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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

(FOREIGN AFFAIRS SUBCOMMITTEE)

Reference: Australia's relations with the Middle East

TUESDAY, 20 MARCH 2001

CANBERRA

BY AUTHORITY OF THE PARLIAMENT

JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Foreign Affairs Subcommittee

Tuesday, 20 March 2001

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

Senators and members in attendance: Senators Hutchins and Bourne and Mr Laurie Ferguson, Mr Hollis, Mr Jull and Mr Price

Terms of reference for the inquiry:

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

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

WITNESSES

Subcommittee met at 10.02 a.m.

BARTON, Mr Rod (Private capacity)

CHAIR—On behalf of the Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade, I declare open this public hearing into Australia's relations with the Middle East. This is likely to be the committee's final hearing, following an extensive program of meetings to obtain evidence in major capital cities around Australia. Today's proceedings enable the committee to meet with representatives of the Australian Chamber of Commerce and Industry, the Australia Arab Chamber of Commerce and Industry, and the National Library of Australia, as well as a number of individuals: Mr Rod Barton, a former UNSCOM weapons inspector; Professor Amin Saikal and Mr Robert Barnes from the ANU; and Mr Joseph Hassan.

On behalf of the subcommittee, I welcome Mr Rod Barton. 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 invite you to make a short opening statement before we move to questions.

Mr Barton—Thank you for this opportunity to appear before the committee. My opening statement only addresses the term of reference in relation to Iraq. Since I am here in a private capacity, I think it is appropriate to give a little of my background. I am the former Director of Arms Control Studies in the Australian Department of Defence, where I was involved with monitoring the proliferation and control of weapons of mass destruction such as nuclear, chemical and biological weapons. It was with this background that I was invited in 1991 to become an inspector with the UN Special Commission on Iraq, UNSCOM.

I had the unique distinction of being on the very first inspection in Iraq in June 1991 and on one of the very last ones in December 1998, although I admit I was not on all the inspections in between those two dates. Yesterday I returned from a private trip to the US, where I had discussions with Hans Blix, the executive chairman of UNMOVIC, the organisation that replaced UNSCOM. I also had discussions with officials from the US government and with various academics.

Interest has recently refocussed on the question of Iraq. You will of course be aware of the US and UK attacks on Iraq's air defence systems last month. Also, the new US Secretary of State, Colin Powell, visited Gulf states in February, where he argued for tighter and more targeted sanctions against Iraq. On 26 and 27 February the Iraqi foreign minister, Mohammed Al Sahhaf, visited New York for discussions on sanctions with Kofi Annan and senior UN officials—although, unfortunately, not with Hans Blix.

Before coming to the question of sanctions, I would like to make some comments on Iraq's programs of weapons of mass destruction. It is apparent that Iraq has not surrendered all of its weapons capabilities, as it was required to do under the UN cease-fire resolution. Iraq retains capabilities in the missile, chemical and biological weapons fields. Having said that, its

capabilities are only a small fraction of what they were before the Gulf war. Largely through the work of UNSCOM, much of Iraq's capabilities in these three fields have been eliminated. While it is not possible to be too definitive as to exactly what percentage of Iraq's capabilities have been eliminated, it is probably in the vicinity of 95 per cent or more.

In the two years since inspectors have been in Iraq, it is uncertain as to whether Iraq has been adding to its weapons capabilities. My view is that probably no major activity has taken place. This is because Iraq probably sees no need, at this stage, to add to its weapons stockpiles. It most likely has a small arsenal sufficient to deter any enemy from using such weapons against Iraq. At this stage, in an era of sanctions, it would be difficult for Iraq to construct major facilities to rebuild its weapons programs. That is not to say that no work has been done by Iraq. I would expect that the ballistic missile field would be a priority for Iraq. There may have been small-scale activity in relation to both chemical and biological weapons, but that is speculation.

Of course, the sanctions remain on Iraq until it complies with UN resolutions, particularly the cease-fire resolution 687 and the more recent resolution 1284. Whilst these resolutions require several actions by Iraq, including the return of missing Kuwaiti prisoners, a key feature is the elimination of weapons of mass destruction before the sanctions can be lifted. There is no doubt that the sanctions contribute to the suffering of the Iraqi people. The effect has been not only on essential supplies but also on the economy, pushing more people into poverty and lowering their ability to provide for themselves. At the same time, the Iraqi government could do much more to help its own people. But assigning blame for the effects of sanctions is a pointless exercise, at least insofar as the Iraqi people are concerned.

The continuation of the sanctions is truly a dilemma for the UN. On the one hand, the poor and the vulnerable seem to bear the brunt of the effects of the sanctions; on the other hand, the sanctions are the only lever the UN has to coerce Iraq into giving up its chemical and biological weapons. And the UN is very aware that Iraq has used such weapons in the past, against not only another country but also its own citizens. The question is: what should the world do to resolve this dilemma? There is talk in the US and elsewhere of targeted or smart sanctions, whereby sanctions on certain humanitarian related imports would be eased whilst other sanctions would be maintained. Whilst in theory this sounds reasonable, in my view such targeted sanctions would not work. The Iraqi government already sees an erosion of sanctions through leakage, and any apparent formal easing of sanctions would only encourage Iraq to continue with its present policy of rejecting UN resolutions. Secondly, the dual use nature of much of the technology Iraq could import through an easing of sanctions could easily be misused by Iraq to add to its weapons capability, especially if there was no monitoring.

Although it is still early days for the new US administration, its approach to the problem so far essentially appears to be a continuation of the policy of containment. Unfortunately, the effectiveness of such a policy is very limited and will become less effective as sanctions continue to leak. I believe that if a solution is to be found it will be necessary to make compromises. The highest priority should be on getting UN inspectors back into Iraq, even if this means that some deal over sanctions will have to be made. The sort of deal that might be possible would be to allow the lifting of sanctions on a range of dual use items immediately upon Iraq allowing the return of inspectors. Furthermore, a firm timetable for the progressive lifting of sanctions over a period of, say, seven years should be offered provided Iraq cooperates with the UN.

It is also important that the no-fly zones be abandoned. These no longer serve the purpose that they once did—that is, the protection of the Kurds in the north and the Shiahs in the south—and the no-fly zones are now imposed for other political reasons. Of course, even with the return of inspectors it will be very difficult to eliminate any remaining hidden weapons if there is no cooperation from Iraq. UNSCOM spent several years at this task with little result. On the other hand, the most important work that inspectors could perform would be to monitor Iraq's industries and laboratories to ensure that such weapons are not rebuilt. I believe that the monitoring conducted by UNSCOM was effective and that no significant weapon activities took place while UNSCOM was monitoring. In this regard I am pleased to note that the emphasis in planning by UNMOVIC is to devise and reinforce monitoring regimes.

Australia's role in any resolution of the Iraqi problem is only likely to be small. At the same time Australia is seen as an honest broker and as an ally of the US. We do have some influence. If we have the desire, we could be the driving force to bring an end to a stand-off between the UN and Iraq that has now been continuing for 10 years. That concludes my opening statement.

CHAIR—Thank you very much. For the record, can I say a special thank you for appearing today, especially after your marathon journey from the UK yesterday. We are very grateful indeed. Are there any aspects of your submission, which I think was lodged in March of last year, that you wish to upgrade—apart from, obviously, what you have said this morning?

Mr Barton—No. I think that stands pretty well.

CHAIR—I would like you to expand a little bit on the changes in the US attitude to Iraq under the Bush administration. You gave us a couple of examples there. During your discussions in the United States, were they expanded? Were they open about some of the initiatives they were going to make?

Mr Barton—That is an interesting question. One of the things that was emphasised to me was that the new US administration is still developing its policy towards Iraq, and that was quite clear. In fact, it was pointed out to me that a lot of the more middle level officials still have not been appointed. Colin Powell's visit to the Middle East was partly to gauge the response of other countries in that area, and the policies, as I said, are still being developed. Partly they will be in response to how other countries view the situation and whether they will support the US in its bid for these targeted and stronger sanctions. So it is a little difficult to say which way the new administration will go. The officials who spoke to me talked about containment, and of course that was the policy of the previous administration—that is, to keep Iraq in a box. I mentioned the no-fly zones: they are part of that policy. Of course, the no-fly zones are not a UN imposed system; they are imposed now solely by the US and the UK. But as to what the future plans are, I do not know, and in fact I suggest the US have still not decided which way they are going to go. Obviously they plan to be tough on Iraq, but just where this will lead I am not sure.

CHAIR—Was there any concern expressed about what would appear to be an almost collapsing situation with a number of countries now seemingly being quite blatant in terms of going into Iraq and dealing with Iraq, in displaying at trade shows and having open flights into—

Mr Barton—I think the US are very concerned about this, of course, and I think this is why they have started to talk about smart sanctions. They prefer to refer to them as 'targeted sanctions'. In other words, the idea is to keep the sanctions on those things that are critical to Iraq's weapons programs but to ease sanctions in other areas. I understand that, after various statements by Colin Powell on this and talks with middle level officials, they seem to be backing away a little bit from this and that the range of goods that might be allowed into Iraq will not be as expansive as originally suggested. This is for the same reason I pointed out in my opening statement, and that is that a lot of the dual use technology that could go into Iraq could be misused by Iraq. In fact, almost anything could be misused. So, what I think might happen is that there will be some easing by the US as a sort of trade-off as long as the rest of the sanctions are kept tight. That is the game I think that the US is trying to play with other countries, to try to keep the sanctions tight. My own view is that over time all of this will erode, and I think Iraq is well aware of that.

CHAIR—Actually, I had an invitation a week or two ago from some group in Melbourne to join them on a delegation to Iraq on behalf of Australia, and part of the inference was that there would be tremendous trading opportunities for Australia if they went and established a presence. How should we approach a situation like that—just let it happen? Should we officially object to these groups going?

Mr Barton—I think the best thing for the world is if, as I said, inspectors can get back into Iraq. We have to think that on the one hand the sanctions of course do affect the people very severely, as I mentioned, but on the other hand the sanctions are the only lever we have on Iraq for them to comply with the resolutions, particularly as far as these weapons of mass destruction are concerned. I think is important that we do not seem to be ourselves breaking sanctions or in any way easing them. I think the most important thing is to get Iraq to the negotiating table. As I said, some compromises will have to be made to get Iraq to go that far. So my approach would be for Australia to play it tough on sanctions at this stage.

Senator BOURNE—I have got a couple of questions. You mention in your submission that you think probably 95 per cent of the weapons capability is now gone and probably most of that went pretty early on. But you also say that—and I thought this was interesting—whether it is five per cent or less of what it originally had, it is likely to be the best that it produced. Why do you think that?

Mr Barton—Because I think when inspections started in 1991 Iraq made a decision to retain some capabilities. It did eliminate unilaterally quite a lot of the weapons. If I am right that it decided to make that decision to retain capabilities, the logic would be that it would want to retain the best that it produced, particularly with chemical and biological weapons that might be able to be stored for a long period of time—agents that had a long shelf life.

Senator BOURNE—I was going to ask you about chemical and biological weapons in particular. The point would be that some of them you could just store underground somewhere and hope nobody ever found them.

Mr Barton—Yes, that is right.

Senator BOURNE—Do you think there is much we could do about even finding those, even if you had inspectors in?

Mr Barton—No. In fact, as I mentioned in my opening statement, I think it would be very difficult to find the remaining weapons. We are looking for a needle in a haystack. I do not think that should be our greatest concern now. Our greatest concern should be to monitor Iraq's industries and laboratories and so on, so that Iraq cannot rebuild these weapons. I believe they may be retaining the few weapons they have left to retaliate if attacked. One of the things that Iraqi officials have told us, from the top downwards—I am talking about generals and ministers of state—is that their enemies, which they have clearly defined publicly as Iran and Israel, have these weapons, and 'Therefore we need to protect ourselves.' I think that is one of the reasons why they retained a few, but some of the best, weapons in 1991.

They want to be able to retaliate if they are attacked with such weapons. That is not to say that they have what I would call a first strike capability. In other words, if they started a war they would not initiate the use of these weapons. So I believe our priority should not be, necessarily, to get rid of these weapons—although we should try—but to monitor that they do not add to this capability.

Senator BOURNE—You also mention in your recommendations that monitoring is really important—I can see the point of that—and that we should be looking at providing humanitarian assistance, perhaps in the form of agricultural aid and those sorts of programs. Why do you think agricultural aid programs would be the most effective way of helping them?

Mr Barton—Because it is self-support for the country, and also it is an area where we could easily help Iraq. This would not be sanctions busting in any form. It would be to support Iraq to provide for their own people.

Senator BOURNE—In agriculture would you bring in dual use things? It is very difficult. I think soap was one of the first ones that they thought had a dual use.

Mr Barton—When you get into dual use, particularly in the chemical and biological area, it is very difficult. Even a pump to pump water could be used to pump other chemicals. Pipe work could be used to pipe chemicals. One of the difficulties in Iraq at the moment is contaminated water. Iraq wants to be able to produce chlorine to chlorinate the water to purify it. Outbreaks of cholera are quite common. Even when I have been in Iraq—the last time in 1998—there were outbreaks of cholera. But chlorine is also a substance that is used for making mustard gas and some of the nerve agents. Immediately you see that difficulty. The list of items which had been held up and which had been requested under 'humanitarian' is a very long list. Billions of dollars worth of materials and equipment have been held up because of their dual use nature. Refrigeration trucks, for example, to transport meat could be used to transport biological weapons. Almost anything you can think of could be misused. That is the difficulty.

Senator BOURNE—If it comes down to soap it has to come down to pretty well anything.

Mr Barton—Exactly. If Australian officials were helping Iraq and were actually in Iraq on agricultural projects at least they could in a sense do some monitoring themselves to ensure that such equipment was not misused.

Senator BOURNE—That is a good point. You could have a bit of de facto monitoring anyway. If you had proper monitoring as well, then most of that misuse would be eliminated because it would be too difficult to do without noticing in large amounts.

