with primary production. Perhaps we should be helping them.

Mr McConville—You make a good point. Actually, one of our objectives in visiting there this week is to examine where we might be able to look at ways of helping them. We are actually looking at working more closely together on other trade issues, so there is good scope to work together as well.

Mr PYNE—It is my understanding that a few years ago Australia provided its biggest loan facility to Iran under EFIC, I assume, and then, a couple of years ago, the government made a decision to end that loan facility, which was a significant decision. Has that had any impact on the ability of the Iranians to order or pay? Has it, in fact, led to us getting our money faster?

Mr McConville—We continue to use the national interest facilities provided under EFIC. Each year, we put forward an application to the government to obtain approval in principle. In fact, we received approval in principle for sales of two million tonnes last year. We were able to source a lot of that credit privately with the improving economic circumstances in Iran. As the price of oil has gone up, their credit risk has gone down. We have actually been able to put in place private cover for those sales. That is preferable for us because national interest, given the national interest surcharge, is actually very expensive. If we can find or obtain commercial cover, it makes much more economic sense for us to do that. Mr Pyne, I am not sure of the situation to which you refer because we have continued to be able to sell under the national interest facilities provided by EFIC until this point. We are actually in the process of preparing this year's application at present.

Mr PYNE—I think the situation now is that it is more a case by case situation.

Mr McConville—Yes. In terms of the circumstances and, I suppose, the approval processes, each time we look to make a sale under the national interest—whether it is for Iran, Indonesia or Pakistan, which are the three markets for which we operate under the national interest—it actually requires cabinet approval. So there has been a change in the approval process. That has not presented too many hiccups, apart from a few grey hairs in terms of our trying to get the approval through in time in order to make the sale. Yes, there has been a change in that respect, but it has not inhibited us so far.

Mr PYNE—On a broader foreign policy front, the Australian government has always, whatever political party has been in charge, had a very pro-Israel policy across the Middle East, but we have such a large share of the market that that obviously does not have any great impact on our ability to sell wheat to Middle Eastern countries. What is the secret behind that, do you think? Besides quality and so on, is there a cultural liking of Australia as a middle power? Do they feel that Australia is not patronising and overpowering? It seems to jar a little bit with reality when you think that we are almost as supportive of Israel as the United States of America is in the United Nations and other fora, yet we seem to have a great ability to sell our product in the Middle East.

Mr McConville—Yes. We have been able to conduct the business quite well on a commercial basis, strengthened by the relationships that AWB and the previous Australian Wheat Board have had with the customers in those regions. We are seen as being reasonably apolitical, and political decisions do not seem to enter into the sales or the negotiation process. As we mentioned in our submission, there have been times when some of our customers have raised issues with us and asked whether we could bring those back to the government. We have done so on each occasion that they have requested that.

CHAIR—They are the defence links that you are referring to?

Mr McConville—Yes, that is correct.

CHAIR—Could you expand a little bit on that?

Mr McConville—Certainly. In terms of the feedback that we receive from our customers, the customers very much recognise the position that the Australian government takes on a wide range of issues. That has not been problematic for us in terms of making sales—it is largely a reflection of the strength of the relationship we have with these countries that they see us as a bit of a friendly face. It is more a case of, ‘When you go back and talk to your government, can you raise these issues on our behalf informally?’ On each occasion, we have endeavoured to do that. We have tried to stay away from taking a position on any of the issues raised. If the view is expressed to us, we simply make that view known either to the department or, on occasion, to the minister as appropriate.

THAT IS NO REFLECTION OF AWB’S POSITION ON THESE ISSUES. WE MAKE A VERY CONSCIOUS DECISION NOT TO TAKE A POSITION. WE ARE THERE TO SELL AUSTRALIAN WHEAT AND THAT IS WHAT WE DO, BUT IF THESE THINGS ARE RAISED THEN WE ARE CERTAINLY HAPPY TO RAISE THEM IN THE APPROPRIATE CONTEXT. THAT WAS THE POINT WE MADE IN OUR SUBMISSION, WHICH I THINK RELATES TO THE ISSUE MR PYNE WAS RAISING—THAT IS, WE

HAVE BEEN ABLE TO SEPARATE QUITE WELL THE ABILITY TO DO COMMERCIAL BUSINESS FROM WHATEVER ELSE GOES ON, BUT I THINK THAT AWB LTD IS STILL VERY MUCH SEEN AS BEING CLOSELY LINKED TO THE AUSTRALIAN GOVERNMENT, EVEN THOUGH WE ARE PRIVATISED, AND IS VERY WELL RESPECTED FOR THAT. I THINK WE ARE SEEN AS REASONABLY APOLITICAL EITHER WAY, AND I DO NOT PERCEIVE THAT IT HAS IMPACTED ON OUR BUSINESS AT ANY POINT.

Mr PYNE—Perhaps you are something of an honest broker in many respects?

Mr McConville—Very much so.

Mr Hughes—Can I briefly expand upon that as well? The Iranian government have expressed to us that they prefer to deal with AWB Ltd and also the Canadian wheat board equivalent, CWB, because there is a level of trust in that we were linked with the government as opposed to dealing with the trade where they say the trade is just out for the best deal on any one day. That has been expressed a number of times, and that is why the Canadians and ourselves do enjoy the market share in Iran that we have.

Mrs CROSIO—But the AWB was represented on that trade mission that was led by Minister Vaile in February-March this year.

Mr McConville—Correct, yes.

Mrs CROSIO—So you still saw a need to do that?

Mr McConville—Yes, very much so, and on the previous mission by the then Deputy Prime Minister Fischer, our Chairman, Trevor Flugge, basically travelled the entire trip at Mr Fischer's right-hand side. Because of the importance of wheat, and Australian wheat, in that region, it opens many doors more broadly for the government, and vice versa. We saw that as both a commitment to the government here in Australia that AWB Ltd was prepared to make to support broader trade initiatives, because a positive trading environment for a range of commodities will reflect positively back on our own ability to do business, but also it is something to be seen by customers at the other end as having that strength of relationship to which Phillip referred because it is very good for doing business.

Mrs CROSIO—I know it is only four months, or roughly about that. Have you seen any increase in your exports because of that?

Mr McConville—I think it is very much an environmental issue. It provides a positive relationship in which to do business. We have done very good business with Iran subsequently. Whether that can be directly attributed to that particular mission or not, I think it can be attributed to the strength of the relationship that is reflected in those sorts of activities.

Mrs CROSIO—Through you, Mr Chairman, I take you to page 10 of your submission under 'Impediments'. It is the very top one, 'The aggressive use of the GSM credit facility program.' Would you explain that a bit further?

Mr McConville—Certainly. The United States offer two government-backed credit programs known as GSM, or general sales management, and these programs are known as GSM 102 and GSM 103. GSM 102 is a one- to three-year credit program. It provides cover to the value of 98 percent of the total value of the sale, and it is backed entirely by the US government. What happens is that a trader looks to make a credit sale; that credit insurance is underwritten by the US government to the value of 98 percent of the value of the transaction. That can be contrasted with the situation with EFIC where generally the maximum value of cover underwritten by the government is 80 percent, and then we have to go and find the other 20 percent because we have a policy that, if we sell on credit, the entire sale is covered by insurance.

THE PROBLEM WITH THE GSM CREDIT FACILITY IN TERMS OF ITS USE IS THAT IT ACTUALLY PROVIDES IN NET PRESENT VALUE TERMS A DIRECT BENEFIT TO THE TRADER OVER AND ABOVE THAT WHICH, SAY, AWB IS ABLE TO OBTAIN THROUGH THE USE OF EFIC, OR INDEED ANY OTHER EXPORTER THROUGH THE USE OF EFIC. THE SECOND POINT IS THAT, WHILST IT IS A ONE- TO THREE-YEAR CREDIT TERM PROGRAM, ALMOST UNIVERSALLY THE TERMS OFFERED ARE THREE YEARS. SO WHILST ONCE THE IMPORTER STARTS TO MAKE PAYMENTS THEY ARE ON THE TREADMILL AND THE LENGTH OF TERM IS SOMEWHAT IMMATERIAL, IT DOES HAVE A VERY STRONG PERCEPTION VALUE IN TERMS OF THE EXPORTER TAKING ON A THREE-YEAR CREDIT TERM AS OPPOSED TO A ONE-YEAR CREDIT TERM, AND IT DOES PROVIDE SOME SMALL ADVANTAGE IN TERMS OF THE NET PRESENT VALUE OF THE SALE. WHAT WE HAVE SEEN IN THESE MARKETS, AND HEADING ACROSS THROUGH TO PAKISTAN AS WELL, IS VERY AGGRESSIVE USE—AND WHEN I USE THE TERM ‘AGGRESSIVE USE’ I MEAN TRADE ATTACHES IN THOSE PARTICULAR COUNTRIES GOING TO THE IMPORTING AGENCIES AND SAYING, ‘SURELY YOU WANT TO USE SOME GSM CREDIT.’ WE HAVE ANECDOTAL EVIDENCE OF THAT OCCURRING IN VERY PARTICULAR MARKETS WHERE WE COMPETE VERY STRONGLY HEAD-TO-HEAD WITH THE UNITED STATES. WE HAVE SEEN THIS VERY TARGETED USE OF THESE GSM PROGRAMS AND, INDEED, EVEN TRYING TO SWITCH BUYERS FROM GSM 102—THAT IS, ONE- TO THREE YEARS—TO GSM 103 WHICH HAS THREE- TO 10-YEAR CREDIT TERMS AND THEN, THROUGH THAT PROCESS, TRYING TO GENERATE A DEPENDENCE ON CREDIT AND HENCE A DEPENDENCE ON US WHEAT AS OPPOSED TO AUSTRALIAN WHEAT. WE HAVE ARGUED VERY STRONGLY, BOTH THROUGH THE WTO AND THROUGH THE OECD, THAT EVEN ONE-YEAR CREDIT TERMS ARE IN FACT EXTREMELY GENEROUS.

Mrs CROSIO—There is a difference between strongly and successfully. Have you been successful in your strong representations?

Mr McConville—Not as yet, no, we have not. The OECD negotiations on credit have actually stalled. The US has basically walked away from those negotiations until after the presidential elections, and those negotiations have been going on for in excess of three years to the present point in time.

EVEN ONE-YEAR CREDIT TERMS ARE EXTREMELY GENEROUS. THE GENERAL CREDIT CYCLE AND MILLING CYCLE IS 180 DAYS, NOT 360 DAYS. WITH 360 DAYS YOU ARE EFFECTIVELY DOUBLING IT. ANYTHING BEYOND THAT IS UNNECESSARY AND, WE WOULD ARGUE VERY STRONGLY, MOVES VERY STRONGLY TO THE POINT OF BEING TRADE DISTORTING. WE HAVE CONTINUED TO ARGUE THROUGH THE WTO, FACE TO FACE WITH THE HOUSE

AND SENATE AGRICULTURE COMMITTEES IN THE UNITED STATES, AND ALSO THROUGH THE OECD, TO LOOK AT WAYS OF PLACING SOME SORT OF DISCIPLINE ON THESE GSM CREDIT PROGRAMS.

Mrs CROSIO—Could you also explain the very bottom dot point:

416(b) food aid donations to the Middle East, in particular proposed donations for Yemen

Mr McConville—The United States, like all wheat producing nations and all agricultural trading commodity trading nations, is facing pretty tough times in terms of the farmer terms of trade. They are, indeed, no worse than what Australian farmers are facing. The difference is that their purse strings do tend to be a little bit bigger. The first program was announced on 18 July 1998, with programs by the United States Department of Agriculture to purchase wheat and then donate that wheat to countries around the world. It is done under section 416(b) of the Agriculture Act in the United States.

SINCE JULY 1998, THE UNITED STATES DEPARTMENT OF AGRICULTURE HAS PURCHASED IN EXCESS OF SIX MILLION TONNES OF WHEAT AND DONATED THAT AS AID. AWB LTD WOULD BE THE FIRST TO SAY THAT WE DO NOT OPPOSE THE USE OF WHEAT AS AID WHERE IT IS SUPPLIED TO THE GENUINELY NEEDY AND WHERE IT IS SUPPLIED IN A FORM AND IN A FORUM THAT MEETS THE NEEDS OF THOSE MOST IN NEED. WHAT WE HAVE SEEN IN CONTRAST, THROUGH THE 416(B) DONATION PROGRAM, IS DONATIONS OF WHEAT MADE DIRECTLY INTO COMMERCIAL CHANNELS. WE HAVE SEEN A VERY DIRECT RELATIONSHIP BETWEEN THE AID DONATIONS MADE AND THE DISPLACEMENT OF COMMERCIAL SALES. IN INDONESIA, THERE WAS A DONATION OF 600,000 TONNES OF AID DIRECT TO THE THREE MAJOR MILLS THERE, AND THERE WAS ALMOST A MIRROR REDUCTION IN THE DEMAND FOR AUSTRALIAN IMPORTS INTO THAT MARKET. WE HAVE ALSO SEEN IT START TO EMERGE IN THE MIDDLE EAST—WHICH IS THE POINT WE MAKE IN THE SUBMISSION—IN PARTICULAR IN YEMEN.

AS PHILLIP MENTIONED, AWB HAS BEEN VERY SUCCESSFUL IN REGROWING OUR MARKET SHARE FOLLOWING THE USE OF THE EXPORT ENHANCEMENT PROGRAM IN THE LATE 1980S AND EARLY 1990S. WE HAVE BEEN ABLE TO REBUILD THAT MARKET SHARE. IT IS A VERY LUCRATIVE MARKET WITH A STRONG PREFERENCE FOR WHITE WHEAT. WE HAVE SEEN WITH THE LATEST ANNOUNCEMENT, WHICH WAS BACK IN MARCH OF THIS YEAR, A PROPOSAL TO DONATE 160,000 TONNES OF WHEAT AS AID DIRECT INTO THAT MARKET. YEMEN HAS NO PRIOR HISTORY OF A NEED FOR AID OR OF ANY PROBLEMS THAT WOULD SUGGEST A DONATION OF THIS TYPE.

THE OTHER POINT WORTH MAKING IN RELATION TO USING WHEAT AS AN AID PRODUCT IS THAT IT HAS TO BE MILLED. IT IS NOT A PARTICULARLY CONDUCTIVE AID PRODUCT, BECAUSE IT HAS TO BE MILLED THROUGH THE NORMAL COMMERCIAL CHANNELS, THOUGH THE COMMERCIAL MILLING CYCLE, AND THAT DISPLACES COMMERCIAL SALES. WHAT IS HAPPENING IS THAT WHEAT IS JUST BEING MIXED IN WITH ALL OF THE OTHER PRODUCTS BEING SUPPLIED INTO THAT MARKET AND BEING SOLD INTO COMMERCIAL CHANNELS. AS A CONSEQUENCE, WE ARE VERY CONCERNED AT THE RISK OF DISPLACEMENT OF SALES INTO THE YEMEN MARKET—SO MUCH SO THAT AWB'S CHAIRMAN, MR FLUGGE, AND I TRAVELLED TO THE UNITED STATES IN MARCH TO EXPRESS OUR CONCERN AT THE PROPOSALS.

Mrs CROSIO—What reason did the United States give you for doing that?

Mr McConville—The very clear reason, and it has been expressed on numerous occasions, is to purchase surplus wheat that the farmers are having difficulty selling. It is a very distinct initiative aimed at improving US farm welfare. It is not targeted to any specific aid need around the world. The US announces its intention to purchase X tonnes of wheat—in this latest program, it was almost three million tonnes of wheat. They actually searched the world trying to find markets where that wheat could be donated. It is a very direct measure and has the specific objective of trying to improve the lot of farmers. Stocks in the US are very high, in excess of 20 million tonnes. Stocks are very costly to carry, hence they see this as a way of moving those stocks.

WE TRAVELLED TO WASHINGTON TO EXPRESS OUR CONCERNS. WE HAD SOME SUCCESS. WE WERE ABLE TO REDUCE THE OVERALL INTENDED DONATION AMOUNT FOR YEMEN. AT THE TIME OF WRITING THIS SUBMISSION I THINK I MENTIONED IT WAS 160,000 TONNES. WE WERE ACTUALLY ABLE, AS A DIRECT RESULT OF OUR REPRESENTATION, TO REDUCE THAT TO 120,000 TONNES. IT IS POTENTIALLY VERY DAMAGING TO OUR MARKETS BECAUSE IT IS A DIRECT DISPLACEMENT OF COMMERCIAL SALES. WHAT WE WOULD LIKE TO SEE, IN RELATION TO AID DONATIONS, IS THAT IT GO THROUGH ESTABLISHED AID AGENCIES LIKE THE WORLD FOOD PROGRAM, WHICH HAVE IN PLACE THE INFRASTRUCTURE AND THE MECHANISMS TO MAKE SURE THAT ANY PRODUCT DONATED ACTUALLY GETS TO THOSE WHO MOST GENUINELY NEED IT.

Mrs CROSIO—How have you found your product distribution in Iraq since the sanctions have been on? Some people say that food or aid is not being distributed. Do you find any problem there? Have you heard of any problem?

