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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS,  
DEFENCE AND TRADE FOREIGN AFFAIRS SUBCOMMITTEE

FOREIGN AFFAIRS SUBCOMMITTEE

**Reference: Australia's relationship with the Republic of Korea**

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**JOINT STANDING COMMITTEE ON  
FOREIGN AFFAIRS, DEFENCE AND TRADE**

**Foreign Affairs Subcommittee**

**Wednesday, 31 August 2005**

**Members:** Senator Ferguson (*Chair*), Mr Edwards (*Deputy Chair*), Senators George Campbell, Eggleston, Hutchins, Johnston, Kirk, Moore, Payne, Scullion, Stott Despoja and Webber and Mr Baird, Mr Barresi, Mr Danby, Mrs Draper, Mrs Gash, Mr Gibbons, Mr Haase, Mr Hatton, Mr Jull, Mrs Moylan, Mr Prosser, Mr Bruce Scott, Mr Sercombe, Mr Snowdon, Mr Cameron Thompson, Mr Turnbull, Ms Vamvakinou, Mr Wakelin and Mr Wilkie

**Foreign Affairs Subcommittee Members:** Mr Jull (*Chair*), Senator Payne (*Acting Chair*), Senator Kirk (*Deputy Chair*), Senators Eggleston, Ferguson (*ex officio*), Hutchins, Johnston, Moore, Payne, Stott Despoja and Webber and Mr Barresi, Mr Danby, Mrs Draper, Mr Edwards (*ex officio*), Mrs Gash, Mr Hatton, Mr Sercombe, Mr Snowdon, Mr Cameron Thompson, Mr Turnbull, Ms Vamvakinou, Mr Wakelin and Mr Wilkie

**Members in attendance:** Mr Danby, Mr Edwards, Mr Cameron Thompson and Mr Wakelin and Senators Eggleston, Ferguson, Hutchins, Kirk, Payne and Stott Despoja

**Terms of reference for the inquiry:**

To inquire into and report on:

Australia's relationship with the Republic of Korea; and developments on the Korean peninsula.

The Committee shall review political, strategic, economic (including trade and investment), social and cultural issues; and consider both the current situation and opportunities for the future.

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**Subcommittee met at 9.32 am**

**ACTING CHAIR (Senator Payne)**—I declare open this public hearing into Australia's relationship with the Republic of Korea and developments on the Korean peninsula. This is the first public hearing of this inquiry being conducted by the Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. I welcome my colleagues and all of our witnesses today. Our focus in this inquiry is on building a relationship that is positive and mutually beneficial. As part of this review we will review the political, strategic, economic, social and cultural aspects of the bilateral relationship, considering both the current nature of the relationship and the opportunities for it to develop. The Republic of Korea is Australia's fourth largest trading partner, but Australia ranks just sixth in the list of Korea's principal suppliers of imports. The subcommittee believes that there is scope to improve this trading relationship and it will be keen to canvass with witnesses how this might be achieved.

An important theme identified in the submissions is the need for cross-cultural understanding. Such understanding will assist Australian companies wishing to break into the Korean market, and it will also enhance the success of Korean companies trading with Australia and the experiences of Koreans visiting Australia.

This hearing is spread over two days. Today, the subcommittee will be talking to the Ambassador for the Republic of Korea, and will take evidence from Commonwealth departments and organisations on how they identify and promote Australia's relations with the republic. Tomorrow's proceedings will include two roundtable discussions: the first focusing on scientific exchanges between the Republic of Korea and Australia, and the second focusing on developments on the Korean peninsula. This aspect of the inquiry has been included because developments on the Korean peninsula have the potential to impact seriously on regional trade, stability and security.

I advise all witnesses appearing today and tomorrow that the proceedings are being viewed over the internet. If any witness objects to this webcasting, they should advise the subcommittee as soon as possible and state their reasons, which will be considered by the subcommittee. Finally, I refer any members of the media who may be observing the public hearing of the need to report fairly and accurately the proceedings of the subcommittee, as required by the Senate order concerning the broadcasting of Senate and committee proceedings.

[9.34 am]

**TAYLOR, Mr Robin James, Acting Assistant Director General, Asia Bilateral Branch, AusAID**

**McCORMICK, Mr Hamish, Executive Director, Government and Corporate Services, Austrade**

**BAXTER, Mr Peter, First Assistant Secretary, North Asia Division, Department of Foreign Affairs and Trade**

**BRUMMITT, Mr William Elliott, Director, Korea Section, Department of Foreign Affairs and Trade**

**O'BRIEN, Dr Leslie Nola, Director, Australia-Korea Foundation Secretariat, Department of Foreign Affairs and Trade**

**ROBILLIARD, Mr Paul, Assistant Secretary, North East Asia Branch, North Asia Division, Department of Foreign Affairs and Trade**

**ACTING CHAIR**—On behalf of the subcommittee, I welcome witnesses here this morning, led by Mr Baxter. Although the subcommittee prefers that all evidence be given in public, 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, you should be aware that the proceedings are legal proceedings of the parliament and therefore have the same standing as proceedings of both the houses. Before proceeding to questions, I invite you to make an opening statement to the subcommittee.

**Mr Baxter**—I intend to focus my opening remarks largely on developments that have taken place since the submission was tendered by the department in early June, particularly because there have been some important developments with regard to North Korea. I would also like to provide a brief assessment of the direction of the relationship with the Republic of Korea.

After a 13-month hiatus, the fourth round of six-party talks commenced in Beijing on 26 July. At those talks China tabled a statement of principles covering denuclearisation, nonaggression and respect for sovereignty, economic cooperation and agreement for a fifth round of talks. The statement drafted by China was accepted by the United States, the Republic of Korea, Russia and Japan. The DPRK was alone in not agreeing to the statement, insisting that it retain the right to a peaceful nuclear program despite its poor record in keeping such a program peaceful. The talks went into recess on 7 August and are now expected to resume in the week of 12 September.

I met the DPRK ambassador on 10 August and expressed disappointment that the DPRK did not agree to the statement of principles and I urged the DPRK government to reassess its position and fulfil its stated commitment to denuclearise the Korean peninsula. Australia's relationship with the DPRK remains on hold until there is significant progress. I would add, however, that Australia's multilateral humanitarian assistance to the DPRK is a separate issue to



North Korean's nuclear program, and on 11 July Mr Downer announced a \$2.5 million additional humanitarian aid package. This brings Australian humanitarian aid to North Korea to a total of over \$53 million since 1994-95.

Australia's relationship with the Republic of Korea is grounded on profound historical ties—Australia's participation in the Korean War in particular—and in shared liberal democratic values and in alliance relationships with the United States. It is a strong and mutually beneficial relationship and we are working to strengthen it even further. Our written submission noted that the Republic of Korea was Australia's fourth largest trading partner. It has since grown to become our third largest export market. Trade is highly complementary, with Australia providing energy, minerals and other raw materials to drive South Korea's export industries. The Republic of Korea's demand for energy and resources has been growing strongly and will continue to grow. Australia's coal exports to Korea were up 60 per cent in the last financial year to more than \$A2 billion. The Republic of Korea's demand for LNG will grow significantly in coming years and the government is working closely with Australian suppliers to position them for long-term, multibillion dollar contracts. In return, Australia is a significant purchaser of Korean telecommunications equipment, household electronics and motor vehicles.

Australia now has major interests in the Republic of Korea's financial, legal and accounting service sectors and we are pursuing further liberalisation in these areas through the WTO. The most notable example of Australia's interests here is Macquarie Bank, which is a pioneer in the private infrastructure market in Korea, employs more than 260 Korean staff and manages more than \$US1 billion in funds. Australian legal firms, such as Freehills, are also active in the Korean market and are keen to increase their presence.

Education and tourism are the mainstays of service exports. There are more than 22,000 Korean student enrolments in Australia and more than 210,000 Koreans visited Australia last year. In June, the Minister for Small Business and Tourism launched an action plan to further strengthen Korean tourism growth. The minister met with inbound tourism operators on 29 August in Sydney to discuss the plan and the minister's July visit to Seoul. An implementation group has been charged with reporting specific recommendations to the minister. The people-to-people linkages created through tourism and education enhance cross-cultural understanding and over time create a stronger bilateral relationship.

To further promote people-to-people and institutional links, the government established the Australia-Korea Foundation in 1992. The AKF administers and funds projects and programs covering education, science and technology, commerce, industry, the arts, media and sport. An example of the Australia-Korea Foundation's work is the *Investigating Australia* study kit, produced on CD-ROM, which has been distributed to around 3,000 Korean schools. Elements of the kit have been incorporated into the official school curriculum.

Australia's report *Australia-Korea: Strengthened Economic Partnership*, produced in 2001 and funded by the Australia-Korea Foundation, provided a stocktake of the economic relationship and recommended a number of initiatives to take the relationship forward. There has since been significant progress on a number of the recommendations of that report, including in the ICT, finance, biotechnology, science, education and media sectors.

We view a government-to-government trade agreement as an important step in taking the relationship forward, although it is fair to say that Korea does not yet share that view. We have commenced the advocacy work for an eventual free trade agreement with the Republic of Korea. Agricultural sensitivities have been an impediment from South Korea's perspective, but we believe a free trade agreement would be of significant benefit to both countries.

**ACTING CHAIR**—Thank you very much, Mr Baxter. As no other witnesses wish to make an opening statement, we will go to questions. I will start with a question to Dr O'Brien in relation to the work of the foundation. Mr Baxter has just made a passing reference to some of the foundation's activities. How do you measure your success as an organisation?

**Dr O'Brien**—Because we operate in a number of program areas, we have different criteria for evaluating their success. For example, in the field of education one of the major programs has been this CD-ROM about Australia and the lifestyle of Australian youth. It has been distributed to every lower secondary school in Korea. We measure the kit's success in terms of its use and also, most importantly, the fact that elements have been incorporated into the schools curriculum. The schools curriculum in Korea is changing—there is much more emphasis on environmental education. In fact, our next measure is whether or not we get new elements of the kit which focus on Australia's clean and green environmental strengths into the schoolbooks.

In other fields, one of the major activities the foundation carried out in 2002 was a festival to celebrate 10 years since the AKF was established. The festival included science lectures, a film festival, artistic and photographic displays, and so on. The way that we measured the impact was by the media coverage in Korea. The Australian embassy tallied the cost of the media coverage we received, which was about half a million dollars.

In other areas, the evaluation is more reliant on people's feedback about the benefit that they receive from support from the foundation. The board will look at these feedback reports and decide whether there are opportunities for forward movement and value adding or whether there are things in the relationship that may be weak that we need to adjust. Is that sufficient?

**ACTING CHAIR**—Thank you, Dr O'Brien. As I said at the beginning, one of the issues that has particularly come up in our submissions is cross-cultural understanding. It sounds to me, from some of the examples that you have given us, that you are doing quite a good job of enhancing Australia's profile in Korea itself. The education initiatives seem very valuable in that regard. Numerically at least, you have a very large number of Korean students studying in Australia and a relatively large number of inbound tourists. What is the reciprocal side of that? What capacity do you have to engage Australians' interest in Korea? Is that part of the foundation's job?

**Dr O'Brien**—Yes, indeed it is. Another education program is a teacher exchange program. Each year, working with the Asia Education Foundation, which is part of Asialink, the AKF provides support for Australian teachers to travel to Korea and for Korean teachers to travel to Australia. They go at different times of the year. They have classroom exposure, cultural visits and home-stays. In turn, these teachers go back to their classrooms and then the AKF finds that it is examining applications for funding to support student exchanges. So the same teacher who may have visited Australia under the teacher exchange program will come to Australia with a class. Indeed, we had a primary school class from Korea go to Barmera Primary School in

remote South Australia. Likewise, we also support a number of both primary and secondary school students, as classes, to visit Korea and to spend time in Korean schools.

Other elements of the program include media exchanges. We have just received a media scholar in Australia. He arrived on the weekend, and he is a middle-level journalist from the Korean equivalent of CNN. He will be based at Sydney university and will receive a lot of exposure to Australia. Also, under a different program entirely, we have sent two media interns to Korea to work with a variety of English language newspapers. So there is a lot of traffic in both directions.

**ACTING CHAIR**—That is a good place to start.

**Senator STOTT DESPOJA**—Mr Baxter, you talked about the aid contribution that Australia makes and particularly the increase to it by, I think you said, \$2 million in July. I have the submission to which you referred that explains some of the work that Australia does. I am curious about your or your colleagues' assessment as to how effective we have been in our provision of aid. Are we looking at potentially increasing aid over the coming years? How would you sum up the contribution and the impact that Australia has made and had?

**Mr Baxter**—I will make some general comments, and I will then ask my AusAID colleague to make some more specific comments. Australia has had a long-term commitment to addressing the humanitarian situation in North Korea, as I said in my opening remarks, separate to our deep concerns over the North Korean nuclear program. It is clear that North Korea will require ongoing assistance. A very significant proportion of the population still relies on the public distribution system for their daily sustenance. Indeed, in recent times, the North Korean government has reduced the amount of rations that have been provided to its population. You may have seen some press reporting with concerns expressed by the WFP about future famine. I also point out that we pay a program of regular visits to North Korea to talk with the WFP and the North Korean government about the implementation of programs that Australia funds. I will ask Mr Taylor to provide some more detailed comments.

**Mr Taylor**—Our humanitarian assistance to DPRK has been focused primarily on alleviating the food security situation. We have provided most of the assistance through WFP and have done that in most cases by providing Australian wheat flour. Wheat flour is an important component of blended foods that are provided to vulnerable groups—children, nursing mothers and the elderly.

While Australia is a small contributor compared to Japan, South Korea and the US in terms of overall tonnage, the WFP have commented on the fact that we do provide essential elements for their blended food mix at an appropriate time. Our assessment is that our overall contribution has been effective. We have also provided some support for factory equipment to produce noodles and biscuits for children, and the WFP believe that the distribution is reasonably good in getting to those beneficiaries. Our other assistance has been to UNICEF, looking at water and sanitation and primarily focusing again on the needs of children and schools. In that case we look at the number of beneficiaries of that support.