Senator HUTCHINS—You were talking about how Iraq maintain that their nearest enemy is Iran, and Israel have some capacity. Did I hear you say earlier that they are using this sort of military capacity against internal opposition, Shi'ite, Shiahs?

Mr Barton—I mentioned that Iraq had used—I was specifically referring to—chemical weapons. It had used chemical weapons, I said, not only against another country—that was against Iran in the Iran-Iraq war—but it also had used chemicals against its own people. That was against the Kurds in the north of the country, and that was immediately following the Iran-Iraq war.

Mr LAURIE FERGUSON—With regard to no-fly zones I think you said something like they do not protect the people for which they were originally intended and they are used for other purposes now. You might have Barzani fighting Talibani and you might have Turkish intervention in the Kurdish areas, et cetera, but why is there still an argument that at least they provide some level of protection? Quite frankly, if you allowed Saddam Hussein basically a free hand we would have a lot more people coming off boats in Western Australia claiming to be Shi'ite refugees. I put to you that at least there is some semblance of protection there.

Mr Barton—You are probably right to some degree in relation to the north of Iraq. I have been to both the north and the south of Iraq. Iraqi forces on the ground in the south control the area completely. They do not need air cover to control the ground. That was the idea of the no-fly zone—so that they could not fly aircraft against their own people. As I said, they do not need to do that in the south; they completely control the south. That is not to say that there are not occasional problems in some of the villages, but there is enough road transport and there are enough tanks, guns and so on in the south.

It is slightly different in the north, particularly as you go into the far north of Iraq. Iraq does not have quite the same control up there, but they have pretty good control all the same. They control the Kurdish regions in the northern part of Iraq from the ground. Because the terrain up there is more mountainous and so on, it is easier for the Kurds to operate against Iraqi forces. I dare say there is a point where, if Iraq wanted to make a major attack against the Kurds in the north, they would want to have air cover as well. So, to a degree, yes, you are right. But, particularly in the south, there is no military reason to have the no-fly zones.

Mr LAURIE FERGUSON—I apologise; I came late so I may have missed the earlier clarification of what I took to be your position. I think at one stage you said, 'Well, at the end of the day, the sanctions are going to break.' I think we can all see that Turkey has been doing that since day one. Syria has recently initiated links and so has France. On the one hand I thought you were saying that the sanctions were going to fail—and you do want to accomplish some degree of monitoring; I guess that is part of the negotiation process—but then you were saying, in answer to the chairman, that we should take a hard line. I really wonder for what purpose. Essentially, if we believe they are going to go down the spout eventually, what is in it for Australia? There is basically being a loyal ally of the United States, but for what other purpose

could it be? Bear in mind that I did come in late so I may have incorrectly paraphrased your comments.

Mr Barton—To answer the question about leakage of sanctions and which way it is going: yes, there is leakage but, of course, that is far from having no sanctions. The leakage is at the edges and, of course, Iraq are always pushing that envelope to try to increase the amount of trade they will do with other countries. It is still very far from what Iraq would like, of course, which is the lifting of the sanctions. Iraq would like to buy a lot of other equipment and would like to use its oil wealth for what it sees as important things. So sanctions still have quite an effect on Iraq and that is why they can still be brought to the negotiating table; there is still something to negotiate. I am arguing that there is something to negotiate now. In a year's time there will be less to negotiate, and in five years time there will be even less under the present system, just because sanctions are leaking.

Mr LAURIE FERGUSON—I have one final question: where do you see Russia fitting in this at the moment? I do not know whether you are an expert—and I am certainly not—but what about this visit by Khatami to Russia last week? Are the Iranians making some kind of rapprochement with the Russians? Where do you see Russia fitting into the Iran-Iraq situation?

Mr Barton—I am afraid that is a little out of my area, so I cannot answer.

CHAIR—Did the new administration give you any indication as to whether or not they were going to continue their policy of supporting the opposition in exile? My understanding is that they have been pretty fearsome in that regard, particularly the London group. Has that been an effective campaign at all?

Mr Barton—Yes, this was raised with me. I only know what their policy is from what I have read in the papers myself—that is, they have continued to support opposition groups and continued to supply money. My own view is that this is not a very effective way of doing anything. It may be good politics as far as the US are concerned. I am not even sure about that, but they must consider it so. The opposition is so divided that they will not make very much difference. I would not support that. For what it was worth, I told the US officials that I did not support that idea.

CHAIR—One of the things we have seen over the last 12 or 18 months or so is a number of resignations, particularly from the Oil for Food Program. We get it here in terms of community groups complaining about the sanction regime. That has not been terribly effective either, I gather. If Australia promoted the easing of it, are there any advantages in it for us? I do not say that in a silly sense but my understanding is that under the Oil for Food Program we are the biggest suppliers of wheat to Iraq and that may be another way in which way we can get some influence.

Mr Barton—I am not quite sure what your question is.

CHAIR—It is really an opinion. As I said, we have had a string of people resigning from UN committees who said that they did so because the suffering was brought about by the sanctions and the restriction on the oil for food and the food was not getting through. In that respect it probably was a bit of a disaster, but the bottom line is Australia did reasonably well in the

supply of wheat under that program. If we promoted the loosening of that, the reality is Australia could probably do a bit better out of it.

Mr Barton—Yes.

CHAIR—In fact, it may be a way to get some more influence into the situation.

Mr Barton—Possibly. Although, Iraq can always find other suppliers of anything, particularly of wheat and food and so on. Clearly there are opportunities for Australians supplying food goods to Iraq. I think you have to look at the broader picture of our relationship with Iraq. It probably is not a bad thing from an Australian point of view to be in with that country. Iraq has tremendous oil wealth. It is quite possible it has the largest reserve of oil of any country in the world. It is certainly up in the top group but it has a lot of unproven reserves. If sanctions are lifted there will be a great demand for all sorts of items, so it would not harm Australia to keep in good with Iraq, because they will be selective about who they trade with in the future.

Senator BOURNE—We have seen reports that there is $US3½ billion sitting in trust accounts waiting to buy food and medicines and stuff and that nobody can make them use that money to buy food and medicines. Can you think of a way to get that money spent on things that are needed in that humanitarian area and to get them into Iraq if the government of Iraq does not want to do it?

Mr Barton—I do not see a way. All the time you have to rely on Iraqi cooperation for anything. I suppose you could think of all sorts of schemes but, without Iraqi cooperation, if Iraq refuse to do it there is no way to get it into the country or distribute it to the right people.

Senator BOURNE—Yes, of course, and then you have to distribute it once you get it in.

Mr Barton—Exactly. So it does rely on Iraqi cooperation and willingness to do that.

Senator BOURNE—So the Oil for Food Program ought to be working a lot better than it is but it is just that the proceeds are not being used?

Mr Barton—Part of the problem for oil for food is dual use items. Iraq requested a whole range of things, some of which no doubt are quite legitimate and some are not. The sanctions committee looked at that long list of things, and lots of things are held up because the committee is suspicious about what they might be used or misused for. That is part of the problem. I suggested in my opening statement that we could probably free up a lot of this if Iraq would agree to at least some degree of inspection once these items go in. That would be the first move, a compromise. If Iraq allowed inspectors to go back and monitor this dual use technology then you could open the doors a lot wider.

Senator BOURNE—So most of it really does come down to that inspection regime, doesn't it, even on a limited basis?

Mr Barton—I believe so, yes.

CHAIR—On page 7 of the submission you make reference to the Australia Group. What is that?

Mr Barton—I was actually involved in the formation of the Australia Group, so I know a little bit about it. It came about in the mid-1980s when Iraq started to use chemical weapons against Iran. At the time it was thought that if controls were imposed upon the technology, particularly the materials—because Iraq was buying materials from basically European countries and making mustard gas and nerve agents—then you would stem the ability for Iraq, and Iran for that matter, to make such weapons. That was the start of it. Since then what has happened is that a long list of materials and technology have been controlled. It is an informal international body that meets in Paris once or twice a year. There are about 26 member countries now, mainly industrial countries. Australia hosts it, and it has come to be called the Australia Group. Basically it is a way of controlling technology and materials related to chemical and biological weapons. It is not just aimed against Iraq, I might add; it is worldwide for any country that wants to have these things. It was very effective—so much so that Iraq formed a committee to overcome the Australia Group controls. We have documentation from that Iraqi committee trying to overcome these controls imposed internationally.

CHAIR—As there are no further questions, thank you very much indeed for being with us today and for making the effort after being on a plane for 24 hours. If there are matters that we need additional information on, the secretary will be in touch. We will make sure you get a copy of the transcript of evidence so that you can make any necessary corrections.

[10.41 a.m.]

HASSAN, Mr Joseph (Private Capacity)

KNIGHT, Mr Anthony William, Executive Director, Australia Arab Chamber of Commerce and Industry Inc.

CHAIR—On behalf of the subcommittee, I welcome Mr Joe Hassan and Mr Tony Knight of the Australia Arab Chamber of Commerce and Industry.

Mr Hassan—I appear before the committee as a member of the Australia-Lebanon Business Council rather than the chamber of commerce.

CHAIR—Thank you for that. The subcommittee prefers all evidence be given in public but should you at any stage wish to give any evidence in private you may asked 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 the proceedings of the House itself. I invite you to make a short opening statement, if you wish, and then we can move to questions.

Mr Hassan—I am just going to address the points that I addressed in the brief memorandum that I sent to the subcommittee in relation to the lack of any double tax, trade or investment treaties with many countries in the Middle East. In fact, Australia has no tax treaties with the Middle East. I do understand that it entered into negotiations with one country back in the early nineties. They have fallen through. That country was Kuwait, and the negotiations were probably due to the Iraq war at that time. Those negotiations have never resumed.

The point I addressed in the paper is that Australia does not seem to be taking a proactive role at all in negotiating these sorts of treaties with any Middle Eastern country. There has been a cry out for it by a number of investors that want to invest here. I know Australia's policy as a whole has not been proactive. It does not go out and chase countries; it waits for countries to come to it and then negotiates treaties—tax treaties, anyway; I do not know about other treaties. I think in this instance Lebanon was interested at one stage in a double tax treaty with Australia. However, it really was not shown very much initiative by the Australian government at that point in time so I think it has retracted a little bit there. I think you would find that there would probably be a lot more investment in Australia from those countries if you did have some treaty network with them.

Mr Knight—I think the good news at the moment is that there appears to be a renewed effort towards reinvigorating the discussions on these double tax agreements with a number of countries in the Middle East. We are certainly getting the feeling from the Department of Foreign Affairs and Trade and Austrade that, now that the Australian tax reform system has been bedded down, the tax office is paying attention to some of these double tax treaties that were put in abeyance back in the mid-nineties. We have certainly seen a start in negotiations with the UAE and Saudi Arabia. Both of those countries are on the agenda for discussions this year, so I think the news is probably good. But in some of those countries—particularly the UAE—double tax agreements are going to be very difficult because of their tax regime.

CHAIR—I guess a lot of the focus of our inquiry has been on the UAE and Saudi. Could you bring us up to date with the state of play of trade with Lebanon and what is going on there at the moment? It would appear that the Lebanese economy is starting to lift a bit. Perhaps you could give us some indication of some of the opportunities that might be there for us.

Mr Hassan—The Lebanese economy has started to pick up a bit. They have been seeking investors mainly from outside of Lebanon. From what I have seen, there has not been a lot of outward investment come in from Lebanon. At this stage, I think any outward investment from Lebanon has been going principally into Europe, as it has in the past. They have not been that keen on investing in this part of the world. There was a stage when I think they were looking at Australia as some sort of platform to invest in Asia. That was when there was a push towards Asia. However, that has now ceased, for the time being anyway. I am not seeing a great deal of investment coming outwards from Lebanon to Australia. There is some, I have to say, but not in bulk amounts. I do not know whether Tony has seen any more. I have not seen a great deal of that.

CHAIR—There seemed to be some hope given when MEA started up their services but nothing much really happened there either, did it?

Mr Hassan—No. At that stage I think they were looking for more of a limited air services agreement or something of that nature. Nothing really eventuated from that. Then they pulled out of the Australian route. I do not know what the actual reasons were. I think that profitability may have been one reason but certainly, given the flights that had been going to and from Lebanon, I do not know that profitability would have been the bottom line or the main issue for them to pull out of Australia.

CHAIR—In terms of general trade, is there much going on?

Mr Hassan—I think there is. From what I have seen, there is quite a bit of trade. There is a lot of freight going back and forth, certainly in the area of pharmaceuticals. I have to give a lot of advice in that area, so that is an area in which I have seen a big pick-up.

Senator BOURNE—Do you think that there has been much change due to the withdrawal of Israel from Southern Lebanon? Has that had any sort of effect?

Mr Hassan—I think it is too early to tell as yet. I do not know. I could not answer that question for you.

Senator BOURNE—Nobody is sort of eagerly monitoring it to see if it has a positive effect?

Mr Hassan—No, there has not been a great review of what the actual investment effects of their pull-out has been.

Senator BOURNE—The political situation in Lebanon and generally in the Middle East obviously must have a huge impact. Do you think that is getting better? Or do you think that it is staying exactly where it was? Or is it getting worse?

Mr Hassan—That is a difficult question. In Lebanon, I think it is getting a little better. I cannot comment for the other Arab states. I do not think it is getting better in many of the Arab states and I do not think that there is any real political reform in a lot of those states.

Senator BOURNE—What I meant was: how is that affecting trade?

Mr Hassan—I think that there has been some pick-up in trade. In relation to Saudi Arabia and the United Arab Emirates, what may make negotiations difficult is the question of sovereign immunity for what they perceive to be their central bank investments. That has always been a sticking point with the Kuwait Investment Office, which claimed that they were part of the government. That was not accepted by Australian authorities at that point in time. That may well be a big sticking point. I think capital gains issues are going to be a big sticking point as well. They will obviously want to adopt an OECD point of view towards the taxation of capital gains, whereas Australia will not want that at all.

CHAIR—Apart from the tax arrangements, are there any other real impediments to trade development between Australia and Lebanon?