Mr Hughes—No. Our program has actually increased over the last few years.

Mrs CROSIO—Yes, I noticed that in your submission.

Mr Hughes—Our sales to Iraq in total are actually going to be three million tonnes this year, which will be our largest year on record. The distribution internally within Iraq is probably not an area that we can get too involved in because our point of sale finishes at the port, so the knowledge of where it is distributed from there does not come back to the AWB.

Mrs CROSIO—Your product is increasing as it is going into Iraq. We have just had evidence from Kraft, who are having a problem of getting back to what it used to be with their product. Is there something that you are doing differently or is it because you are a bulk carrier and these are small areas?

Mr McConville—There is the fact that we can consistently supply a very large amount of product. A lot of that comes back to our ability as a single seller to be able to source that product. We can source wheat from the entire 19 ports around Australia in order to make up boatloads to go to Iraq. We can have a consistent sales program to make sure that that market is supplied regularly over the year. It is also the case that wheat is one of the two staple food products. Wheat and rice are the two staples and the population does need those products. I made an observation in our submission that when our chairman travelled to Iraq recently on occasion he was of the view that there was still a significant need for food, that the population did look hungry, and so we continue to work very closely with the Iraqis. We negotiate with the Iraqi grains board and continue to make those sales through the Food for Oil program. The Food

for Oil program is serving us extremely well and we have a very good relationship with the United Nations. We have an office in New York which conducts a lot of that business with the UN and the business is going extremely well.

Senator CALVERT—I note your joint venture with Five Star Flour Mill. How long has that been in operation?

Mr McConville—It has been in operation for almost two years.

Senator CALVERT—Is it going along successfully?

Mr McConville—Very successfully—it is going fantastically well. Recently the board of Five Star Flour Mill, on which AWB sits, agreed to expand capacity by 100 per cent.

Senator CALVERT—Are you involved in any other ventures similar to that in the Middle East? I think the AWB used to be involved in bread shops in Europe.

Mr McConville—We have not gone right down to the point of sale. We are not directly involved in terms of investment of capital in any other ventures in the Middle East. As I say, we do have a very good arrangement in Sudan in North Africa. Our other investments are in China, Japan and Vietnam because the South-East Asian market is about equivalent in size to the Middle East and we have a much better shipping advantage into South-East Asia as well. But we are certainly continuing to scour the globe and if opportunities present themselves we will certainly be examining them very closely.

Mr Hughes—In the Gulf markets, as alluded to before, there is an excess of milling capacity. There is actually three times more milling capacity per day than domestic demand, so the profitability of those mills has been driven down as far as opportunities to invest are concerned.

Senator CALVERT—I note also that you make the comment that, as far as Iraq is concerned, the sanctions seem to be ineffective. Can you give us any examples of that?

Mr McConville—I can only relate that to you thirdhand through the discussions I have had with my chairman in the preparation of this submission. He was of the view, after his most visit there, that the sanctions as they stand—I have used the term ‘misdirected’ but I am not sure whether that is the correct term—are hurting the Iraqi people in terms of their ability to source and provide food for themselves. Whether or not it was the case that they were actually achieving their intended objectives was not clear to the chairman. In the preparation of this submission in discussion with our chairman he did ask that that point be made.

CHAIR—As there are no further questions, I thank you very much indeed for your attendance today. If there are any matters on which we might need additional information, the secretary will certainly be in contact with you. You will be sent a copy of the transcript of your evidence to which you can make corrections of grammar and fact.

[10.27 a.m.]

HAYLES, Mr Ronald Stewart (Private capacity)

CHAIR—Welcome. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I invite you to make a short opening statement if you wish before we proceed to questions.

Mr Hayles—Thank you, Mr Chairman. Although my submission is obviously without the same degree of significance as other submission to the committee, I believed at the time of making my submission that it could be worthwhile for you to understand the experiences of an individual doing business in this Middle East region. If nothing else is achieved but to emphasise the necessity to be both prepared and aware of the problems in doing business in the region, the exercise will have been worthwhile. From my experience the encounter has been an expensive one. I have, however, learnt a lot about the diversity of the cultures and the different ways in which business is conducted. There are, in my opinion, good opportunities for trade in the region, but in the pursuance of these opportunities there must be a commitment on our part to get it right. I continue to believe that Australia, despite the competition, should become a significant provider of agricultural product to the region. The scarcity of water and the ever increasing population growth make it a most worthwhile objective. Despite the desire of some countries of the region to be self sufficient in agriculture, it is not and will not be cost effective.

WE SHOULD CONCENTRATE ON DEVELOPING OUR EXPERTISE FOR THE REGION. MY UNDERSTANDING AND ACCEPTANCE BY THE REGION IS BECAUSE I WAS CONSTANTLY THERE. I TOOK THE TIME TO LEARN, TO UNDERSTAND AND TO APPRECIATE THE DIFFERENCES AND TO NURTURE RELATIONSHIPS. ALTHOUGH I HAVE OPINIONS ON OTHER ISSUES CANVASSED BY THE COMMITTEE, I BELIEVE IT IS UNWARRANTED FOR ME TO COMMENT WHEN YOU HAVE OTHER MORE QUALIFIED SUBMISSIONS BEFORE YOU. DELIBERATELY FOCUSING ON TRADE, I STRONGLY BELIEVE THAT WITH CONVICTION AND CONFIDENCE WE SHOULD CONTINUE TO PURSUE THE OPPORTUNITIES BUT NOT BY AD HOC ARRANGEMENTS. THERE MUST BE A CONTINUITY OF SUPPLY AND STRINGENT QUALITY CONTROL OVER THE PRODUCTS, BECAUSE AGAIN I STRESS THAT WE TEND TO LET OURSELVES DOWN SO BADLY. THE FUNCTIONS OF THE GOVERNMENT AND INDUSTRY BODIES NEED TO BE CONSTANTLY EVALUATED FOR THEIR EFFECTIVENESS. FROM MY EXPERIENCES THEY SHOULD ENCOURAGE MORE THOSE AUSTRALIAN COMPANIES AND INDIVIDUALS THAT DEMONSTRATE INITIATIVE. I BELIEVE THAT OUR OVERSEAS FACILITIES SHOULD BE COMPLEMENTED BY INDIVIDUAL AUSTRALIANS ON THE GROUND IN A CONSULTATIVE NON-BUREAUCRATIC WAY. AGAIN, THESE ARE FROM MY PERSONAL EXPERIENCES. THANK YOU, MR CHAIRMAN.

CHAIR—Thank very much indeed, Mr Hayles. I understand that the business in which you are involved happened a little over a decade ago and was basically in real estate and basically with Saudi Arabia. Can you could give us a broad overview of what went on?

Mr Hayles—Yes, indeed. In 1989 I was general manager of shopping centres for the Sussan Corporation in Australia. I have held directorships of major real estate players in Australia. I had been approached by intermediaries of the royal family, who were undertaking what was then the largest real estate development in the Middle East—Saudi Arabia, Jeddah. His Royal Highness Prince Mohammed sent one of his close advisers to Australia to interview me. I then met up with Mohammed in Los Angeles and travelled to Saudi. We agreed that I would be appointed adviser and take control of the real estate development in Jeddah, which was a \$750 million development—a huge development. So I did that.

WHILST I WAS THERE, BECAUSE OF THE CONDITIONS UNDER WHICH I WAS THERE, I WAS EXPOSED TO A LOT OF OTHER THINGS. YOU WILL SEE IN MY SUBMISSION THAT I BECAME INVOLVED IN THE SHEEP SITUATION, NOT OUT DESIRE BUT BECAUSE I BECAME VERY TIRED OF THE FEEDBACK THAT WAS COMING TO ME—‘RON, WE ARE NOT EATING YOUR SHEEP BECAUSE IT IS DISEASED.’ THESE COMMENTS WERE COMING FROM THE HIGHEST LEVEL. IT WAS BECAUSE OF THESE COMMENTS THAT I SIMPLY SAID, ‘HEY, I CANNOT BE HERE AND NOT DO SOMETHING.’ THAT IS WHY I BECAME INVOLVED IN THESE OTHER AREAS.

THE SAME WITH THE KUWAIT OIL SCENARIO. I TRAVELLED TO KUWAIT AFTER THE GULF WAR WITH ONE OF OUR DIPLOMATS FROM AUSTRALIA. WE TOOK THE AMBASSADOR’S CAR OUT OF RIYADH AND DROVE INTO KUWAIT. I THINK I WOULD HAVE BEEN ONE OF THE FIRST AUSTRALIANS BACK INTO KUWAIT. I WAS ABLE THROUGH MY CONTACTS TO GET TO PEOPLE THAT AUSTRALIA COULD NOT GET TO THROUGH THE MOST SENIOR OF OUR DIPLOMATIC PEOPLE. I ACTUALLY HAD PEOPLE COMING TO ME AND SAYING, ‘ARE YOU ABLE TO ARRANGE A MEETING WITH THE OIL MINISTER?’ AS IT TURNED OUT, BECAUSE OF MY RELATIONSHIPS, I WAS NOT STAYING IN A HOTEL; I WAS STAYING IN THE APARTMENT OF ONE OF THE KUWAITIS AT THE TIME. SO THESE ARE THE REASONS WHY I BECAME INVOLVED WITH THESE OTHER ISSUES. IT WAS THROUGH MY BEING AN AUSTRALIAN, WANTING TO AT LEAST SEE US DOING THE RIGHT THING AND BEING GIVEN THE RIGHT OPPORTUNITIES.

CHAIR—Therefore, you are fairly critical of the Australian officers who at that time were based—

Mr Hayles—Very much so.

CHAIR—Were they generally incompetent, lazy or just did not know?

Mr Hayles—It came down to a number of issues. Bearing in mind on that sheep issue I may not have been a sheep individual but I had put together a high profile group when I decided that we would do something about it. On one of my returns to Australia I reasoned that the industry itself was not going to fix the problem so some friends and so forth who were second or third generation graziers decided we would do something ourselves. So at that stage we prepared, I believe, the most comprehensive report on the sheep industry in Australia. We had a proposal

which spanned 25 years—it was a great proposal. Getting the bureaucrats in Australia off their rear ends was not easy.

INCOMPETENCE?—I JUST DO NOT THINK THERE WAS A DESIRE TO DO IT. PERHAPS THEY DID NOT WANT TO SEE OUTSIDERS, NON-INDUSTRY PEOPLE, DO IT. I TREATED IT VERY SERIOUSLY TO THE EXTENT THAT I SPENT TIME ON A FRIEND'S PROPERTY DOWN IN WESTERN VICTORIA AND WENT THROUGH THE WHOLE SHEEP SCENARIO WITH LIVE SHEEP EXPORT. I WAS ACTUALLY LOADING THE DAMN SHEEP ON THE SHIPS AT PORTLAND BECAUSE MY BELIEF WAS, IF I WAS GOING TO SUCCEED, I REALLY HAD TO KNOW WHAT I WAS DOING. SO I WENT TO THE NTH DEGREE TO DO IT. BUT IN THE END I WALKED AWAY FROM IT BECAUSE OF THE LACK OF SUPPORT I WAS BEING GIVEN BY OUR PEOPLE IN AUSTRALIA. SO, YES, I AM VERY CRITICAL.

AS FAR AS CONTACT WITH THEM IN THE MIDDLE EAST IS CONCERNED, I WAS IN SAUDI FOR THE WHOLE OF THE GULF WAR. WHEN THE GULF WAR BROKE OUT, MY WIFE CAME BACK TO AUSTRALIA. I HAD SAUDIS AND KUWAITIS SAYING, 'RON, DO YOU REALISE YOU ARE THE ONLY REAL AUSTRALIAN PRESENCE THAT WE RECOGNISE HERE NOW?' I DID NOT HEAR FOR THE WHOLE OF THE GULF WAR FROM AUSTRALIA OR FROM OUR AMBASSADOR. I DO NOT MEAN TO BE OVERLY CRITICAL, BUT IT SEEMS THAT CERTAINLY WITH SAUDI ARABIA WE GO INTO THE LUXURIOUS COMPOUND IN THE DIPLOMATIC QUARTER AND REVOLVE AROUND THAT. WE DO NOT SEEM TO—

CHAIR—Get out amongst the action?

Mr Hayles—Yes. I am sorry to digress, but I just want to talk about the oil situation. We put together a great thing with a couple of good groups in Australia to position ourselves with Kuwait. I actually had the Americans, a very large group out of Texas, come to me and say, 'Ron, you're much further advanced on this than we are, and you're a lot closer to it than we are. We would like to put everything that we're doing behind you. The only problem is, of course, that it would be an American initiative.' In hindsight, from my own situation, I should have accepted that but I did not. I chose to maintain the Australian situation. I could not get the Australian government of the day to put the Australian flag on it. They are the things that caused me frustration as an individual. Again, I stress that the people who are now friends and who I was involved with are the decision makers and they still are the decision makers.

CHAIR—And there is still not that contact?

Mr Hayles—No, there is not. We had a high-powered delegation from Australia go to Kuwait just after the Gulf War. They were booked in at the Le Meridien Hotel, which had the whole front of it demolished. Just after that period, I was in negotiations with some of these members to put together the consortium to go back to Kuwait. I got feedback when I was in Kuwait from the gentleman who signed off on behalf of the delegation from Australia. Our delegation actually went to Kuwait and booked into the Meridien. Because there was a little bit of confusion over who was to meet whom, our delegation remained in the hotel for six days, did not move out of it and then came back to Australia. To me, that is a waste.

THE EMBARRASSMENT FOR ME WAS THAT I WAS STAYING WITH THE DOCTOR WHO SIGNED OFF ON THOSE VISAS. HE SAID, 'GOOD GOD, YOU TALK ABOUT AUSTRALIA! YOU COME OVER HERE, YOU SPEND YOUR TIME IN THE HOTEL

AND YOU GO HOME AGAIN.’ ALL THAT I AM SAYING IS THAT, IF WE ARE GOING TO DEAL IN THAT REGION, WE REALLY HAVE TO GET INTO IT. BECAUSE THEY PLAY GAMES AND BECAUSE THEY DO THINGS DIFFERENTLY FROM HOW WE DO THEM, WE MUST BE THERE. WE MUST BE AMONGST IT. I HAVE SEEN DECISIONS REVERSED FROM OTHER COUNTRIES JUST LIKE THAT BECAUSE SOMETHING HAS HAPPENED—SOMEONE HAS BEEN UPSET OR WHATEVER—AND THE DECISION MAKERS HAVE SIMPLY REVERSED DECISIONS. IF WE ARE LOOKING AT LONGEVITY, WE HAVE TO SIMPLY BE THERE AND BE ABLE TO WARD OFF THOSE THINGS.

CHAIR—It would appear from the evidence of the last few days that Australia is fairly well regarded, that we have an image of being honest brokers and that we do not play games. That is not a bad basis on which to start the arrangements.

Mr Hayles—I believe, as I have believed since 1989, that we have probably the best foundation upon which to build. Apart from the few ships that we had sitting out in the Gulf during the Gulf War and what have you, we are not seen as the nasty Americans. I have to say that even within Saudi, America is not seen as the best group to deal with. In fact, there is a lot of bad sentiment in Saudi Arabia against America as to what America has done within that region over time. So, yes, we are seen as being clean and we are seen as being unfortunately distant, but I believe that if we nurture it and we do it correctly we will have a long-term association within that region, and I believe it will be a very worthwhile one.

Senator FERGUSON—You said you did not want to be overly critical, but you do not seem to be doing a bad job at it. What do you really expect delegations and Australian officials to do? Do you want them to go out and stay in apartments with people so they can get amongst the people, or to stay with doctors, as you said, as some of your friends do? There are certain requirements of government representatives that they must abide by.

Mr Hayles—I understand that, Senator. This is why it is probably easier for me to be critical on two counts. Firstly, I funded everything that I did myself—there were no handouts to me—and, secondly, the relationships that I had, I nurtured myself. It may well have been a lot easier for me to do that, but also it was enormously frustrating when I turned to other people for help. I did not mind being the one out there, but it really was disappointing when I came back to Australia. I would go to Canberra for something and I would simply not get the support.

Senator FERGUSON—You talk about your involvement with sheep, and I find it surprising that someone with no background at all in primary production—if you were over there as a real estate developer—became involved in a sheep problem.

Mr Hayles—Yes, indeed. I agree with you entirely.

Senator FERGUSON—There were plenty of other people who could have become involved.

Mr Hayles—Yes, but at that stage we were not treating the problem as seriously as we should have been. We simply were not taking heed.

Senator FERGUSON—What do you mean by ‘we’? I know sheep producers who were.

Mr Hayles—If you reflect back to that time, the industry was going through an extremely difficult time. Again, we were losing shipments on sea and it was disastrous for Australia. Bear in mind that I was at the other end and I was experiencing it from the other side.

CHAIR—That was basically your problem, wasn't it, that we did not have anybody over there?

Mr Hayles—Yes, indeed.

CHAIR—You could see what happened when it arrived.