We have also provided support to the World Health Organisation for hospital kits. That is a program that the World Health Organisation developed that would provide specific essential

items to go into county hospitals. The amount of equipment in those hospitals is very poor, so this is equipment that can be seen that is put in there and is used. We are also providing some assistance to look at surveillance for avian influenza and supporting a program by FAO and WHO for identification and testing.

**Senator STOTT DESPOJA**—Is that through NGOs? Do we have many AusAID officials on the ground or is that not possible?

**Mr Taylor**—We do not have any AusAID officials on the ground. All our assistance is through multilateral organisations.

**Senator STOTT DESPOJA**—You mention the Red Cross in your submission as well?

**Mr Taylor**—It is through the Red Cross as well. We have provided assistance for disaster preparedness, and we continually work with a range of multilateral organisations to look at the needs. As I said, we focus primarily on the food security situation, because that is the pressing need, but we also look to provide a broader range of assistance. ACIAR—who are represented here—have a couple of small projects that are looking to increase soil fertility and looking at pests, again, aimed at addressing that food security situation.

**Senator STOTT DESPOJA**—In terms of the outlook for the future, are there any short-term plans to change or increase Australia's contribution? Do you think that we will direct our aid energies at the same areas that we are concentrating on now, or are there any changes planned through AusAID or the department?

**Mr Taylor**—Humanitarian assistance is the nature of the assistance that we can provide. The overall nature of assistance is contingent on political developments and progress with the six-party talks. In terms of humanitarian assistance, it is our assessment that the food security situation is the most pressing issue, and reports from the WFP indicate that pledges from a number of donors indicate that there may be a shortfall towards the end of this year. We will continue to provide that assistance, and then we look at providing some limited support to other United Nations organisations. We are continually talking with them and looking at those areas of need. The overall need in the DPRK is so great that we need to be strategic in supporting those areas that we think are of greatest benefit.

**Senator FERGUSON**—You are probably aware of the report sponsored by the Australia-Korea Foundation that was written in 2001 and called *Australia-Korea: strengthened economic partnership*. There were 12 recommendations made in that report. Could you comment on the outcomes of those recommendations and what has been the response of government and others, as there were other responses required?

**Mr Baxter**—Certainly. We found the report very useful and the government has examined the findings of the report and its recommendations very closely. If you would like me to go through the 12 recommendations, I can give you a bit of a thumbnail sketch of how we have responded.

The first recommendation dealt with an umbrella agreement designed to strengthen the economic partnership between Australia and Korea. In 2002 the Minister for Trade, Mr Vaile, proposed a trade investment facilitation agreement to his Korean counterpart. The proposal was

rejected at the time. Our ambassador in Seoul, Mr Colin Heseltine, raised the idea of an umbrella agreement with the former Deputy Minister of Foreign Affairs and Trade, now the trade minister, in 2003. He was advised at that time that the Republic of Korea had no interest in such an agreement, on the grounds that it would deliver no practical benefits.

Our department and our embassy in Seoul have routinely sounded out the Republic of Korea on the possibility of a free trade agreement, with Korea's response consistently being that agriculture was too sensitive and Australia was considered a long-term prospect. Most recently, in June 2005, Minister Vaile proposed a bilateral FTA study. The Korean trade minister advised that his country was not interested in pursuing an FTA or an FTA study with Australia in the foreseeable future, again largely due to concerns over agriculture.

The second recommendation dealt with generating greater interest in each other's technology sectors. The then Minister for Communications, Information Technology and the Arts, Senator Alston, visited Korea in 2002 for meetings with his ministerial counterpart and executives from Korean telecommunications firms. In 2002, a visit by a delegation of senior Australian public servants under the Leading Australia's Future in Asia program focused on possible collaboration in information communication and technology.

In May 2003, the Australia-Korea Broadband Summit was held at ministerial level. The summit business-matched Korean and Australian IT companies and led to a proposal by Korea's Electronics and Telecommunications Research Institute to establish a branch office in Australia. The ETRI and the CSIRO now have a collaborative arrangement. The broadband summit was expanded to include New Zealand, and the Korea-Australia-New Zealand Broadband Summit, again at ministerial level, was held in Korea in June 2005. The second summit has established the summit as an ongoing forum for government and industry to explore bilateral IT cooperation and related commercial opportunities. Australia will host the next summit in 2006.

There was also a recommendation which aimed to support the development of closer linkages in various technology sectors. In addition to the broadband summit, the Australia-Korea Foundation has funded collaborative research projects in photonics and biotechnology.

One of the recommendations dealt with bilateral intellectual property issues. IP Australia has held discussions with Korea on the issue. However, intellectual property protection has not been a significant issue in the bilateral trading relationship. Unlike the United States, which consistently raises intellectual property matters with Korea, the pattern of Australia-Korea trade has traditionally not resulted in infringements of intellectual property rights, and we are not aware of any requests from Australian industry for stronger intellectual property protection.

There was a recommendation that sought for the two governments to adopt common systems for standards and regulations. There has been little or no pressure from Australian industry to implement a system of standards and regulation certifications or approval. The recent instance involving Holden Statesman exports to Korea, which at one point were in doubt over questions about compliance with Korean standards, was one instance where we have agreed that standards certification would have been useful. However that, to date, has been an isolated instance. There have been discussions between the CSIRO's Division of Industrial Physics and Korean agencies on harmonisation of scientific standards. The CSIRO's Division of Industrial Physics has a longstanding working relationship with the Korean Research Institute of Standards and Science.

Another recommendation dealt with the promotion of Australia's financial and advisory sectors to assist in the modernisation and reform of Korea's infrastructure and utilities. The Australian embassy in Seoul regularly undertakes advocacy to promote Australia's financial and advisory sectors, particularly Macquarie Bank's interest in Korean infrastructure projects. The Australia-Korea Foundation has also supported a number of collaborative projects in this area. For example, the Australia-Korea Foundation, Macquarie Bank and the Lowy Institute hosted a conference in August 2005 examining the rise of China and the economic impact of that rise on modernisation and reform in China and the impact of those developments on the Korean and Australian economies.

In 2003 the Australian embassy in Seoul held a large event to launch ABARE's report on LNG in Korea. The presentations at the launch included discussion of Australia's approach to reform in the energy sector. There was a recommendation calling for government support for seminars and workshops presenting Australia's approach to reform in sectors such as rail, roads, water, energy and communications infrastructure. In 2003 Curtin University ran a training course for officials of KOGAS, which is the Korean government's gas authority. The workshop was facilitated by our embassy in Seoul. In 2005 the Australia-Korea Foundation board is considering funding a committee of the Asia-Pacific Infrastructure Forum to hold an infrastructure seminar in Korea.

The recommendations called for a long-term strategy by government and educational institutions to promote Australian education. As I pointed out in my opening remarks, education has been a real success story in the bilateral relationship. At the state level there are still several MOUs between education departments and the Korean Metropolitan Offices of Education. The education and training relationship is not formalised through an agreement at a federal national level although the Korean ministry of education recently approached the Australian Education International office in Seoul with an informal proposal for an MOU with Australia. Competition in the Korean market for education services is strong. AEI coordinates engagement by Australian industry with the South Korean market through the delivery of market intelligence, publication of industry newsletters and follow-up support. We have already talked about the Australia-Korea Foundation's studies kit and the success we have had with that.

The report recommended a government-to-government agreement whereby Australia would provide advice to Korean authorities on developing Korea's new human resources development system and would introduce Australian institutions that can meet Korean needs. For an advanced economy like Korea, we believe it would not be appropriate to provide dedicated scholarships for Korean students. As part of the 'study in Australia' campaign we have supported the development of alumni institutions in Korea. We have also started what is called the Endeavour program, which is an Australian government initiative to bring together under one umbrella all of the Department of Education, Science and Training's international scholarships so that high achieving students and scholars from around the world can undertake study or research in Australia. Korean students are encouraged to apply for scholarships under that program.

The final recommendation dealt with the media and proposed that the media be utilised more to effectively increase the profile of Australia and implement the recommendations of the Australia-Korea media forum held in 1999. A second media forum was held in October 2004. The Australia-Korea Foundation has implemented a scheme under which Australian media students can undertake internships with Korean newspapers. Also, as Dr O'Brien has pointed

out, a scholarship scheme has commenced which funds Korean journalists to come to Australia to study.

**Senator FERGUSON**—Thank you Mr Baxter. It sounds as though you might have been expecting that question because you had a reasonably comprehensive answer. I am wondering whether I could summarise what you have said. On recommendation 1 there was a reasonably negative response. On recommendations 2, 3 and 4, apart from the broadband, not much has proceeded. On recommendation 5 there was a negative response from the Korean side.

**Mr Baxter**—On recommendation 5, as I said in my comments, it is not that there has been a negative response from the Koreans; it is that there has not been any push from Australian industry for us to develop an approach on—

**Senator FERGUSON**—It is best to say that there was no response on No. 5, then, rather than a negative response—there has been no response?

**Mr Baxter**—Yes.

**Senator FERGUSON**—No. 6 was somewhat positive. On No. 7, which talks about roadshows and workshops for rail, roads, energy and communications, apart from energy there is nothing?

**Mr Baxter**—Also, as I mentioned, the Australia-Korea Foundation board is looking at a proposal to hold an infrastructure forum in Korea this year.

**Senator FERGUSON**—Okay. In 2001 the report came out. This year and next year are 2005 and 2006. It has been a long time coming. On recommendation No. 8, there is a reasonably positive response in relation to education. As far as No. 9 is concerned, there is no response—a negative response. No. 10 is somewhat positive. On No. 11, there has not been a great deal of focus on the alumni groups. Perhaps there are some positives as far as No. 12 is concerned. So there are a lot of recommendations that were made by this group of people which have not been taken up or where very little has been done since 1991.

**Mr Baxter**—I am not sure I would agree with that characterisation of the alumni activities. I can give you a lot more detail of specific—

**Senator FERGUSON**—Okay. I do not think that is the most important one anyway, quite frankly. From what you have said, that is the assessment of the Australia-Korea Foundation. It commissioned this report. I co-chaired the Australia-Korea Foundation seminar in Hobart in 2003. That is how time flies. I know Colin Heseltine was there. It just seems as though we are getting to the stage in our relationship with Korea where it is very positive as far as trade is concerned and we do lots of talking about other things, but nothing seems to be really happening that is concrete—or not enough has happened that is concrete.

**Mr Baxter**—I think it is fair to characterise the relationship as being very strong and mutually beneficial. From our perspective, we believe that there is scope to strengthen our ties in a number of areas, and we are certainly working actively to do that. If you look at the relationship we have with the Republic of Korea and compare it with those we have with Japan and China, in

the relationship with the Republic of Korea there is perhaps not the vibrancy that is present in the other two. Obviously that is something that we want to address. We want to look for ways in which we can invigorate the relationship. Of course it takes both countries to be committed to that. As I mentioned in some of my comments, proposals that we have put forward to the Republic of Korea's government have not been responded to in a positive sense. In that sense, there are some limits on our ability to do this in a unilateral way; we have to do it in a bilateral way, obviously.

**Senator FERGUSON**—I want to go back to a question the acting chair asked, because I am not sure I remember you giving the answer. There are some 22,000 students, so if we are talking about improving—

**Mr Baxter**—Student enrolments.

**Senator FERGUSON**—Student enrolments in Australia. We are talking about improving the cultural understanding between our two countries, which is quite diverse. How many Australian students actually study in Korea?

**Mr Baxter**—I do not have an exact number, but it is relatively small.

**Senator FERGUSON**—So it seems as though the cultural understanding is going to be developed far more by the students from Korea that come to Australia and then go back to Korea and very little of Korean culture is coming back to Australia by way of student enrolments and other means.

**Mr Baxter**—As you would be aware, the Australian government aggressively markets our education services overseas, and it is a major part of our services trade with the Republic of Korea. So, while the cultural exchange element of the education relationship is very important, it is also very important commercially for Australian education providers to keep pursuing the Korean market.

**Mr CAMERON THOMPSON**—I want to look at the lack of progress towards an FTA, and I want to look in particular at the agricultural sector, which obviously is the major stumbling block there. I note the high levels of subsidisation received by farmers but I also note the overall decline in agricultural production in Korea. Are we getting any sense about how long the wait is going to be before this ceases to be a nonsubject?

**Mr Baxter**—It is a question that we examine all the time. The Republic of Korea concluded its first free trade agreement in February 2003 with Chile, which, as you know, has a significant agricultural sector. But it is important to note that in that agreement, which was ratified in February 2004, rice, apples and pears were excluded from the deal altogether while garlic, onions, red peppers and a number of other products including most dairy products, frozen pork, beef and frozen chicken were excluded until after the Doha Round is concluded. The other agricultural tariffs that were dealt with in that agreement are to be phased out over a very long period. As you know, as a government we have a policy of negotiating comprehensive free trade agreements. The carve-outs that were made in the free trade agreement between the Republic of Korea and Chile just give you an indication of the level of sensitivity in the Republic of Korea about dealing with agriculture in trade agreements. We think that will change over time. But,



even so, the minimal concessions that were made in the free trade agreement with Chile generated violent protests by farmers in the Republic of Korea. So the sensitivities are still there.

The Republic of Korea has concluded negotiations with Singapore and the EFTA group of countries, though those agreements have not yet come into force. Negotiations are under way with Japan. I believe those negotiations have stalled, with ASEAN, and a decision has been made to go ahead and negotiate an agreement with Canada. We think the Republic of Korea's protectionist stance on agriculture will likely continue to be an obstacle to the conclusion of comprehensive free trade agreements. But as the Republic of Korea gets more deeply engaged in the process of negotiating agreements with countries like Canada, it will have to deal with these significant agricultural issues.

We have told the Republic of Korea that we are willing to conduct a bilateral study, though Korea has said it views Australia as a longer term prospect because we are a major agricultural producer. But, if you analyse the nature of our agricultural trade to Korea, only about 19 per cent of our trade with Korea is in agricultural products, and of that 19 per cent about 90 per cent attracts tariffs of 40 per cent or lower. So our agricultural trade is not in the most sensitive areas where the Koreans have concerns—and the area of rice is particularly sensitive. One of our major tasks is to convince the Korean agricultural sector that we are not the threat that perhaps they think we are and to get the Korean government to take a more balanced approach to the overall package that would come out of a free trade agreement.