Mr Hassan—I would not think so, no. I think that possibly some investors would like to see that investment protection agreement in place, but there has not been a very big push for it. Negotiations for one did commence a little while back. I do not think they proceeded that far, but certainly they entered into negotiations at one point in time.

CHAIR—Does Lebanon come sufficiently into the vision of Austrade, for example? Are you satisfied that they are putting enough effort into promoting a Lebanon-Australia relationship?

Mr Hassan—Yes, I think so, from what I have seen.

Mr LAURIE FERGUSON—This might not be your field, but in the region what is your experience of the degree of effort by European countries—Italy, France, et cetera—to trade in the region, and what effort do they put in there?

Mr Hassan—It is certainly a very big effort. I will give you an example. France has negotiated a treaty with Kuwait, for example, and has bowed to Kuwaiti pressure on a number of aspects, which France normally does not do in its tax treaties, primarily to encourage investment from Kuwait. A number of other European countries have done the same thing. The United Kingdom has not, to my knowledge. In the last round of negotiations I saw between the United Kingdom and Kuwait I did not see the same sort of policy towards them. Certainly Italy has undertaken the same sort of activity to try to encourage investment into its country as well. So it has not taken a narrow aspect and said, 'Look, if we bow to your requests we will have to bow to similar requests from other countries.' France in particular seems to have been able to overcome that problem and has a limited form of agreement with Kuwait in particular which it does not have with other countries.

Mr LAURIE FERGUSON—That is the investment fund, but what about trade in general?

Mr Hassan—In terms of trade with those countries—

Mr LAURIE FERGUSON—Yes, the effort they put in on the ground.

Mr Hassan—I do not know how much trade they do together.

Mr LAURIE FERGUSON—You are not aware of the effort they do put in on the ground?

Mr Hassan—No.

CHAIR—On a completely different issue, about a week ago—in fact it was on 13 March—a story was run that some 200 members of the Southern Lebanese army will reportedly emigrate to Australia in a month's time. Have you got any comment about that? Could you give us any indication of how former SLA members are regarded by the Lebanese community in Australia?

Mr Hassan—I guess it depends on what part of the Lebanese community. It depends on who in the Lebanese community you talk to. Certainly that is news to me. Some people are very critical of the army and some of the things that they did during the war; some people are very supportive of them. I do not know. I think you will probably get a fairly strong reaction if they do come here.

CHAIR—Finally, could you both outline the activities or the reason for being of your organisations? In other words, what is the difference between the Chamber of Industry and Commerce and the Business Council?

Mr Hassan—I do not think there is any difference at all, actually. They are both to enhance trade and the political relations between countries within Australia and the Middle East.

CHAIR—And you work quite cooperatively.

Mr Knight—I think that is basically right. Where Joe's group has a specific focus on Lebanon, we look at the Middle East and the MENA region generally. I suppose, as a result of that, the major focus is on UAE, Saudi Arabia, Egypt and Kuwait, with a small involvement of the other countries of MENA.

CHAIR—As someone who first went to Lebanon as a 21-year-old on my first overseas trip, can I ask what is happening with tourism now? Is it actually picking up in Lebanon?

Mr Hassan—My understanding is a great deal. That is what they have tried to encourage and that was their biggest investment at one point in time anyway. The incumbent government which previously was in power some time ago went about trying to encourage tourism again. It is a difficult industry to encourage in that area, as you would know, but they are pushing very hard. There has certainly been a great influx of tourists in the area, notwithstanding what is going on there.

CHAIR—But there is still a fair deal of freedom of movement in the north of the country, isn't there?

Mr Hassan—I think on both sides of the country there is still a degree of movement, yes.

CHAIR—Are they doing much in terms of relating Lebanon as a destination in Australia, or is it visiting friends and relatives?

Mr Hassan—I do not know that the government do a great deal. I have not seen a lot come from the government on that in the times I have been there. They have been very encouraging whilst I have been over there, but I have not seen any sort of further activity in that respect.

Mr LAURIE FERGUSON—Has your organisation made any previous submissions to any government department or ministers relating to the embargo on Iraq?

Mr Knight—No, we have not.

Mr LAURIE FERGUSON—So you have never entered the issue before?

Mr Knight—No. We tend to try to steer away from political issues because we are trying to protect both sides of the fence, so we need to stay on top of the fence when it comes to taking sides. The comment we make in our submission is an observation that we believe the embargo has served its purpose. As a general comment, the rich are getting richer and the poor are getting poorer.

Mr LAURIE FERGUSON—Your answer gives it somewhat more credibility. I would have been interested if two days after they had been introduced you had been campaigning against them.

CHAIR—On that point, coming down in the plane from Brisbane this morning I was reading the best in British journalism in the *Gold Coast Bulletin*. The mayor of the Gold Coast has just come back from Dubai. They have finalised a twin city agreement between the Gold Coast and Dubai. If you believe the write-up in the *Gold Coast Bulletin*, this is going to be the greatest thing that happened in Australia since the invention of sliced bread—the trade is going to pour forth in great multiples and everything will be right.

Mr LAURIE FERGUSON—That justifies the trip.

CHAIR—They are getting a few tourists from the Emirates on the Gold Coast at the moment and they spend a lot of money, I guess. How important are those sorts of relationships?

Mr Knight—One of the points we made in our submission was that we believe that Australia has become too fragmented in its marketing approach to overseas generally but to the Middle East in particular. We see this proliferation of trade missions heading out from states and now from cities like the Gold Coast. They probably generate a little bit of business, but not as a matter of marketing Australia. We talk to our sister chambers in the Middle East, which are huge organisations, bigger than the Australian government—they have got 20,000, 30,000 or 40,000 members and they operate out of huge buildings—and they say that they probably see more Australian trade missions in a year than they see from any other country. Already this year we have seen a delegation from the Queensland government and we have seen a delegation from the Gold Coast. There is a delegation going from South Australia, there is one going from Victoria, there is one that has been from New South Wales and there is another one going from New South Wales. We have got Senator Alston going over there early next month. And that is

only the start of the year. When we read the articles in the Middle East press, Australia has got at least six prime ministers or presidents, because the leader of the delegation is the President or Prime Minister!

CHAIR—At least there is some truth in the reporting then!

Mr Knight—That is the way we are perceived. When I talk to counterparts in UAE or Saudi Arabia they keep asking, 'Which one is the real delegation?' When Mark Vaile goes, for example, a lot of work needs to be done by Austrade to convince the people that he is the Australian Minister for Trade rather than the representative of the state department of regional development or whatever they might call it in each state. We believe that is one of the major issues we should be addressing. We addressed it back in the early 1990s and started to get some regimentation into trade missions. We need to address that from Australia's point of view so that we have one selling Australia. It could be Austrade or the New South Wales Department of State and Regional Development or the Victorian one, or we could allocate responsibility for particular areas of the world to different states. At the moment it is so fragmented that a lot of the initiative is lost when the next mission arrives. People do not know who they are dealing with.

CHAIR—I suppose we had the same problem with tourism promotion 15 or 20 years ago when we had all the states going their hardest and the ATC going its hardest. There was total confusion but at least they got their act together by putting everything under the umbrella of the ATC. I guess that could be seen as a formula for trade too, with Austrade as the umbrella organisation. It is not to stop their efforts but to have a greater coordinated approach.

Mr Knight—I think the funds that are currently spent around Australia on trade promotion are fragmented but, if they were pooled, they would have a greater impact. A good example of how targeted marketing can work is the Victorian Business Office in Dubai. They have been very successful. They have a guy on the ground there who used to be in Austrade and who is doing remarkably well on behalf of Victorian companies. In fact, he is doing so well that he is now doing a bit of work for other states through our chamber. That is a targeted approach that has worked very well.

In one of your earlier hearings some mention was made of student scholarships and student exchanges, or the lack thereof. Our chamber, each year for about the last six years, has sponsored seven student exchange programs, into the Middle East specifically, at a cost of about $11,000 per annum currently. Six of those students go to Damascus University for six months under a program which we sponsor with Deakin University and Damascus University. It is the Arabic business degree run out of Deakin. This year we have started placing those students with other chambers in the Middle East on work experience on their way back from that program. The other student we send is in conjunction with Macquarie University in Sydney. We sponsor a student for six months to do a study tour as part of their thesis at Macquarie. They do a program on whatever their particular bent is in the Middle East and come back and report to us, and they obviously complete their thesis here. We are currently involved with seven student scholarship student exchanges with the Middle East. I think in one of the early hearings there was a report of only one known at the time.

Mr LAURIE FERGUSON—What is your view of that course being run at Deakin? Is it of some value?

Mr Knight—We think it is of great value. There is actually a department of Arabic studies within the university with a program that covers language and culture. The students that sit for that particular program actually come out with a degree in Arabic business studies. They are of value to Australian companies who want to deal with the Middle East, because they speak the language—language is part of the program—and they are also of value to Middle Eastern companies that want to employ somebody who, obviously, has knowledge of the English language and Western culture.

Mr LAURIE FERGUSON—Have you being close enough to the overall program or to the individuals that your organisation has helped to know the outcomes in terms of what has happened to these people and where they went?

Mr Knight—I have only been with chamber for the last 12 months and I have asked exactly the same question. We are in the process of documenting where these people have gone. Hearsay says that about 50 per cent of the people who have gone through in the last five years are working in the Middle East and the other 50 per cent are in Australia. We are in the process of documenting what benefits have flowed, where they now sit and what impact they are having on bilateral trade, bearing in mind that promotion of bilateral trade is the sole purpose of the chamber.

Mr PRICE—What did you mean by a 'supermarket' approach?

Mr Knight—The Supermarket to Asia initiative that was launched in 1999 appeared to have a focus of taking a group of producers and selling their product as a supermarket—in other words, taking the shop into Asia and selling it. We believe that the same approach would work very well within the Middle East, where the biggest growth we are seeing in trade, other than motor vehicles and the large ticket items, is in food products. There is a growing demand for Australian food products in the Middle East. We believe that a targeted approach and an overall Australia approach where we basically take the supermarket trolley and say, 'This is what we've got. What bits do want to take out of trolley?' is the way to go—rather that Bonlac doing their bit, Murray Goulburn doing their bit and Tony Knight, who has a nice little vegetable farm out the back of wherever, trying to do his bit.

Mr PRICE—What do you believe is the potential to increase trade over the next five years?

Mr Knight—In the majority of countries in the Middle East market, we are talking about fairly small markets. They are, therefore, digestible by Australian small business without needing to dramatically increase their production lines. For example, in the UAE you are talking about a total population of three million. So for a small business operator in Sydney, for example, who has a great product selling well in the Sydney market, moving into another market where the product is wanted means basically just doubling his production. He can handle that in nice easy bites rather than trying, for example, to tackle the UK or the USA, where it is a case of 'Where do you start?' That is one of the advantages of the Middle East.

As an overall view, Australia is seen as a neutral party in the Middle East and that is one of the advantages that we do not emphasise enough in our dealings—although certainly the chamber does. We are seen as a neutral player: we are not aligned to any particular power. We are culturally diverse: we have quite a significant Middle Eastern population in Australia, particularly Lebanese but also a number of other nationalities such as Egyptians. The Islamic culture is fairly well entrenched in Australia now. So we are seen as neutral and having the language and cultural skills to fit into the market.

CHAIR—You are quite right that it is a two-pronged attack: it is the fresh fruit and veg as well as the processed. My understanding is that there have been quite a number of groups, especially from the emirates, who have been going around physically locating sources themselves without too much promotion.

Mr Knight—Yes.

CHAIR—That was so, particularly in the fresh seafood area, where there is apparently a huge demand building up.

Mr Knight—A lot of that has flowed from the investment on the Gold Coast from the UAE. Of course, when these people come here, they do not come with an American Express card with a limit of $10,000. There was a recent case where a guy arrived and spent $5 million in one weekend in Brisbane. That is good business for anybody.

CHAIR—I saw some figures the other day where they say that the average expenditure per head out of the emirates is $7,700 for every man, woman, child and hanger-on who is there. That is the average amount. It is amazing.

Mr Knight—We are very pleased that the Gulf area is now increasing its flights. The Emirates have also increased their flights. It is very difficult now to get a seat on a flight to the Middle East, which is great.

CHAIR—If there are no further questions, I thank you again for being with us today. If we do need any additional information the secretary will be in contact. We will also send you a copy of the transcript in case you need to make any changes.

[11.32 a.m.]

SAIKAL, Professor Amin, Director, Centre for Arab and Islamic Studies, Australian National University

CHAIR—On behalf of the subcommittee, I welcome Professor Amin Saikal from the Australian National University. The subcommittee prefers that all evidence be given in public, but if at any stage you 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 invite you to make a short opening statement, and then we can move on to questions.

Prof. Saikal—I think I have made my major statement in the submission that I have made to the committee.

CHAIR—Is there any area in it which you would like to update?

Prof. Saikal—I think that submission still stands. But I want to add that of course there have been a number of new developments, especially in relation to the Israeli-Palestinian conflict. To me, it appears that the Oslo peace process has ended, and whatever may transpire from here may have little to do with the Oslo peace process. The newly elected Israeli Prime Minister has already indicated that he would like to negotiate with the Palestinians on a different basis. My understanding is that from now on it will be based more on the principle of 'peace and security for peace' rather than on 'land for peace', which underlined the sanctity of the Oslo peace process. At this stage I am not terribly optimistic about the overall outcome, but it is indeed in the interests of both sides to reach a negotiated settlement. Whatever the amount of bloodshed and the length of the current conflict, ultimately the two sides may have no choice but to return to the negotiation table.

I think the important thing the committee, and indeed the world at large, has to be reminded of is that Israel will be negotiating from a position of being an occupying force and the Palestinians will be negotiating from the position of being an occupied people. There is a terrible imbalance between the two sides, and that might be one of the main reasons why they have not been able to reach a final settlement of the conflict. I would like to express my appreciation to the Australian government for opening an office for the Palestinians, although it is not at the same rank of ambassador as in the case of Israel. Nonetheless it is a step in the right direction. At the same time I am somewhat disappointed that the Australian government has not publicly condemned the amount of violence which has been inflicted upon the Palestinians and the number of lives which have been lost on the part of the Palestinians. They have, by and large, been defenceless stone-throwers confronting one of the most powerful military machines—if not in the world, at least in the region. I think because of this fundamental imbalance in the relationship between the two sides it is morally and politically correct for Australia to show its hand and indeed condemn the application of excessive force against the Palestinians, and to try to exert pressure on the Israeli government to comply with the findings of major international human rights commissions which have condemned Israeli use of excessive force, and disproportionate force for that matter, against the Palestinians.