Mr Hayles—We were not understanding the situation at all. Unfortunately, I do not have the submission with me that I did on the industry because it is on loan. I am happy to get that submission and put it back to the committee and let you have a look at it. You will see that although it was not my bag, I did not approach it in a haphazard manner. The people that I put around me at the time were and are sheep people, believe me, even to the point of people like David Peddie at Portland.

Senator FERGUSON—Who asked you to become involved?

Mr Hayles—At that stage, no-one. It was on my own initiative that I became involved.

Senator CALVERT—Some of the feedback we were getting here was that the blue tongue that they kept on bringing up—

Senator FERGUSON—Scabby mouth.

Senator CALVERT—Yes, scabby mouth and blue tongue—was a plot by the Saudi royal family who had huge interests in their own sheep and they were trying to market those. What truth was there in that?

Mr Hayles—We are heading into delicate ground here. I am happy to answer the questions, but I think I may have to ask that it be done in camera, or I am happy to deal with it later.

Senator CALVERT—As far as history shows, if you could give us some information in camera, it may back up rumours and some comments that were made to me at the time from people over there.

Mr Hayles—I can say to you that at the time, despite whatever criticism might be levelled at me by Senator Ferguson, I do not think there was anyone any closer to it than I was.

CHAIR—Are there any other general questions?

Mrs CROSIO—Only one. In your evidence you explained, Mr Hayles, that you were detained for something like three months and your passport was confiscated. What assistance was given to you by our people over there at that time?

Mr Hayles—It has only been in recent times that that scenario has become public knowledge. Quite frankly, and with respect to our ambassador and our facilities there, I did not seek assistance from them at that stage because of the circumstances that brought that about.

Mrs CROSIO—You tried to get over it yourself.

Mr Hayles—I tried to get over it myself, bearing in mind I still have very close relationships with this gentleman's brothers. It was a very difficult decision for me to go public on it. Obviously, the amount is not small. As you go through the ageing process you realise that you may need some of these amounts in retirement. I just became frustrated at the end and I took the decision that I really had to do something.

Mr PYNE—I have one general question, or comment. You were here for the Australian Wheat Board's presentation. You would have to say that it is not all doom and gloom in terms of our capacity to get into the Middle East given that we dominate the wheat market, with Canada, in the Middle East. I think you are painting an unnecessarily negative picture of our trading relationship with this part of the world.

Mr Hayles—I do not mean to, I really do not. I can only speak from my own experience. Obviously, I do not have the huge backing of the Wheat Board and so forth, but also I take it from the other side. The privileges that have been afforded to me in that region are very good. I do not think that there would be too many Australians who would have had the same experiences that I have had at this level. I stress that all the people I deal with are decision makers. These are the people who sign off, these are the people who will say that we can continue or we do not. There are groups who are obviously doing things right. Listening to the wheat facility I think yes. But, whether we can do better I do not know. Certainly from my perspective I do not have a great deal of confidence in certain industry groups and people that we have on the ground.

CHAIR—With that we might move into camera.

Evidence was then taken in camera, but later resumed in public—

[11.05 A.M.]

KEMPLER, Mr Leon Victor OAM, Chairman, Australia-Israel Chamber of Commerce

CHAIR—Welcome, Mr Kempler. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the committee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I would invite you to make a short opening statement if you wish before we proceed to questions.

Mr Kempler—The Australia-Israel Chamber of Commerce is a national organisation with offices in Perth, Adelaide, Melbourne, Sydney and Brisbane. We are also opening an office in Canberra, and we have a professionally staffed office in Tel Aviv. The objective of our chamber is the promotion of bilateral trade between Australia and Israel. We realise it is really a misnomer. It is really the promotion of world's best practice and benchmarking. Israel and the region could use Australia to enter the Asia-Pacific rim and Australia could use Israel to enter the Middle Eastern countries and especially Europe and America because of its unique position of having free trade agreements with both America and Europe. We are a non-profit, non-political, non-aligned organisation.

CHAIR—I begin by asking you to give us a brief summation of the present bilateral trade. You have provided some statistics but, perhaps, even more importantly, you could give us an indication of where you see this trade relationship going, where you hope it could go, and what opportunities may be there at the moment?

Mr Kempler—The bilateral trade between Australia continues to grow, but it is a trade which is largely skewed in Israel's favour. As an Australian, I tend to look at in absolute terms what is our balance of trade and balance of payments, rather than look in a bilateral sense. There are some countries we buy more from and some countries we sell more to. In order to enhance trade between Australia and Israel, the message I am getting from industry is that we need a double tax agreement fast. A lot of trade is going through third countries and not directly between the two countries. Many companies are using Singapore or America to deal with the equation of Australia's role.

WHERE DO I THINK THERE ARE BENEFITS? I THINK THERE ARE A LOT OF BENEFITS IN TERMS OF INTELLECTUAL POWER, LOOKING AT, FOR EXAMPLE, EDUCATION. WE ARE TAKING DAVID KEMP TO ISRAEL ON 18 TO 23 AUGUST. WE WILL BE LOOKING AT A GLOBAL PHENOMENA, WHICH IS THE HOMOGENISATION OR GENERALISATION OF EDUCATION. UNIVERSITIES ARE BECOMING LARGER AND ABSORBING ALL THE TECHNICAL COLLEGES. THEY ARE BECOMING EVERYTHING TO EVERYONE VERSUS THE CONCEPT OF ELITISM WITHIN UNIVERSITIES PRODUCING WORLD-CLASS BEST COURSES. IF YOU HAVE GOT A DEGREE IN ECONOMETRICS FROM MONASH UNIVERSITY, IT IS EQUIVALENT TO HARVARD. WE ARE LOOKING AT THE PHENOMENA WHERE PEOPLE SAY, 'WHAT ARE YOU STUDYING THIS YEAR?' 'I AM DOING MEDICINE.' 'HOW COME?' 'I MISSED OUT ON ENGINEERING.' 'WHAT ARE YOU STUDYING

HIS YEAR?’ ‘I AM DOING LAW; I MISSED OUT ON COMPUTER SCIENCE.’ WE ARE LOOKING AT A PHENOMENA WHERE INDUSTRY WILL SAY, ‘OUR GRADUATES, THE GRADUATES FROM YOUR UNIVERSITY MEET THE NEEDS OF OUR COMPANY.’ SO WE SEE, FOR EXAMPLE, MOTOROLA ISRAEL ARE LOOKING AT INVESTING IN ESTABLISHING AN IC—INTEGRATED CIRCUITRY—COMPANY OUT OF DANDENONG, IN TALLY HO ON SPRINGVALE ROAD WITH MOTOROLA AUSTRALIA. THEY WILL EMPLOY 100 VICTORIANS AND BASICALLY THEY HAVE GONE TO THE UNIVERSITIES. UNIVERSITIES HAVE CHANGED THEIR CURRICULUM SO THE GRADUATES OF THE UNIVERSITY WILL MEET THE NEEDS OF THE IC CENTRE. THESE ARE JUST TO GIVE SOME EXAMPLES. SO I LOOK AT ISRAEL AS A SMALL ECONOMY. IT IS \$100 BILLION, MAYBE THE SIZE OF VICTORIA’S ECONOMY. IT HAS A SMALL LANDMASS AND I WOULD SAY THAT THE TRADE WILL CONTINUE TO GROW, BUT THE REAL BENEFITS WILL BE IN THE RELATIONSHIPS.

TO GO BACK TO DAVID KEMP, I WAS AMAZED AT HOW MOST OF THE UNIVERSITIES ARE PARTICIPATING. THERE IS THE UNIVERSITY OF SOUTH AUSTRALIA, THE UNIVERSITY OF NEW SOUTH WALES, SYDNEY UNIVERSITY, THE UNIVERSITY OF SOUTHERN CROSS. THERE IS VICKI SARA FROM THE AUSTRALIAN RESEARCH COUNCIL, JARIATH RONAYNE, THE VICE-CHANCELLOR AT VICTORIA UNIVERSITY OF TECHNOLOGY, FRED SMITH FROM LA TROBE UNIVERSITY AND PHILLIP STEELE FROM MONASH. WE BELIEVE THE DEPUTY CHIEF OF CSIRO MURRAY CAMERON WILL BE PARTICIPATING. THERE ARE 30 NAMES—TOO MANY TO MENTION. THEY ARE ALL GOING AND MOST OF THESE ORGANISATIONS AND INSTITUTIONS ALREADY HAVE AGREEMENTS WITH ISRAELI INSTITUTIONS.

Mr PYNE—Yesterday Colin Rubinstein appeared before the committee and gave us a presentation from AIJAC. One of the things that he talked about was the setting up of a research and development facility or a fund similar to BIRD, the Israel US Binational Industrial Research and Development Fund. Do you support that at the chamber? How would it work if it were to occur?

Mr Kempler—The chamber very strongly supports and endorses that recommendation; in fact, it includes one of our recommendations. I can go over what the BIRD is very briefly. Israel has a modest economy and it needed to facilitate the ability to develop in technology real market penetration. The foundation was established in 1983 when the Israeli government and the American government each invested \$US25 million. Living off the capital, they gave money to American and Israeli companies—50 per cent. The other 50 per cent came from the foundation. Those companies turned their technology into businesses. It was so successful that within 10 years they invested a further \$30 million each, so it has a capital base of \$US110 million. Today, the BIRD foundation has produced \$4 billion worth of sales in America and Israel, and tens of thousands of jobs in both countries.

CHAIR—So it is an incubator concept?

Mr Kempler—No. An incubator is giving start-ups; this is well beyond that. It is getting a mature company, like a Pacific Dunlop, working with a mature Israeli company. So they have access to market, they have commercial rigour and it is simply using government to get people involved in industry.

I LOOK AT THE AUSTRALIAN GOVERNMENT AND I SEE WE ARE PUTTING \$4 BILLION-PLUS INTO R&D EVERY YEAR—I THINK WE ARE NUMBER THREE OR FOUR IN TERMS OF THE OECD—AND EVERYONE SAYS, ‘WHAT’S WRONG WITH AUSTRALIAN RESEARCH?’ THE ANSWER IS ABSOLUTELY NOTHING. IT IS BRILLIANT. IT IS WORLD’S BEST. WE REPRESENT 2½ PER CENT OF THE WORLD’S IP; 12½ PER CENT OF THE WORLD’S BIODATA. WE HAVE BRILLIANT RESEARCH. OUR DEVELOPMENT IS A SMALL ‘D’ AND OUR COMMERCIALISATION IS WHAT WE NEED TO WORK ON AND I THINK IT IS MORE A MATTER OF FINETUNING.

I HAD THE HONOUR OF PARTICIPATING WITH JOHN HOWARD IN ISRAEL ON HIS RECENT VISIT. WE DID A TWO-HOUR THINK TANK WITH THE FOUNDER OF THE BIRD FOUNDATION, THE CHIEF SCIENTIST OF ISRAEL, THE HEAD OF MOTOROLA ISRAEL, THE HEAD OF SOME OF THE LEADING INSTITUTIONS, AND REPRESENTATIVES FROM INTEL PLANT NO. 8, WHICH IS A \$1.6 BILLION PLANT. THE PRIME MINISTER SAID, ‘I CAN SEE THE BENEFIT FOR A BIRD FOUNDATION BETWEEN AUSTRALIA AND AMERICA, BECAUSE AMERICA IS A HUGE ECONOMY.’ THE ISRAELIS SAID, ‘YOU ARE 100 PER CENT CORRECT.’ THE PRIME MINISTER SAID, ‘WHAT ABOUT THE BENEFIT OF A SMALL COUNTRY LIKE ISRAEL IN TERMS OF AUSTRALIA?’ THEY SAID, ‘LET’S LOOK AT THE CANADIAN-ISRAEL MODEL,’ AND THEN THEY ELABORATED, ‘LET’S LOOK AT WHAT ISRAEL HAS DONE WITH BRITAIN, WHERE THEY HAVE SET UP A £15 MILLION FUND. LET’S LOOK AT WHAT WE HAVE DONE WITH SINGAPORE. LET’S LOOK AT WHAT WE HAVE DONE WITH CANADA.’ THERE WAS A LOT OF KNOWLEDGE IN THAT ROOM. SO THE CHAMBER WOULD GO A LITTLE BIT FURTHER AND, AS AUSTRALIANS, WE WOULD BASICALLY SAY THAT WE SHOULD HAVE BIRD FOUNDATIONS WITH AMERICA, ISRAEL AND COUNTRIES WHERE THERE IS THE INTELLECTUAL CAPACITY AND THE WILL TO ACTUALLY MOVE FORWARD IN HIGH TECHNOLOGY.

Mr PYNE—Is there a BIRD foundation between Israel and South Korea?

Mr Kempler—There is some sort of agreement. I do not believe it is a BIRD foundation.

Mr PYNE—Why would Israel have concentrated on economies like Singapore or South Korea, as opposed to an economy like Australia, in the last 10 years in setting up BIRD foundations with those economies?

Mr Kempler—There was a strong will by the former chief scientist, Dr Orna Berry—a friend of mine—to move forward with a foundation between Australia and Israel. She suggested that a figure of \$25 million—\$5 million per annum shared between the countries—that would be viable. She believed that anything less than that would not be viable because of the management costs and the scalability would not lend itself to success. The new chief scientist is re-evaluating the whole position of how Israel should move forward.

Mr PYNE—Who administers the BIRD Foundation? Is it administered in Israel or is it administered in the country that it is jointly conducted with?

Mr Kempler—The foundation has a board. It has experts in America and Israel who meet at certain periods of time. I have read all the documentation, but it has been a few years. It works and it can also be modified to meet the needs of the particular circumstances in countries. It evolves.

Mr PYNE—How much money was put in by the Singaporean government or the South Korean government—or don't you know that?

Mr Kempler—It was substantially less—it could have been \$4 million, from memory. I remember Britain was £15 million, and Israel has just given €50 million to a large scientific fund in Europe.

Mr PYNE—Does this play into the idea of a technology attache at the Tel Aviv Embassy in Australia? Would that be part of the—

Mr Kempler—We believe Austrade is doing an excellent job. The last three ambassadors I had the honour of working with in Israel were all top-class, hardworking individuals. I feel that Betty Shlomi is underfunded. We are doing a lot of the work for her. We see ourselves as being junior Austrade representatives.

Mr PYNE—In the last few years the Australia-Israel Chamber of Commerce has really gone ahead in leaps and bounds, certainly in Adelaide. Senator Ferguson and I are both involved with the chamber in Adelaide, and it is dramatic how much it has changed. I am sure that it is the same in Brisbane, and I am sure Sydney and Melbourne were always substantial. Has there been some sort of renewed interest or focus or a decision made by a board somewhere to say, 'Let's really ramp-up these chambers of commerce around Australia and encourage trade between Israel and Australia' or are there just a couple of personalities who have been involved and who have decided that they want to make a go of trade between our two countries?

Mr Kempler—Everything in life is a group effort. Each state is separately incorporated. The boards of our chamber in each state have a mix of legal, accounting, commercial and technological skills. The chamber has a mix of gender. We try to meet the needs of our members in each particular state.

Mr PYNE—I am not being cynical or sceptical or suspicion. It is just that when I came back from Israel in 1996 I addressed a small lunch of the Australia-Israel Chamber of Commerce—which was 12 people in Phillip Fox law firm. Nowadays you cannot get less than 500 people at a lunch. So something has happened. Someone has decided that they are going to turn the chamber of commerce, which was happily a small clubbie atmosphere group, into this really successful chamber. I am just interested to know whether that was a joint thing between Israel and Australia.

Mr Kempler—No, there was absolutely support from Israel; in fact, there was practically no support from the Jewish community. The first people who actually supported the Australia-Israel Chamber of Commerce included the head of Macquarie Bank, Tony Berg; the head of the CSIRO at the time, the Hon. Neville Wran; and the head of Woolworths at the time, Paul Simons. Paul is a Welshman. He was a merchant seaman who, as a cadet, worked his way up through the ranks of Woolworths. He then went on to the competitor, Franklins, and then came back as the executive chairman of Woolworths. He basically said, 'We are the fresh food people. We need quality; we need consistency; we need volume. You can only produce what the customer wants if you have deep scientific knowledge.' He put people like Adrian Clarke, a professor of botany at Melbourne University, on his board. He led a trade mission to Israel because he was interested in tomatoes and drip irrigation. If you look at the wine industry

today—and this is where we talked about the balance of trade—we have a \$1 billion export industry. We had visits from South Australia. I remember Groome, Rob Kerin and at least 15 South Australians coming. From Melbourne, Phil Davis from Gippsland, Barry Steggal from Swan Hill, Bill McGrath, who was the minister for agriculture at the time, Pat McNamara and Jeff Kennett visited. Netafim, one of the largest drip irrigation companies in the world, put many millions of dollars of investment into Australia, and you find drip irrigation all around Australia, which is giving that quality, consistency and volume. It was very much the vision of Paul Simons.