**Mr CAMERON THOMPSON**—Tell me about the nature of these talks with Canada. They would be into a comprehensive type agreement too, wouldn't they?

**Mr Baxter**—Canada is a slightly different case. I have some notes here that I can draw from in terms of where the Canadians are. The Canadians offer some symbolic value to the Koreans in that Canada is a stepping stone, as they see it, into the US market because of the NAFTA arrangement and because they believe greater links between the Korean and Canadian markets might provide them with a better opportunity to be competitive in the United States market. I do not think the agreement in terms of the progress of negotiations has gone far. The decision to commence negotiations has only recently been announced, so there is nothing to report in terms of substantive progress.

**Mr CAMERON THOMPSON**—But, in agreeing to do it, is there an indication that there will be big carve-outs like the Chile experience? Is it going to be a comprehensive type arrangement? Are there any indications at this early stage about the scope?

**Mr Baxter**—There have been no official statements about the scope. I am sure the Canadians will have strong ambitions entering into the negotiations, but the track record so far in the free trade agreements that Korea has negotiated probably gives them some concern. The largest Canadian exports to the Republic of Korea are wheat and pork, and they are not necessarily areas of high sensitivity for Korean farmers. In that sense, it is probably fair to say that Canada is not seen as as much of a threat as Australia.

**Mr Brummitt**—To expand on that slightly: climatic factors mean that the range of agricultural products that Canada produces is a lot smaller than Australia. There are virtually no horticultural products produced in Canada for example, and they tend to be, along with rice, the

most sensitive products in Korea, essentially because that is what they use in their local Korean food. If none of those products is there in Canada, it does make an FTA with Canada a bit less sensitive.

**Mr CAMERON THOMPSON**—So the sensitive areas are rice and horticulture?

**Mr Brummitt**—Yes. Rice and horticultural products are some of the biggest sensitive areas.

**Mr CAMERON THOMPSON**—Are there any others?

**Mr Baxter**—Dairy products.

**Mr CAMERON THOMPSON**—Given that we have the ambition of bringing them to the table on the FTA, apart from watching with envy while Canada does theirs, are there any other signs that we might be able to make progress?

**Mr Baxter**—It is unlikely that we will make progress in the immediate future. As I mentioned in my opening remarks and in answers to other questions, the government has raised the issue at the ministerial level on a number of occasions and at the official level on many more. But so far there has been reluctance by the Korean government to even contemplate doing a feasibility study on the prospect of a free trade agreement. We have set in train an advocacy program to raise awareness of what the benefits of a free trade agreement between Australia and the Republic of Korea would be, and also to educate the Korean agricultural sector on the nature of Australian agriculture and the fact that we are not as threatening as we are portrayed to be. These advocacy processes take a period of time before they bear fruit, as you would have seen in other free trade agreement campaigns that the government has run over the past few years.

**Mr CAMERON THOMPSON**—What is the attitude that the Koreans have taken towards multilateral talks—Doha and all that sort of stuff—on tariffs in general? With an average agricultural tariff of 52.2 per cent in 2004, they seem to be fairly much out there.

**Mr Brummitt**—Generally, Korea has some of the strongest defensive positions on the agricultural issue in the WTO.

**Mr EDWARDS**—I understand that Korea has recently signed a long-term contract with three foreign suppliers for an annual amount of some five million tonnes of LNG at a price which is 38 per cent cheaper than that of existing contracts. Given that Australia is a major exporter of LNG to the Republic of Korea, can you tell us what implications this may have on those long-term exports? Are Australia's beef exports to the Republic of Korea holding up, and what is the long-term assessment there? How successful has the export of kangaroo meat to the Republic of Korea been, and is that an export which will develop in volume?

**Mr Baxter**—I will start with the beef question first. The Korean market is the third largest market for Australian beef in the world. We have been performing very strongly. Beef consumption in South Korea fell during 2003-04 as a result of a slump in consumer confidence about the safety of beef due to the detection of BSE in the United States, formerly the largest source of imported beef. However, that consumer confidence has been slowly recovering. Australia has gained a larger share of what is now a smaller Korean market. Australia's share of

the imported beef market rose from 21 per cent in 2003 to 55 per cent in 2004. In the high value chilled beef market Australia's share is now 95 per cent. In 2004-05 Australian beef exports totalled \$525 million, making Korea Australia's third most important export market. It is a question of when not if the US beef is allowed to re-enter the Korean market but the new status of Australian beef as the premium product should help us maintain a market share above what it had been prior to the US BSE case. Beef is a very good news story for us.

On LNG, Korea is now the second largest importer of LNG in the world after Japan, and future demand is projected to grow very strongly. In early 2003 North West Shelf ALNG was awarded a contract to supply Korea with half-a-million tonnes of LNG every year for seven years. That deal is worth around a billion Australian dollars and was Australia's first multi year contract for supply of LNG to Korea. In early 2005, North West Shelf ALNG missed out on a long-term contract in Korea worth up to \$10 billion. Another tender process is expected by early 2006 and North West Shelf ALNG, Gorgon and Woodside are all expected to bid in that tender process. The government strongly supports the efforts of Australia's LNG industry to expand its presence in the Korean market. Both the Department of Foreign Affairs and Trade and the Department of Industry, Tourism and Resources in Canberra and the Australian embassy in Seoul work closely with the Australian LNG industry to promote Australia as a reliable and secure supplier of LNG.

Australia and Korea concluded a bilateral energy treaty in August 2004, signed by Minister Macfarlane and the Korean Minister for Foreign Affairs and Trade. Legal processes are underway for entry into force. The agreement institutionalises bilateral supply and energy consultations and raised Australia's profile as a reliable energy supplier. Chevron Texaco, which has the Gorgon field, Woodside and ALNG all have offices in Seoul. In terms of the specifics of the market, you are probably best to address those questions to the Department of Industry, Tourism and Resources, which will appear later today.

**Mr Brummitt**—On kangaroo meat, there was a long whole-of-government advocacy campaign to get kangaroo meat into the Korean market and to get technical and quarantine access for the product. That involved the Department of Foreign Affairs and Trade, the Department of Agriculture, Fisheries and Forestry, Austrade and the embassy. That access was gained about the middle of last year, about June 2004. Since then, kangaroo meat has entered the Korean market. There was a very high profile launch. It is fair to say that it is a niche product in a market like that but you can certainly get it in some of the luxury hotels in Seoul.

**Mr EDWARDS**—But it is not a big market at this stage?

**Mr Brummitt**—No. Realistically, it will probably remain a niche market, but markets like that can be quite lucrative. It is a big economy. A niche market in a big economy is quite significant.

**Mr EDWARDS**—No worries. Thanks.

**Mr DANBY**—I apologise for being late. I hope some of my questions have not already been answered in the presentation that Mr Robilliard made. I am very interested in why North Korea changed its attitudes to the six-party talks. Could you explain why they have decided to come back? There was also the statement of the US President saying:

... Australia can lend a wise message to the Chinese about the need for China to take an active role ... to prevent ... Kim Jong-il from developing a nuclear weapon.

Has Australia had some role in what must be a positive development?

The other thing related to that I wanted to ask about was the role of North Korean exports of missile technology. Is that an important source of foreign income for them? Has that foreign income enabled them to acquire some of the technology for nuclear weapons? Is it a violation of the missile technology control regime? Has Australia made official statements about the export of North Korean missiles to other countries? Do you have any details on what Australia officially says the North Korean missile capacity is? There was some exaggerated political comment which I heard which said that a missile could hit Darwin or something like that. Could you tell me the veracity of that? I am sorry—they are a group of questions. I do have a question on aid, but perhaps you could address those.

**Mr Baxter**—As far as the reasons for the DPRK returning to the six-party talks process is concerned, the first thing to say is that we welcome their decision. In the 13-month hiatus between the third and the fourth round of the six-party talks, we have been urging them to come back. We used every opportunity of our diplomatic contact with the DPRK, particularly through their ambassador here in Canberra, to urge the North Korean government to resume the talks and to take practical steps to de-nuclearise the Korean peninsula. As I say, we have urged the North Korean government to use the recess to make the strategic choice to abandon its nuclear weapons programs.

**Mr DANBY**—Remind me how long the recess was.

**Mr Baxter**—Thirteen months. The only reason that the talks did not resume sooner than that was the DPRK's intransigence in refusing to come back to the table. We also talked to a range of governments that have interests in the North Korean nuclear issue, including China. On visits to China by our ministers and our Prime Minister, the North Korean nuclear issue is always discussed. We always encourage the Chinese government to maintain the very constructive role that they have played in convening the six-party talk process and maintaining the pressure that China can on the North Koreans to take a constructive approach to those talks.

As far as the prospects for future talks are concerned, you would have seen comments in recent days by the DPRK government that they were not prepared to come back to the table to resume the fourth round of talks—which are in recess at the moment—until a joint military exercise between the Republic of Korea and the United States is concluded, and in response to the United States government appointing a special representative on human rights in North Korea. What the North Koreans are saying at the moment—

**Mr DANBY**—Can you say that last part again?

**Mr Baxter**—The second reason they cited for not returning to the talks until the middle of September is the decision recently announced by the United States government to appoint a special representative on human rights in North Korea. The North Koreans have indicated that they will resume the talks in the week of 12 September. The talks were scheduled to resume this week, and obviously have not.

The North Koreans do export missile technology, it has been a significant earner of foreign exchange for them and it is of great concern to Australia and other countries. Despite international pressure, the North Koreans have shown no inclination to curb these activities, which as I say provide a major source of hard currency and financing for its missile development programs. It applies no export controls and it is not a member of the Missile Technology Control Regime or the Hague Code of Conduct against Ballistic Missile Proliferation, both of which involve politically binding non-proliferation commitments.

**Mr DANBY**—Are they UN arrangements?

**Mr Baxter**—These are arrangements made under the UN umbrella, but not being a member of the MTCR the North Koreans obviously do not feel themselves bound to the non-proliferation commitments required of members. In terms of missile capability, the DPRK has deployed short-range, intermediate-range and long-range missiles with various payload capabilities. Operational deployment of North Korea's long-range ballistic missile system, the Taepodong 2, is probably still some years away, given that these missiles have not been tested. Their accuracy, range and payload are unknown, but theoretically they are capable of reaching all of the United States and Australia.

The DPRK has, as you know, threatened to test missiles, and in fact has conducted tests of their various missile technologies in the seas surrounding North Korea on a number of occasions. Australia, along with a number of other governments, has taken an initiative to address internationally the issue of the proliferation of technology related to weapons of mass destruction through the Proliferation Security Initiative. That initiative is aimed at preventing states like North Korea from engaging in illicit trade in missile technology and other technologies that could lead to the acquisition of weapons of mass destruction.

**Mr DANBY**—I understand there are 250,000 North Korean refugees across the Chinese border. The UNHCR is unable to give aid to these people. Why is that? What is Australia's stance? Are that many people there?

**Mr Baxter**—Australia remains very concerned about the treatment of North Korean border-crossers entering China, who have a well-founded fear of persecution if repatriated to North Korea. We have urged China in our human rights dialogue to allow the United Nations High Commissioner for Refugees access to North Korean border-crossers in north-east China. As far as the numbers go, I will check with my colleagues.

**Mr Brummitt**—I am not aware of the exact numbers.

**Mr DANBY**—Has there been a vote at the UNHCR about whether they should be involved, and has Australia taken any stance there?

**Mr Baxter**—In 2003 Australia co-sponsored a resolution by the UN Commission on Human Rights in Geneva on the human rights situation in North Korea, which we reaffirmed in April 2004 and in April 2005. We have also urged North Korea to provide access to the country by the UNHCR special rapporteur. We have consistently urged North Korea to engage more fully with the international community in addressing human rights concerns. The issue was addressed

directly by Mr Downer when he visited Pyongyang in August 2004 and by other senior officials delegations.

**Mr DANBY**—Thank you.

**Senator HUTCHINS**—Do we have a resident ambassador in North Korea?

**Mr Baxter**—No, we do not.

**Senator HUTCHINS**—It is the Australian Ambassador to China; is that correct?

**Mr Baxter**—That is right. Ambassador Alan Thomas is resident in Beijing.

**Senator HUTCHINS**—Do we have any requests for asylum from North Korean residents who make it to China?

**Mr Brummitt**—I am not aware of any, no.

**ACTING CHAIR**—I want to come back to where I started about the disproportionate nature of the numbers in terms of Korea's engagement in Australia compared with the engagement of Australians in Korea, even the example you used in the submission of working holiday-maker visas—that is, 9 ½ thousand Koreans issued with visas to come here and 24 to go the other way. Is there a conscious effort on the Australian government's behalf, on the department's behalf, to encourage more engagement in Australia with Korea? We have talked about the foundation's work but what about other areas?

**Mr Baxter**—Yes. We work with the Australia Korea Business Council very closely to promote the commercial relationship; in particular, to work with both the Australia Korea Business Council and the Korea-Australia Business Council to move forward the prospect of a free trade agreement, which we believe is a development that needs to occur. We engage with other institutions outside of government. You mentioned earlier the Lowy Institute and a seminar that was recently held, in which we joined with Korean counterparts to look jointly at the implications for both our countries of the continuing growth in the Chinese economy and the rise of Chinese power in our region. So we do sponsor and participate in a number of events that are aimed at raising awareness of economic opportunities of strategic developments of importance to Australia on the Korean peninsula.

**ACTING CHAIR**—It is a big challenge for us, though, isn't it, trying to—

**Mr Baxter**—It is.

**ACTING CHAIR**—encourage and increase the number of Australians prepared to undertake the same level of, if you like, cross-cultural exploration?