CHAIR—Do you see any real change in that relationship as a result of the elections in both Israel and the United States, or is it going to be business as usual?

Prof. Saikal—When the Bush administration first came to power I was somewhat optimistic, in the sense that the Republicans had not traditionally relied very heavily on the Jewish vote in the United States and of course President George W. Bush did not win New York and California, to be indebted to the Jewish vote. Also, in the post-Cold War era George Bush Senior had demonstrated that the Republicans had been in a position to exert pressure on Israel wherever possible, as Bush Senior did in the early 1990s by holding back providing a guarantee for a $10 billion loan for Israel unless the Israelis were prepared to come to the Madrid peace talks and negotiate with both the Palestinians and Arabs in general. I think to some extent that really worked, but of course his presidency did not last long enough and the Clinton administration decided that that might not be the right approach and did not exert as much pressure on Israel as probably it should have. My feeling at the beginning of the election of President George W. Bush was that probably this administration may follow the footsteps of the previous Republican administration and may want to exert more pressure on Israel. But of course it is very early in the piece. I am sure it would be in the back of the minds of a number of senior republicans, particularly in that administration, that if it comes to the crunch they always have something up their sleeves—and that is to use United States strategic ties with Israel and the leverage that that provides to the United States in order to somewhat moderate Israel's position. I hope very much that they will do that because otherwise the imbalance that I emphasised earlier on would stay there and there would be very little chance of a comprehensive peace in the region.

CHAIR—Could I go back to the Australian situation? You referred to the establishment of the office. Following the PM's visit to the area last year, I think that we came up with our first aid program, which was about $1 million. In your submission you made specific reference to how you believe that aid should be delivered. Is that happening?

Prof. Saikal—Not as far as I am aware, but that may have more to do with my lack of information on that issue than anything else. They may have started a process whereby they have channelled their aid directly to the Palestinians in support of educating young Palestinians in Australian universities in areas which Palestine needs very badly. As far as I am aware, that has not happened yet. I have not seen any evidence of it around. But that is not to say that some action may not have taken place in that respect.

Senator BOURNE—You have a section about education. We have had a lot of evidence about the educational opportunities that exist that we are not taking up. You mention Iran in particular. Also you mention in your submission how we got a reward for doing the right thing earlier on in the 1980s. Where do you think the Australian educational opportunities for Iran in particular, but also for the Middle East, are going now?

Prof. Saikal—It has certainly improved a great deal over what was the case probably in the 1970s and part of the 1980s. We now have a larger number of Arab students attending Australian tertiary education institutions. Also we have maintained our close ties with Iran. A number of Iranian graduates still come for higher education to the ANU. But the number of Iranian students has certainly dropped. That is not because Australia has created any obstacles; that is mainly because the Iranian government has reduced the number of scholarships that are

made available to Iranian graduates to come to Australia. It is my understanding that, with the current Iranian ambassador in place here, a greater effort has been made to increase the number of students again, but that will depend very much on budgetary allocations on the part of the Iranian government.

Yet at the same time, if we want to maintain that lucrative market, or source of graduate students, then it is important that we do something reciprocal. For every 50 or 100 Iranian students who come to Australia on Iranian government scholarships we should try to provide at least 10 scholarships of our own. That will certainly help the Iranians to justify the number of students they would like to send to Australia. It will be sort of in the form of a sweetener for them. Otherwise they will see the whole thing as one-way traffic, all to the benefit of Australia but of little benefit to the Iranians—apart from the fact that they will have a large number of graduates going back and helping Iran in its process of development and so on.

Nonetheless, I think it is important that we put some reciprocal measure in place—and not only with Iran but also with a number of other countries in the region. There is a very important source of student intake for us in the United Arab Emirates. The United Arab Emirates is very keen to send a good number of students, both for undergraduate and postgraduate studies, to Australia. But again, as has been pointed out to me by a number of UAE officials, it would be very helpful if the people in Abu Dhabi felt that there was some reciprocity in the whole process. At the moment it really does not exist. My recommendation would be that we should enter serious negotiations with the governments in the region in order to put arrangements in place whereby they do feel more comfortable with Australia in order to be able to justify the larger number of students that they would like to send to Australia.

CHAIR—On that point, the new Iranian ambassador seems to have taken the whole area of education under his wing. Am I correct in saying that there is now a chair of Iranian studies at the ANU? Or is that one of his projects that he would like to see established?

Prof. Saikal—I know that it is not a chair; it is a lectureship in Persian language and Iranian studies. That lectureship has been established. Iran has made a contribution of some $650,000 which is matched by the Australian National University. We have advertised that position in our centre and we very much hope that that position will be filled in perpetuity in the next few months. May I also point out that a larger contribution has been made by the United Arab Emirates to the Centre for Arab and Islamic Studies at the ANU. They have offered us $2.5 million, which is matched by the ANU to give us a total endowment of $5 million, from which we are planning to construct a building for the centre at a cost of $2 million, to establish a chair of Arab and Islamic studies at the cost of another $2 million and also to establish two scholarships and a visiting fellowship program at the cost of another $1 million a year.

Senator BOURNE—That is very impressive.

Prof. Saikal—Turkey has also made a contribution of $400,000, which is again matched by the ANU, to establish in perpetuity a junior lectureship in Turkish language and culture. We have advertised that position as well and hope we will be able to fill that position very soon.

Senator BOURNE—Middle East studies are obviously flourishing at the ANU at the moment.

Prof. Saikal—I must say that, with the help that we receive from outside and the generosity of the university itself, we are certainly doing better than we could have anticipated a few years ago.

Senator BOURNE—Are you sure this will be maintained? Do you have enough to keep it going yourselves?

Prof. Saikal—I hope very much because this gives the Centre for Arab and Islamic Studies three endowed positions. These are positions that will have to remain in perpetuity. A building will give it a greater degree of permanency, so I hope very much that the ANU will maintain its present level of funding of the centre and that, as a result, the centre will be able to grow not only in size but also in providing the expertise which is needed in this country and in promoting a better understanding of Islam, the Middle East and Australia in general.

Senator BOURNE—I want to ask you about two other things on education. First of all, you mentioned the education officer based somewhere in one of our embassies in the Middle East. Could you expand on that a bit for us? Secondly, we have had a lot of evidence in submissions about having an Australian university centre somewhere in the Middle East, probably in conjunction with some other tertiary institutions somewhere there. Can you tell us what you think the advantages are of that? Do you think that it is likely or even possible in the near future?

Prof. Saikal—My understanding is that there is definitely a need for some sort of educational centre supported by various higher education institutions in this country to be established probably somewhere in the Gulf. It could be either Iran or Dubai or possibly Riyadh. To me, it looks like Dubai is most central—it can serve as a hub to the region as a whole. Then again, we also receive a large number of students from Iran and that potential source of intake looks very good.

If we do have a centre somewhere in the Gulf, possibly Dubai, then we could also have some sort of permanent education representation in Teheran and Riyadh and possibly Cairo. I know this might sound like a fairly costly exercise, but I have a feeling that in the long run it will pay off and will enable Australian higher education institutions to sell their products more effectively to the region and also to provide the sort of information that people are looking for and that is not available to them at the moment. For example, some of the universities operate through Austrade offices in the region. But the Austrade offices are overburdened by their own work, and so it is very difficult for them to also act as agents for Australian education institutions.

The time has come when we should take the big step and do some investment in this area, because ultimately the whole region could prove to be a very important and lucrative source of income for Australia—not only in terms of attracting undergraduate and postgraduate students but also in terms of establishing offshore activities in the area. For example, I know that a number of North American, European and particularly British universities have offshore campuses in the area. In some ways perhaps we have left it too late, because now we really have to go and compete with the North American and European institutions, and that means that we will have to spend more money. The question is whether we are prepared to do that or not. But

still it is not so late that we should not make a big effort in order to make some inroads into this area.

CHAIR—All the action seems to be centred on the ANU. Are there any other tertiary institutions around Australia that are placing much emphasis on Middle East connections?

Prof. Saikal—Yes. There is a Department of Semitic Studies at the University of Sydney which has been in existence for many years. Although I understand that traditionally their emphasis has been on Middle Eastern languages and history, lately they have moved into the area of contemporary history and politics as well. That centre has, I think, now been attached to different departments, but it has remained fairly constant in size; it has not really grown to the extent that some members of the centre had initially expected.

There is also a Middle East centre at Macquarie University, but it is my understanding that that has remained very much a one-office centre. The only specialist who is there is Dr Andrew Vincent, and the centre has not really expanded beyond Dr Vincent and the services that he provides. There is a program in Islamic Studies which is offered by Melbourne University. Dr Abdullah Saeed heads that program. Their emphasis is not necessarily on Islam in the Middle East but rather Islam in South-East Asia. But nonetheless, the fact that they are covering Islam is from our point of view very valuable and very important. They have been a bit more successful in terms of expanding their activities, but obviously not to the extent which the size of this country warrants, and which the general level of understanding that this country has about the Middle East and Islam may warrant.

Senator HUTCHINS—Do those institutions you have just mentioned receive any assistance? You say that the ANU is receiving assistance from UAE and Iran. Do any of those institutions receive any assistance, to your knowledge?

Prof. Saikal—Not to the extent that could have enabled them to expand their structures and activities. They may have received very small donations, which may have helped them with holding conferences and seminars but not in terms of establishing endowed positions. As far as I know, that is the case with Sydney University and is definitely so with Macquarie University. But Melbourne University has received assistance with a lectureship in Islamic history in the Department of History, and I think that is a welcome development.

Senator HUTCHINS—From whom did they receive assistance?

Prof. Saikal—I think they received it from a philanthropist in the Gulf; I am not sure exactly who that philanthropist was. But that is the only other instance of outside support which has been given for the development of what you may call Middle Eastern and Islamic studies in Australia.

Senator HUTCHINS—What would you put that down to: that they have not advertised themselves or flogged the course? It is called ‘Semitic Studies’; that is not a barrier to a number of Arab or Islamic contributors, is it?

Prof. Saikal—The field of social sciences in general, and Middle Eastern and Islamic studies in particular, is not one of those areas that people would like to put too much investment into,

particularly in Australia. Even if there are big foundations and philanthropists in the Middle East who would like to invest in this area, they would rather invest in North America and Europe than come to Australia. Australia has not been very well known to these people for very long. We are becoming known, but we have not been known for a long time. Also, the kind of policy approach that we have adopted towards the region, particularly in relation to the Arab-Israeli conflict, which to my mind was not as even-handed as we often claim it to be, did not endear us to many of these philanthropists and foundations who could help us with the promotion of Middle Eastern, Arab and Islamic studies in this country. That is one factor.

The other factor is that, to persuade these people to invest in Australian institutions, you have to establish very extensive ties with them. In dealing with the Arab world, and also Iran for that matter, personal relationship is very important, and personal contact is very important. Also it will depend on the reputation of the individuals who approach these countries or sources in these countries for financial assistance. You have to have the sort of national and international standing that could attract them and make them feel that it is worth while investing in this area in Australia. In that respect we have been very fortunate because we have been able to establish the centre first at the Australian National University with the support of the university itself. Initially we did not receive any help from the region at all, and the centre survived on that basis for its first six or seven years of existence. The centre was established in 1994. We were also able to build the national and international reputation of the centre very rapidly, to the extent that, when we made approaches to people in the region, they had already heard of our centre and the input that this centre had in terms of widening the understanding of people about Islam and the Middle East in this region, and also of having some input into the policy making arena with direct and indirect consultancies and so on. I think that was another factor which helped us in the process.

Senator HUTCHINS—How many scholars do you have at your institution?

Prof. Saikal—It changes every year. Our centre was established initially as a graduate centre. We had no intention of developing an undergraduate centre or of developing an undergraduate program. Currently we have about 17 PhD students who are working on a variety of topics. We have about a dozen graduate diploma and masters students. We also teach a number of undergraduate courses through other schools and faculties in the university. In this first semester we have well over 100 students enrolled in these courses. The undergraduate courses are very important in terms of bringing us the income that we need to maintain the centre. That is how we managed to not only maintain but also develop the centre, until very recently when we attracted outside assistance to establish these endowed positions and so on. Our graduate intake also makes a significant contribution to the income that we generate to support and maintain the centre.

Senator HUTCHINS—Correct me if I am wrong, but you said Indonesia was involved with the school or was making a contribution.

Prof. Saikal—No, Indonesia is not involved with our centre. There is an Indonesian program in the Faculty of Asian Studies at the Australian National University. Our coverage does not go beyond what is traditionally regarded as Central Asia and the Middle East.

Senator HUTCHINS—In relation to a number of those topics, is there any particular emphasis in your graduate program on Islam itself? Islam is not confined to the Middle East, obviously.

Prof. Saikal—Absolutely. We teach a course at the undergraduate level jointly with the Faculty of Asian Studies on Islam. It is called 'Islam: history and institutions'. That course currently has about 40 students, and this is the first year it has been offered. We also offer courses on politics in the Middle East and politics in Central and West Asia through the School of Social Sciences in the Faculty of Arts at the Australian National University. These courses are well patronised. I have been offering them for a long time. These courses also partly involve a coverage of Islam in the Middle East, but as far as the coverage of Islam in South-East Asia is concerned that is really the domain of the Southeast Asia Centre in the Faculty of Asian Studies. Like everywhere else, there is a division of labour at the Australian National University. We have to respect that, but we do have very close ties with the Southeast Asia Centre and we do have joint conferences and joint supervision of graduate students. At the end of last year we had a major international conference on Islam in the new millennium which was sponsored jointly by the Faculty of Asian Studies, our centre, the Research School of Pacific and Asian Studies in the Institute of Advanced Studies at the ANU.