THE CHAMBER WAS VERY STRONG IN 1991 IN NEW SOUTH WALES AND MELBOURNE. IN MELBOURNE I CONTACTED ALAN BOLAFFI AND GRAHAM LAITT. MELBOURNE'S RESPONSIBILITY WAS TO NURTURE AND SUPPORT THOSE TWO STATES AND UNDERWRITE ANYTHING THAT THEY NEEDED. IN BOTH CASES, THANK GOODNESS, ALAN AND GRAHAM HAVE MANAGED WITHOUT ANY FINANCIAL SUPPORT FROM ME. THE SAME APPLIES TO MAURICE HANNAN AND THE GROUP OF PEOPLE UP IN QUEENSLAND. WE GET A LOT OF SUPPORT. IF YOU DO NOT ASK PEOPLE FOR ANYTHING IN LIFE AND YOU GIVE THEM A SORT OF VALUE, PEOPLE PAY YOU BACK MANYFOLD.

Mr PYNE—I am aware of industries from Israel that have been setting up here, like Netafim and olive growth and things like that. Are there other success stories that you could tell the committee about to do with investment in Australia from Israel?

Mr Kempler—I know that Email airconditioning, which I have put into the report, was bought out by Amcor. They have invested millions of dollars and that has escalated and the business is going very well. I note companies like Teledata would import \$7 million worth of telecommunication equipment from Israel and re-export it for about \$15 million into Indonesia. When you look at the *Yellow Pages* today and that whole digitalisation process, there are 50 Israeli families living in Box Hill. Pacific Access is part of Telstra and would probably have over \$1 billion in sales, with \$500 million or 12 per cent of Telstra's profit. A lot of that technology emanated from Israeli digitalisation. There are firewall companies that protect information between computers, such as a company called Checkpoint. There is also Gilat interactive satellites, all of them establishing here. There was a big announcement where Telstra and Gilat communications have entered into an agreement. The opening will be on 30 August and that will bring an opportunity for interactive education using satellite communications and an opportunity for Australia to export its educational services into our region. There are over 30 examples I could give you.

CHAIR—The only thing that you have mentioned so far that would appear to be an impediment to continually developing the relationship is the tax agreement. Are there any other impediments?

Mr Kempler—On page 42 of Tim Fischer's report, the white paper, there was a talk of free trade agreements. We think if there was a free trade agreement between Australia and Israel, which in principle the government supports, it would enhance the trade dramatically. Everything else is more of an embellishment, just trying to get the activity moving together. I am very passionate. I have no personal interest in it. My position is totally honorary at the chamber. If we had a BIRD foundation moving forward it would add tremendous value for our children.

Mrs CROSIO—I was just a little bit concerned, given the population of Australia and Israel, at the trade imbalance. You were saying the economy of Israel is similar to the economy of the state of Victoria. We have \$158 million of exports from Australia and \$368 million imported from Israel. Why is the disparity there? It is over 2 to 1 in Israel's favour.

Mr Kempler—Basically, what we are importing from Israel is telecommunication equipment, new technology and some diamonds. What we are exporting is basically resource type products: coal, \$40 million; aluminium and agricultural products. What we need to look at as Australians is how we can turn that around in our total exports globally, not just on a bilateral relationship. Today it is what percentage of the world market you have. Look at an Australian company like Adacel, which is listed on the stock market, which is the world leader in airport control systems. They have been to Israel. They have benefited from it. They are going on a second and a third mission. That relationship will help them cement global relationships.

EVERY ISRAELI COMPANY THAT IS SUCCESSFUL HAS A GLOBAL PRODUCT. SOME OF THE THINGS THAT THE INCUBATOR AND THE BIRD FOUNDATION WILL BE LOOKING AT ARE: IS IT EXPORT ORIENTED AND DOES IT EMPLOY ISRAELIS? WHAT WE HAVE TO LOOK AT WHEN WE INVEST IN HIGH TECHNOLOGY IN AUSTRALIA IS: WILL IT EMPLOY AUSTRALIANS AND WILL IT BE EXPORT ORIENTED? IF AUSTRALIANS ONLY BUILT PRODUCTS FOR OUR LOCAL MARKET THEN AUSTRALIA DOES NOT HAVE A FUTURE IN TECHNOLOGY. WHEN I LOOK AT AMERICA TODAY AND WHEN THEY TALK ABOUT BRANDING, WHAT HAS BUILT AMERICA IN THE LAST 10 YEARS ARE CISCO, INTEL AND MICROSOFT—NAMES THAT WERE NOT KNOWN 10 YEARS AGO. THEY ARE ALL NASDAQ LISTED COMPANIES, ALL NEW ECONOMY WITH GLOBAL PRESENCE. THAT IS WHAT WE AS AUSTRALIANS HAVE TO SAY. WE HAVE MINCOM, ERG, RESMED AND KEYCORP. WE HAVE MAYBE 15 COMPANIES AT THAT \$400 MILLION TO \$1½ BILLION VALUATION. IN THREE YEARS TIME WE WOULD LIKE TO SIT HERE AND SAY WE HAVE 20 AUSTRALIAN COMPANIES WHICH ARE WORTH \$3 BILLION SELLING TO A GLOBAL MARKET. I AM NOT CONCERNED ABOUT THE BILATERAL RELATIONSHIP; I AM MORE CONCERNED ABOUT THE TOTAL PICTURE. THAT IS MY POINT OF VIEW.

Senator CALVERT—One of my colleagues from Tasmania, Brian Gibson, was on the Mansfield delegation to Israel recently and he spoke in glowing terms of your technical expertise. I note that Israel is going to participate in the BITS program—Building on IT Strengths program. Could you explain a little bit about these programs and perhaps the aims.

Mr Kempler—I am not really qualified to answer that question. I am the chairman elect of one of the BITS successful applicants. I have no commercial interest in it but I will be the only paid chairman of Information City. Each BITS applicant put in a totally different revolutionary type of bid. In Information City we are finding very much seed capital, young people, giving them \$15,000—if there are three of them, \$45,000—giving them mentors, giving them infrastructure. Hopefully in 12 months time they will become successful. Successful would mean they could probably raise \$100,000 from venture capitalists or seed capitalists. The initiative we are trying to create is very embryonic. From Israel I could see that was very successful.

Senator CALVERT—I know that the BITS program is very embryonic. I am pleased to see, given what Senator Gibson told me that he had seen in Israel with the IT industry that—

Mr Kempler—My group at Information City includes the head of Multimedia Victoria, the ex-head Robert Crompton, who was in Israel with us. It includes Melbourne IT Professor Peter Jarrand, a success story, who was in Israel with us. It includes a number of other people who have been exposed to the Israel model. Six of the successful applicants for BITS have all been to Israel with us and they are all friends. A lot of what will happen will be cooperative, where it is not a question of trying to get the best ideas for ourselves but judging who we can best help in this young start-up area and then share our knowledge and share the resources. There is a tremendous amount of good will. In our group AMP are coming through with \$6 million and they are coming behind that with another \$50 million. If some of them are successful they will be able to take it to the next stage. But our job is purely to build that enthusiasm and that energy at the young stage. If we had 60 per cent success we would look at ourselves as being world class.

Senator FERGUSON—Mr Kempler, I read your submission with interest. It is a comprehensive submission. Having spent time in Israel in 1965, which is a long time ago, some of the achievements since then are quite amazing. I want to talk to you about one of your recommendations about student exchange programs. As a country we have been involved in student exchange with a variety of countries throughout the world at both secondary and tertiary level, and to a much lesser extent at postgraduate exchange or young business exchange. As well as identifying knowledge transfer, probably the unseen benefits of those sorts of exchanges are the contribution they make to international goodwill and understanding, which is an important by-product of any exchange. Do you foresee this student exchange program as being funded by governments? As well as being tertiary, do you envisage it as postgraduate and business exchange which I think is a more important level?

Mr Kempler—I will just give you an opinion. I do not have anything in absolute terms.

Senator FERGUSON—That is fair enough.

Mr Kempler—I can only go by examples. I will just give a bit of a story. We have been very honoured. You can see the calibre of business leaders that have led our trade missions to Israel. One of them was Stan Wallis. He actually went for the venture capital conference. When he spoke on the podium, he had a speech about Australia. The preceding speaker—as there were only two of them—was the head of Pricewaterhouse Coopers Lybrand from America. He was explaining why Israel was important to Pricewaterhouse Coopers Lybrand, that there was a turnover in excess of \$US20 billion. I think Stan started to see that it was the energy of the people and the ideas which could create multibillion-dollar ideas, and I understand that AMP have now started to invest in venture capital in Israel through their UK office. I took Stan to Tel Aviv University where we learned about how they used to have macro-electronics going on to micro-electronics, getting smaller and smaller, so suddenly you have a chip which semiconducts, which gives different sets of instructions. You can put millions of different instructions on a particular chip. As you get smaller and smaller, you see a merging of the electronics department and the biological department because you are starting to deal at a molecular level. It is like the technology of the brain.

STAN WAS OVERWHELMED WITH WHAT THEY WERE DOING IN MICROMACHINING WHERE YOU ARE STARTING TO DEAL AT THE MILLIONTH OF A METER—OR NANOTECHNOLOGY, WHICH DEALS WITH THE BILLIONTH OF

A METER—WITH NO MOVING PARTS. THEY WERE ALL PRETTY HOT SHOT PEOPLE. STAN SAID, ‘YOU ARE MARVELLOUS.’ THEY SAID, ‘WELL, ALL OUR CONTROL SYSTEMS COME FROM A PLACE AT THE TOP OF SWANSTON STREET—RMIT.’ THEY SAID, ‘WE ARE DEALING WITH PROFESSOR SAUD AND PROFESSOR ZMOOD AND ALL THESE DIFFERENT PEOPLE FROM RMIT.’ I THINK THAT IS AN EXAMPLE IN THE POSTGRADUATE AREA OF A GROWTH INDUSTRY. I THINK AUSTRALIA MISSED THE BOAT IN THE 1970S IN THE MICROELECTRONICS AREA. IN TERMS OF MICROMACHINE TECHNOLOGY, OR NANOTECHNOLOGY, AUSTRALIA COULD DO EXCEPTIONALLY WELL. SO WE HAVE AN AGREEMENT BETWEEN RMIT AND TEL AVIV UNIVERSITY WHERE THE PROFESSORS ARE BEING EXCHANGED. IT IS A VERY IMPORTANT AREA.

I HAVE A PERSONAL OPINION—IT HAS NOT BEEN FORMULATED BY THE CHAMBER—OF THE IMPORTANCE OF HAVING A MICROELECTRONICS INDUSTRY IN AUSTRALIA. I SUPPOSE BECAUSE I TRAVEL A LOT AND I AM EXPOSED TO IT, I SEE THAT THE MOTOR INDUSTRY IS WORTH ABOUT \$600 BILLION AND IT IS HARDER TO MAKE PROFITS; IT HAS FEWER AND FEWER PLAYERS. I LOOK AT THE MICROELECTRONICS INDUSTRY AT \$1.2 TRILLION GROWING AT 20 PERCENT PER ANNUM. THE PRODUCTION OF CHIPS IN THE WORLD IS \$300 BILLION—STILL GROWING AT 20 PERCENT PER ANNUM. WE HAVE ALL OF THESE STUDENTS AND, IF THEY WANT TO GO AND GET JOBS IN THESE PARTICULAR INDUSTRIES, THEY NEED TO GO OFFSHORE WHERE THEY CAN GET DOUBLE THE WAGE. I SPOKE TO DAVID BUCKINGHAM FROM THE BUSINESS COUNCIL OF AUSTRALIA. HE SAID, ‘LOOK, MY SON WAS DUX OF MELBOURNE UNIVERSITY COMPUTER SCIENCE AND THE BEST PAY HE COULD GET WAS A STARTING SALARY OF \$55,000. COMPARE THAT WITH AN OFFER IN THE US OF \$US110,000 AS A STARTING SALARY.’ IN THE US, THEY HAVE INDUSTRIES THAT CAN MAKE MONEY BY PAYING SOMEONE \$100,000 IF THEY ARE BRIGHT. YOU HAVE TO TALK ABOUT WHAT INDUSTRIES WE HAVE IN AUSTRALIA. SO I THINK IF YOU GO TO THE POSTDOCTORATE LEVEL AND THE HIGHEST LEVEL OF EXCHANGE YOU ARE DOING A SERVICE. SO I SUPPORT YOUR ASSERTION.

Senator FERGUSON—Who should fund the exchanges—business or government?

Mr Kempler—I have spoken only about the government contribution to R&D and I do not believe we are in the top 20 in OECD terms in terms of industry. I suppose in the same way I see it as, ‘What course are you doing?’ ‘Medicine.’ ‘Why miss out on computer science?’ I suppose the culture is, ‘Why did you come and live in Melbourne, Sydney, Brisbane, Adelaide or Hobart?’ ‘Because the tax incentives are such that I would rather work here than in Hong Kong or Singapore.’

AT THE TIME, I THOUGHT THE RALPH REVIEW WAS BRILLIANT, AND I STILL DO, BUT WE TENDED TO BENCHMARK OURSELVES IN COMPARISON TO THE USA. MAYBE WE SHOULD HAVE BEEN BENCHMARKING IN TERMS OF IRELAND OR SINGAPORE BECAUSE THEY HAVE THE MARKET, THEY HAVE THE POWER AND THEY HAVE THE DEFENCE BUDGET. WE HAVE TO COMPARE APPLES WITH APPLES, BUT I AM NOT AN EXPERT IN THIS AREA. I TEND TO THINK GOVERNMENTS SHOULD TRY TO GET INDUSTRY TO INVEST AND MAYBE SHARE THE PAIN. I DO NOT BELIEVE GOVERNMENTS SHOULD DO THINGS BY THEMSELVES. SO A BIRD FOUNDATION, FOR EXAMPLE, MIGHT SAY, ‘WE ARE THE GOVERNMENTS OF TWO COUNTRIES AND WE SEE THE OPPORTUNITIES. IF INDUSTRY IS PREPARED TO PUT IN HALF THE MONEY—THEY HAVE GIVEN A LOT OF THOUGHT TO IT, THEY HAVE ACCESS TO MARKET AND IT WILL

PROBABLY FIT ON TO ONE OF THEIR PRODUCTS—WE WILL FUND YOU 50 PER CENT. ALL WE WANT IS TO GET PAID BACK WHAT WE HAVE GIVEN YOU, MAYBE WITH A SMALL SURPLUS.’ I BELIEVE THAT, IF GOVERNMENT JUST GIVES MONEY TO INDUSTRY, IT DOES NOT WORK TO THE BENEFIT OF THE TAXPAYERS, THE COMMUNITY OR THE COMPANIES. I DO NOT BELIEVE IN HANDOUTS.

Senator FERGUSON—I am not sure that we could get the Treasurer to agree to Ireland’s business tax rate yet in Australia.

Mr Kempler—I am just trying to give a message or a theme.

Senator FERGUSON—Amongst your recommendations you also talk about a business delegation to visit Israel, the Palestinian administered areas, Jordan and the Gulf states. Aren’t you really already doing that with your trade delegations? I know that sometimes you have gone to specialised areas.

Mr Kempler—You are 100 per cent correct. This year we are involved with Bob Mansfield, with 85 people, plus 45 to Silicon Valley. In other words, we see a global position not just an Israeli position. We see the importance of bringing Indonesia and Malaysia into the delegations. I will go into that story in a moment. Suddenly we have Mark Vaile visiting Israel and Austrade says, ‘Hands off, we are doing it.’ We had a meeting at the chamber and said, ‘This is fantastic. This is exactly what we wanted five or six years ago.’ We are seeing an improvement in the professionalism, the determination and the focus, so we will be taking David Kemp in August and Richard Alston in November. Why do we go for a politician? Five years ago we said we would not touch a politician because we want business. Now we are saying that if it is telecommunications and we get Bob Mansfield to lead it, Cable and Wireless and Vodafone will not come—all the competitors will not come. Richard Alston is independent. We made sure, for example, when it came to Mansfield that we took Kate Lundy and Brian Gibson so that there was balance, because we think these sorts of issues should be bipartisan and attract both sides of the political spectrum, not just one. Am I answering your question?

Senator FERGUSON—Yes.

Mr Kempler—Maybe we are an impetus but, ultimately, government needs to manage. The success story of Israel is not a reflection on the people; it is more a reflection on government.

Senator FERGUSON—With Mark Vaile’s visit to Israel, are you saying that Austrade said they wanted to organise it and that they did not want you to be involved at all?

Mr Kempler—Marcus was at the meeting and Marcus went over and represented the chamber at the meetings. It was well organised and it was well done. We may have done it differently but that does not mean we would have done it better. What I am saying is that, ultimately, if private citizens go there and do it, government needs to be involved. We do not look at Austrade as competing with us; rather, we work together. Can I tell you another story that is of interest?

Senator FERGUSON—Yes.