**Mr Baxter**—Yes, and it is probably fair to say that there has been a more concerted effort by the Australian government to promote Australia in Korea than there has of the Korean government to promote Korea in Australia. As I mentioned earlier, Korea is a very important market for Australia. It is a longstanding partner strategically, with links going back to the

Korean War. So Australians have a very strong interest in Korea from a variety of perspectives. While there is interest in Australia, from the Korean perspective you do not see Korean institutions, that I am aware of, promoting their educational services in Australia to the extent that we are doing in their market. There are different demand levels in each of the markets for those kinds of opportunities. We would obviously like to see more Australians go to Korea and work in Korea and, as commercial linkages grow, we believe we will see more of that. As more follow the lead of Macquarie Bank and others, and if we are successful in obtaining some increased access to the Korean gas market and other areas of the Korean market, you will see more Australians living and working in Korea.

**ACTING CHAIR**—The problem with using commercial relationships as the foundation is that they are not always backed up by what might be described as cross-cultural understanding, to use the terminology which has come across in submissions. They are overtly commercial, for good reason. I think we have identified that as one of the challenges. On the question of the Australia Korea Business Council, in some of their observations in their submission they criticise Australia's antidumping policy, particularly in relation to the Korean relationship. Do you foresee any issues arising over antidumping claims against Korean companies?

**Mr Baxter**—It is certainly fair to characterise this as an issue that has been of some sensitivity over recent years. The specific details of the issues would be better addressed by the Australian Customs Service, who I know will be appearing before the committee. But Australia is committed to a fair and transparent antidumping system that gives industries access to remedies for proven material injury caused by dumping, and Australia's antidumping regime is fully WTO consistent and transparent.

It is interesting to note that antidumping measures applying to the Republic of Korea are minimal in the context of the overall value of imports from the Republic of Korea. Duties and securities collected on ROK imports during 2003-04 totalled only \$2.4 million, compared with total imports of \$4.7 billion, so only a very small proportion of the trade was impacted. The Minister for Justice and Customs decided on 13 July to change the measures applying to Korean washing machines and, as a result, Korean companies LG and Daewoo will not be liable for dumping duties provided their exports remain above a floor price. This is not an issue that is unique to Australia, as well, I would point out. But, as I suggest, the Customs officials will be able to give you more details.

**ACTING CHAIR**—We will talk to them, and we will also, I am sure, take it up with the Business Council of Australia. Since there are no further questions, Mr Baxter, may I thank you and your officers very much for your assistance this morning. There may be a couple of matters on which you have indicated you will come back to the committee with further information, and we would be grateful to receive that information.

**Mr Baxter**—Certainly.

**ACTING CHAIR**—If there are any further issues which arise out of the rest of our hearings, the committee secretary will be in contact with you. We will also send you a copy of the transcript of your evidence, to which you can make any necessary corrections to errors of transcription. Thank you very much.

**Proceedings suspended from 10.41 am to 10.55 am**



**CHO, Ambassador Sang-hoon, Ambassador, Embassy of the Republic of Korea**

**PARK, Mr Chung-won, Commercial Counsellor, Embassy of the Republic of Korea**

**SUH, Mr Hyung-won, Counsellor for Political Affairs, Embassy of the Republic of Korea**

**ACTING CHAIR**—On behalf of the subcommittee I welcome His Excellency Mr Sang-hoon Cho, Ambassador of the Republic of Korea, and his officials to the hearing. Although the subcommittee prefers that evidence be given in public, 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 this committee does not require you to give any evidence on oath, you should be aware that the hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. Before proceeding to questions from members of the committee, Your Excellency, would you like to make an opening statement?

**Ambassador Cho**—I thank the committee. At the outset I would like to express my deep appreciation for the parliament's initiative in conducting this inquiry on relations between Korea and Australia. I would also like to thank you for inviting me on this significant occasion to discuss in-depth ways to further enhance the excellent ties that our two nations enjoy. Before responding to questions you may have, I would like to offer my observations on the nature of our bilateral relationship and opportunities for further strengthening it. Since the Embassy of the Republic of Korea has already stated its views on the status of our bilateral relationship and has made suggestions for its improvement in its submission, I will now briefly focus on broad trends and desirable directions.

What makes Korea-Australia relations different from other bilateral relations? As Ambassador of the Republic of Korea, I often ask myself this question. I think we enjoy some symmetric perspectives in our outlook on international relations which are discernible from perspectives we may hold in our relations with third countries. A typical strategic perspective in pursuit of lasting peace and security is very much evident in the mind-set of the peoples of both the Republic of Korea and Australia. The ROK has always stood together with Australia since the Korean War in major conflicts in the region, which have involved Vietnam, the gulf, East Timor, Afghanistan and Iraq. With this very symmetric strategic outlook, we continue to meet the challenges on the Korean peninsula by consulting closely for a peaceful resolution of the North Korean nuclear issue.

After three weeks of scheduled recess it is not clear yet how soon the fourth round of the six-party talks will resume, but there is growing hope that these thorny issues will be put to rest in favour of peace and security on the peninsula and in the region. A statement of principles to guide the process of dismantling North Korea's nuclear weapons program is on the table for negotiation in this round. The difficult issues at the 13-day negotiations that entered into recess on 7 August included the scope of North Korea's nuclear dismantlement and whether North Korea will be allowed to have the right to peaceful nuclear use. We hope that the negotiators will be able to agree at an early date on the principles to proceed with a resolution of the problem.

The Republic of Korea has been playing a very important role in the resumption of the talks, by making a proposal to provide North Korea with two million kilowatts of electricity and by leading international consultations with the parties on pending issues such as peaceful nuclear use.

Australia's keen interest in improving the security environment on the Korean peninsula allows us to expect an increased contribution to progress in the six-party process. As the six-party process develops it is hoped that there will be a larger scope for close strategic collaboration between our two countries, possibly leading to Australia's more proactive engagement in assisting North Korea in its path towards dismantlement of its nuclear weapons program and economic reform.

Much more dynamic progress has been made, on the other hand, in our economic exchanges for the past three decades, founded on, I would say, our 'affinity in world view'. The complementarities between our industries can be assessed as being extraordinarily striking, given the roughly similar size of both economies, the divergent competitive edges of our industries that favour mutually beneficial collaborations and our natural inclination to leverage such conditions.

Australia's active participation in the industrialisation of Korea began when its rich mineral resources were unloaded in Korean ports in the early 1970s. The consistent and stable supply of coking coal, iron ore and other minerals for the past 30 years has been one of the most important contributions to Korea's rise, Korea often being the second- or third-largest importer of Australian natural resources, and it is always the top per capita importer of such resources among Australia's trading partners.

Following active partnership in resource trade with considerable Korean investment in the sector, the intertwining of the two economies is now taking place in a variety of areas—such as IT, biotechnology and nanotechnology, financial services, the automotive industry, defence and leisure industries—dovetailing each other's strengths. Australia's strengths in basic and some niche technologies and service industries, and Korea's strengths in industrialisation and commercialisation, are rapidly advancing such intertwining. We have not been able to launch FTA negotiations yet due to Korea's sensitivities in the agricultural sector and Australia's strong position on the issue, but we look forward to an eventual meeting of minds, even though it may take some time.

Related to the commonality of our perceptions on international relations and the economic intertwining is the very intriguing aspect that our two peoples are likely to be at ease with each other's culture and lifestyle. 'Aussie values', characterised by egalitarian social modes and a robust explorer ethos appear to touch a chord with many Koreans. Some Australian entrepreneurs, with their exceptional knack for adapting to the Korean way of thinking and behaviour, are highly successful in the Korean market. This cultural affinity presents fertile ground for stepped-up people-to-people exchanges in areas such as tourism, education, cultural events, academic collaborations and civic group contacts.

We would also like Korean studies in Australia to be more proactively promoted. The opening of a Korea research centre in an appropriate Australian university is highly desirable, as understanding and awareness of Korea's history, culture, society, economy and language will

contribute to connecting both peoples and industries. Support for activities of the Korean community in Australia will not only help enhance the wellbeing of the community but also make a substantial contribution to increasing people-to-people exchanges. I would like to conclude my opening remarks here and to discuss matters of mutual interest with you.

**ACTING CHAIR**—Thank you, Ambassador Cho. Both your submission and the submission of our Department of Foreign Affairs and Trade have concentrated on the strength and mutual benefit that we derive from the relationship between Australia and Korea, which is a very good thing to be able to say. Both have also commented that the bedrock of the relationship is, in part at least, Australia's engagement in the war and the relationship built from there. But that is now many years old, and it seems to me that to build and grow the relationship we must be very forward looking and very dynamic in our approach. We asked some questions of the Department of Foreign Affairs and Trade about their activities and the Australia-Korea Foundation, and I wondered if you might like to comment on your government's promotion of Korea in Australia to engage Australians in greater awareness and a cross-cultural understanding with Korea?

**Ambassador Cho**—Yes, I think this promotion of Korea in Australia is very important, and our government places a lot of emphasis on promoting this relationship. In particular, we have several projects. We want to promote the Korean study program in this country more vigorously, we want to have more cultural events in this country and we want to have more people-to-people contacts in this country. As to the people-to-people contacts, you may know that we have a substantial number of Korean tourists visiting Australia—I think last year it was to the tune of 230,000 Koreans visiting Australia—and we have a substantial number of Korean students studying in Australia. So I think we have to strengthen this very important exchange between our two peoples. As to the promotion of cultural activities, in fact the Korean embassy organised some cultural programs last year. We organised performances by a Korean national dance troupe in Sydney, Melbourne and Canberra, we organised some film shows and some trade shows, and we organised a conference focusing on the Korean economy and our trading relationship with Australia. We also organised some tourism shows. So in that way I think our government is trying to explore more opportunities to make Korea and Korea's culture and economy known to the Australian public.

I mentioned the Korean study program. At one stage in our relationship, the Korean study program in this country was very popular. There are many Australian people who are interested in following their career by studying the Korean culture, the Korean economy or Korean politics, but we see a less prominent trend these days. The government is very much committed to promoting the Korean study program in Australia, so we are assisting some Australian universities financially. But from a longer term perspective I think we have to be more energetic in promoting the Korean study program in this country, so our embassy has recently been thinking about opening a Korean research centre in an appropriate university in Australia, as I mentioned in my opening remarks.

**ACTING CHAIR**—In fact, I was going to ask you another question about the proposed research centre. How advanced is that discussion? Is there actually a proposal on the table with a university, and is there anything more you can tell us about that?

**Ambassador Cho**—You mean this research centre?

**ACTING CHAIR**—Yes.

**Ambassador Cho**—This is in its initial stage. One university is supposed to make a broad plan to proceed with this idea. It may take some time until we have a concrete idea. We may refer this plan to both governments and industries so we can have a good, organised plan to establish this centre.

**Senator FERGUSON**—Ambassador, I have learnt a couple of things from your submission. I did not know that Peter Bell was of Korean descent. He lives in Fremantle. So, you learn something every time you read a submission. Another interesting thing I did not know was that the birth rate in Korea is the lowest of any OECD country. Countries like Australia are also having problems in dealing with an ageing population. Having the lowest birth rate in the OECD must be impacting on your future planning in Korea and how you are going to deal with an ageing population with a smaller work force. Has your government addressed this in anyway? Maybe there are some suggestions you could offer Australia, as well.

**Ambassador Cho**—It is true that South Korea is experiencing very serious difficulty because of its low birth rate, low fertility rate and ageing society. It is expected that South Korea will become the most aged society in the year 2050 if we do not take serious measures now. The forecast is that 37.3 per cent of the total population will be over the age of 65.

This is a very serious problem. The government understands that, so as recently as May this year we adopted a framework act for the low birth rate and aged society. We established a presidential commission, within which we devise various kinds of policy measures. Basically, as to the low birth rate, we are focusing on assistance to pregnant women and support for newborns—nursery facilities, maternity leave, some flexible arrangements for working women and so on. The ideas are basically very general, but we are approaching this issue in a very practical way.

With regard to the aged society, we are again focusing on and reviewing our pension and health care systems and employment opportunities. We are also going to create the kind of industries that are friendly to elderly people.

Basically, we share some difficult policy questions on this issue. I understand there are some occasions on which the government officials of both countries hold discussions on this issue. I hope that these kinds of consultations will continue and will be strengthened in the future. I am sure these occasions will produce better ideas and good opportunities for approaching these issues.

**Senator FERGUSON**—I want to ask one further question, which relates to your relationship with the DPRK. You developed some years ago what was called the sunshine policy. What do you think have been the successes and what do you think have been the failures in the implementation of this sunshine policy? How are you progressing towards communications links or transport links or any form of closer cooperation? Has it stalled? Perhaps you can give us an update on the current status of your policy.

**Ambassador Cho**—It is true that there was a 10-month hiatus in the inter-Korean relationship. But in the middle of June our Minister of Unification, Mr Chong Dong-Young,

visited North Korea and had a very successful meeting with North Korean leaders. This meeting has put inter-Korean relations firmly on track towards normal operation. By this time, we have had very considerable achievements in inter-Korean relations, despite that 10-month hiatus.

For instance, with regard to the industrial complex we agreed on building in a border town called Gaesong, we have already completed some very successful pilot projects there. They are producing some consumable items that are brought to the South Korean market. They are very profitable businesses. We are planning to expand this program. There are many responses from businesses in the South Korean business community who are eager to enter this complex. The competition is very fierce.

We have been making decisive progress in a project around Mount Kumgang on the North Korean side. This sightseeing program has been operating for some years. By this time, more than one million South Koreans have visited Mount Kumgang and have had some experience of North Korea. We also have some other projects, like connecting railways and roads. The highway connection has already been completed and we are expecting the completion of the reconnection of the railroads by sometime later this year.

Broadly, we have had some very positive achievements in the process. Recently, there was the family reunion scheme. This is about those families who were separated at the time of the Korean War. They were able to meet on Mount Kumgang. In fact, there are plenty of other projects going on between South and North. Our trade volume is also very substantial. There has been some exchange of delegations by civic groups and even political parties. The inter-Korean relationship is having some positive impact on the security situation on the peninsula. In broad terms, we also think that this will have a very good impact on the resolution of the nuclear issue as well, and on peace and security on the peninsula as a whole.

**Mr EDWARDS**—In 2003 the Republic of Korea signed a contract to purchase Australian LNG—liquid natural gas. In your submission you say that this contract is:

Expected to pave the way for Australia to become a stable and reliable supplier of energy to Korea.