As far as our graduate coverage is concerned, our students work on a variety of topics. Some of them involve coverage of Islam and some of them do not. Ten students have so far completed their theses and graduated successfully, with six of the theses being accepted by reputable international publishers for publication. Their topics have ranged from Saudi politics to the relationship between economic liberalisation and tourism in the Middle East—the cases of Iran, Pakistan and Egypt—to the impact of satellite television on Saudi society, and on Iran, Pakistan and Egypt. As part of our Central Asian coverage, we cover Afghanistan. We have an ethnomusicologist who is working on dance, movement and identity in north-east Afghanistan—the province of Badakhshan. Our student has already spent 6½ months doing field work there. It is one of the most terrifying places on earth to be at the moment.

Senator HUTCHINS—I hope he is not a Buddhist.

Prof. Saikal—No. Our students come from all sorts of backgrounds. We have anthropologists, ethnomusicologists, economists, political scientists and historians. The centre is an interdisciplinary centre.

Senator HUTCHINS—Any clerics?

Prof. Saikal—We had two Iranian graduate students, one of whom could have been classified as a cleric. But, no, none that I could currently identify.

Senator HUTCHINS—Thank you.

Mr LAURIE FERGUSON—In asking you these questions, I am not trying to say that I do not essentially agree with your main submission about Australia being more even-handed in proposals with regard to students and Palestinian rights, et cetera. But, having written that a year ago, would you agree that your comments on Iran and President Mohammed Khatami's move to a more civil democratic society were somewhat optimistic? If we look at last year we

find the closure of reformist newspapers, and a court case where they are supposedly trying to uncover rogue elements in the security forces who have assassinated liberal critics, but conveniently one of the main witnesses suicided in gaol so they could not give evidence against people higher up. Khatami made statements last week that he was possibly going to run for another term and reinvigorate the liberal opposition, but if we are saying that a major reason for a change in Australia's position is this move in Iran, don't you think a year later it is not quite that optimistic?

Prof. Saikal—As you know, the situation in Iran is very complex. I do not think the reformists anticipated that they were going to have a smooth ride in any sense. As the Iranian revolutionary environment moved from being Jihadi, which is combative, to becoming Ijtihadi, which is more liberally interpretative, it was also very clear that the main instrumentalities of state power were firmly vested in the hands of those who were Jihadis, who were the combative supporters of Ayatollah Khomeini. When Khatami first came to power he sensed that there was a burning desire on the part of the Iranian public, especially the youth, who constitute 60 to 65 per cent of Iranian population, to move in the direction of a more moderate Islam in order to enable the revolution to deliver to the people what it had promised, which was economic prosperity, political freedoms and more constructive engagement with the outside world. I do not think that, at any point, Khatami or, for that matter, his supporters felt that this was going to be easy. What has transpired since Khatami's assumption of power is that reform process has unfolded.

There is a more liberal climate in Iran for expression of opinion, for debate of major issues and development of opposition to the clerics from within. My feeling is that despite all of the difficulties that they have faced that process is still in place. As long as the Iranian population continues to provide the overwhelming support that they have to the process of reform, it is not going to be easy for the factional opponents of Khatami to reverse the course of reform. They are in a position to slow down the process of reform. They are in a position to cause a lot of obstruction but ultimately it will have to become clear to them—and I think it has already become clear to some of them—that 'people power' is behind the reform movement. If there is to be a confrontation with Khatami supporters and their factional opponents that could easily result in a major bloodbath.

I am not sure whether the hardliners would really want to see that sort of bloodbath, given the fact that in the last parliamentary elections they scored no more than 15 or 20 per cent of the popular vote. That is a very small amount of popular support to have and then engage in the type of militant reaction to reformist demands which could result in widespread bloodshed in the country. I think there are two possibilities. One is that the present process will continue and will take longer. It will be tedious and painful, for both the Iranians and the outside world for some time, until the moderates or the reformists succeed in taking over more instrumentalities of state power, particularly gaining influence within the armed and security forces and within the judiciary. Or, alternatively, a number of their factional opponents will realise that they are fighting a futile battle and some of them may decide to defect to the side of the reformists. That has already been happening to some extent.

I think if a number of leading figures from the, what may you call it, conservative side come to the reformist camp then you will see an expedition of the a reform process. I do not believe they are in a position or, for that matter, will be in a position to reverse the reform process. They

are in a position to ban newspapers. They are in a position to arrest a number of leading reformists. They are in a position to ignore the implementation of some of their legislation which has come out of the Majlis, or may come out of the Majlis, the Iranian parliament. But I do not think, with or without Khatami in power, they will be able to reverse the reform process altogether. Something like 80 per cent of the Iranian people have embraced the reform process.

Mr LAURIE FERGUSON—You talk of the special relationship between Lebanon and Syria. Without detracting from Syria's—sometimes for its own interest—support of Palestinian struggles, there are not many countries in the world where, when you get out of the plane, you see photographs of the leader of another country in the airport, his son at that stage. Do you have any comments on the continuing Syrian presence in Lebanon? We run around attacking the Israeli occupation of South Lebanon—quite rightly—but what is your analysis of the need for a continuing Syrian role at the level it is at the moment in Lebanon?

Prof. Saikal—There has been no substantial reduction in the Syrian military presence in Lebanon or, for that matter, in Syrian influence in Lebanese politics. But I think as the situation comes to normalise in southern Lebanon, the Syrians may find themselves confronted with greater resentment inside Lebanon. Already a number of leading Lebanese figures have come out and called on the Syrians to do exactly what the Israelis have done—withdraw their forces from Lebanon. The problem is that Syria still has the necessary mechanisms of control in place in Lebanon to perpetuate this military presence in the country. As long as this remains the case, obviously it is in the interests of Syria to maintain its firm hand in Lebanese politics. Then again, Syria is in the process of undergoing certain changes. President Hafez al Assad has gone, and his son seems to represent a different generation, a generation which is more attuned to information technology, economic globalisation, freedom for market forces and so on, in order to improve the economic life of the Syrian people.

I think we are still witnessing a period in which Bashar al Assad is feeling very limited in terms of what he can do, simply because he was installed in his position as President of Syria by a number of powerbrokers who had always played a very critical role in maintaining the regime of his father. But he cannot really get rid of these people overnight. I think it is a process which is going to take some time, but it is my understanding that he is working on it. His approach to change in the economic and political situation in Syria is more evolutionary than revolutionary in nature. He belongs to the same generation as King Abdullah in Jordan and the new king of Morocco. I think that their youth and their liberal tendencies are most likely to influence them in a direction of reform rather than holding on to what they have. If that materialises in a substantial way, I think one could also see, in the medium to long term, some changes in Syria's policy towards Lebanon.

Mr PRICE—May I ask you a very unfair question? How do you see the political landscape in 10 years time? As you say, there are reform inclined movements in a number of countries. Would you be prepared to make a prediction?

Prof. Saikal—It is not very easy to make predictions about the situation. The Middle East is the most unpredictable region in the world. Taking the current trends into account, my feeling is that the region is likely to move more and more on a path of democratisation and economic globalisation. That has already begun in Iran. We have not seen evidence to the extent that we would have liked; nonetheless, it has started. Also, a democratic trend has been put in place in

Bahrain, which is one of the latest countries in the region to move in that direction. I think at this point it looks very promising. There is certainly some move in the direction of democratisation in Morocco as well as in Qatar.

The interesting thing is that among the Arab states it is the smaller states which are leading the way at the moment as far as democratisation is concerned and as far as coping with the forces of globalisation is concerned. My feeling is that there is also a trend within the United Arab Emirates not to follow Bahrain's suit but to engage in a process of reform which could promote the principles of responsibility, transparency and accountability. I think we have already seen that by the arrest of a number of people on charges of corruption in Dubai, something which has not happened in the UAE before.

Of course, the UAE situation is more complex because it is a federation—a loose federation, for that matter. It is very much held together by President Zayed. He is ageing. He is in his eighties. What will happen after him may raise some concern, but outsiders like me have been assured by many analysts from within that there is a transition process in place and that the transition is likely to be very smooth.

The Saudis have also finally realised that they cannot maintain the system that they have had for a long time, although their move in the direction of democratisation, in promoting the principles of transparency and accountability, has been somewhat slower than what we have witnessed in Bahrain or Qatar. Nonetheless, there are a number of signs emerging from the country which point to the direction of a loosening of political control, or central control, over the political and social process in the country. How far they are going to go remains to be seen, but it is my view that if Saudi Arabia would like to remain an important force in the region, and indeed a player on the world stage, then it will have to engage in structural, political and economic reforms. I think the crown prince of the country, Prince Abdullah, has already indicated that that is also his concern and he would like to do that.

But then again, that is not to say that the situation is not going to remain volatile. The volatility arises not only from transiting from an authoritarian past to a possibly more democratic liberal future but also from problems which exist between these states and the roles that the outside powers play in the region. The United States has a very critical role to fulfil in the area. Also it will depend very much on how the whole Arab-Israeli conflict, and for that matter the peace process, will develop if the conflict continues. Obviously we can see a vibration of it in the Gulf as well.

CHAIR—Thank you very much, Professor, for being with us today. The secretary will be in touch if there are any matters we need to follow up. We will make sure you get a copy of the transcript in case there are any changes you would like to make.

Proceedings suspended from 12.24 p.m. to 13.20 p.m.

HADDAD, Mr Peter Robert, Director, Technical Services Branch, National Library of Australia

CHAIR—On behalf of the subcommittee, I welcome Mr Haddad. 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 the proceedings of the House itself. I invite you to make a short opening statement if you wish, and then we will proceed to questions.

Mr Haddad—The main points are covered in the library's submission, but I would like to add one or two small things to them. The National Library is a collecting institution, primarily focused on the collecting of Australian materials, but it does collect material from overseas. I just want to point out that the library's budget for the collection and acquisition of materials is $5.6 million, of which $3.4 million, or 61 per cent, is spent on overseas materials. The library's purchase of overseas materials is generally from two areas predominantly: it is from the main publishing centres of North America, the United Kingdom and Europe, and also from the countries in the immediate geographical region of Australia—that is, East Asia, South-East Asia, the Pacific and Indonesia. The library does not collect very widely apart from the countries in the immediate region in vernacular languages; most of its acquisitions are in the English language. The library also, as well as collecting, operates a resource sharing operation by which libraries and library users are able to find out what materials are held in other Australian libraries throughout the country. Those are the two focuses of the library's collecting and resource sharing.

CHAIR—The submission makes mention of the role of the International Federation of Library Associations and Institutions. Could you tell us what that is all about?

Mr Haddad—The International Federation of Library Associations and Institutions is a worldwide body of libraries and library associations which operates at a number of levels, including conferences and information sharing, and also it operates assistance programs to libraries in the association capacity. The National Library is involved to some extent in providing assistance in training, particularly in the region, and participating in a number of the programs run by the International Federation of Library Associations and Institutions.

CHAIR—What sort of budget have you got in terms of the IFLA activities?

Mr Haddad—I do not have the figure for you. I will have to provide that from the library.

CHAIR—If you could, thanks.

Senator BOURNE—I am interested in how far it is possible to gain access to materials that are not in English and are not in Australia, particularly through the IFLA. We are looking into the Middle East. Would it be possible for somebody to gain access to something that is in a

library outside Australia, or is it possible to gain access to things which are not in English around Australia?

Mr Haddad—It is certainly possible to gain access to things that are not in English around Australia through the system that I mentioned. Libraries are encouraged to report their holdings to this system. It does not matter what language or script those holdings might be in; they can still be reported to the system. As far as that goes, it is as easy as making an ordinary interlibrary loan. For materials which are in vernacular languages and are held outside Australia, it depends very much on the relations the library has with the holding institution. There is such a thing as international interlibrary loan, which does allow books and materials to come from another country to Australia on loan, but it depends very much on the relationships with the particular library that holds the material.

Senator BOURNE—How would you decide in any year what you spend your acquisitions money on? There must be more than $3.4 million worth—especially of Australian dollars—of publications. How do you decide what to do?

Mr Haddad—The library's acquisition budget at the present can only cover a tiny proportion of the world's publishing, so the library has what is called a collection development policy. The collection development policy spells out those areas in which the library wishes to spend most of its money. As I have mentioned, a large proportion is on Australian materials—being the National Library of Australia. Although we do not have to buy printed materials—they come to us on legal deposit—the library still does buy a selection of manuscript collections, it provides for oral history tape collections to be made, and it buys a selection of pictures and photographs for its collection. Then, of the remainder the library has to decide how it will disburse that amount. I guess there are two ways that can be done: it could spread it very thinly across the world but only buy a very, very small proportion from each part of the world, or alternatively it could concentrate in one or two areas—which is the overseas collecting that I described at the outset.

Senator BOURNE—When you do concentrate in those areas, and presumably get a little bit from elsewhere as well, how do you decide what to get? How do you decide what is the best publication for your needs?

Mr Haddad—The library has officers who look after the acquisition of material. They will scan booksellers' catalogues and lists of publications that are sent to us from the country. They will make a selection from that list as to what would be most appropriate—what would be most likely to be used or sought in the library—and those are the things they would order.

Senator BOURNE—Do you ever have the case where you would have, for instance, something that won some foreign language equivalent of the Booker Prize or something like that and you get a lot of requests for it but you were not going to buy it? Do you ever have cases where you would buy something you were not going to because of that sort of thing?

Mr Haddad—Yes, indeed. The library does try to encourage readers to put in requests for items. We have not been enormously successful in that. We would have liked to have had more response from people. But, where people do indicate that there is a lack and the library has missed something, we will go back and make an effort try to acquire that item.

Mr LAURIE FERGUSON—What is the nature of the material on Australia's immigrant communities that you have moved towards collecting? Are we talking about the local ethnic newspapers?