Mr Kempler—When we are trying to do business in China—because I am also involved in business—I go to Hong Kong. Everyone would have an uncle or a cousin in each of the provinces and there was a real connection. When you want to do business in Indonesia or Malaysia, there are a lot of people in Singapore who are actually very closely connected. I noticed that the gentleman before me was talking about the importance of relationships, and that is what it comes down to. I think Australia really needs to push itself forward as the gateway to the whole Asia-Pacific rim, and we need a strong presence in all of those areas at a human level. That is the sort of thing our chamber is trying to do from an Israeli perspective, which is a microcosm of what Australia needs to be doing in many areas.

I HAD THE HONOUR OF PARTICIPATING IN THE AUSTRALIAN-AMERICAN DIALOGUE IN WASHINGTON LAST WEEK. WE HAD THE MINISTER FOR FOREIGN AFFAIRS, MINISTER DOWNER, JOHN MOORE AND BOB CARR, AND FROM TASSIE WE HAD JIM BACON, AND WE HAD SENATOR COOK AND MR BRERETON THERE. WHAT THEY WERE DOING WAS EXCELLENT, BECAUSE THEY ARE REALLY MAKING THE AMERICANS THINK ‘ASIA-PACIFIC RIM: AUSTRALIA,’ AND IF THESE SORTS OF EVENTS WERE NOT HAPPENING THEY WOULD NOT PUT IT INTO THEIR MINDSET. SO WHEN YOU GET SOMEONE LIKE BOB HAWKE COMING ALONG AND SAYING, ‘LOOK, I HAVE BEEN TO INDONESIA 20 TIMES IN THE LAST 12 MONTHS, AND THESE ARE THE REALITIES, AND I WILL NOT DISCUSS THEM IN PUBLIC,’ IT MAKES PEOPLE SIT UP AND THINK. I THINK THE MORE ACTIVITY, THE BETTER. HAVE I ANSWERED YOUR QUESTION, SENATOR FERGUSON?

Senator FERGUSON—You have. And, in fairness, we have been trying to promote Australia as the hub of Asia—the previous government did, and we have continued on with that—for a number of years now. Maybe it has taken this long for it to actually come to fruition. But I think people are getting to the stage now where they are more seeing Australia as the hub, or the springboard—the term that was used earlier—into Asia.

Mr Kempler—When I look at a small country like Israel having 30 offices now in Australia I am saying: they are penetrating the Australian market. Then we have to look and say: do we have 30, 40, 50 companies operating with offices in Jakarta? Then I will be satisfied and say, ‘Yep, it is really happening.’ So, no, the government is there to facilitate it, but we need industry actually there doing the work.

CHAIR—There being no further questions, I thank you very much indeed for your attendance here today, Mr Kempler. If there are any matters on which we might need to follow up, the secretary will be in contact with you. We will send you a copy of the transcript of your evidence, to which you can make corrections of grammar and fact.

[11.42 a.m.]

ABDO, Mr Wehbe (Private capacity)

CHAIR—Welcome, Mr Abdo. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the committee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and, therefore, have the same standing as the proceedings of the House itself. I would invite you to make a short opening statement if you wish, before we proceed to questioning.

Mr Abdo—Thank you, first of all, for giving me this opportunity to present my submission. It is a privilege and honour. I request that the committee accept my revised submission, which I have tabled. The amendments are outlined on the front page. Today I would like to talk about my submission, which is very much focused on Middle East e-commerce. Although there is a vast array of information out there on dealing with electronic commerce, I would like for the purpose of this submission to remain focused on Middle East e-commerce.

THERE IS INFORMATION AT THE MOMENT OUT THERE FROM THE NATIONAL OFFICE FOR THE INFORMATION ECONOMY DEALING WITH E-COMMERCE. THERE ARE PAPERS AND EXPERIENCES ON E-COMMERCE IN THE APEC REGIONS WHICH CAN BE FOUND ON THE DFAT SITE. THERE IS ALSO OECD RESEARCH ON BUSINESS-TO-BUSINESS E-COMMERCE IN AUSTRALIA AND AUSTRALIA'S INTEREST AND INVOLVEMENT WITH OECD IN BUILDING INTERNATIONAL RECOGNITION TO CREATE AN ENVIRONMENT FOR GLOBAL E-COMMERCE AND HOW THAT CAN BENEFIT AUSTRALIAN BUSINESS.

THIS INFORMATION ALREADY EXISTS OUT THERE. IT IS NOT WISE FOR ME TO REPEAT THAT INFORMATION, BUT I WOULD LIKE TO SUPERIMPOSE THE MIDDLE EAST SCENARIO ON TOP OF THIS EXISTING INFORMATION, WITH MORE FOCUS ON THAT MARKET. THIS CONCEPT IS A CULMINATION OF MY 15 YEARS OF WORK EXPERIENCE IN MARKETING, COMPUTERS, AND THE INTERNET. I HAVE ALSO WORKED WITH THE ARABIC COMMUNITY AS A PART-TIME ACCOUNTANT OVER THE LAST 10 YEARS, HENCE GAINING AN INSIGHT INTO CONSUMER ATTITUDES WORKING WITH THE ARABIC COMMUNITY AND HAVING TRANSFERRED THAT EXPERIENCE ONTO THE INTERNET FOR MARKETING AUSTRALIAN BUSINESSES TO THE MIDDLE EAST.

I WOULD ALSO LIKE TO TALK TODAY ABOUT E-COMMERCE IN RELATION TO THE INTERNET VERSUS E-COMMERCE IN RELATION TO EDI, OR ELECTRONIC DATA INTERFACE—THERE IS A VAST AMOUNT OUT THERE—BUT TODAY I AM SIMPLY TALKING ABOUT INTERNET E-COMMERCE, SOMETHING THAT IS NEW AND WHICH I AM VERY EXCITED TO TALK ABOUT TODAY TO THE COMMITTEE. NEW TECHNOLOGIES ARE EMERGING HERE IN AUSTRALIA AND IN THE MIDDLE EAST. THERE IS A WIDER RANGE OF SOFTWARE COMING ON TO THE SCENE THAT HELPS TO FACILITATE E-COMMERCE AND TO MARKET AUSTRALIAN BUSINESSES TO THE MIDDLE EAST. THE CREATION OF WINDOWS OF OPPORTUNITY FOR MARKETING AUSTRALIA TO THE MIDDLE EAST INVOLVES THE CREATION OF BILINGUAL SITES OR ARABIC SITES THAT HELP

TO PROMOTE AND BOOST THE SOFT TRUST ELEMENT ASSOCIATED WITH TRIGGERING CONSUMER BEHAVIOUR IN INITIATING CONSUMER BEHAVIOUR TO TRADE WITH AUSTRALIA. THIS WAS NOT AVAILABLE PREVIOUSLY—IT HAS BEEN AVAILABLE ONLY FOR THE LAST 10 YEARS. EDI DOES NOT PROVIDE THAT; HOWEVER, WITH THE INTERNET BEING A MULTIMEDIA MEDIUM, YOU CAN USE ARABIC, YOU CAN USE VISUAL STRATEGIES AND YOU CAN ADDRESS CULTURAL AND CONSUMER ATTITUDES THROUGH THE INTERNET BY USING THE MULTIMEDIA CAPABILITIES OF THE INTERNET WHICH NEVER EXISTED BEFORE. IT IS A VERY EXCITING CONCEPT, AND I AM REALLY EXCITED ABOUT IT. IT IS SOMETHING THAT I THINK HAS GREAT POTENTIAL IN SUPPLEMENTING AUSTRALIAN RELATIONS WITH THE MIDDLE EAST AS FAR AS TRADE IS CONCERNED. THEY ARE WINDOWS THAT PROVIDE AN INSIGHT INTO AUSTRALIAN BUSINESSES, INTO AUSTRALIA'S CULTURE AND INTO AUSTRALIA'S GOVERNMENT, AND I ENVISAGE THAT THERE ARE A LOT OF OPPORTUNITIES FOR USING THOSE TECHNOLOGIES IN MARKETING AND PROMOTING OUR INTEREST IN THE MIDDLE EAST.

IN THE MIDDLE EAST, THERE IS A GENERAL PUSH FOR INFORMATION TECHNOLOGIES STEMMING FROM BOTH GOVERNMENT AND CORPORATE INITIATIVES. THE MIDDLE EAST IS CHANGING FOR THE BETTER AS FAR AS INFORMATION TECHNOLOGIES ARE CONCERNED, AND WE ARE SEEING THE EMERGENCE OF YOUNG AND NEW LEADERS IN THE MIDDLE EAST WHO ARE EMBRACING NEW GLOBAL TRENDS FAR BETTER THAN THEIR PREDECESSORS. SO I SEE THERE IS A LOT OF FUTURE POTENTIAL FOR IT IN THE MIDDLE EAST, WHICH I THINK AUSTRALIA SHOULD EMBRACE IN PLANNING FOR ITS FUTURE TRADE AGENDA WITH THE MIDDLE EAST.

CHAIR—I must say that that was one of the lead questions I was going to put to you. Just how developed is the technology in the Middle East? Is it a relatively simple process of getting an interchange between what we have here and what they have there?

Mr Abdo—From my experience of working on the Internet with the Middle East, I know specifically that Internet electronic commerce is fairly much still in the infancy stage. However, there is a boost in technologies stemming from a major company in the Middle East called Sakhr. They have developed vast technologies creating an Arabic environment for the Internet, using 12 years of invested work to create translation engines that allow translation of English to Arabic. Electronic commerce at this moment in the Middle East is still a fairly new environment. However, I do envisage that it will become more and more popular. Hopefully, we can later on track that progress using other experience such as OECD information on technical, policy and commercial issues and superimpose that on the Middle East environment. There may need to be a dialogue between us and the Middle East to market this new initiative and create portals so we can actually explore this technology. We need to talk together to help each other to create frameworks for dialogue in the future on the creation of interactive software that provides self-service utilities between the Middle East and us. The beauty about the Internet is that because electronic commerce is defined as a computer to computer transaction process, it minimises the cultural and other barriers when it comes to dealing on a transaction basis.

CHAIR—Would there not still have to be that element of personal contact? The nature of the culture of the Middle East is that it can take you years to build up confidences, connections, networks and the rest of it. This would really be a supplement rather than a mainline attack on Middle East markets, wouldn't it?

Mr Abdo—I agree with you. We can use that as a supplementary on top of existing channels. We can use it to create information about shipping and taxation law and to create bilingual portals to talk about tourism and perhaps to provide information that may facilitate a person-to-person contact when it comes to business. It is not a one-all channel. It can well be a supplementary channel that would help supplement and expand the Australian trade relations in the Middle East.

CHAIR—You have indicated the Middle East is still pretty much virgin territory in terms of this technology. To your knowledge, are there any other countries or companies who are going into the Middle East regions now trying to develop the technology?

Mr Abdo—The committee might like to make reference to my appendix. There is a major company in the Middle East which is really the Microsoft of the Middle East. They have spent a lot of time and effort in developing the Internet in Arabic in general. They have started pioneering PCs for their market. They have been creating or initiating a lot of contacts between the Middle East and US leaders. For example, in my submission I have mentioned that the President Hosni Mubarak and the Minister of Communications and Information Technology, Dr Ahmed Nazif have both stressed Egypt's commitment to supporting and developing IT industries in Egypt. This commitment came at a recent meeting sponsored by the Sakhr software company, which facilitated the contacts between leaders of the US information technology industry and the Egyptian counterparts. There is this corporate initiative coming from this software company to help bring this technology and boost the IT technologies in the Middle East in general.

FOR EXAMPLE, EGYPT, WHICH IMPORTED \$597 MILLION WORTH OF AUSTRALIAN GOODS FOR THE YEAR TO SEPTEMBER 1999, HAS AN IT INDUSTRY WHICH IS REPORTED TO BE GROWING AT 32 PER CENT PER ANNUM AND TO BE LEADING THE REGION IN EXPANSION OF ACCESS TO INTERNET AND PC BASED TECHNOLOGIES. EGYPT HAS COMMITTED ITSELF TO THE ESTABLISHMENT OF SMART VILLAGES THROUGHOUT THE COUNTRY. I ENVISAGE THAT THERE WILL BE SIMILAR PATTERNS HAPPENING IN THE GULF REGION IN INVESTING IN IT. FURTHERMORE, THERE IS THE EMERGENCE OF YOUNG LEADERS. FOR EXAMPLE, DR BASHER AL-ASSAD, WHO BECAME THE PRESIDENT OF SYRIA AFTER THE DEATH OF HIS FATHER, IS ALSO THE CHAIRMAN OF THE SYRIAN COMPUTER SOCIETY. I BELIEVE HE HAS AN INTEREST IN AND LIKING FOR THE INTERNET. SO THERE IS THAT COUPLED WITH THE SHIFT TOWARDS PRIVATISATION THAT I BELIEVE IS HAPPENING IN THE GULF REGION AT THE MOMENT. THAT WHOLE ENVIRONMENT GIVES AN AURA THAT THERE IS GOING TO BE THIS IT DEVELOPMENT HAPPENING IN THE MIDDLE EAST.

I KNOW COMPANIES LIKE MICROSOFT AND IBM HAVE ALWAYS BEEN FAIRLY ACTIVE IN THE MIDDLE EAST MARKET. THEY HAVE BEEN WORKING WITH THE SAKHR SOFTWARE COMPANY TO HELP THEM DEVELOP THEIR ARABIC ON THE INTERNET SOFTWARE. AS A MATTER OF FACT, IF YOU LOOK AT THE LATEST VERSIONS OF INTERNET WEB BROWSERS BY MICROSOFT, YOU WILL SEE THAT THEY HAVE EMBEDDED ARABIC FONTS INTO THE SOFTWARE THAT ALLOW YOU TO VIEW ARABIC HOME PAGES, HTML BASED PAGES. YOU COULD NOT DO THAT BEFORE. YOU HAD TO BUY A SPECIAL WEB BROWSER CALLED SINDBAD FROM SAKHR ITSELF. NOW YOU CAN ACTUALLY VIEW IT THROUGH MICROSOFT INTERNET EXPLORER AND I BELIEVE YOU CAN ALSO DO IT THROUGH NETSCAPE. SO THERE IS A LOT OF WORK HAPPENING BETWEEN THE

TECHNOLOGY COMPANIES THAT ARE CREATING A POSITIVE ENVIRONMENT FOR INTERNET COMMERCE.

IF YOU WERE EVER TO PUT A FINGER ON THE BENEFITS OF TECHNOLOGIES, THIS IS WHERE TECHNOLOGY IS PERFECT FOR THE MIDDLE EAST MARKET, WHERE IN A SENSE THERE ARE PERHAPS LANGUAGE BARRIERS OR CULTURAL BARRIERS OR RELIGIOUS CHANGES. YOU CAN ADDRESS THAT THROUGH THE PORTAL ARCHITECTURE BY USING VISUAL STRATEGIES, BY ADDRESSING THE CONSUMER BEHAVIOURS AND PATTERNS IN DESIGNING AND PLANNING THE SITES TO TRIGGER CERTAIN CONSUMER ATTITUDES IN THE MIDDLE EAST. THE BEAUTY ABOUT THAT AS WELL IS THAT YOU CAN CREATE DEDICATED SERVERS THAT WILL HAVE AN INTRANET ENVIRONMENT WITHIN THE INTERNET, SO WHEN PEOPLE GO THROUGH THIS PORTAL IT IS LIKE WALKING INTO A BILINGUAL SHOPPING CENTRE. YOU RESTRICT THE WHOLE EXPERIENCE OF GOING INTO THIS AUSTRALIA ONLINE FACILITY; YOU RESTRICT THE WHOLE NAVIGATION OF THIS SITE WITHIN AN INTERIM ENVIRONMENT. SO THEY ARE LITERALLY OVERWHELMED WITHIN A BILINGUAL ENVIRONMENT ALL THE WAY THROUGH THEIR EXPERIENCE. THE ONLY WAY YOU CAN GET OUT OF SHOPPING FOR, LET US SAY, SOUK, AUSTRALIA'S SOUK ONLINE—SOUK BEING MARKET IN ARABIC—AND GET OUT OF THAT NAVIGATION IS TO MANUALLY TYPE IN A DIFFERENT URL TO GET YOU OUT.

BY CREATING THESE PORTALS AND DEDICATED SERVERS, WHICH ARE PORTABLE, YOU CAN ACTUALLY GIVE THE CONSUMERS—WHETHER IT IS BUSINESS TO BUSINESS OR BUSINESS TO GOVERNMENT, WHICH I THINK IS WHERE THE MAIN ACTIVITY IS GOING TO BE INITIALLY—THAT EXPERIENCE OF WALKING INTO A BILINGUAL SHOPPING CENTRE AND BOOSTING THE 'SOFT TRUST' ATTITUDE THAT COMES WITH USING THE ARABIC LANGUAGE. ALTHOUGH THERE HAS BEEN A LOT OF WORK DONE ON INTERNET E-COMMERCE HUB LATELY, THERE HAS NOT BEEN MUCH WORK DONE ON MARKETING AND CREATING THAT TRUST YET. THAT IS WHY I BELIEVE IT HAS NOT KICKED UP. THERE HAS BEEN A LOT OF WORK DONE ON ADDRESSING THE 'HARD TRUST' ELEMENT, THE AUTHENTICATION AND THE CREDIT CARD SECURITIES ET CETERA, BUT THERE HAS NOT BEEN MUCH WORK DONE ON MARKETING AND TRIGGERING CONSUMER CONFIDENCE. IT MAY WELL BE SECURE AS FAR AS GIVING YOUR VISA CARD, DELIVERY, WAREHOUSING AND SPEED TO MARKET ARE CONCERNED, BUT YOU HAVE TO TRIGGER THE INITIAL ORDER AND YOU HAVE TO DO THAT BY CREATING THAT VISUAL STRATEGY, THAT 'SOFT THRUST' ELEMENT, THAT MOTIVATES THE CONSUMER TO MAKE THE CONTACT. THIS IS WHERE I THINK THIS TECHNOLOGY IS FANTASTIC, AND I AM SO EXCITED TO BE HERE BEFORE YOU TELLING YOU ABOUT IT.