However, we also note that the Republic of Korea has just signed LNG import deals with Yemen LNG, Malaysia LNG and Sakhalin Energy Company. We also understand that the import price of the LNG from these suppliers will be 38 per cent cheaper than the contract price that was signed with Australia. Given these prices, what impact will they have on the longer term, or perhaps new, contracts which may be sought between Australia and the Republic of Korea?

**Ambassador Cho**—We wanted to see the Australian offer be successful in this recent bidding process but, unfortunately, the bidding process went a different way. In fact, when I was in Seoul in February this year I met the Korean Minister for Industry and Natural Resources. He was very sorry to see the failure of the Australian offer, but he said there would be another opportunity to meet the demand, which will come after 2010. I think this presents a good opportunity for Australian energy companies to take a chance.

Yes, it is true that there was a substantial difference in the offers between those selected suppliers and Australia LNG. I am not sure how we can cope with the serious differences in the commercial conditions that Australia LNG can offer, but this is a very transparent procedure

which places a lot of emphasis on commercial conditions. Even before the actual bidding process the embassy had been emphasising that the commercial conditions are very important. When we compare the price of the selected offer with the price of existing contracts, there is a 35 to 40 per cent difference. I think Australia LNG realised some serious difficulties in meeting the commercial conditions. But since the Australian offer has had this experience in the procedure which took place early this year, I am sure on the next occasion they will be more vigorous in meeting various commercial conditions.

One thing we have been talking about with regard to the approach taken by Australia LNG is the rigidity of the decision-making process. Sometimes in this kind of international bidding process you have a very sensitive period in which you have to act very quickly. Given the fact that Australia LNG is a consortium composed of six companies, we have sometimes found that they have some difficulty in making quick decisions. I think this is another aspect they have to deal with at the next opportunity.

**Senator HUTCHINS**—On page 23 of your submission you make a comment about Korean Australians. You say:

But the most important issue for the younger generation—

that is, for Korean Australians—

is the perception of identity. Many young Korean-Australians struggle to find and accept their identity, i.e. whether they are Australians, Koreans, Korean-Australians or Australian-Koreans.

Could you expand on what you see as this dilemma or conflict and how it might manifest itself?

**Ambassador Cho**—I think that might be a very serious issue. But it depends on how the particular person is leading his or her own life in their adopted country. We think the difficulties that the younger generation is faced with will be assisted by promoting a cultural exchange between our two peoples. I mentioned at the beginning about various ways of promoting this cultural affinity. If a particular young man of Korean descent, for instance, is raised only in an Australian setting and environment without having the opportunity to involve himself with the culture of the country he is from originally, I think that will cause an enormous psychological burden on that person because he knows that his original identity is based on Korea and Korean culture and the Korean people. I think we have to provide an environment for this person to adjust to this cultural divide between the two environments he is involved with. I am not sure whether I have given you a sufficient answer to your question.

**Senator HUTCHINS**—You mention in your submission your concern about Korean being dropped from the Higher School Certificate in New South Wales. Is one of your concerns that young people of Korean descent are losing the language skills?

**Ambassador Cho**—That is true. Some Australians of Korean descent do not have enough opportunity to learn the Korean language and Korean culture. I think the Korean community, the embassy and the consulate-general in Sydney are focusing on this issue. We are trying to expand those kinds of opportunities so that there are as many as possible for them to have access to, but still there are some limits to our efforts, so any assistance would help quite a lot.

**Mr CAMERON THOMPSON**—I am interested in the earlier discussions with the DFAT people in relation to our aspiration to have a free trade agreement with Korea. Can you explain to me or explore with me the advantages Korea was seeking? A number of reports have indicated that South Korea—because you are export orientated—wanted to develop a range of free trade agreements with a diversity of countries to help build the future for your country. Given that you have reached agreements with this EFTA group of non-EEC member countries within Europe and with Singapore and Chile, what was the strategy behind seeking to develop this free trade strategy? It is obviously a bit of a puzzle and a quandary to Australians that at this stage we do not fit into that.

**Ambassador Cho**—Our government is very much committed to expanding this network of free trade agreements as early as possible. We are trying, with some priority, to have these agreements with some countries which may not present a lot of problems for our industries. You mentioned three agreements, which we succeeded in agreeing on—one with Chile, another one with Singapore and the last one with the EFTA group. All these countries with which we succeeded in having this free trade agreement do not have a very extensive agricultural sector. Chile has a considerable number of agricultural products, but the agricultural products which are being produced by Chile do not present very serious problems to our agricultural sector. Even with Chile's limited capacity of agricultural production, we had very serious difficulty in having this agreement processed. The consensus-building process on our domestic scene was very painful.

Singapore does not have an agricultural sector and, as for the EFTA group, there are some agricultural sectors in Switzerland and Norway. But the volume of trade between South Korea and the EFTA group in agricultural products is very limited—only 0.1 per cent for Korean exports and only 0.2 per cent for Korean imports. Again, in the FTA between the Republic of Korea and EFTA, we excluded very sensitive items for the Korean agricultural sector such as rice, meat and some dairy products. We are succeeding in having FTAs with only those countries which do not present very difficult problems to our agricultural sector, which is very sensitive in terms of politics and our economy. We may need some time until we will be able to expand our negotiations. We do not mean that Australia is excluded from this process, though. We have some later timing in mind, though, in launching these FTA negotiations with Australia.

**Mr CAMERON THOMPSON**—Historically, there have been several agreements between Australia and South Korea. From the sixties several different types of trade agreements have been pursued. Can you comment on just how effective those have been historically?

**Ambassador Cho**—Yes, we have a broad frame of agreements on our trade and other economic cooperation which basically is not affecting industry structure within Korea, so I do not think these kinds of agreements have any adverse impact on Korean industry. They have been very good agreements for improving our industry structure.

**Mr CAMERON THOMPSON**—I note also that over the period the percentage of GDP in South Korea that agriculture represents has been on the wane. What is the future trend in relation to agriculture? Is it going to continue to decline within South Korea?

**Ambassador Cho**—Yes, that is true. We are embarking on a very aggressive restructuring process in our agricultural sector. The percentage of agricultural products in our total GDP is

decreasing. But there are some farmers traditionally doing this agricultural work. This causes some political difficulties for the government in proceeding with the right kinds of measures. But, under this restructuring plan, we think that the agricultural sector will be rationalised and competitive within some time frame given. The government is very serious on this issue, so we are implementing this structural program.

**Mr CAMERON THOMPSON**—Would that entail a reduction in subsidisation?

**Ambassador Cho**—I do not know how soon we will be able to reduce the domestic subsidisation, but the whole idea of the restructuring involves a reduction of subsidies.

**Senator KIRK**—My questions are in relation to Korean students coming to Australia to study. I notice from your submission that there are some 24,000 students in Australia currently, which is good. In which areas are they studying? Are they undergraduates at universities or postgraduates or are the bulk of them undertaking English language studies here in Australia?

**Ambassador Cho**—I have seen statistics saying that about 43 per cent of Korean students coming here are in ELICOS and about 23 per cent or 21 per cent are in higher education. So we have a comparatively small number of students enrolled in higher education. We do hope that the number of Korean students in Australian universities can be increased. They may need some assistance, though, to lead their study life here more comfortably. As you may understand, students are very sensitive about the opportunities for getting scholarships, their beneficiary periods and the amounts. They are also very sensitive about living costs in this country. Because of the appreciation of the Australian dollar, they may feel a pinch. They are also concerned about job opportunities when they complete their studies here. Maybe some students will want to go back, but there are some students who want to stay on. I heard about some cases of students being refused a permit to stay in this country. I know there are some practical problems in rectifying all of these situations, but I think some efforts in that direction might be very helpful for having more Korean students in this country.

**Senator KIRK**—When you speak of these problems—I understand what you are saying—and assistance, do you mean from your government or from the Australian government assisting students to come to Australia to study?

**Ambassador Cho**—The Korean government is basically very positive about sending our students overseas. There are many classes of students from the ages of, say, eight or nine to postgraduate students. There are many scholarship opportunities in Korea, offered not only by the government but also by business organisations, which have many foundations that offer scholarships to those Korean students seeking opportunities in foreign countries, including Australia. I am sure our government will continue to do that and will be improving our assistance scheme to Korean students studying abroad. I know that the Australian government is also doing very well. In fact, at lunchtime today I am going to attend an occasion prepared by the Australian Vice-Chancellors Committee. They are very active in assisting foreign students studying in Australia. So we hope that those kinds of efforts can be strengthened and expedited.

**Mr DANBY**—Mr Ambassador, I notice in your submission that there is a speech by your President where he says of the Republic of Korea:



... there is likewise a need on our part to resolve and adjust a few areas in order to induce North Korea to make that strategic decision ... for the denuclearisation of the Korean Peninsula.

I understand that at the six-party talks—which Australia and all of us are very happy have resumed—the Americans have suggested to the North Koreans that South Korea will provide two million kilowatt hours of energy. Is it within the capacity of the South Korean electricity system to provide so much energy to replace the alleged need of North Korea to have nuclear energy? Does North Korea have the lines and the capacity to deliver this electricity if South Korea is able to provide it? Is this two million kilowatt hours something that the South Korean government agrees to? Is it on top of South Korean electricity production?

**Ambassador Cho**—After this proposal there were very intensive public debates. I think there are many technical issues to be sorted out in this process. I understand that there is some remaining capacity in our consumption level but it depends on the time of the year—for instance, when you use a lot of airconditioners in summertime you do not have enough capacity. Again, there is the problem of the transmission facilities which should be taking this electricity from South Korea to different parts of North Korea. I understand that our government is studying various options on providing this electricity. There are practical and technical problems, but I am sure that with a well thought out proposal we will be able to organise some efficient ways of providing this electricity.

**Mr DANBY**—But, in principle, it was agreed between South Korea and the United States to make this offer to the North Koreans?

**Ambassador Cho**—I am not sure about that but, according to the report, there has not been any prior consultation on this proposal. But we have discussed this proposal with the United States and we received a very favourable response.

**Senator STOTT DESPOJA**—Your Excellency, in your submission and at this hearing today you have spoken about the ageing population. The low birth rate is obviously another issue. You have spoken about some of the issues that are being considered to address this, but is there a specific debate about encouraging the working men and women of Korea to have families—about providing better support for them so that they can better balance their family life and work responsibilities? Is there a debate on child care or maternity leave?

**Ambassador Cho**—Yes. Under plans that are now being devised, there might be various measures to assist working women. The birth rate is only 1.12 or 1.13 per cent at present. This is a very serious issue and the government is embarking on very aggressive measures. If you are interested in the details, I will provide you with some material on it.

**Senator STOTT DESPOJA**—That would be very interesting.

**ACTING CHAIR**—Your Excellency, on behalf of the committee, I thank you very much for your attendance today and the information you have provided. If there are any matters on which we may need additional information, the secretary of the committee will write to you. We will send you a copy of the transcript of your evidence so that you are able to make any necessary corrections to errors of transcription.

[11.50 am]

**KELLY, Ms Patricia, Deputy Secretary, Department of Industry, Tourism and Resources**

**MURPHY, Ms Janet, Head, Tourism Division, Department of Industry, Tourism and Resources**

**ACTING CHAIR**—On behalf of the subcommittee, I welcome our witnesses from the Department of Industry, Tourism and Resources, Tourism Division. Although this committee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the houses themselves. We invite you to make an opening statement and at the conclusion of that we will go to questions.

**Ms Kelly**—The opening statement relates to the relationship of the Department of Industry, Tourism and Resources with Korea in respect of tourism issues. I understand other departmental representatives will appear before the committee later to discuss other aspects of the department's relations with Korea. Korea is Australia's seventh largest inbound tourism market in terms of numbers and it rated sixth in 2004 in terms of yield. For the year ending June 2005, there were 237,300 visitors from Korea, which was an increase of 10 per cent over the previous year. For the six months to June 2005, Korean visitor numbers increased by more than 24 per cent over the same period last year, and that makes it our fastest-growing market this year. The Tourism Forecasting Council estimates that inbound tourism from Korea will continue to grow at an average of over seven per cent a year for the next decade with 424,900 arrivals forecast for 2014.

The total visitor spend from Korea in 2004 was \$853 million, making it one of Australia's highest yielding markets. That included some prepaid international airfares and package tours paid overseas. The average per traveller was \$4,434. If you exclude the expenditure not directly attributable to the Australian economy, the Korean inbound market value was worth \$750 million in revenue to Australia in 2004. The Tourism Forecasting Council estimates that this expenditure will increase at an average annual rate of 8.2 per cent over the next decade, reaching \$1.74 billion in real terms in 2014.

However, despite the present strength of the Korean market, we have identified structural issues relating to marketing, product quality and pricing and aviation which need to be addressed if Australia is to achieve continued high growth and, desirably, an expansion of our share of the Korean market. It was to address issues such as these that the department and Tourism Australia established the Korean tourism reference group in October 2003. The objectives of that group were to identify impediments to growth and to develop an action plan to address them. The reference group included a broad range of industry, airline and government representatives with interests in the Korean market. The report prepared by the group entitled *Korea: Building the Framework for Sustainable Inbound Tourism* was launched by the Minister for Small Business and Tourism, Fran Bailey, on 23 June 2005. We have supplied copies of that report to the committee. The report identifies a range of measures in three main areas that are designed to facilitate market growth. The areas are marketing and promotion, specifically the need to

evaluate the effectiveness of Tourism Australia's re-engagement of the Korean market following the difficult years that followed the 1997 Asian financial crisis and SARS and the need to integrate the Korean inbound tourism operators, who have recently formed their own Korean Inbound Tourism Operators Council of Australia, within the broader Australian tourism sector.

The second area was product quality, specifically working with the Korean inbound tourism operators and the ACCC to inform Korean tourists on essential pricing and quality matters, which will empower them to secure value for money in their Australian travels, and working with the Korean government to develop arrangements to ensure fair pricing and truth in advertising of Australian tours. The third and last area identified in the report was aviation, specifically encouraging the expansion of aviation services at a time when only Sydney and Brisbane are serviced by scheduled non-stop services from Korea, and addressing the need for seamless transfer of Korean visitors from their international carriers to domestic carriers at gateway airports to encourage dispersal of these visitors into regional areas. Minister Bailey has established an implementation group to implement the outcomes of this report and it is chaired by Mr Peter Doggett from Warner Village Theme Parks. Its first meeting was held on Monday of this week and it will submit a report to the minister in February 2006.