Mr Haddad—That is right. We collect all Australian materials. Most of those will come to us on legal deposit, but with Australia's ethnic communities we have less success with legal deposit, partly I think because many of them are small publishers and do not know of the obligation. In some cases there is some suspicion towards a government agency as to why they would want publications. For those reasons we have to make more proactive efforts to acquire that type of material. It is newspapers, newsletters, magazines and small histories of the community and religious and cultural institutions.

Mr LAURIE FERGUSON—Does that go down to the level of constituent community organisations or are we mainly talking about broad papers affecting the whole ethnic community and umbrella organisations?

Mr Haddad—For Australian materials we try to be very comprehensive in collecting, so we would take material at all levels.

Mr LAURIE FERGUSON—Who would be the type of person at the ANU who, for instance, looks at Sydney's Turkish community and knows that 30 per cent of the Turks are Alivi religious minority and that they are not really catered for in most of the mainstream Turkish community organisations? What kind of work do you do on analysing these communities?

Mr Haddad—Because we are at somewhat of a disadvantage in Canberra, being a little remote, we have undertaken the initiative referred to in the paper in conjunction with the state libraries, which often operate the reading services for those communities through the public library system. So we have relied on their advice and their assistance. In a number of cases we have jointly undertaken to increase both our own holdings and the state library holdings for those particular types of publications.

Mr LAURIE FERGUSON—With regard to the requirement of other organisations to provide publications to you, how many organisations does that apply to in Australia? It covers Mitchell, you and how many other libraries?

Mr Haddad—As a general rule, publishers are normally required to deposit one copy with the state library and one with the National Library. It is a little more complicated in New South Wales. Technically there are several more deposit libraries, including the Fisher Library at the University of Sydney and the Mitchell Library, as you mentioned. But for most publishers it is a matter of sending one to your state library and one to the National Library.

CHAIR—In terms of this material, have you made much of an impact with the Middle Eastern communities?

Mr Haddad—It is difficult to say, being in Canberra. We certainly have visits from people from overseas and people connected with libraries in the region. We also have some holdings in vernacular languages, although we do not actively collect them. Where possible, we do things to

make those available. During the last year we have produced a catalogue of the Iranian language holdings—Farsi language holdings—of the National Library and distributed that as widely as we could among the Iranian community.

CHAIR—I think you also said in your submission that you were selectively collecting Middle Eastern material, or that that was under consideration. Can you update us on what is happening there?

Mr Haddad—With regard to material that is published in the Middle East, we would really be looking for material in the English language more than the vernacular languages. We have made efforts to increase our contacts with book suppliers in the region and to buy a selection of the more important publications. We have found, in doing that, that often those publications are simultaneously published in New York or London, as well as Beirut or Jerusalem. For many of those, we get them anyway through our normal suppliers. We have started to make selections from booksellers in several of the Middle Eastern countries.

CHAIR—We have had a submission from the Alexandria Library Project. I guess you are familiar with it. Could you give us any indication as to whether you are making any sort of contribution to that project?

Mr Haddad—I do not know of any. I would probably have to refer that back to the library to see if there is some work going on on that.

Mr LAURIE FERGUSON—I have a question about the requirement of ethnic newspapers to supply copies to, as you said, the state library and your library. I do not know if you are the person in the ANU organisation to ask this of, but do you know whether in New South Wales, for instance, the State Library is proactive in actually going out to communities and attempting to get the message across?

Mr Haddad—The State Library of New South Wales is one which we have contacted as part of this and they have expressed a willingness to undertake that. I do not know the details of what they may do on their own, but they have certainly been willing to work with us in raising the profile of ethnic publishing in Australia and trying to get the message across that these materials are culturally valuable and should be preserved.

Mr LAURIE FERGUSON—I was thinking of a specific example. The longest running Turkish newspaper in Sydney is called *Veni Vatan*. I was speaking to the publisher, who has had it for about 20 years. He was saying that his predecessors had not bothered ever providing this. He had sought to go into the community and actually get all the back copies for both his own records and the State Library. It was a good example of the problem because, in terms of the early days of the Turkish community in Sydney, information on its cultural events, football games, visiting singers and that kind of thing was just lost.

Mr Haddad—That is right. It is a real problem to preserve that material and to make people aware of the fact that it is valuable.

CHAIR—On your web site you have got the Australian Libraries Gateway and you list libraries all over the place, but the Middle East is not listed. Is there any particular reason for that?

Mr Haddad—You mean a library in the Middle East?

CHAIR—Yes.

Mr Haddad—I think the Australian Libraries Gateway only lists libraries within Australia, as to their holdings.

CHAIR—No, I have a copy of it here. It says 'Overseas libraries by region': Asia and Oceania, North America, Africa, World, United Kingdom and Europe. There is nothing listed—although Egypt is there. That is about the only link, apparently.

Mr Haddad—No, I do not know why that is so.

CHAIR—I thank you very much for being with us today. If we need any additional information, the secretary will be in contact. We will make sure that you get a copy of the *Hansard* evidence in case there are any corrections that you think may be necessary.

[1.37 p.m.]

BARNES, Mr Robert William, Convenor and Senior Lecturer, History Department, Australian National University

CHAIR—On behalf of the subcommittee I welcome Mr Robert Barnes of the Australian National University. 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 now invite you to make a short opening statement and then we will go to questions.

Mr Barnes—Thank you. I have made two submissions to this inquiry on the importance of maintaining information sources in Australia adequate for a proper understanding of the Middle East. In particular, I have pointed out the obligations of the National Library in this regard. The National Library claims to be 'the pre-eminent source for the documentary record of Australia and its place in the world'. Nevertheless, its collects very little on the Middle East, despite the fact that Australia has vital interests in that area. Its current collection development policy does not mention the Middle East at all. It lists religion as an area which will be collected only to a minimal level and it makes no reference to Islam or Judaism.

In the library's submission to this inquiry in response to mine, which you have just been discussing, the Director-General, Ms Jan Fullerton, admitted that the library collected no more than 'a small selection of works on the Middle East and the Gulf states sufficient to inform a general inquirer'. To my mind, this performance is inadequate if the library is to be the pre-eminent source for Australia's place in the world. Ms Fullerton gave examples of other libraries which collect in this area. You will notice that none of them collect to research level. In such a situation, the National Library has all the more obligation to ensure that Middle Eastern materials are collected in this country. According to Ms Fullerton, the library supports the sharing of resources between Australian libraries. This presupposes that there are resources to share. She mentions the library's Kinetica service as a means of locating material. However, the software chosen by the library for this service has well-documented deficiencies; for example, it cannot sort responses in alphabetical order, which is essential for efficient data recovery.

In connection with the Middle East, I should also mention that Kinetica is quite inadequate for finding titles in Arabic or Hebrew. Kinetica also blocks some of our major libraries from loading data. All of this means that, even where resources exist in Australia, they often cannot be found efficiently. I believe the Productivity Commission intends to review Kinetica shortly.

I should mention online resources which affect the Middle East as much as all other areas of the world. According to the library's current statement *Directions for 2000-02*, it will ensure that 'all Australians at their place of choice have direct, seamless access to print and electronic sources of information'. However, the library has in fact been very slow to arrange national subscriptions to online information. It has not as yet replaced print versions of any journal it takes with electronic versions. It subscribes to very few online databases which specifically concern the Middle East.

The library's cuts to collecting have undermined its role as a national research institution. In 1995 it announced a 60 per cent cut to overseas collecting. Since that date its on-site readers have dwindled by about the same proportion; that is, 60 per cent. This is quite out of keeping with other large libraries around the world. Despite new online sources of information, libraries like the British Library and the Library of Congress now have more on-site readers than ever before. The reason readers are deserting our National Library must be that they can no longer find there the material they need.

The Prime Minister's recent innovation statement has underlined the need for Australia to improve its performance in information technology. Our National Library is clearly failing to provide adequate information for the study of the Middle East and many other areas. Its performance with Kinetica and before that with the failed World One project reflects a poor record with technology as well. This inquiry is not the place to review the library's recent performance as a whole. Nevertheless, it is parliament's responsibility to oversee the library and, where the library is clearly failing to collect adequate information on an area as vital to Australia as the Middle East or to ensure that other libraries collect such information or to allow readers to locate that information efficiently, parliament should ask why. I therefore repeat the suggestion in my submission that the inquiry include in its report a recommendation that the National Library of Australia, as part of its obligation to collect information relating to Australia's place in the world, maintain adequate resources for the study of the Middle East, including the politics, economics, history, religions and cultures of the area.

CHAIR—Perhaps I can get you to expand on that, because I was going to ask you what specific materials you are looking for and whether you could rank them in importance.

Mr Barnes—The material is of various kinds. Mr Haddad did mention the process of selection. The problem is that the quantity of material and the range of it is, by the library's own admission, inadequate for informing more than a general inquirer. What sort of material should the library collect? It should collect basic texts of both a primary and secondary kind—that is, one should be able to find in the National Library texts, particularly in English but to some extent also in Arabic and perhaps Hebrew, which affect or influence the thinking of peoples in the Middle East. I will give you an example of this. The most important writer in the world today from the point of view of radical Muslim movements is a scholar called Said Kutb, who died in 1966. He wrote as his great life's work a commentary on the Koran, understanding it in a very radical political sense. That commentary on the Koran is studied by Muslim radicals—for example, in Afghanistan by the Taliban. That work was translated into English and appeared a couple of years ago. It is not held by the National Library and, as far as I can search, it is not held anywhere in the country.

The library should also take a certain number of journals, particularly major Western scholarly journals. It did in fact take more of these originally and it has for the most part cancelled them as part of its cuts to collecting in 1995. Mr Haddad mentioned material from within Australia. I do not, of course, question the need to collect that, but I am not really speaking about such material; that is a matter of legal deposit.

Senator BOURNE—If somebody was studying with you, for instance, and they wanted to find some of these texts, where would they go? Having looked through the list of libraries

supplied to us, the Emmanuel College in Sydney I guess has some stuff on Judaism, and the Theological Hall of the Uniting Church may have, but there is nothing advanced on any area.

Mr Barnes—That is my precise point. There are no advanced collections in the country, and I think I know them all reasonably well. This is a very serious problem. I could perhaps give you another example relating to the Taliban, because they are in the news. One of the matters that the whole world is concerned about at the moment is the destruction of Buddhist images in Afghanistan by the Taliban. Australia has no doubt made some kind of protest, along with other countries, but it should not be impossible to make a protest not merely along general cultural lines but of the sort that the Taliban might actually pay attention to, by a statement or a protest which would actually give some information on the Islamic law relating to images. It is rather more complex than the Taliban maintain. There is a whole tradition of scholarship here. That is the sort of detailed information on Islam and Islamic law and so on which is very difficult to find in Australia. You ask where you go. You can search to some extent with devices like Kinetica, but I have mentioned its difficulties. Those difficulties arise partly because Kinetica cannot sort material, it is full of duplicates and it is really a very poor system by world standards. Although this is not the place to discuss that, I think the question must be raised as to why we have chosen a system which is not a world leader for data recovery. There are very much better and cheaper ones available.

It would also be in Australia's interests to join an international database for bibliographic sources. I believe that the largest such network in the world, which is known as OCLC—it is the biggest American library services network, with branches in about 50 countries now—has several times offered to share its services with the National Library of Australia. I believe those offers have not been taken up partly because, I suspect, of the political difficulties of admitting that the local system is not satisfactory. Through a contact of my own with OCLC, I asked for this information. OCLC is prepared to make another offer to Australia in which it would match all the costs of using its system with those of systems in Australia like Kinetica, which is quite remarkable given the low state of the Australian dollar. What would that give us? It would give us access to resources on the Middle East and everything else in many countries of the world. We would be able to search what American libraries and British libraries hold. Several whole countries comparable to ours have signed up with OCLC on these terms. The whole of the Netherlands, for example, has done so—and Singapore and Hong Kong. That is the kind of system that we should be part of. If we had access to that sort of information the world would be at our disposal.

Senator BOURNE—If you were suddenly transformed into the person who decided this, you think that would be the single most useful thing that could be done to solve the problem that you have seen?

Mr Barnes—Certainly, but collecting is still vital. The material has to be held somewhere. In the case of printed material it essentially has to be held here in Australia. It is not efficient to send printed material overseas. Electronic material is another matter. As I also remarked, the National Library has not been very rapid in gaining national access to that sort of material.

Senator BOURNE—Given the size, though, of their acquisitions budget, do you think that they could fit a reasonable amount of that sort of stuff in?

Mr Barnes—The acquisitions budget is inadequate. I would say about that situation that if it is inadequate for the library to carry out its statutory tasks then it is the library's job to tell parliament of the fact and also to raise further funds either from public sources or private sources, or from sale of services or something. But it has been very slow to do any of those things.

The budget is inadequate, but my other comment would be that I believe there has been a good deal of waste in the library. I mentioned the failed WORLD 1 system, the contract for which was $17 million. It was entered into jointly with New Zealand. When that failed there was an out-of-court settlement which returned $9 million, at which point the library declared the matter closed. The missing $8 million has never been explained. For the present system, Kinetica, there are several different contracts. It is hard to give a precise figure, but my guess is it has cost about $20 million altogether. The corresponding New Zealand system, which they took up after the failure of WORLD 1, has cost less than half that amount and works better. I mention these as examples of possible waste. What really worries me is that, particularly after the failure of WORLD 1, it was probably unnecessary for Australia to set up its own system at all at that point, because it did get an offer even then—that was 1996—from OCLC to take over the services which were already being provided.

I can be a bit more precise about use of Kinetica. It does supersede an older system called the Australian Bibliographic Network, which has been going in a sort of way for about 25 years. The new system, Kinetica, records searches on it at only about two-thirds the level even of the old system, which was extremely cumbersome. I think the answer must be at least partly that people find it very difficult to use. Ordinary people, especially, need special training, and it gives very difficult responses very frequently. There are many journals, for example, which simply cannot be found on this because you get other titles which have the same words as the name of the journal and without specialised training you cannot exclude all the irrelevant material. I also mention many of Australia's libraries have difficulty in entering the data that they have—in other words, their own holdings. As an example of that, in December the Victorian Kinetica users committee—there are state bodies of this kind—gave a summary of the situation with Melbourne's leading research libraries. It was just the city of Melbourne. Melbourne university and the State Library both recorded significant difficulties in recording material. Monash and RMIT were unable to record material at all. This is mainly because of defects in the system.