Mrs CROSIO—You used certain terminology in answer to the chair's question, and I would like to take you back to page 1 of your submission, as well as page 1 of your amended submission. Under 'E-commerce opportunities' you say:

Furthermore, it boosts the "soft trust" element associated with the intangible and immeasurable issues such as consumer control, confidence and satisfaction, so important yet so neglected in the "hard trust" technological arena.

Would you like to expand a little more on what you mean by 'soft trust' and 'hard trust'? I just heard you referring to 'hard trust'.

Mr Abdo—Hard trust, as I call it, basically deals with security—technical security issues such as encryption technologies. It makes the passing of information secure. For example, when supplying your visa card information, it is the encryption technology behind making a transaction, the security and the technical issues—the authentication of transactions.

Mrs CROSIO—Is it your term or is it a common term used?

Mr Abdo—There are a lot of authentication certificates being produced and there is a lot of, if you like, technical assurance about transactions being done on the Internet.

Mrs CROSIO—Which you refer to as ‘hard trust’?

Mr Abdo—Yes.

Mrs CROSIO—What do you refer to as ‘soft trust’?

Mr Abdo—Soft trust would be those elements that you cannot really see—for example, the use of Arabic language on the Internet. Having dealt with the Arabic community for the last 10 years, the feedback that I get from my clients in my capacity as an ex-accountant is, ‘We would like to deal with you because you speak our language. We like to speak to you because we can have the same dialogue.’ The ability to speak someone’s language, and knowing the Middle East people, creates the appreciation or acknowledgment, if you like, that someone has gone out of their way to use their own dialogue. I know the Middle Eastern people have a lot of pride in their language, especially the Arabic language. Creating Arabic sites provides that acknowledgment and happiness. It is almost like a personalised approach. When somebody walks into a shop and happens to find a salesman speaking Arabic—for example, when he walks into a shop in Sydney Road or in Collins Street—he perhaps feels more comfortable transacting with him because that person is able to speak his own language.

THAT HAS NEVER BEEN ADDRESSED THROUGH E-COMMERCE, UNFORTUNATELY. BECAUSE WE ARE DEALING WITH THE MIDDLE EAST, IT IS THE PERFECT OPPORTUNITY TO TALK THAT SOFT TRUST WHEN MARKETING TO A WHOLE COUNTRY. THAT IS WHY THE CREATION OF GATEWAYS THAT ARE PREDOMINANTLY A DEDICATED SERVICE TO ADDRESS THIS SOFT TRUST ISSUE TO ATTRACT MIDDLE EAST E-COMMERCE IS A NICHE MARKET. IT IS LIKE, ‘WE CAN SPEAK YOUR LANGUAGE,’ AND IT ATTRACTS E-COMMERCE. THERE IS A LOT OF E-COMMERCE HAPPENING OUT THERE. IT IS A MARKETING STRATEGY OF ATTRACTING PERHAPS MIDDLE EAST E-COMMERCE BY USING THIS SOFT TRUST STRATEGY.

Senator FERGUSON—Can I suggest that what you are trying to say to us is that the establishment of bilingual Internet portals actually breaks down the language barriers that exist in relation to commerce and trade. As far as our languages are concerned, not only do we have the difficulty of not being able to speak the language but also we do not also recognise the symbols to be able to read it. At least with other languages that use Roman symbols, people can read the symbols, but with Arabic the normal English speaking person cannot understand the symbols either. What you are saying is that, by having a bilingual Internet portal, you are breaking down those barriers because it is an automatic translation which people can read.

Mr Abdo—That is correct. There are a lot of technologies being developed. Arabic is very difficult, as you said. Morphologically speaking, it is right to left. It is diacritically inflected, with a lot of dots and dashes between letters. It is a very difficult language. However, this has been almost automated now with existing software that is emerging and being developed as we speak. So the hard work of translating is already being done. So certain Arabic businesspeople, let us say, who have difficulty understanding English can feel comfortable reading about a certain issue—policies, tourism or a general country outline—in their own language and get a better appreciation or understanding of exactly what that issue is about.

Senator FERGUSON—But you have to know which key to hit on the computer to get the right answer.

Mr Abdo—There is already a high amount of IT in the Middle East. This is purely a facilitation process. I envisage that they can still transact purely in English. But again, this is like a niche angle to attract and perhaps progress or boost the trade element with Australia.

CHAIR—In the most simplistic terms, what you are talking about is, for example, the Gold Coast—now apparently an ‘in’ destination for the United Arab Emirates—using its promotional web site as its selling tool. The web site just goes through the process and is all translated, everybody at the other end has full access to it and a full understanding of it, and it all makes a lot of sense.

Mr Abdo—Absolutely.

CHAIR—I have already been into the Dubai web site, which is in English, which is a great advantage. It is that sort of ancillary thing that falls into place. Your argument is that if we piggyback on this or promote this, even in terms of general image stuff, you will have some tremendous opportunities. If you were selling hot pies, for example, and had a web site, somebody in Yemen or somewhere could come in and get the full story on Australian pies. That is the great advantage of it. It is not as complicated now that the technology is there. It is not a complicated thing for us to pick up.

Mr Abdo—That is right. What is stopping this consumer from going to pies in the US, in Europe or in Singapore rather than in Australia? The only thing is that here he can see it in Arabic, here he can actually see the product being marketed in his own language so that he can better understand. Whether he is proficient in the English language or not, maybe he feels even more comfortable reading about it in his own language and transacting at that level. The creation of Arabic sites these days is a simple process, which I have experienced recently. I refer to your attention a couple of examples that I have provided in some of the attachments here. There is now a site that is in beta format, a Middle East based site called Tarjim.com.sa which is an Arabic word for ‘translation’. You simply go into the site and type in the URL address of an Australian site and it translates that site for you within 20 seconds.

THIS IS WHAT I HAVE DONE IN ATTACHMENT A, WHERE I HAVE BROUGHT UP AN EXAMPLE OF AN AUSTRALIAN SITE. THIS PAGE WAS ACTUALLY TRANSLATED IN ABOUT 20 SECONDS. IT IS FANTASTIC; IT IS REALLY GREAT. HOWEVER, OF COURSE, BEING THE ARABIC LANGUAGE THERE ARE CERTAIN SYNTAX ISSUES AND INFERENCES THAT DO NOT EXACTLY WORK OUT FROM

WORD TO WORD. THIS IS WHERE WE NEED TO COME IN AND MAKE THAT SPECIAL TOUCH AND ADDRESS CERTAIN ATTITUDES AND ISSUES. USING THIS TECHNOLOGY WE CAN THEN CUSTOMISE AND ADD OUR LITTLE TOUCH. EXCUSE MY ANALOGY, BUT THE ‘HARD MINCING’ HAS BEEN SIMPLIFIED; THE TRANSLATING PROCESS HAS BEEN SIMPLIFIED. AS A MATTER OF FACT, IF YOU TAKE AN AUSTRALIAN WEBPAGE, YOU CAN LITERALLY PICK IT UP AND DROP IT INTO AN ENGINE. NOT ONLY DOES IT TRANSLATE IT BUT IT ACTUALLY SHUFFLES THE IMAGES FROM RIGHT TO LEFT TO COMPLEMENT THE ENGLISH FROM LEFT TO RIGHT. FOR EXAMPLE, IT ACTUALLY SHIFTED THE TEXT IN THIS BIG POND PAGE FROM RIGHT TO LEFT. SO NOT ONLY DOES IT TRANSLATE—AND I DO NOT WANT TO GET TOO TECHNICAL—BUT IT PRESERVES THE ACTUAL IMAGE OF THE PRESENTATION OF THE PAGE IN THE TRANSLATION PROCESS. SO ALL A PERSON HAS TO DO IS SIMPLY GO IN AND MAKE THOSE SPECIAL LITTLE TOUCHES THAT MAKE IT MORE CONSUMABLE, PERSONALISING IT TO ATTRACT THAT PARTICULAR MARKET.

CHAIR—*Hansard* is on the web; I am sure they will be absolutely delighted with that. It is not bad if we can get 50 years of *Hansard* translated in 20 seconds, is it? Mr Abdo, can I just thank you very much indeed for being with us today and for the evidence you have given—it has been fascinating. If there are any matters we might need to follow up on, the secretary will be in contact with you. We will send you a copy of the transcript of your evidence to which you can make corrections of grammar or fact.

RESOLVED (ON MOTION BY MRS CROSIO):

That submission No. 23 has been received as evidence and its publication has been authorised by the subcommittee.

[12.14 p.m.]

JUDEH, Mr Asem, Director, Deir Yassin Remembered/Australia

MOSTAFA, Mr Mohammed (Private capacity)

MOSTAFA, Master Yaser (Private capacity)

REID, Reverend Alan (Private capacity)

CHAIR—Welcome. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private, you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence under oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as the proceedings of the House itself. I will invite you to make a short opening statement if you wish and then we will proceed to questions.

Mr Judeh—Deir Yassin is an international organisation. It has branches in the USA, England, Jerusalem and Scotland. I am honoured to represent them in Australia. Deir Yassin is an organisation whose members include Jews and non-Jews calling for justice in the Middle East. We are strong believers that justice is due in the Middle East.

EARLY ON THE MORNING OF 9 APRIL 1948 COMMANDOS OF THE IRGUN, HEADED BY MENACHEM BEGIN, AND THE STERN GANG ATTACKED THE DEIR YASSIN VILLAGE. BEGIN SAID:

Arabs throughout the country, induced to believe wild tales of “Irgun butchery”, were seized with limitless panic and started to flee for their lives. This massive flight soon developed into a maddened, uncontrollable stampede. The political and economic significance of this development can hardly be overestimated.

While modern historians agree that Begin’s claims were exaggerated and that the actual number of Arabs killed was close to 100, they all agree that the massacre at Deir Yassin marked the beginning of the depopulation of over 400 Arab villages and the exile of over 700,000 Palestinians. It was a similar situation to what the world experienced with the Kosovar refugees—the only difference being that the media and international law were on the side of the Kosovar refugees. This was not the case with the Palestinian refugees and the Zionist crimes against humanity.

AS WE, DEIR YASSIN REMEMBERED/AUSTRALIA, MENTIONED IN OUR SUBMISSION, THE FOREIGN AFFAIRS SUBCOMMITTEE TERMS OF REFERENCE NOT ONLY HID THE REAL ISSUES BUT ALSO FOLLOWED AND INCLUDED THE ZIONIST PROPAGANDA AND STEREOTYPES AGAINST THE ARABIC AND ISLAMIC COMMUNITY. THE AUSTRALIAN CONSTITUENTS AND THE TAXPAYERS DID NOT EXPECT THAT FROM A COMMITTEE OF THE AUSTRALIAN PARLIAMENT, WHICH IS CONSIDERED TO BE THE LARGEST AUSTRALIAN DEMOCRATIC INSTITUTION, ELECTED AND FUNDED BY THE PUBLIC.

THE MAIN CONCLUSION MADE BY DEIR YASSIN REMEMBERED/AUSTRALIA WAS THAT THE AUSTRALIAN GOVERNMENT AND PARLIAMENT LED AND EDUCATED OTHER AUSTRALIAN INSTITUTIONS AND INDIVIDUALS TO GO FURTHER IN THEIR STEREOTYPING AND DISCRIMINATION AGAINST THE WIDER ARABIC AND MUSLIM COMMUNITY. WE HAVE INCLUDED MUCH EVIDENCE WHICH SUPPORTS THIS CONCLUSION AND OUR VIEW THAT AUSTRALIA HAS HAD A LONG HISTORY OF INVOLVEMENT WITH THE MIDDLE EAST—AN INVOLVEMENT IN WHICH IT HAS TAKEN A SHAMEFUL POSITION IN THE LONG CONFLICT IN THE MIDDLE EAST. THEY SUPPORTED AND FUNDED, THROUGH TAXPAYERS MONEY, ISRAELI ZIONIST CRIMES AGAINST HUMANITY IN PALESTINE, LEBANON AND IN RELATION TO THE PRISONERS OF WAR WHO WERE EXECUTED DURING THE SINAI WAR. ATTACHED TO AN ARTICLE TITLED ‘ANTI-ISRAELI GROUPS TARGET FEDERAL INQUIRY’—WHICH WAS RECENTLY PUBLISHED IN THE *AUSTRALIAN JEWISH NEWS* ON 23 JUNE 2000—WAS A CARTOON WHICH SAID: ‘A PRO-ARAB FOREIGN POLICY WAS FORCED OUT OF AUSTRALIA BY THE JEWS OVER 50 YEARS AGO.’ I WILL TABLE THIS TO THE SUBCOMMITTEE.

BY THE WAY, ALL THE EVIDENCE I REFER TO IN MY SUBMISSION, 252 PAGES, REFERS TO ZIONIST MEDIA AND NEWSPAPERS AND TO NO ARAB, SO I REGARD THEIR INFORMATION VERY WELL. THE PRIME MINISTER JOHN HOWARD IN THE LAST FEDERAL ELECTION DONATED \$2 MILLION TO THE ZIONIST ORGANISATION IN AUSTRALIA WHILE HE IS A CARING PRIME MINISTER—I REPEAT: WHILE HE IS A CARING PRIME MINISTER. THE CARTOON IN THE JEWISH NEWSPAPER SAYS, ‘I KNOW YOU ARE THE CHOSEN PEOPLE BUT ON OCTOBER 3 PLEASE CHOOSE ME.’ THIS IS WHAT THE CARTOON SAID. THIS IS TAXPAYERS’ MONEY: WE FUND THEM TO HUMILIATE US, TO TELL THE AUSTRALIAN PUBLIC ABOUT US. THIS LITTLE CHILD WILL TELL YOU HIS STORY.

THERE WILL BE NO PEACE IN THE REGION WITHOUT THE RIGHT OF RETURN, WITHOUT EAST JERUSALEM AND PALESTINIAN SOVEREIGNTY, WITHOUT ISRAEL’S WITHDRAWAL FROM 1967, WITHOUT DISMANTLING THE ILLEGAL SETTLEMENTS. THE PALESTINIANS, LIKE MANY VICTIMS, BECAME DOUBLY VICTIMISED BECAUSE THEY WERE BLAMED FOR VICTIMISATION. WE ARE WITNESSING NOW ATTEMPTS AT NEGATING INTERNATIONAL LAW TO APPLY TO THE PALESTINIANS. WE ARE WITNESSING ATTEMPTS, ISRAELI AND AMERICAN, TO SORT OF MAKE TEMPORARILY TRANSITIONAL ARRANGEMENTS AS THE TERMS OF REFERENCE FOR ANY SOLUTION AND THEREBY TO BRING PALESTINIANS TO RELINQUISH THOSE RIGHTS WHICH WERE GUARANTEED TO THEM BY LAW, FOREMOST OF WHICH IS THE RIGHT OF RETURN. ANY SOLUTION TO THE PALESTINIAN QUESTION AND ANY ATTEMPT AT ACHIEVING A GENUINE PEACE HAS TO ADDRESS THAT CORE HUMAN ISSUE FROM, FIRST OF ALL, A RECOGNITION OF THE FACTS AND IDENTITY AND ALSO FIRMLY BASED ON INTERNATIONAL LAW AND LEGALITY. ISRAEL IS NOT A COUNTRY ABOVE THE LAW. THAT IS WHAT AUSTRALIAN POLITICIANS SHOULD UNDERSTAND. IT IS NOT A COUNTRY THAT SHOULD BE HELD BY DIFFERENT STANDARDS. THERE ARE UNIFORM LAWS THAT GOVERN THE BEHAVIOUR OF ALL CIVILISED NATIONS. THEY SHOULD APPLY EQUALLY ACROSS THE BOARD. IF ISRAEL WANTS TO BE A COUNTRY, A STATE AMONG STATES, THEN IT HAS TO ABIDE BY THESE STANDARDS. IT HAS TO BE HELD RESPONSIBLE, NOT JUST FOR ITS PAST SINS AND CRIMES BUT ALSO FOR ONGOING, CONTINUING VIOLATIONS THAT IT IS INVOLVED IN. THE WORST CRIME IN UNITED NATIONS HISTORY—MAYBE MORE THAN THE HOLOCAUST—HAS BEEN THE SILENCE AND DENIAL OF THE FACTS AND OF THE HISTORY AND OF THE REAL HUMAN NARRATIVE AND OF THE REFUSAL TO ASSUME

RESPONSIBILITY. PEOPLE WHO WANT TO MAKE PEACE, LIKE AUSTRALIA—SUPPORTING INJUSTICE, UNFORTUNATELY—HAVE TO HAVE THE COURAGE TO ADDRESS THESE ISSUES, OTHERWISE WE WILL BE ESCAPING THE ISSUE. WE WILL BE DEALING WITH A TEMPORARY TRUCE, BUT THEN THE CAUSES OF CONFLICT WILL REMAIN IN PLACE AND THEY WILL ERUPT EVENTUALLY. THE PEACE PROCESS IS NOT THERE TO PREPARE THE GROUND FOR FUTURE CONFLICT.