To further promote the bilateral tourism relationship to Korea, Minister Bailey visited Korea in July this year and she met with representatives of airlines, industry and government. In particular, she met the Korean tourism minister, Mr Chung Dong-Chea, who agreed that officials from both countries should pursue options for addressing quality and pricing issues affecting the Korean outbound market to Australia. Such options would be developed under the framework of the memorandum of understanding on quality related tourism issues that was signed between the Department of Industry, Tourism and Resources and the Korean Ministry of Culture and Tourism in June 2004.

So, in summary, as one of our fastest growing and highest yielding markets, Korea is a very important market to the Australian tourism sector. Moreover, it is forecast to continue to grow strongly. Importantly, the Australian and Korean governments have established a close bilateral tourism relationship designed to complement the strength of the commercial relationship. We would be happy to answer any questions that the committee have.

**ACTING CHAIR**—Thank you, Ms Kelly. Did you wish to add anything, Ms Murphy?

**Ms Murphy**—No, thank you.

**ACTING CHAIR**—The action plan looks very impressive; it is certainly very glossy. How would you describe its reception? Was it welcomed? Was there any constructive criticism or were there any additional suggestions?

**Ms Kelly**—Certainly we took it to Korea with us and it was a very useful document in demonstrating to the Korean industry that we are very serious about meeting the needs of Korean consumers and about working with the inbound operators and the Korean wholesalers to grow the market. It was also very useful in talking to the airlines about the prospects for expanding services. I think it has also been received well in Australia.

**Ms Murphy**—Yes, it has been very well received in Australia, partly because industry was very closely involved in developing it in the first place. So it certainly reflects industry as well as government views of some of the impediments to growing inbound tourism from Korea. There is very strong support to make sure that the actions are implemented and some real differences are made.

**ACTING CHAIR**—In the submission from His Excellency on behalf of the Republic of Korea, one of the observations is that package tours do not really provide an authentic—for want of a better term—Australian experience; they do not give participants the opportunity to really appreciate Australia and to gain any reasonable cultural understanding. Is that part of the concerns that the action plan might address?

**Ms Kelly**—Yes. I think one of the messages that we got in Korea is that we have had a history of strong package tour business from Korea. The market is moving towards more what we call FIT—free and independent—travellers and the services and the products to cater for that section of the market require further development. And the plan will assist with that; in terms of its marketing and product development strategies and its quality strategies, it is designed to help us make that transition.

**ACTING CHAIR**—I think you said the first meeting was held on Monday this week—very timely for our hearing. I am glad to hear that. Is that the sort of issue they will be pursuing?

**Ms Murphy**—Absolutely. One of the key issues identified at the first meeting was a lack of information about new tourism product. There is good product around, but it is not known about enough. One of the outcomes was for Tourism Australia to organise forums for inbound tourism operators and product suppliers to try to address that information gap.

Tourism Australia is also planning its Korea Travel Mission from 27 to 28 October: 28 Australian companies will go to Korea to promote the products and experiences that are available. That is a doubling of the number of Australian companies that attended the previous Korea Travel Mission, in 2003. The level of interest and engagement is strong and will strengthen, particularly with Tourism Australia's activities.

**Senator FERGUSON**—The figures in this report are based on a couple of years ago in most cases, but have you got any answers as to why the aspiration of Korean people to visit Australia has slipped in the last couple of years? It is not only the aspiration; it says in here that the intention to travel is down as well. Do you know why Australia has dropped further down the list and Europe has taken up the slack?

**Ms Kelly**—I understand that the aspiration level has come up again in 2004. I think we are back to No. 1. I think we did slip to No. 4 in 2003.

**Senator FERGUSON**—Did you look at why we dropped to No. 4?

**Ms Kelly**—Because of SARS and a general downturn in the market we suspended or cut back a lot of our marketing efforts because we were not going to get the returns on those efforts. That would be one reason why that would have slipped. We did launch a 'Best of Australia' campaign

in Korea in May. That is ongoing until the end of this month. That may be showing results in that we are back to No. 1 in terms of aspirations.

**Ms Murphy**—In Korea, we are consistently in the top two travel destinations in a number of different consumer surveys. Part of our challenge is that there is a very competitive market environment at the moment and Australia has to continually move to ensure that its brand is as competitive as those of other competitor destinations. It is a very competitive environment.

**Ms Kelly**—We are seeing low-cost carriers travelling inter-Asia. The advent of these low-cost carriers means that most of the growth out of the Korean market has been going to other parts of Asia, particularly China. Most of the growth in the Korean market has been to China and to other parts of Asia under the influence of very cheap airfares to those parts of Asia. That said, we have been growing our share as well.

**Senator FERGUSON**—I find it hard to believe that SARS has had much of an effect. The real downturn in the market was the economic crisis in Asia; that was the real dip. There was a continual rise from Korea from the bottom of 1998 onwards, so SARS did not seem to impact very much. I would have thought that as far as aspiration or intention to travel goes, Australia would have been considered one of the more likely places to visit because of SARS, because people did not want to travel in Asia or through parts of Europe.

**Ms Kelly**—The big downturn was certainly with the Asian financial crisis. We are only just getting back to the peak we had in 1997. We are not quite back there yet.

**Mr EDWARDS**—Supplementary to Senator Ferguson's question, I did not quite understand whether you said you specifically looked at and examined the reasons why Australia dropped from 1st to 4th on the list.

**Ms Kelly**—I think Tourism Australia did specifically look at that.

**Ms Murphy**—Tourism Australia certainly undertakes what it calls 'brand tracking' of its marketing, promotion and communications activities. That brand tracking does help it to make adjustments to its marketing and promotional activities, which might bring Australia higher up in terms of awareness of potential Korean travellers. That has certainly helped to readjust Australia's marketing activities to increase the profile.

**Mr EDWARDS**—Would you take on notice to tell the committee whether you looked at why we dropped from 1st to 4th and, if we did, what the specific reasons were for dropping from 1st to 4th.

**Ms Kelly**—Certainly. We would be happy to talk to Tourism Australia in particular, who have undertaken the market research. We can get back to the committee on specific reasons about that.

**Mr WAKELIN**—The Embassy of the Republic of Korea noted that immigration procedure for arrival in Australia is troublesome and often too strict. Would you comment on that. What do you think the perceptions or the expectations of Korean visitors are?

**Ms Kelly**—My understanding of that comment is that it was about passenger processing on arrival. Certainly, from time to time there are difficulties with passenger processing on arrival. It often happens when airlines are running not to time and the passengers arrive all at once et cetera.

**Mr WAKELIN**—I am sorry, I missed that last part.

**Ms Kelly**—From time to time there are difficulties, particularly at major gateways. It often happens when flights arrive not to schedule and three or four jumbos, say, land at once and therefore you have a big throughput of people at the same time through Immigration, Customs and Quarantine. That problem is not unique to Australia, but that does not mean we should not try to address it as well as we possibly can. We have a National Passenger Processing Committee that monitors where problems are, and looks at how to manage the ongoing growth that we expect in tourism numbers and changes such as the advent of new and larger aircraft that will mean more passengers arriving at once. So it is a situation that is monitored, and we continue to try to keep levels and waiting times down. But that is not to say that there are not problems from time to time.

**Mr WAKELIN**—Going to the second part of my question, do you have any understanding of what the expectations of our visitors are?

**Ms Kelly**—The expectations of our visitors and probably of Australians arriving back home would be that they would like to be able to proceed relatively quickly, particularly after a longish flight, to collect their baggage and to get through Customs and Immigration. We do have new and stricter screening procedures for baggage et cetera. We have strict security and quarantine procedures, but they are not things that we would want to get rid of it; we would simply want to make them as efficient as possible.

**Mr EDWARDS**—If you can fix that problem up, can you fix it up for returning Australians first!

**Senator FERGUSON**—In raising this issue Mr Wakelin did not say anything about it being too slow—that was not the Koreans' problem. In their submission they say that the procedures are troublesome and often too strict. Are our procedures any stricter than that of other countries? They could not be any stricter than those for people trying to get into the United States at present, I can tell you. Why would they highlight this issue of immigration procedures in Australia, compared to other countries around the world?

**Ms Kelly**—Our quarantine procedures are significantly stricter than many other countries and I think we now screen all incoming baggage.

**Ms Murphy**—We do. And our customs procedures may be seen as stricter now that we have got rid of the green lane and the red lane system and everyone has to go and be screened through Customs. That might be seen as being different from many other countries. I suspect they are not necessarily referring to just an immigration issue. It is probably the whole customs, immigration and quarantine issue that they are referring to.

**Mr WAKELIN**—I specifically raise that issue because we are advised that Korea have the strictest, or amongst the strictest, quarantine procedures in the world. No doubt it is a common concern of many visitors, but I am interested in whether or not you were aware of that concern particularly in relation to the Korean market. How do you research this sort of comment that comes from a senior official of an important market to us?

**Ms Kelly**—I was with the minister on her recent trip to Korea. It was not an issue highlighted to us by the Korean industry representatives or the airlines. I have taken note of the comment in the embassy's submission, but it was not something that they raised as a major problem that Korean tourists had brought to their attention.

**Mr WAKELIN**—But you appreciate that they have raised it with us?

**Ms Kelly**—Yes.

**Ms Murphy**—Nor was the issue raised during the consultation process of developing the Korea action plan. This was the first we heard of it.

**Mr CAMERON THOMPSON**—I just want to look at your reading of and thinking about the performance of the airlines in servicing the market. The action plan says that Qantas operates under a code-sharing type arrangement, and there is some comment there that our fares are very competitive. But there is a comment that prior to the Asian financial crisis there were five airlines and we are back to two. There seems to be some concern that we are not really optimising the opportunity in the route, in part because of airline failings or inadequacies. Could you elaborate a little bit more on what they might be and, in particular—I would have thought—where Qantas might be making a greater effort?

**Ms Kelly**—There are relatively high load factors. We only have gateways directly to Sydney and Brisbane. Other Korean tourists would go via Japan or Singapore. Qantas does not operate direct services, although it has announced that it will operate a limited number of direct services over the peak December to February period.

**Mr EDWARDS**—From where?

**Ms Murphy**—From Korea to Brisbane.

**Ms Kelly**—From Brisbane, yes. The direct flights are from Korean Air and Asiana Airlines. Asiana code shares with Qantas. They often have high load factors, as I said, and there have been issues identified with interlining, with having common ticketing and baggage-handling arrangements with Australian domestic airlines. That often means that Korean tourists have to pick up bags and get another ticket, and it is difficult for them to be dispersed to other destinations. So they are the issues that have been highlighted in the report.

We—the minister and I—met with Korean Air and Asiana Airlines when we were in Korea. One of the problems in encouraging them to service more gateways or to put on more planes is that it is not a highly profitable route for them. There is limited business traffic. A lot of it is what they would class as fairly low-yield leisure traffic, largely outbound from Korea. Therefore

they can make more money by putting their planes on other routes. So there are some difficult issues there in encouraging them to expand their services.

**Ms Murphy**—Our analysis is that there is sufficient capacity on the route to meet forecast demand at least until about 2010, but, as Ms Kelly indicates, the challenge there is for airlines to take up that capacity.

**Mr CAMERON THOMPSON**—So there is this lack of a comparable ticketing process and the fact that they do not fly to Melbourne and Perth?

**Ms Murphy**—They fly to Sydney and Brisbane at the moment. We certainly think there would be opportunities potentially for further flights to travel to Melbourne and Cairns.

**Mr CAMERON THOMPSON**—Have you been able to quantify what sort of market there is for that?

**Ms Kelly**—We know for example that Korean Air has launched a series of charter flights to Cairns at the moment. I think they are doing six charter flights in the current six-week period.

**Ms Murphy**—That is right.

**Ms Kelly**—So they are actually trying out, if you like, that market and the viability of the market at the moment. We were certainly encouraging them to look at Cairns as a new destination. The government of Western Australia itself has been to Korea recently and pledged to significantly increase its tourism marketing expenditure there, in the hope of opening up Perth as a significant destination, because very few Koreans currently travel to Perth.

**ACTING CHAIR**—On behalf of the subcommittee, Ms Kelly and Ms Murphy, thank you very much for your attendance here today. If there are any matters on which we need additional information, the secretary will be in contact with you about that. We will also send you a copy of the transcript of your evidence, to which you can make any necessary corrections to errors of transcription. Thank you both very much.

**Ms Kelly**—Thank you.

**Ms Murphy**—Thank you.



[12.14 pm]

**AITKIN, Dr Alexander Lewis, Desk Officer, Korea, Science Group, Department of Education, Science and Training**

**COWAN, Ms Sara, Manager, International Science Branch, Science Group, Department of Education, Science and Training**

**JAMIL, Mr Jimmy, Assistant Director, North Asia, Trade Agreements and APEC Unit, International Cooperation Branch, International Education Group, Department of Education, Science and Training**

**VAN OMME, Ms Kristie, Acting Director, North Asia, Trade Agreements and APEC Unit, International Cooperation Branch, International Education Group, Department of Education, Science and Training**

**WHITTLESTON, Ms Shelagh, Branch Manager, International Cooperation Branch, International Education Group, Department of Education, Science and Training**

**ACTING CHAIR**—Good afternoon. I apologise for keeping you waiting. Although the subcommittee prefers that all evidence be given in public, 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 this committee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and therefore do have the same standing as proceedings of the houses themselves. Before proceeding to questions, I invite you to make an opening statement and then we will have some discussion.

**Ms Whittleston**—We would like to make a short statement. Australian Education International is the international arm of the Department of Education, Science and Training. We seek to advance the internationalisation of Australian education and training and we play a key role in facilitating the education and training export industry. We do that through working in collaboration with state governments and other governments, with the education industry and with other providers around Australia. We have an extensive offshore network through which we seek to maintain and develop government to government relationships with other countries and to directly promote and market the quality and expertise of Australian education, science and training.