Senator HUTCHINS—I know this is not part of your submission, Mr Barnes, but in the submission we had from Ms Fullerton, in attachment 1, headed 'Libraries with collections related to the Middle East and Middle Eastern regions', on page 83 of our document there is a list: Australian Jewish Historical Society, Emmanuel School, right through to the University of Western Australia, Judaism and Islam. Do you have any idea how many people are currently enrolled, engaged, or participating in those libraries?

Mr Barnes—How many users they have?

Senator HUTCHINS—Yes.

Mr Barnes—I believe that the numbers for the first part of that list would be very small indeed. The Theological Hall of the Uniting Church in Australia, I think it would be more

accurate to say, collects biblical studies, and that does of course involve Judaism. That can be highly relevant in contemporary matters on the Middle East. But you would not go to that library for political information on the intifada, the Hamas or such things. The situation is a bit better, say, at the University of Sydney Library, but they do not have specialist collections on either Judaism or Islam.

Senator HUTCHINS—What course would someone, say, at the University of Sydney be doing to need access to information on Judaism?

Mr Barnes—Sydney teaches in several relevant areas. It teaches Semitic languages: it does teach Arabic and Hebrew and some other near-eastern languages. It has a large religious studies program. It has large programs in political science and in history, and so on, which all have some interest in the Middle East. That would be true of Melbourne, Adelaide, WA, ANU, et cetera.

Senator HUTCHINS—So they are more history—

Mr Barnes—But also political science. I believe this morning Dr Amin Saikal spoke. He is head of a centre at ANU that does provide undergraduate teaching on the politics of the Middle East as well as postgraduate studies.

Senator HUTCHINS—So there would be contemporary issues in Judaism and Islam?

Mr Barnes—As well as historical.

CHAIR—Are there any opportunities for us to establish any special projects, exchanges or other similar links with the Middle East which might help the cause?

Mr Barnes—I believe that this could be done. There are, I think, many possibilities of exchange in all of this. The largest collection in the Middle East on Judaism obviously, but also on Islam, is the Hebrew university library in Jerusalem. I believe that exchange arrangements with Israel would be entirely possible for Australia because they have the same kinds of problems with buying overseas material as we do—a kind of slightly faltering exchange rate and that kind of thing. What would be required would be a library here to do the work—to tell them what we need, how much of it, what we could send in return, and so on. But I think it would be possible. The same would be possible to varying extents in other Middle Eastern countries. I think that earlier with Mr Haddad you mentioned Egypt. That has a comparatively well organised bibliographical system and a big national library. That would be one case. But I think, say, Syria would be far more difficult to establish relations with, and Iraq impossible.

CHAIR—Another issue that was mentioned before—and we have had a submission on this—is the Alexandria Library Project. I think the submission came from a group called the Australian Friends of the Alexandria Library. Do you feel that we should be making a contribution to that and, specifically, whether the National Library should be involved?

Mr Barnes—We could get involved with that. It is a project that does have some difficulties. It has a superb building, but it has an inadequate acquisitions budget. There have been many questions lately about censorship of material entering the library. Despite that, it would be in

Australia's interests to supply Australian material there, including material on Middle Eastern communities in Australia. I think that would be of genuine use for study in the Middle East.

Senator HUTCHINS—On religion, is there anything on orthodoxy at all?

Mr Barnes—The list does not supply that. There are some relevant collections in university libraries on the fathers of the church and so on. But there is a quite substantial Greek orthodox seminary library in Sydney, and even some smaller Middle Eastern churches have collections as well. Paradoxically, I would say that the supply of such material in Australia covers the field better than with Islam and Judaism. That is partly because that material is more relevant to the Christian church and so it has got into our historical stream more easily.

Mr LAURIE FERGUSON—In relation to Islamic and Jewish texts, you have cited one library in particular as being a pacemaker in the Middle East. Given the kinds of issues of censorship to which you have just referred, giving Egypt as an example—and it is probably not the worst—are there any libraries or places of reception that do stand out in the Middle East in these other areas you have mentioned, such as intifada, Kutb and that kind of thing?

Mr Barnes—I did mention the Jewish National Library at the Hebrew University, which is absolutely outstanding. It is the biggest and most comprehensive collection in the Middle East on all aspects of the Middle East. It is the kind of place one could certainly send Australian students to for advanced work. It would be very much cheaper to do that than to send them to New York or London.

Mr LAURIE FERGUSON—But you are saying that it would also be the pacemaker in regard to contemporary Islamic political materials?

Mr Barnes—Yes, very much so. I think that in the 'Arab' countries of the Middle East, if I could use that word, the collections are more sporadic. In size and comprehensiveness, the Egyptian National Library would be the runner up to the Jerusalem one.

CHAIR—As there are no further questions, I thank you very much indeed, Mr Barnes, for your submission and for being here with us today. If we need any additional information, the secretary will contact you. We will also send you a transcript of your evidence, to which you can make any necessary corrections.

Mr Barnes—Thank you.

Proceedings suspended from 2.02 p.m. to 2.12 p.m.

DAVIS, Mr Brent, Director, Trade and International Affairs, Australian Chamber of Commerce and Industry

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 and then we can proceed to questions.

Mr Davis—I think the Australian Chamber of Commerce and Industry is well known to many members of the subcommittee, either through our appearances at such committees, through our reputation or through the work of our public relations group, so I will not take the time of the subcommittee by introducing ourselves such as may be required of other witnesses.

Traditionally, as members of the subcommittee will be aware, we come forth championing our various causes for the private sector. Today is a little different, if I may say so; we come not so much to champion a cause but to inform the subcommittee of some innovative research work that you would not otherwise see. We have done a lot of work on trade analysis over time and we have become discontented with the way we have examined our achievements or performances. Traditionally we have looked at how much our exports, imports and investments have grown, fallen or whatever, and we have been concerned that that does not really capture the true picture—it misses a lot—and it does not take account of the conditions in the recipient or host economy.

In trade economics there is what is known as the 'two times' rule—sometimes called a 'three times' rule—which says that your trade performance should really grow at about twice the rate of the economic growth rate of the other country. Say, for example, our exports to Malaysia grew by five per cent. If their economy is growing by five per cent, we are not doing that well—the benchmark is 10 per cent—and of course we prefer a market-shares type approach. I do not have to tell a politician that it is not how many votes you get, it is your market share that really matters at the final count.

We have spent a bit of time thinking about how we can better look at how we perform in various markets, and the work that we will show the subcommittee today is drawn out of some methodology developed by the Australian National University and the Department of Foreign Affairs and Trade. It is just a different way of looking at how well or otherwise we are doing in the Middle East.

CHAIR—Thank you. Would you like to proceed?

Overhead transparencies were then shown—

Mr Davis—This is largely an analysis based on statistics. For those of you interested in methods, the spreadsheet has 15,000 cells, so anyone who wants to know more is most welcome to have the primary information, although you would have to be someone with a fix for

numbers to do so. That is a standard product there for us, and we have our copyright entitlements. It includes a little information about who we are which is standardised for when we are speaking to people who are not as familiar with us as are members of this committee and the parliament. We have a substantial membership base in business around Australia.

I begin by acknowledging those who have helped us in our work. John Weedon from the Australian Department of Foreign Affairs and Trade has been an excellent resource on trade statistics and we commend his support most highly, and if members of this committee or their colleagues ever need trade statistics, John is a most helpful resource. Carl Heid, who has now gone on a posting with the Department of Foreign Affairs and Trade, helped us with some of the methodological questions in this endeavour. The interpretation analysis is not with the department of foreign affairs, it is ours alone. The inferences that we draw and the comments we make should not be attributed to the department of foreign affairs.

This is effectively a trade complementarity analysis. We have carried them out in other places. We did one on Australia's relationship with South-East Asia when the Australian government was looking at an ASEAN CER relationship. We did one on North-East Asia when we did some speculative work on a North-East Asia CER relationship. We did one on the relationship with Mercosur and we are doing this one now on the Middle East. As members of the committee will be aware, there is generally bipartisan support for an Australia-United States free trade agreement and, time and resources permitting and with the good offices of Mr Weedon, we will do one on the Australia-US relationship to see where they are.

The general message for our work on the Middle East, as the screen shows, is one of decline in our trade performance with the Middle East. Our market shares and our market match are declining—in the methodology it is called an increasing mismatch. Calculating the following figures draws on several concepts: an overall trade balance; a degree of trade intensity; a degree of country bias; trade complementarity; and impact on world imports—and we will explain each of these in turn. The measurements overwhelmingly are about ratios—a ratio of exports to imports; Australia's ratio of exports to imports, imports and exports by the Middle East and each with the world. It is not one subtracting the other, it is one divided by the other. We encourage members of the committee to bear that in mind.

The first component is overall trade balances and it captures our macro-economic factors. It is a differential in our economic growth—our fiscal policy relative to their fiscal policy; our monetary policy settings relative to theirs; our savings investment relative to that of the Middle East. We obviously recognise that, while considering a single country like Australia, with a region there is a lot of averaging with the Middle East. Equally, we recognise that, with the Middle East, their statistical base is not as robust as ours—and we will refer to that in a moment.

In respect of the degree of trade intensity, that is basically market shares—how well we are doing in Middle East markets as a proportion of the Middle East's importance in relation to the global market. It is our share of their market as a proportion of their share of the world market. There are two components in that—country bias and trade complementarity. The term 'trade complementarity' is probably fairly well known, but 'country bias' is a term one hears less frequently. Country bias looks at the indicator of products or sectoral market shares; that is, how well our exports are doing in realising their potential. In effect, it is how well we are doing in

exporting live sheep or manufactures. Trade complementarity is market match. It is a very simple concept—do we sell what they want to buy? Do we buy what they want to sell? That is a fairly familiar concept and it does not require much elaboration.

I should have explained at the outset that the data sources are the International Monetary Fund and the United Nations systems and their reporting joined together in the DFAT STARS database. There are strengths and weaknesses in this. They rely on the reporting by countries. The developed countries such as Australia, the US and much of Western Europe have very good reporting. As you can imagine, the lesser developed countries do not have such good reporting and the quality of their data and their timeliness are not as good. There are revisions and they tend to be quite dramatic.

Really, what we are looking at is data flows: our exports to the world, our imports from the world, the Middle East's exports to the world, the Middle East's imports from the world; again, a few more of our exports to the Middle East—which are their imports from us—and world exports to the world, which are the same, believe it or not, as world imports. For those of a statistical mind, the world exports more to itself than it imports from itself. We are not quite sure where the difference happens. We believe that they dump it in a trench in the middle of the Pacific Ocean. But it is a curiosity of the UN trade accounts that world exports exceed world imports. No-one has quite fathomed that one. We think it is just creativity by a bunch of number crunchers.

Who are the reporters that constitute the Middle East for the purposes of our analysis? They are listed there ranging from Bahrain and Cyprus through to Israel, Lebanon, Qatar, UAE and Yemen in its three configurations. You can imagine that the data there, coming as it does from different countries, has different robustness. The time period we cover is 1982 to 1999, being the end period. Data before 1982 is not available sufficiently for us to complete it. Being an elaborate mathematical equation with about 22 variables, if one of them is missing the whole thing falls to zero. It is like building a brick wall: if one brick is missing, you have nothing. It is an all or nothing calculation.

What we have done is refined it down to those where there is sufficiently useful data to draw inferences. We come down from the earlier group of about 14 odd countries to eight: Bahrain, Cyprus, Egypt, Israel, Jordan, Kuwait, Oman and Saudi Arabia. We have omitted obviously those listed: the Yemens and the smaller member countries. Obviously Iran, Iraq, Lebanon and Syria should not be regarded as small, but their data is just not as good, and we have talked about their data.

This is based on commodities and manufactures; services are not included. That is the way the UN collects data. Many developed countries or middle ranking countries simply do not report services trade. If they do, it is of uncertain reliability. So this report concerns commodities and manufactures. For Australia, that is not a serious problem because, while we are a good exporter of services, they are not substantial or significant in our relationship with the Middle East. The data coverage is just the usual categories: from live animals, food and tobacco—and this is a standard worldwide definition—to various manufactures. It does not capture as well as we would like, or break out, high technology. Again, that is not a problem with the Middle East. But when one looks at this exercise, as we have, with South-East Asia

and North-East Asia, that is a disappointment. If we go into the United States, it will be a real disappointment; it will be a gap.

So what do we discern? This is overall trade balances—just to refresh the memory of the committee, because we have passed through quite a bit—and these are the macro-economic indicators. That is, basically, how does our economy compare to theirs? If you drew a tend line, you would see that over the eight years under review it goes from about 1.2 probably down to about 1.0. As I say, we tried to start in 1982, but there was a small number of missing observations, so we had to cut it. The underlying trend line is down. That is, by and large, our economy has done well compared with those of the eight countries we have studied, but it has declined relative to theirs over the eight years to 1998.

This is just a short commentary: there is a general downward trend in our macro-economic performance relative to those. Again, because much of the data is in US dollars, there are some exchange rate effects. As anyone would be well aware, our currency has had a tendency to trend down for much of the last two decades. So that has worked against us in a calculation.

The degree of trade intensity is basically an indicator of market shares. There are two messages that come through here. It was generally fairly flat for much of the 1990s, and then it started to rise up afterwards. I do not think there are any partisan political or economic policy points in that. The sense I get from looking at the data in its particulars is that our performance is more demand-side driven—that is, what the Middle East is calling upon—rather than supply driven from our side, although that is not to say some new opportunities have not been realised. I think the balance of drive is over there rather than here. But it shows, as I say, that it is a positive story. As we say, it is generally flat but rising.