NOW I WILL ASK MR MOHAMMED MOSTAFA TO TELL HOW HIS SON WAS HUMILIATED IN ONE OF THE VICTORIAN GOVERNMENT SCHOOLS AS A RESULT OF TELLING THE AUSTRALIAN PUBLIC FOR MORE THAN HALF A CENTURY ONE SIDE OF THE STORY. THIS ONE SIDE OF THE STORY IS BEING LEARNED FROM A REPORT PUBLISHED OF AN INQUIRY INTO ANTI-GENOCIDE IN 1999. THE ZIONIST LOBBY NOW TRYING TO PROMOTE THE HOLOCAUST TO BE EDUCATIONAL MATERIAL AFTER THE STOCKHOLM CONFERENCE WILL LEAD TO MORE STEREOTYPES AGAINST PALESTINIANS AND ARABS AND THE MUSLIM COMMUNITY.

CHAIR—Mr Mostafa, we have to finish this hearing at about 10 to one.

Mr Judeh—I had been told 1 o'clock.

CHAIR—We managed to get into this hearing 15 minutes early.

Mr Judeh—No.

CHAIR—Anyway, we are going to have pull it off. Could you make it brief, please; otherwise you will not have any questions.

MR JUDEH—OKAY.

Mr Mostafa—Good afternoon, ladies and gentlemen. We came to Australia in October 1993 as refugees. In 1998 my son Yaser was eight years old. He was in grade 3 in a government school. He asked us if he could change his name. We did not bother to ask why. Later, we noticed that on Fridays he refused to go to school. A couple of weeks later on a Friday his mother asked him, 'Why don't you like to go to school every Friday?' He said that the drama teacher had been kicking him with her foot, saying, 'Go, Yasser Arafat.' My daughter-in-law and I went to the school and met the principal. When the principal asked the teacher about the incidents, she claimed that it was merely a joke. But we feel that it was the source of hidden prejudice. Thank you for listening to my talk.

Mr Judeh—Now I will ask Mr Alan Reid to tell you about his personal history. He was a pro-Zionist and he was engaging in dialogue with a Zionist leader and rabbis in Israel. He was educated about the conflict through his own experience, not by the Australian parliament, who are elected and funded by the public.

Rev. Reid—I am not sure that I was a pro-Zionist but I was certainly in the middle somewhere. I first went to Israel and Palestine in 1983. I was sent there to work for six weeks as a psychologist with a guy in Jerusalem who was doing a lot of work which we needed. I was working at the time at the Box Hill TAFE College, and we were in a situation where we had a lot of Cambodian kids coming in. None of our psychological testing was working because of

Pol Pot and their educational situation, and the same situation was being addressed by Professor Feuerstein in Jerusalem. Since then I have been there 15 times, together with working for a week with UNRWA in the refugees camps in Jordan. Just as a side comment, UNRWA are a tremendous organisation. I would hope that Australia would really support what they are doing all the way down the line.

IN MY FIRST VISIT, TWO EVENTS STOOD OUT. ONE WAS THE TAXI RIDE FROM THE TEL-AVIV AIRPORT TO JERUSALEM. I GOT INTO THE TAXI AND GOT TALKING TO THE GUY. I SAID TO HIM, 'HOW LONG HAVE YOU BEEN HERE?' HE LOOKED AT ME AND SAID, 'I WAS BORN HERE.' I THEN CAME BACK WITH HIM AND SAID, 'OH, YOUR PARENTS CAME HERE, DID THEY?' HE STOPPED FOR A WHILE—I WAS 17 YEARS YOUNGER AND HE WAS ABOUT 60—AND HE TURNED AROUND AND LOOKED AT ME AND SAID, 'SON, HAVE YOU EVER MET AN ARAB?' I HAD GROWN UP IN A SOCIETY WITH AN UNDERSTANDING THAT SOMEHOW OR OTHER IN 1948 THIS EMPTY LAND HAD BEEN TAKEN OVER BY JEWISH MIGRANTS. MY IGNORANCE WAS IMMENSE. AT THE SAME TIME, MY CONTACT WITH OLDER PALESTINIANS IN EAST JERUSALEM ON THAT VISIT DID MY HEART A GREAT DEAL OF GOOD BECAUSE, EVERY TIME I WAS INTRODUCED AS AN AUSTRALIAN, THEY REMEMBERED MOST FONDLY AND AFFECTIONATELY THE AUSTRALIAN TROOPS WHO HAD BEEN THERE DURING THE SECOND WORLD WAR. THERE WAS A VERY REAL FEELING OF UNDERSTANDING AND COMRADESHIP WITH AUSTRALIANS.

I REALLY WANTED TO GIVE YOU THOSE TWO EXAMPLES, THE FIRST ONE OF MY IGNORANCE, AND THE SECOND ONE ABOUT JUST HOW MUCH GOODWILL THERE IS AMONGST PALESTINIANS OF THAT GENERATION TOWARDS AUSTRALIA. IN RELATION TO OVERCOMING THAT IGNORANCE, I HAVE SINCE SOUGHT TO TRY TO INCREASE MY OWN UNDERSTANDING AND THAT OF OTHERS BY TAKING GROUPS OF AUSTRALIANS TWICE A YEAR TO PALESTINE AND ISRAEL, DURING WHICH TIME WE HAVE HAD THE OPPORTUNITY TO MEET RECONCILIATION GROUPS, PALESTINIAN POLITICIANS, JEWISH SETTLERS, CHURCH LEADERS AND ORDINARY PEOPLE—BOTH JEWS AND PALESTINIANS—AND THEIR STORIES HAVE DEEPLY AFFECTED THE 70 OR 80-ODD PEOPLE THAT I HAVE TAKEN. YOU CAN ALWAYS GUARANTEE THEM ASKING ON THE PLANE COMING HOME, 'HOW COME WE NEVER KNEW THAT IT WAS LIKE THIS IN THIS DIVIDED LAND? HOW COME THOSE WE HAVE IDENTIFIED AS VICTIMS CAN BEHAVE TOWARDS THE PALESTINIAN PEOPLE AS THEY DO? WHY DID WE NOT KNOW OF THE ADMINISTRATIVE DETENTION, TORTURE, CONFISCATION OF LAND AND SO FORTH?' THIS IS A QUESTION THAT REMAINS DIFFICULT FOR PEOPLE TO UNDERSTAND.

THE SECOND ISSUE IS THAT OF THE GOODWILL AMONG ARAB PEOPLE AND PARTICULARLY PALESTINIANS. I SUGGEST TO YOU THAT IT IS BEING ERODED. IT IS BEING ERODED BY OUR FAILURE TO BE TRULY EVEN-HANDED IN OUR APPROACH TO THE MIDDLE EAST, AND PARTICULARLY TO THE QUESTION OF PALESTINE/ISRAEL, BECAUSE IT IS PERCEIVED THAT OUR FOREIGN POLICY STATEMENT AT PRESENT AFFIRMS ISRAEL'S RIGHT TO EXIST WITHIN SECURE AND RECOGNISED BORDERS. THAT, TO THE PALESTINIANS, IS FAILING TO UNDERSTANDING THAT THE BORDERS OF ISRAEL ARE NOT FIXED EITHER EXTERNALLY OR INTERNALLY. THIS IS ONE OF THE GREAT DIFFICULTIES THAT THE PALESTINIANS HAVE IN COPING WITH THE PRESENT SITUATION, THAT ISRAEL IS ONE OF THE FEW COUNTRIES IN THE WORLD WHICH TO THEM APPEARS TO HAVE NO FIXED BOUNDARIES AS LAND IS BOTH ANNEXED AND CONFISCATED ON A REGULAR BASIS.

THE OTHER PROBLEM LIES INTERNALLY IN THAT ISRAEL IS FREQUENTLY REFERRED TO—AND SOME OF THE SUBMISSIONS I NOTE HAVE REFERRED TO IT—AS BEING A JEWISH STATE. TWENTY PER CENT OF THE POPULATION OF ISRAEL PROPER ARE ARABS, PALESTINIANS, AND THOSE 20 PER CENT ARE FINDING LIFE VERY DIFFICULT AT THE MOMENT BECAUSE THEY ARE CONTINUALLY UNDER THREAT OF LAND CONFISCATION. THEY RECEIVE LIMITED SERVICES COMPARED WITH THEIR JEWISH NEIGHBOURS IN TERMS OF HEALTH AND EDUCATION. THEIR WORK OPPORTUNITIES ARE DIFFICULT, AND THERE IS EXCLUSION IN VARIETY OF WAYS, PARTICULARLY FROM ARMY SERVICE, WHICH RESULTS IN 20 PER CENT THE COMMUNITY NOT BEING ENTITLED TO CERTAIN GOVERNMENT GUARANTEED LOANS, ET CETERA, AFTER THEY COMPLETE THEIR NATIONAL SERVICE. THOSE TWO FACTORS ARE THE ONES I WANTED TO PRESENT TO YOU.

MY GREAT SADNESS IS THAT ONE IS BRANDED ANTI-ISRAEL IF ONE IS CONCERNED FOR THE FATE OF THE PALESTINIAN PEOPLE, AND CONVERSELY ONE IS BRANDED ANTI-PALESTINIAN IF ONE IS CONCERNED WITH THE PRESENT SITUATION IN ISRAEL. ONE OF THE GREATEST SAINTS THAT I EVER MET IS A GENTLEMAN CALLED FATHER ELIAS SAKUR, WHO SOME OF YOU MAY HAVE HEARD ABOUT. HE BEGAN, AFTER HIS VILLAGE WAS DESTROYED IN 1948, AS A PALESTINIAN PRIEST, A MELCHITE PRIEST. HE LIVES IN ISRAEL AND HE HAS SOUGHT FOR THE LAST 40 YEARS TO BRING ISRAELIS, JEWS AND PALESTINIANS, TOGETHER IN RECONCILIATION. HE HAS SET UP AN EDUCATIONAL INSTITUTION, WHICH COVERS FROM PRIMARY TO TERTIARY, THAT HAS SOME 3,000 STUDENTS UP IN IBILIN IN THE NORTH-WEST OF GALILEE.

DURING OUR LAST VISIT TO HIM HE MADE A STATEMENT, WHICH I WOULD LIKE TO QUOTE. HE SAID, ‘WATCH THAT ONE IS NOT ONE-SIDED IN THIS WHOLE EXERCISE.’ THIS IS FROM A GENTLEMAN WHO HAS HAD HIS WHOLE VILLAGE DESTROYED, HIS FAMILY SCATTERED; HE HAS BECOME A REFUGEE IN HIS OWN COUNTRY. HE SAID, ‘WATCH THAT ONE IS NOT ONE-SIDED. WE DO NOT WANT TO TURN HISTORY BACK. I WANT TO RETURN TO MY VILLAGE IN PEACE, BUT NOT WITH THE LIES AND THE VIOLENCE OF THE PAST. THAT PAST—WHEN JEWS THREW PALESTINIANS ON THE SAND OF THE DESERT AND WHEN PALESTINIANS WANTED TO THROW JEWS INTO THE SEA—MUST BE PUT ASIDE. BUT REMEMBER: NO JEW IS FREE WHILE I AM A REFUGEE. THE LAND BELONGS TO NO-ONE. THE ISSUE IS HOW IT CAN BE SHARED.’

ONLY BY ARGUING FOR POSITIVE WAYS TO SHARE THE LAND CAN AUSTRALIA BUILD ON ARAB AND ISRAELI GOODWILL. BUT IT MUST BE EVEN-HANDED, AND IT MUST BE WITH A GREAT DEAL OF UNDERSTANDING AND A GREAT DEAL OF COMPASSION. OTHERWISE, WE WILL SIMPLY BE RELEGATED TO BEING IDENTIFIED WITH OTHER WESTERN NATIONS WHICH LACK ANY UNDERSTANDING, AND WE WILL JUST BECOME ANOTHER NATION WHICH IS PREPARED TO BUY SOME SORT OF GUILT REMOVAL OF THE HUMAN HORROR OF THE HOLOCAUST AT THE EXPENSE OF THE PALESTINIAN PEOPLE; WE WILL JUST BECOME ANOTHER NATION WHICH DOES WHAT THE UNITED STATES WANTS IT TO DO.

CHAIR—I will now open up the questioning. You have been pretty fierce about the Australian government’s policy towards Israel, but you are not suggesting that we do not support the right of the return of the Palestinian refugees, that we are not supporting the UN statements and the UN moves in this regard or, in fact, that while we are not mindful of the great difficulties facing the Palestinians. I think it was yesterday that we heard that there are some nine Australian aid projects that are government funded within the Palestinian groupings.

I would hate us to get the wrong idea: that everything is just one way. I think Australia has always tried to take a pretty balanced approach to what is a very difficult situation.

Mr Judeh—According to the evidence I put to the inquiry in my submission, Australia never supported publicly the Palestinian refugees or even the right of return. Australia maintained low-key priority when it comes to the Palestinians. There was evidence of that yesterday when I attended the public hearing and Dr Rubenstein and Mr Mark Zirnsak from the Uniting Church and other people appeared before you. You, as a parliamentary committee, have no interest in the Middle East, from an Arabic point of view. I saw you and Mr Pyne, when Mrs Crosio asked questions of Dr Rubenstein, had no interest in her questions and the issues she raised yesterday. Australia maintained—

Mrs CROSIO—I think that is a little bit unfair. I really do.

Mr Judeh—That is my feeling, and that is what I heard from people who appeared before your committee—when they were discussing Iraqi issues, for example. Mr Downer made it very clear in the Jewish newspaper that the Jewish community lobbied the government for half a century, and at the United Nations they never supported the Palestinian cause. You can refer to evidence I put in my submission from former Senator Margaret Reynolds when she attended one of the United Nations meetings and the Australian ambassador or representative voted against a fair resolution regarding the settlement. I have that evidence in the submission. The Australian government gave a tax exemption to all Zionist organisations.

Mrs CROSIO—Could I, through you Mr Chairman, say to Mr Judeh that we have a number of questions we would like to ask on his submission. Rather than making broad statements, I think you really have to be specific because this is all going on evidence. Those who cannot make this committee hearing will read it, so you will have to be specific.

Mr Judeh—I do not think that Australia was a fair player. The Australian government considered Israel a developing country and gave them tax exemption and approval to fund their human rights violations from the Australian taxpayers' money. I received this list of organisations funded for overseas aid on 20 July, last week. What I noticed was that they removed Israel from the list—the United Israel Appeal Refugee Fund. I made a submission to the human rights subcommittee mainly about the taxpayers' money being used in funding Israeli human rights violations or Israeli crimes.

WHEN I RANG THE PERSON ON 21 JULY AND ASKED, 'WHY A UNITED ISRAEL APPEAL REFUGEE FUND?' HE SAID TO ME, 'IF YOU WAIT A MINUTE I WILL CHECK THE COMPUTER.' HE SAID, 'NO, IT IS ON THE COMPUTER.' I SAID TO HIM, 'CAN YOU EXPLAIN TO ME THIS DOCUMENT I RECEIVED YESTERDAY AND WHY IT IS NOT ON THE LIST?' WHAT POWER DOES THE ZIONIST COMMUNITY HAVE OVER THE AUSTRALIAN GOVERNMENT TO REMOVE THIS DOCUMENT THAT EXISTS IN THEIR COMPUTER SYSTEM?

MR GRAHAM GUNN, A LIBERAL MP IN SOUTH AUSTRALIA, SAID THAT LAWYERS HAD LONGER ARMS THAN THE JEWS DURING THE DEBATE OVER CONSUMER AFFAIRS. WHAT IT TRANSLATES TO, AS MR DOWNER IS AWARE, IS THAT THEY HAVE BEEN LOBBYING THE GOVERNMENT FOR HALF A CENTURY. ARE WE WITNESSING A STATE INSIDE A STATE? YOU SAW YESTERDAY HOW

DAVID RUBENSTEIN MENTIONED IN HIS EVIDENCE THAT THE IRAQIS SELL FOOD AND HIS PEOPLE ARE DYING—5,000 CHILDREN ARE DYING A MONTH. THIS IS THE WAY THE ZIONIST COMMUNITY IS LOBBYING THE GOVERNMENT. THIS IS FROM THE JEWISH NEWSPAPER: THEY BROUGHT A LADY TO ATTACK AND SAID SHE WAS A TERRORIST. OF COURSE, ALL OF THIS HAPPENED IN A CLOSED ROOM. NOW THEY ARE CLAIMING THAT THERE ARE TERRORIST MUSLIM ORGANISATIONS IN AUSTRALIA TO LOBBY THE GOVERNMENT AND TO GIVE YOU THE IMPRESSION THAT ALL OF US ARE TERRORISTS. I TABLE IT FOR YOU. DAVID RUBENSTEIN APPOINTED—

Senator FERGUSON—Mr Chairman, this is a time for questions and we seem to be being subjected to a harangue. I think we should be allowed to ask questions and to get answers.