Our relationship with Korea is a developing one. It is very new, having commenced in the mid-1990s, but it is a developing one insofar as Korea is now the second of the top 10 source countries for international students in Australia. While our ties with Korea are relatively new, they are growing quite substantially and we are being encouraged by the Korean Ministry of Education to have a memorandum of understanding with them. Progress on that has stalled at the moment because of recent changes in the Korean Ministry of Education, but we are looking to see if that might take place over the next 12 months. Reflecting our commitment to the relationship, we are about to upgrade our locally engaged officer to an Australian based counsellor, and that should take place by the end of this year. This will allow us to further our

government to government relationships and it also gives a significant indication to the Korean government that we are interested in further developing that relationship.

As I said, Korea is in our top 10 countries and at the present time we have just under 24,000 enrolments. This is an upward trend of 7.5 per cent on 2003. The largest number is in our ELICOS, English Language Intensive Courses for Overseas Students—that is 43 per cent of students coming here. There is 21 per cent in the higher education sector followed by 19 per cent enrolled in schools and 15 per cent in the vocational education and training area. Enrolments here to date for June this year show that we have got 19,651 Korean students studying in Australia. This is quite significant when you look at our overall student enrolment of 322,000 students, with China being the top source country with 68,857 enrolments. In terms of institution linkages—so this is in addition to students—the latest data from the AVCC, the Australian Vice-Chancellors Committee, shows that there are 193 formal linkages between Australian universities and counterpart Korean institutions in 2003, which was an increase of 16.9 per cent from 2001.

Summing up very briefly, it is a relatively new relationship but we are definitely seeing some growth and we are looking forward to further development with them. I will pass to my colleagues from science.

**Ms Cowan**—I would like to comment on Korea's impressive record of expenditure in their commitment to science and technology and give an overview of DEST's role in international science and technology collaboration. Korea ranks very highly amongst OECD countries on a wide variety of measures of S&T expenditure. For example, in 2002 Korea's gross expenditure on R&D was 2.91 per cent of GDP—which is fifth in the OECD—was growing at a rate of almost 10 per cent a year and amounted to around \$US23.5 billion, which compares to Australia's expenditure of around \$US9 billion. In terms of DEST's international science and technology role, we should point out that there are a large number of agencies involved in international science and technology, including departments, research agencies, funding councils, universities, businesses and science groups. DEST is one of these but also included are the Department of the Environment and Heritage, the Department of Industry, Tourism and Resources, CSIRO, the Australian Institute of Marine Science, the Australian Nuclear Science and Technology Organisation, the Australian Research Council, the National Health and Medical Research Council and the learned academies.

DEST's specific role in this is to coordinate Australia's international intergovernmental science and technology relationships. We have around 30 bilateral agreements with other countries, including one with Korea. We coordinate and lead regular bilateral consultations and we bring together the relevant organisations from Australia and the partner country to identify shared priorities, exchange key policy developments and address any impediments to collaboration. We also administer the Australian government's International Science Linkages Program which is part of the Backing Australia's Ability program. That provides around \$10 million per year to support collaboration with leading edge overseas partner countries. The International Science Linkages Program represents a small proportion of the overall expenditure on international science and technology collaboration. It only amounts to about five per cent of that, so 95 per cent is administered by other science agencies. Nevertheless, it does play a very significant catalytic role in facilitating science and technology relationships which may subsequently be advanced and funded through the other agencies.

We have had a treaty level agreement with South Korea since 2000. DEST has supported a number of bilateral symposia, including a CSIRO-led water resources mission quite recently. I believe that is addressed in the CSIRO submission. We have funded a number of collaborative research projects and supported conferences and exchanges of researchers through the academies. While there is some level of science and technology engagement across the agencies that I have mentioned, I think it is fair to say that there is also some evidence that collaboration could be increased to the mutual benefit of both countries. Therefore, we have decided to this end to try and fund another symposium in 2006, the subject of which we will agree on with our Korean partners. We find that symposia are the best way of increasing knowledge of each other's strengths and work in science and technology and exploring areas for better collaboration. In summary, it is a small relationship in science and technology but fairly dispersed, and we see some value in trying to increase awareness of each other to increase collaboration.

**ACTING CHAIR**—One of the discussions we have been having this morning has focused on the need for greater cross-cultural understanding and exchange between the two countries. This has been mentioned in a range of submissions—certainly in the two key submissions we have dealt with this morning from the Department of Foreign Affairs and Trade and the Republic of Korea. We have noted that there are a significant number of Koreans coming to Australia both as tourists and, in the area of your interest, as students. You have indicated today that there are 19½ thousand or thereabouts. But the reciprocal side of the process is not as significant. Do you have any role in encouraging Australians to engage with Korea?

**Ms Whittleston**—We have the Endeavour scholarship program where we seek to encourage a two-way flow of students. We do have some Australian students who are currently studying in Korea under those scholarship programs. We are trying to encourage more students to go offshore through scholarships, and higher education institutions are also encouraging Australian students to study offshore.

**ACTING CHAIR**—This morning the Korean ambassador mentioned a possible initiative of a research centre in Korean affairs, for want of a better turn of phrase, being established at an Australian university. Would that be a proposition that would attract the attention of the department?

**Ms Whittleston**—Yes, it would be. In fact, we have been looking at such an institution.

**ACTING CHAIR**—Do you have anything more you can tell us about that?

**Ms Whittleston**—I am sorry—not with me. I can get information and get it to you.

**ACTING CHAIR**—I think that would be helpful to the committee.

**Senator FERGUSON**—I want to follow up the chair's question about students. For a start, you said that there are Australian students studying in Korea. How many?

**Ms Whittleston**—We do not have the total numbers, because we do not actually keep those numbers. They are up to institutions. We can tell you in scholarship terms, and it is a very small number.

**Senator FERGUSON**—Would you anticipate that the number studying is 50—or 100 or 200?

**Ms Whittleston**—I think it is more likely to be under 50 at this stage.

**Senator FERGUSON**—What are the disincentives for Australians going to Korea? Is it language? What is the main thing? We have 22,000 Koreans who come to Australia and we are talking about becoming culturally aware. They are becoming culturally aware of Australia, but there is no reciprocal cultural awareness from Australians having a Korean experience in education. What are the disincentives?

**Ms Whittleston**—There are a number of reasons as to why Australian students do not choose to go offshore. One of them is the recognition and accreditation of the studies they might do while offshore. Australia has a high-quality accreditation system, which is why a number of students choose to come here. They get a qualification that is recognised, and when they get home it is recognised. One of the things we can pursue when we get an A-based counsellor in Seoul later this year and through our government-to-government links is that under the memorandum of understanding we would hope to have a better understanding of each other's qualification frameworks and possibly recognition and accreditation procedures. That will help facilitate Australian students going offshore so that our Australian institutions will be able to recognise what they do at other universities.

**Senator FERGUSON**—Under the current arrangement the cultural awareness is all one way, isn't it?

**Ms Whittleston**—It is largely one way, yes. That is correct.

**Senator FERGUSON**—Can your department think of any way that it can improve these cross-cultural exchanges?

**Ms Whittleston**—Yes, we are actively seeking to do that through a scholarship program. We have scholarships for studying at the research master's degree level, and we are seeking to encourage more students at the undergraduate level to go. We also have exchange programs whereby we could have teams of teachers from here going over there to look at their schools and how they teach and vice versa. So we are encouraging more exchange programs than we have perhaps done in the past.

**Senator FERGUSON**—What about at secondary school level—are there many exchanges?

**Ms Whittleston**—No, not funded by the government.

**Senator FERGUSON**—I know, for instance, that with Japan there are. My own country local area school has an exchange program where every year some students go to Ohara in Japan and some students from Ohara come to this small country town for a week. I just do not know whether there is anything involving Korea at all.

**Ms Whittleston**—There are, as you quite rightly say, programs through the Japan Foundation. They are not funded by the government to do that. We have not got any programs in place at the moment. Some state and territory governments and some private sector organisations—for

example, as you know, Rotary—encourage cross-exchanges, but we do not fund student exchanges.

**Senator FERGUSON**—The Japan exchange that our students are involved with is funded by the people who travel. They pay their own way to go. I am just surprised because we constantly talk—and all the submissions constantly talk—about the need for cultural awareness and improving our cultural relations, yet we do not seem to be doing nearly as much as they are.

**Ms Whittleston**—We are giving further thought to how we might encourage more Australians to go offshore.

**Senator STOTT DESPOJA**—On a slight tangent, going on from what you said in response to Senator Ferguson's question, is the number of students who are studying in Korea something you would like universities to advise the department of? Obviously I can understand why the department would be aware of the numbers of students who have scholarships, but is this something that you have requested or might request of universities to get a better idea of what Australian students are studying in Korea?

**Ms Whittleston**—We have not requested specific data. It would be useful to know that, but we have not requested that specific data.

**Senator STOTT DESPOJA**—It was a point of curiosity. My actual question relates to your earlier comments about the linkages—I think the 193 you referred to provided by the AVCC. Are the bulk of those linkages based on what Ms Cowan was saying—that is, they are mostly science and tech linkages? Are there other areas that we see—

**Ms Whittleston**—There is a broad range. We can actually give you a list of those linkages if you would like them.

**Senator STOTT DESPOJA**—That would be useful for the committee. I am also curious in relation to the DPRK submission that came from the embassy. You probably have not had a chance to see it. I think it was only tabled today. It was certainly provided to us this morning. The second point in their submission refers to scientific collaborations and meetings between the two countries, and their final point is:

The DPRK sincerely wishes the continuation of such scientific collaborations and exchanges in this field, which unfortunately put on hold for the time being unilaterally by the Australian Government only because of nuclear issue.

Obviously this is in relation to North Korea, and they are referring to a couple of specific examples in 2001-02 in relation to the Australian academy of technological sciences and two member scientists undertaking research training at La Trobe in 2002. Are there any links that we should be aware of between any education institutions in Australia and North Korea?

**Ms Cowan**—In terms of science and technology links, I am only aware of the academy's linkages that you have just mentioned. I am not aware of any other science and technology linkages. I imagine that we may well start to see some increases in those now. With the nuclear issue, I would have to take that on notice because I will probably have to talk to the Australian Nuclear Science and Technology Organisation. I can come back to you on that.

**Senator STOTT DESPOJA**—We should provide you with the specific quotes from the submission so you have that background. It would be useful to know the status of that partnership and/or collaboration. Is that relationship with North Korea being evaluated, perhaps in the same way I note that the CSIRO are talking about their relationship with South Korea? I think in the process of reviewing the bilateral science and technology agreement it would be interesting to get a sense of where we are heading with both.

**Ms Cowan**—Certainly.

**Mr WAKELIN**—I understand that the Department of Education, Science and Training is currently reviewing the bilateral science and technology agreement between Australia and South Korea and endeavouring to give it a new focus. Could you discuss that new focus and a couple of specific issues from it?

**Ms Cowan**—I am sorry; I think your understanding has probably come from the CSIRO submission to this committee. In actual fact we are not reviewing the science and technology agreement. It was signed in 2000 and continues in force until such time as one or both parties wish to discontinue it. What the CSIRO submission was probably aiming at but did not say exactly is that we are looking at the agreement again and thinking, ‘Should we try and invigorate action underneath it?’ The areas that we will probably look at, in trying to work further with our Korean counterparts, are around energy and possibly water resources, as the CSIRO submission states. I think the sustainability of energy and the sustainability of water are issues of very great interest to both countries and, as you know, the Koreans have recently joined the new climate partnership with Australia and others. I mentioned earlier that we may hold a symposium in 2006 if we can agree on a topic, and it is quite likely that that would be around one of those issues.

**Mr WAKELIN**—In terms of focus or emphasis, is there anything particularly between the two countries concerning the water issue which comes to mind?

**Ms Cowan**—I could not comment in any greater depth than the CSIRO submission does. It talks about the strengths of Australia and Korea being quite complementary, but we are ahead in some fields of science in terms of water.

**Mr WAKELIN**—I ask specifically because clearly water in Australia has a whole range of meanings. In South Korea it probably would too. But I am just interested in a specific focus or emphasis that might be there. But you can take that on notice if you like.

**Ms Cowan**—I can do that.

**ACTING CHAIR**—As to the workshop that you indicated was taking place in 2006 or symposium—I am not sure which noun you used—

**Ms Cowan**—We use ‘symposium’ mostly.

**ACTING CHAIR**—What sorts of numbers does that attract? What are the arrangements?

**Ms Cowan**—We usually try to bring together around 20 researchers from both sides. The idea is that they get together and learn what each other’s work is and hopefully out of that will come a

number of potential projects for collaboration. They will then apply for funding through the competitive processes that we run and also that the Australian Research Council runs.

**ACTING CHAIR**—Does the Australian Research Council have a formal role in this process?

**Ms Cowan**—Not necessarily. We might well seek their advice on who from Australia would be appropriate members of that symposium. Their role would fundamentally be to assess projects that might come out of the symposium on a competitive basis. They have a peer review competitive program. That would really be their role.

**ACTING CHAIR**—And apart from the Korean question, is that something that you do regularly on a range of countries?

**Ms Cowan**—Yes, it is.

**Senator FERGUSON**—Can I go back to an issue that we were talking about before, which was the number of Korean students here. I understand that almost half of the Korean students that come to Australia come here to do intensive English language courses. So in fact they are not actually coming to our higher institutions in order to gain a degree which has some standing. You said that one of the reasons that Australians did not go to Korea was that their institutions were not recognised or did not have as high recognition, yet the Korean embassy in their submission said that Korean students choose to go to Europe because the degrees they get in Europe have a far higher standing than the ones they can get in Australia. Perhaps you would like to comment on that.

**Ms Whittleston**—The idea of the MOU is that there would be an agreement between the Republic of Korea and Australia in terms of recognition of each other's qualifications. That does not exist at the present time. That would be something that we could develop. In terms of the number of students coming in to do English language ELICOS courses, it is 43 per cent at the moment. ELICOS is often the taster, or the feeder, if you like, into the other education sectors. What we often see with our other international students, particularly from China, is that they come in and do ELICOS courses and then they go into either the VET sector or higher education. We could expect to see some Korean students doing exactly the same thing—coming in, starting to do English language and then transitioning into higher education.