With 'country bias', which is product and market sectors, you can see something of a rough hill shape. We did quite well, rising from about 1.0 times in 1990. We doubled that fairly quickly into the mid-1990s. It spiked up to nearly 2½ times, but again has come off since then. I cannot really give the committee much guidance on individual market product lines because we would have to go into the primary data. If you want it, we can help you out on that. But behind that you may wish to consult Austrade's experts on some of the more detailed issues in there. We can tell you the 'whats', if you will, Chairman, but others may wish to go for the 'whys'. I am not putting myself forward as offering much advice on that point.

You can see that it is a sort of a hump shape. I could not posit a guess after that data. We have not drawn inferences from short time periods. Trade complementarity—and this is, I guess we would have to say, a disappointing chart, not so much for the chart itself but for the messages it sends—is about our market match, and the market match is drifting away from us. We did well into the mid-1990s and 1991, 1992. It has been on the slide since then, especially since the late 1997-98 period. If one wants it in the very plainest of English, we are no longer offering them what they want to buy. We are selling them a bunch of commodities and manufactures that they are just not interested in purchasing. Someone could have the best products but if it is not what the consumer wants, as any of my constituents will tell you, you do not stay in business very long.

Again, as a quick summary, after rising in the early 1990s there was a general decline, a steep fall off, especially in the latter part. I will move through. This is some of the mathematics of it

for those who want it. That is how we measure overall trade balances. 'X' is for exports; imports is 'M'. There is a bit more of the mathematics. 'AUS' is Australia, 'Other' is in this case the Middle East. This is a standardised formula we use for all the modelling. 'W' means world. If anyone wants to go through it in detail we are happy to do so. With 'Country bias' and 'Trade complementarity' one just rolls all that in together and produces that final number. This is just a bit of backward data. So, Chairman, that is it in a summary. I guess, if we had to draw it all together, we are not doing as well as we used to. To put a subjective into it, we probably ain't doing as well as we should be.

CHAIR—What is your principal concern in that respect? Is it the nature of the intelligence we are getting from the area or the attitude of Australian businesses in not adapting to that market?

Mr Davis—The perception I would get from some of our members who do business—my colleague Tony Knight looks after our interests there; we host our chamber—is that I do not think it just comes up on the horizon. I do not think it is like South America, where it is out of sight out of mind. Quite literally—I have done this in a speech—when you hold up a globe of the world, South America is on the other side; it is not sighted. I think a perception with the Middle East is that it might be too hard. It is the Arab language, the different business customs and the like. I think there is a perception also that it is a narrow market. It is a primary commodities market—a live sheep, or the like, market. It is a matter of raising awareness of that market.

CHAIR—Tony this morning made a couple of interesting statements. He was quite concerned with the nature and quantity of Australian trade missions that were going to the Middle East. I think loosely translated he said that it caused quite a bit of confusion. I assume you agree with that. He also made some comments that there were some pretty good opportunities there to pick up. The other thing he said was that Austrade was virtually rushed off its feet.

Mr Davis—There are several propositions in there. The first one is the nature of trade missions, which I know has been a matter of great discussion in fora in the Department of Foreign Affairs and Trade. I sit on a group called 'National Trade Consultations', which brings in senior officers from trade related agencies in government, plus the private sector. The nature of Australian outgoing trade missions has been a matter of great concern for a great many years for a great many of us. We have had protocols, and agreements-in-principle, which regrettably do not much last beyond the drying of the ink.

I cite an example back in the early 1990s, when Vietnam was a prominent potential market. When it liberalised we had settled some outstanding issues with them in the relationship. They got seven trade missions in nine weeks—federal, state and territory governments—each of which politely informed the Vietnamese that the one before them was of no importance and they were the main game. Vietnam is not an affluent country, by any stretch of the imagination. It has 70 million people existing on a per capita income of several hundred dollars. So they are not wealthy. We do not believe that helped our relationship with that country.

There was some reasonable effort at the officials level to better coordinate, especially the ministerial led missions. But, as we all would appreciate, officials can guide and advise a

minister but a minister with a clear objective in his or her mind is very difficult to stop. Unfortunately we had a bit of a lull in this, as one person put it—they should not name names—Keystone Cops type approach. Tony informed you again that, unfortunately, it is back in practice. We have heard it about it in other parts of the world and it does not do our reputation any good at all. Coordination is best practice, is ideal. But we have heard from state officials all too often that they get about 10 days notice from their minister that they are off and 'Let's put it together'.

Austrade being stretched? Yes, we have heard that as well. It is a matter for Austrade and the government defining the principal purpose of Austrade's posts abroad. Austrade is co-located, either specifically or generally, in many places with Department of Foreign Affairs and Trade. But it is also in places where our overseas post diplomats are not. In those cases Austrade performs a multitude of roles. It performs a diplomatic role, it performs the consular service role, it performs a ministerial/parliamentarian minding role and then it performs its trade role. We have met with senior Austrade officers on post, on cycle through Australia and on leave and consultations. They all say plainly to us in private—I suppose I am prepared to share this—that, unfortunately, when the pressures are on, it is diplomacy first, consular second, 'minding'—thus they call it—third, and trade, 'Oh, well, that is what we get to do after 9 o'clock at night.'

Our view is that Austrade is posted abroad for a purpose. That should be its principal purpose. If there is a need for diplomatic representation in a place, our view is that that should be done by a DFAT officer on post for a particular purpose.

CHAIR—Going back to what you were saying a little earlier, you are not saying that all these delegations are a waste of time but rather that it is the coordination of them and their nature.

Mr Davis—Coordination is essential. The reports we get back are that they range from very useful, constructive and value adding to the other end of the statistical distribution. There are no hard and fast rules. The essential message we put to those travelling abroad either at the ministerial or the parliamentarian level is to A coordinate, B set out some clear objectives of what you are going for and then C do an objective appraisal of which outcomes you brought back that could not have been achieved otherwise. Then there is also coordinating with private sector missions.

The Australian Chamber of Commerce and Industry is principally a policy organisation. We represent the views of our members in my area on trade and international affairs. My state chambers of commerce have been known to many of you and deal with what you would call Austrade functions. We are not doing anywhere near the number of business missions abroad that we did, say, 10 years ago because of the number of ministerial/parliamentarian missions that are drawing on a defined constituency.

Hypothetically, if one wants to run a mission to, say, southern Africa, we do not have an infinite pool of people to draw upon; we have a reasonably defined number. We have identified a constituency; Austrade has identified it, and DFAT has, and by and large it is much the same people. If we ran, hypothetically, an Australian trade mission led by a minister to what we might call a non-priority market—say, southern Africa—you might only do one of those credibly once every nine to 12 months. One cannot mount four of those in a year with credible business

people in Australia without raising the eyebrows of one's host. That is not to go and say, 'But I have heard the view that we should divide up parts of the world into the responsibility of state governments.' I know a vigorous debate continues whether state governments should be involved at all. I think that debate has passed on and that they will be. I know, for example—and it is partly relevant to this reference—there is work on the Indian Ocean, for clearly good reasons, being managed out of Western Australia. I know that some of the ACCI's interests in the Pacific islands we look to our Queensland chamber to do for certain reasons. I am not saying that is necessarily the best approach for government, but I know when we look at our expertise and competencies that that is how we have proceeded.

Senator HUTCHINS—You mentioned the state delegations from New South Wales and Victoria. I imagine that a number of other federal systems would have Louisiana, Dusseldorf or Wales. Why are we different from them—or aren't we?

Mr Davis—We seem to be different. We have looked at some models that the Americans have used, and the Canadians especially. We tend to draw more parallels between ourselves and the Canadians than ourselves and the US, say. The Canadian model is quite interesting. Unfortunately it did not come off, but members may be aware that about six or eight months ago there was a plan for the Prime Minister of Canada to come to Australia. As this committee may well be aware, the Australia-Canada relationship is in a state of much disrepair. It is largely benign neglect. It is a bit like a sibling one knows is out there but has not seen for 20 years: you still know your sister is there somewhere. The Canadian model is one that we think warrants more attention. They run them as a team Canada exercise in the proper sense. The Prime Minister leads it and from time to time the opposition leader goes with the Prime Minister. From memory I think they have 11 provinces, and in the Australian mission they planned at that time they had eight of the 11 coming. One was on criminal charges and so had other priorities—

Senator HUTCHINS—Eight of the 11?

Mr Davis—Were coming, yes. One was engaged in defending himself in a criminal matter so he was otherwise engaged, one had an election so was otherwise engaged and I think the other one could not do it for reasons we could not ascertain. Then they round up a large number of businesspeople and do one big hit of a mission, so rather than having 11 provinces cycling through Australia they come as one big hit. We devoted some resources towards setting up structured meetings for them which we are better able to do as an economy of effort. Unfortunately other events interceded and the Prime Minister did not come, but we think that is a model that Australia should look at. If we decide we want to target the Middle East, we should go as a team Australia effort. If we want to target Latin America, we should do it as a proper team Australia. Maybe the Prime Minister is not always available to lead it; others may well lead it. I do not know it necessarily follows that it has to be the government that leads it in all cases. There are some areas where the opposition may have the better view in the absence of the minister. It is about effectiveness, from our point of view, and we think that one big hit is better than a fragmented approach as a general rule of thumb.

Mr HOLLIS—With Canada, wherever they go they use that model—not just for the Middle East. Wherever they go, they always have a huge delegation of businesspeople and very high level—

Mr Davis—They have done it in China and they have done it in Japan, I think, too.

Mr HOLLIS—I read somewhere that they took a couple of hundred.

Mr Davis—I think they took 200 or so to Japan and about the same number to China. We had a long dialogue with our Canadian Chamber of Commerce colleagues about it, and they swear by it.

Mr HOLLIS—Do you think that, when the various states go over there, people are confused? One day they are meeting the Queensland minister for trade or minister for tourism, maybe the next week they are meeting the Victorian Premier and the next week they might be meeting the Western Australian minister for something. Do you think they get confused about just where the focus is in Australia?

Mr Davis—I can give you a very plain answer, and that is that if one mentioned Queensland some would say, 'Where is that?' If you said South Australia then they would probably just connect with Australia, and if you said Western Australia they would connect with Australia. It might be slightly different with New South Wales. But I can impart a story where we hosted an event in Adelaide and a top member of a business community in Asia—he is a member of his government's ABAC representation team, the business group to APEC; he has travelled extensively and has a private jet—sent down an email asking, 'Where is Adelaide?' He had never heard of it. So, yes, there must be confusion. I know that, when we did the review of the Vietnam missions, it came back that people had not heard of Victoria as a place. I have been in Asia, and they have not even heard of Australia.

Mr LAURIE FERGUSON—Is that reflective also to some degree of the private sector itself? I know that in timber the Victorians—to my mind anyway as a layperson—are in front of the market over the rest of Australia in regard to promotion overseas. But there is a view around that this is counterproductive. The other states might be sitting on their backsides, but it is counterproductive that we are trying to sell Victorian timber rather than Australian timber.

Mr Davis—Australia is the one that has the representation. I know a model has been looked at for trade fairs abroad under which individual states would not have their own booths. I presume most members have been to one, so I do not need to describe a trade fair. There should be an Australian trade fair so we raise Australia's prominence and profile around the world, and then the states can piggyback on that abroad. I met recently with the then CEO of Invest Australia, which is the equivalent of Austrade but which does investment promotion, and the message it is imparting to the states is: let us sell Australia's profile first, then the states can go in afterwards. So we sell Australia and then the states can go in; otherwise you just get into a bidding war amongst each other.

Mr LAURIE FERGUSON—But how often do you find that in the private sector as well as government? The example I gave you in timber really does exist.

Mr Davis—I am sure it does and I am sure it exists quite often. I guess our intelligence has faded in recent times because we have withdrawn from doing the trade missions market but, when members have gone to trade missions abroad, the awareness of individual states is second level compared with Australia's representation. Amongst the sophisticated end of the range it is

not so bad because there is a core trade constituency of people who will travel the world doing international trade. But, amongst those newer to the marketplace, it is not so much. Recently I gave a talk and mentioned a place called Mauritania. People thought it was a make-believe place. In fact, it is a country that really exists. I am not saying Australia suffers that, because when one looks at a globe of the world we stand out, but we do not stand out uniformly to everyone. The best practice would be to raise Australia's profile and then for the states to come along in the slipstream to get multiplier advantage from that.

CHAIR—That is exactly what the tourist boys did, did they not? Some 15 years ago the states were running amok overseas and were not effective as such. The Australian Tourism Commission came in and it was Australia first—we are the umbrella organisation, we set it up and then you come in underneath. That apparently was accepted and is now working very well.

Mr Davis—That is because the states all have more or less complementary assets and talents in tourism, and we understand that Invest Australia has gone that way. It just seems to be in this trade area that they have not. I am aware that the government of Queensland—I think it was the National Party government and not the Labor government of Mr Beattie—signed an arrangement with Austrade to look after their interests. I am not aware of how that has worked.

CHAIR—But I think that has now blown out again. You have added confusion because there have been these honorary trade commissioners appointed, including former lord mayors and former premiers, and I am not quite sure what their status is. A former premier of Queensland has just come back after leading one to Dubai, and he is officially the trade commissioner to the Middle East, Africa and Mauritius or something. What brought that story back was the classic line we heard this morning that in some of these Middle Eastern countries they are quite convinced we have nine prime ministers and 27 trade ministers.

Mr Davis—I guess it all harks back to the agents-general arrangement, where retired premiers or senior ministers from states have been posted abroad. I do recall that several years ago everyone agreed in principle that agents-general should progressively be withdrawn as they retired. But I think that one lasted about one second longer than when the ink dried. Now, to the best of my knowledge, all agents-general are still in place whose appointment—

Senator BOURNE—New South Wales has gone.

CHAIR—Queensland is still there.

Mr Davis—So five out of six are still there.

CHAIR—There being no further questions, I thank you very much indeed for the presentation. That was most useful. We will get the secretary to contact you if we need any more information. We will also send you a copy of the transcript in case there are some corrections to be made. Is it the wish of the committee that the slides be incorporated in the transcript of evidence? There being no objection, it is so ordered.

The slides read as follows—

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

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

Subcommittee adjourned at 2.47 p.m.