CHAIR—We have only six minutes to go.

Senator FERGUSON—It is very difficult for us to get the information that we require as a committee if all you are going to do is present so-called evidence, much of which you have given us in the 237 pages.

Mr Judeh—That is why I asked the secretariat to give me more time.

Senator FERGUSON—Can I just ask one thing? You referred to Zionists. Are you suggesting that every member of the Jewish faith is a Zionist?

Mr Judeh—No, and I differentiate between Jews and Zionists.

Senator FERGUSON—Who are you calling Zionists?

Mr Judeh—Zionists are those who consider Palestine to be the promised land and who donate to their financial organisations. I had dialogue with the Jewish community in Australia by the way, and there was so much evidence about that. I defend the Jews and the Holocaust through the Internet to anyone who attacks the Holocaust or the Jews. I am not anti-Jewish, I am anti-Zionist. I make it clear that I am anti-Zionist, not anti-Jewish.

Senator FERGUSON—One of the problems we have is that in one breath you talk about the Jewish community and in the next breath you talk about the Zionist community. We do not know whether you are talking about the same people all the time.

Mr Judeh—I am quoting Mr Downer. He did not say ‘Zionist lobby’, he said ‘Jewish community’. But I differentiate between Jews and Zionists.

Senator FERGUSON—One of the great freedoms that Australia offers to all of its citizens is freedom of speech. It is that freedom that you are exercising today to express your political views in the same way that all other Australians are allowed to express their political views and opinions, and even their prejudices, without fear or favour. We accept the evidence that you bring before us as your point of view but it does not necessarily mean that we as a committee or anybody else in the community has to agree with your views. We do take your views into consideration. That is why I need to get some differentiation as to who you are referring to

when you talk about the Zionist community as compared with the Jewish community, because you do say them in the same breath.

CHAIR—Where about is the Israel/Palestinian Centre for Research and Information located? Is there a branch in Australia?

Mr Judeh—That is one of the organisations I dealt with through the Internet.

CHAIR—They have not got a branch in Australia?

Rev. Reid—It is an organisation which is based with the university outside Ramalla.

CHAIR—So there is no Australian connection there?

Rev. Reid—Not to my knowledge.

CHAIR—The other one I would like some information on is the Madrid Refugee Working Group. Can you tell us what that is? Are you suggesting that Australia should join that?

Mr Judeh—After Madrid they formed a group led by Canada to forecast on refugee issues for funding and to support Palestinian national authority. Australia is not a member of that organisation. The point I want to highlight about Australia is ignorance. There is not one Australian institution to promote Middle East relations or refugee institution. Large numbers of refugees—I am not only talking about Palestinians but even Vietnamese—have come to Australia as refugees. We are supposed to have a refugee centre to work for refugees.

Mrs CROSIO—A refugee centre where?

Mr Judeh—In Australia. In Europe and Canada they have Middle East study centres, refugee centres for further studies.

Mrs CROSIO—Similarly, it is particularly interesting with our non-government organisations. Where do you believe the non-government organisations are not doing their job, particularly in the Palestine area? Can you give examples?

Mr Judeh—First of all the funding is very limited. I am observer member with the ACFOA Middle East Working Group and attend their meetings. I struggled very hard in the past two years to convince them to promote the Palestinian refugees' cause. The Australian public did not know about them. There were some examples of how it was hard for them to promote Palestinian refugees. Palestinian refugees expect the NGOs, who are witnessing their suffering, to go back to their country and tell their people about their suffering. This is what it is all about. They should not only give them food and medicine—although that is important; I am not saying that is not important. In the submission, I wrote about NGOs in this regard. For example, after I asked the UNRWA, for the first time last year they made their own web site or home page. I sent them an email.

Mrs CROSIO—Who are 'they'? Do you mean non-government organisations?

Mr Judeh—Yes.

Mrs CROSIO—You are not referring to World Vision or the church groups who are working on the ground?

Mr Judeh—No, all of them—they are NGOs. World Vision, ACFOA, Austcare and AusAID—all of them are NGOs. They did not add the link. After the submission was sent and they read it, AusAID added my contact details in a link on their web site. And I noticed ACFOA added to their web site the link to UNRWA. Austcare, for example—and I made this point in my first public hearing within human rights—funded the Jewish Felasha from Ethiopia to go to Israel. They supported it and they funded it with taxpayers' money. When they read the submission, I received an email from the Middle East group officer, saying this had been decided before I came to the office. She is not Australian, her husband is Australian and she is running Austcare's Middle East section. I will table it for you, but treat it as a private letter.

Mrs CROSIO—No, if it is a private letter.

Mr Judeh—For the first time they published an article about the refugees. It was three pages about the policy on the refugees. That is what I said in the submission: I have little hope in the Australian government and parliament, but we hope this inquiry will encourage and educate people to talk publicly. They failed to speak publicly and educate the community. They are using taxpayers' money and the taxpayers have the right to know about their work, how they spend their money.

CHAIR—Can I go back to that list of questions. You just made mention of ACFOA. Are you a member of their Middle East Working Group?

Mr Judeh—I am an observer member. I assume they will appear before the committee. The interesting thing is that, while discussing what they are going to propose for this inquiry, some of them refused to put their name on supporting the right of return or lifting the sanctions from Iraq. I cannot understand people who are witnessing the situation. I keep telling them, 'You work in low level humanitarian work. But at the high level it is pure politics and money. You follow the government line. If you take a clear stand on the Middle East, Mr Downer or the then Minister for Foreign Affairs will not give you enough funds.' I gather stories from them indicating they do not get certain funds for certain projects. The email I attached to this submission which I received from the Red Cross is a clear example.

Mrs CROSIO—Why does your organisation feel that Australia has really not represented the right of the return of the Palestinians?

Mr Judeh—You would have noticed from my emails—I think you have been across there; you were a member of a parliamentary delegation to IPU conference in Amman—

Mrs CROSIO—Yes.

Mr Judeh—I received an email from Zionist organisation media which asks where I would like to get all my resources not from Arabs but get all my resources from Israelis and Zionists

because they tell the truth, but they tell the truth only in a closed room or between themselves. He says a British delegate, according to an eye witness in that conference on the refugee issue—

Mrs CROSIO—Senator McKiernan and I also read that, and I can say for the public record that I was there not only when that vote took place but also when that debate took place. None of the Arab nations would have even got their motion up, only for Australia's consent to combine our motion on boat people with their motion. We did that with a joint arrangement and joint agreement. What happened then, when the recommendations had been worked forward, was that item 7 of the particular recommendation was put up to the joint plenary session, which was then amended from the floor. Fortunately, we were able to at least contain some of the action on it. I think we probably upset both sides, if you were going to take sides on a particular issue, on what was happening as far as a specific clause specifically on the Palestinians is concerned. Prior to the joining of the two motions together to become the main topic of debate, we were to talk about refugees of the world. We were concerned with a lot of other nations; not just Palestinian refugees but the refugees around the world. For example, there is no-one talking about the refugees that have been cast out from Chechnya. There is no-one talking about the refugees where many other wars are occurring.

OUR MOTION WAS VERY SPECIFIC. WE WERE CONCERNED WITH PEOPLE SMUGGLING BY BOAT, IN OUR CASE, BECAUSE ALL THESE PEOPLE ARE COMING OUT BY BOATS AND THESE SNAKEHEADS, AS THEY ARE REFERRED TO, HAVE BEEN ABSOLUTELY PROFITING WITH THESE PEOPLE WHO HAVE BEEN HELD TO RANSOM. WE WERE CONCERNED TO GET THAT UP AS A MOTION. WHEN WE WERE ASKED BY THE ARAB NATIONS TO COMBINE THEIR MOTION WITH OURS SO WE COULD GET IT UP AS A GENERAL DEBATE, WE SAID THAT WE DO NOT REFER TO ONE SPECIFIC GROUP, WE REFER TO ALL REFUGEES. THAT IS HOW THE DEBATE STARTED. IT CHANGED DURING THE COURSE OF THE EVENTS. BOTH SIDES HAVE CRITICISED AUSTRALIA AND THEY ARE SAYING, 'YOU SHOULD HAVE DONE THIS AND YOU SHOULD HAVE DONE THAT.' WE HAVE HELD TO OUR GROUND, AND I HAVE TO SAY THAT SENATOR MCKIERNAN MAY HAVE GOT RATHER VOCAL WITH AN ENGLISH MEMBER OF PARLIAMENT ACROSS THE FLOOR—MAYBE THAT IS BECAUSE HE IS A HOT-HEADED IRISHMAN OR THE ENGLISHMAN SAID SOMETHING HE DISAGREED WITH. IT WAS NOTHING PERSONAL AND IT WAS STRICTLY AS A RECOMMENDATION BEING PUT UP IN THE FORM OF DEBATE.

I TOO READ WHAT YOU ARE REFERRING TO AND I TOO READ WHAT BOTH SIDES HAVE SAID. ANOTHER FRIEND OF MINE, WHEN I ARRIVED BACK TO CANBERRA, ALSO WAS CRITICAL OF AUSTRALIA UNTIL I PUT HIM RIGHT AS WELL. CAN I SAY THAT YOUR INFORMATION IS A PERSON'S INTERPRETATION OF WHAT OCCURRED, AND THAT PERSON WHO TRIES TO MAKE HISTORY IS ONLY REPORTING WHAT HE HAD BELIEVED HAPPENED. I WAS THERE. IT IS A LITTLE BIT DIFFERENT.

Mr Judeh—Australia and NGOs did support the right of return and they support the Jewish state. Why didn't they do any advocacy work regarding the right of return and Palestinian refugees?

Mrs CROSIO—That was the question I was asking before: where you find specifically either side of the political spectrum have not done enough to promote or project the right of return. That is why I was asking for specifics to come into the evidence we are now taking.

Mr Judeh—Australia is voting in the United Nations—

Mrs CROSIO—But the actual debate at this stage has not come forward. A lot of reference is made, even with a delegation I went on at Christmas time, to 194—the right of return—and how the Israeli state, when it joined the United Nations, was obligated with that resolution that has not been met. A lot of reference is made to that, and I think you were sitting here yesterday. I am trying to think whether there is another way we can get in, because one side is saying that 194 must be met and the right of Palestinians to take back their land, and you have the Israeli side saying they have had their people now living there and they are not going to turf them out. I am saying: is there some way we can come to an arrangement, looking at what is happening in Camp David and looking at what we hope the results will be from there? That is why I was asking you to be a little bit more specific in what you feel.

Mr Judeh—Australia never said directly that it does not support the right of return. I refer to what Bob Hawke, for example, did in the past. Bob Hawke helped 900,000 Russian Jews flee to Israel. Now the news coming from Israel is that half of them are not Jews but after the Soviet collapse everyone wanted to leave Russia and claimed that they were Jewish. This means that crimes have increased in Russia and drugs have increased. Didn't Bob Hawke work against the right of return for Palestinians in this case?

Rev. Reid—Can I ask one question?

Mrs CROSIO—I am trying to ask some questions to get some more information on these submissions.

Rev. Reid—In relation to this I agree with you. Where do you find the middle ground? Has anyone put to you the proposition that there is ample area in Israel at the moment where refugees could be resettled? Perhaps not the four million, but at least a substantial number of them. Has anyone ever been prepared to accept that proposition as a middle ground? They may not go back to their own village but they may go back to some land.

Mrs CROSIO—If you talk to the Palestinian people on the ground, their right of return—I have met people who are still carrying the key to the house their father fled from, and their right of return is a right to that particular property, whether it exists or it does not exist at this moment. So that is the right of return. I ask you, Reverend Reid: is the right of return the physical right or is it also the mental right? If it is a person here in Australia who may wish to go back without being harassed, is that also classified as the right of return?

Rev. Reid—I think it applies.

Mrs CROSIO—Is it, to permanently live there? A question I have also put to other people during this type of debate is: 'Do you want to go back to live there?' They have said, 'No, but I want the right to return.' So I suppose it is a mental shift as well, that people have that choice and that right if they choose to exercise it.

Mr Judeh—Australia allowed the Australian Jewish community to collect tax deductible money. In their view, are you considering Australian Jews are refugees?

Mrs CROSIO—I do not consider anyone born in this country a refugee.

Mr Judeh—Australian Jews can decide now to go there. Even if they do not have money, their financial organisation can fund them to go there. In this case, even the Russian Jews are not refugees.

Mrs CROSIO—I do not know. But, Mr Judeh, there are many organisations that—

Mr Judeh—Why do you fund them? Why do you give them a tax exemption?

Mrs CROSIO—But if you formed a charitable group and passed all of the points that are required to get tax exemption, you too could graze money in a tax exemption.

Mr Judeh—Yes, but this money goes—yesterday you raised the issue of the settlements. You were there last year—or some time ago.

Mrs CROSIO—Not even five months ago.

Mr Judeh—This money funds the illegal settlements. This money funds the demolition of Palestinian houses. This money humiliates the 20 per cent of Palestinians inside Israel.

Mrs CROSIO—That is debatable. Again, that is drawing a long straw, I think.

Mr Judeh—I am a Palestinian, according to the agreement between Australia and Israel. Later on when we have a Palestinian state, we have the right to sue the Australian government according to the international law. Why would we damage the Australian reputation?

Mrs CROSIO—Eventually, when you become a state—not you particularly, because you are here in Australia—I would like to see you trying to sue; nevertheless, that is not the evidence we are trying to collect. Could I ask another question? In your submission you were saying how the Jewish people have been able to educate the government. What is to stop the Palestinian people being able to educate the government? Is there something in Australia, not only on the Middle East question but on the whole culture of the Middle East? You gave the example of this young man here. Should we be putting other programs through our education system, through our libraries?

Mr Judeh—I agree with you. One of the reasons that the Arabic community in general is not active or not integrated within the Australian community is because of this child's story. I gave you evidence here, that the Australian Security Intelligence Organisation visited a Palestinian family because they collected information if there are any Palestinians who send money to Hamas. So these actions—

Mrs CROSIO—You did not answer my question. My question is: what more should we as a committee take on board so an education process for the understanding through our education system in this country of the Middle East question? Should we be putting more into our libraries, to our education system. I know you touched on it.

Mr Judeh—I visited the local libraries. We could not find any books about the Middle East.

Mrs CROSIO—But did your association approach that library and put books into that library on the Middle East?

Mr Judeh—Well, I tried.

Mrs CROSIO—Can I correct you? I came back from the Middle East with a whole lot of books—not in a language I could understand; in the Arabic language—and my library was absolutely overwhelmed to receive them. It is a very large public library and they were delighted to receive them.

Mr Judeh—I agree with you. I did that. I gave one book to two libraries. This needs more work from the wider community. One organisation cannot do that.

Mrs CROSIO—I agree.

Mr Judeh—I agree that the Arabic community—

Mrs CROSIO—But the first mile is taken by the first step.

Mr Judeh—About school education: I brought one example about Jewish schools. We fund the schools and educate the children that Palestine is the Promised Land, and those Jewish children grow up with that mentality. Of course, according to the program they have and the Jewish community they have, they may go to Israel to do Aliyah or whatever and they are hard to touch. They get educated here about Aborigines and East Timorese and they are very active. When they go there and they see what their own people are doing, can you imagine what damage we can do to them? There are two choices: either they do the same as them or they have a reaction inside them.

Mrs CROSIO—Fortunately here in Australia, Mr Judeh, we also allow a lot of other religious schools that are receiving educational grants. They may disagree with your religion or mine, but they are still educating their children. Those parents are making that choice to send them to that school. They may differ from what I believe too.

Mr Judeh—But what about the curriculum or the material? Would you agree if they taught them that all Arabs are terrorists?

Mrs CROSIO—No, I disagree with anyone teaching anyone that—completely.

Mr Judeh—But maybe this is the case in some schools. That is what I am saying.

ACTING CHAIR (Mrs Crosio)—In the absence of the chairman, I thank you on behalf of the committee for your attendance here today. If there are any matters on which we might need additional information, the secretary will certainly write to you. You will collectively be sent a copy of the transcript of your evidence, to which you can make corrections to any grammar or fact. We thank you not only for your very large submission but also for giving your time and

evidence here today. I would particularly like to thank our Hansard staff and all witnesses who have attended the hearings today and yesterday.

RESOLVED (ON MOTION BY SENATOR FERGUSON):

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

Subcommittee adjourned at 1.08 p.m.