**Senator FERGUSON**—But the figures that we have been given say that only 21 per cent of Korean students actually attend higher education facilities. The Republic of Korea submission says:

... the perception of Australian degrees in Korea has room for improvement as there exists a tendency to prefer degrees from the U.S. or Europe.

How would you respond to that?

**Ms Whittleston**—The Americans have been working with Korea for a lot longer. This is why we need this memorandum of understanding. We can have a further understanding of each other's education system. We have been actively working to get higher recognition of the quality of Australian education and training.

**Senator FERGUSON**—Do you know what sorts of subjects or degrees are the most popular for those Korean students who do want to attend higher education?

**Ms Whittleston**—No, I am sorry; I do not have that information.

**Senator FERGUSON**—We had a submission from CSIRO which talks a lot about looking at more collaboration—in particular, I guess, as regards science degrees and degrees in that area. I just wondered whether you had ever done any work to find out what Koreans actually want to study when they come to Australia. That might give us an insight as to where we should put some emphasis in the relationship in the education sector.

**Ms Whittleston**—Yes, and our counsellor in Seoul would be able to give us that material in terms of where the students are seeking to go and what kinds of courses they are seeking to do. We can provide you with that information.

**Senator FERGUSON**—I think that would be very interesting and it might be something that we can come back to when we are talking to the Koreans.

**Ms Whittleston**—We will see what we can get for you.

**Senator FERGUSON**—Thank you.

**ACTING CHAIR**—Just briefly, there has also been some discussion this morning about language and language issues in Australia. In particular I understand that the New South Wales Department of Education and Training is contemplating removing Korean as a Higher School Certificate language. I believe that is in the Korean submission as well. That cannot help in encouraging young Australians to be interested and engaged in studies either in Korea or about Korea or in pursuing commercial relationships. As we know, a good language base is a very good start to those sorts of relationships. Is the department able to comment on that?

**Ms Whittleston**—We have an Asian languages program and Korean is one of the Asian languages that is promoted under that program.

**ACTING CHAIR**—I think the New South Wales department of education is removing the Higher School Certificate beginners course in Korean. Would you be pursuing that with the New South Wales department?

**Ms Whittleston**—We can raise that with them, Senator, but in fact it is an issue for the New South Wales education department.

**ACTING CHAIR**—I understand that, but in terms of the role of the Commonwealth department in promoting engagement broadly in the region and with important partners, language training and language education is pretty fundamental to that.

**Ms Whittleston**—It is; that is right. As I said, as part of the Asian languages program, Korean is one of the languages that the Commonwealth does seek to promote. So, yes, we could take that up.



**Mr DANBY**—This may be best addressed to Ms Cowan or Dr Aitken. It is a bit from left field and may be within the responsibility or expertise of the Department of Foreign Affairs and Trade. Do you have any idea how many scientists in North Korea are working on the nuclear program? Do either of you have any knowledge of any other major scientific contributions that are being made in science in North Korea?

**Ms Cowan**—No, I am afraid I do not have any knowledge of science contributions in North Korea or the number of researchers working on nuclear programs. I am not sure whether we would be able to get that information, but I can certainly see if that is possible.

**Mr DANBY**—I just thought there might be some international literature or something like that.

**Ms Cowan**—There may be. I am not aware of it, but I will see what I can do.

**ACTING CHAIR**—That brings us almost to the end. Mr Wakelin?

**Mr WAKELIN**—With regard to the education and training and technology relationship between Australia and Korea, how much difficulty does the MOU between states and our federation create in developing a relationship which could be genuinely regarded as national? We have touched on a number of things where we think there is room for improvement, but in terms of the way that this informal, semi-formal relationship works, would you care to comment on how we get a more national approach? It seems to me it is ad hoc. I would appreciate your comments on strengthening that relationship and how you see your role within it.

**Ms Whittleston**—In terms of an education memorandum of understanding, that is a major part of a national relationship. One of the things that we find with the students who come here is that they often go back and work in government in the host countries and then can play a major part in the bilateral relationships between countries. We think an education relationship is very important to a national relationship between any two countries.

**Mr WAKELIN**—Thank you.

**ACTING CHAIR**—Thank you very much. The committee thanks you very much for your attendance here today. If there are any matters on which we may need additional information, the secretary will be in touch with you. You did take a couple of issues on notice to provide the committee with further information. We would be grateful for your assistance with that. The secretary will send you a copy of the transcript of your evidence, to which you can make any necessary corrections to errors of transcription.

**Proceedings suspended from 12.45 pm to 1.47 pm**

**GROSVENOR, Ms Andrea Margaret, Acting General Manager, Regional Communications Initiatives Branch, Information and Communications Technology Division, Department of Communications, Information Technology and the Arts**

**KELLEHER, Mr Brian, Acting Manager, Internet Broadband and Convergence Section, Telecommunications Competition and Consumer Branch, Telecommunications Division, Department of Communications, Information Technology and the Arts**

**LYONS, Mr Colin, Acting Chief General Manager, Arts and Sport, Department of Communications, Information Technology and the Arts**

**OLIVER, Mr Colin, Acting General Manager, International Branch, Department of Communications, Information Technology and the Arts**

**ACTING CHAIR**—Welcome. The Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade prefers that all evidence be given in public. However, should you wish at any stage to give 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, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. Before we proceed to questions, I invite you to make an opening statement.

**Ms Grosvenor**—I would like to update the committee on developments since the DOCITA submission was sent to you some time ago. The developments are mainly outcomes from the Korea-Australia-New Zealand Broadband Summit, the Digital Content Industry Action Agenda discussions at that summit, and a little bit of information about the first Australian IPv6 Summit, which is internet protocol version 6, and the London action plan.

The main thing we have to talk about today is the second Korea-Australia-New Zealand Broadband Summit, which was held in Seoul in June this year. A 27-person delegation of Australian research and industry people was led by Senator the Hon. Helen Coonan, the Minister for Communications, Information Technology and the Arts. At the summit, the Korean minister for information and communications was present from the Korean side and New Zealand was also represented for the first time at this summit.

I suppose we are fairly flattered in a way that Korea has chosen to work with Australia in broadband and that it sees Australia as a partner in broadband development as Korea is one of the leading players in broadband in the world. We are very keen to work on that opportunity that having the broadband summit at ministerial level has afforded us. Korea is a world leader in broadband take-up and a major manufacturer of ICT goods, and Australia has strengths in software and online applications, particularly in relation to health, education, mining and various digital content applications.

There are a number of positive outcomes from the second broadband summit. Some immediate areas for cooperation were identified at the summit as being photonics, digital content for film and screen, home networking, digital multimedia broadcasting, online and mobile

content, and e-health. There are other opportunities for future collaboration, which could include rich media, games, radio frequency identification, interoperability issues, user behaviour, and ongoing attention to privacy and security matters.

During the summit the Australian Photonics Cooperative Research Centre signed a memorandum of understanding with Korea's Electronics and Telecommunications Research Institute for collaborative research on photonics. New Zealand, being present at the summit for the first time, noted that they had some complementary areas of expertise. Australian researchers are currently exploring opportunities to use Australian creative input, New Zealand 3D visualisation expertise and Korean systems integration in a demonstration project for a new data architecture for research. We believe that the collaborative opportunities will ultimately be generated at the industry level and that future activities can leverage specific Australian government sponsored industry action agendas—for example, the electronics industry action agenda and the digital content industry action agenda—which can be vehicles for the next phase of activities.

AEEMA, the Australian Electrical and Electronic Manufacturers Association, the Australia-Korea Foundation and the CSIRO have already been active in pursuing relationships with counterpart Korean organisations and they were all represented at the summit. That will assist in reinforcing those collaborations. At the last summit, it was agreed by the three participating countries that it would be profitable to hold future trilateral events annually, complemented by more frequent working level meetings and workshops arranged by business as well as government counterparts. The next summit is to be held in Adelaide in 2006 but we do not have a date for that yet.

A copy of the record of conclusions and the presentations that were presented at the summit are being placed on the DOCITA web site. I do not think that they are up yet but we are trying to get those on the web site as soon as we can. Preparations for the 2006 summit in Adelaide have already begun. We are pretty gratified that a number of other organisations, such as the Internet Society, the Australian Film Commission, the Australian Telecommunications Users Group and possibly one or two other organisations, have indicated that they would like to be involved in the organisation of this summit. That is in addition to the Australian-Korea Foundation.

We have some notes on the outcome of the Digital Content Industry Action Agenda discussions that were held during the summit with representatives from that action agenda forum. Because of the focus of the digital content industry and the government at the moment, when we were working with the Korean ministry in putting the content of the summit together we influenced them to have a fair bit of focus on that in the presentations at the summit. So there were several representatives of the digital content industry at the summit who could become familiar with Korea's approach to IT and Korea's priority for advancing digital content activity. The chair of the Digital Content Industry Action Agenda, Mr Tom Kennedy of Media Zoo, was there and was impressed by Korea's approach to innovation and the potential for building future trade opportunities, and one of the focus areas of the Digital Content Industry Action Agenda is exports. There are further industry consultations on development priorities in progress at the moment. The feedback from that will help inform the industry's final report and strategic plan. The action agenda is expected to report to Minister Coonan later in the year after taking account of stakeholder consultations.

A couple of other areas where the Department of Communications, Information Technology and the Arts is working with Korea were not in our initial submission to this inquiry. The Australian IPv6 summit is to be held in Canberra on 31 October and 1 November this year. The intent of the summit is to review the global and international aspects of IPv6 in the context of an Australian exploration of future policy on regulatory and governance challenges that could emerge as a result of the implementation of this technology. Korean representatives have been invited to give the keynote speech at this summit. Finally, I will mention the London Action Plan on International Spam Enforcement Cooperation, which is about dealing with spam. Agencies from both Australia and Korea signed the London action plan in October 2004. This international agreement represents information-sharing arrangements which focus on spam enforcement activities. The signatories represent more than half of the members of the OECD. I think that is about it for updating the points that we gave to you in our submission.

**ACTING CHAIR**—The committee has a number of questions. One that comes out of discussions of the broadband summit is whether Australia's position can be helped by Korea's rather more advanced position in terms of technology, but broadband specifically, and what we are doing to take advantage of that.

**Ms Grosvenor**—We see that Korea's main strengths really lie in the deployment and manufacturing of the technology but that Australia has quite complementary skills in the application side of it. We are very keen to work with Korean government and industry to tap their expertise to find out how they have managed to roll out so much broadband, what they are doing with it and what uses are being made of it. The summit has been a great showcase for Australian ingenuity. We can use the example of the internet fridge as something that is very clever but perhaps not the most useful thing in the world. Australia's strengths lie in finding slightly more useful applications for that type of technology—or at least that is where we see a lot of the strength of the relationship.

**ACTING CHAIR**—The theme of our discussions this morning with some witnesses was the question of cross-cultural understanding and engagement, and the observation was made that many Koreans, either as tourists or as students, are coming to Australia but that it was not really what you would call an even two-way flow at the moment. In some ways the challenge of enhancing cultural understanding and developing it is harder here than it is there. Can you identify for us any areas where you think there is potential for greater cultural exchange, and is that lack of cultural understanding having an impact on our capacity to do business with and to work with Korea?

**Mr Lyons**—May I just get a definition of your question? In asking that question I do not think you are talking necessarily about art and film et cetera; you are just talking about a cultural understanding between countries.

**ACTING CHAIR**—I think it overwhelmingly includes art, film and cultural activities.

**Mr Lyons**—I probably could not give you any particular examples of initiatives that the department would be aware of in which we are promoting cultural understanding per se. I think the general approach of the department is to support and facilitate those sorts of cultural opportunities between the cultural agencies and Korea but very much within the need for those agencies to pursue their own strategic directions and priorities without interference from the

government. So it is more of a support role. I probably could not give you any specific examples or opportunities to answer that question.

**ACTING CHAIR**—So, in short, Mr Lyons, I guess you would agree that there is enormous potential but that we are not quite able to identify what it is and where to take it from here.

**Mr Lyons**—Some of the ideas that you have in mind might be of interest to me.

**ACTING CHAIR**—Watch this space. That is what committee reporting processes are all about.

**Senator STOTT DESPOJA**—Carrying on from that, the submission that the department has provided refers to the 1972 cultural agreement and you state that, while it is no longer actively drawn upon, ‘the cultural cooperation encouraged in the seventies underpins the ongoing strong cultural ties between Australia and Korea’. The acting chair has made quite clear some of our concerns about the waning not of the ties but the fact that perhaps we are not providing as much at our end in developing that cultural relationship. Are we looking at re-evaluating that 1972 agreement, or reviving it?

**Mr Lyons**—I do not think there is any particular work being done on reviving that agreement. Clearly some agencies, such as the Australia Council, are very strong in seeing Korea as a priority for their activities. It works with the Department of Foreign Affairs and Trade and through foundations such as the Australia-Korea Foundation, Asialink and the Australian International Cultural Council, which is serviced by DFAT, to promote those sorts of activities. It has a number of activities, including children’s authors and visual artists et cetera, that relate to Korea that we can provide information on. The National Library has a very strong emphasis on Korea in its collection and sees Korea as a priority. So I would not say that things are not being done by those cultural agencies.

**Senator STOTT DESPOJA**—I guess I am thinking about the symbolism of it. I acknowledge that in reading the submission I have learned a bit more about things I would never have known about—for example, the Korean film industry. The IT stuff I think is a little more in our consciousness and a little more well established. We are aware of the political and other issues relating to IT and technology development, and even the science and tech stuff that we talked about this morning. But I must admit I did not quite have a sense of some of the cultural issues in which we and Korea are involved. Based on some of the submissions that we have heard this morning and the ones that we have read, there is clearly a sense that Australia could be doing more and getting more in terms of Australian citizens learning from the cultural exchange. I wonder whether that is something we could flag, even symbolically.

**Mr Lyons**—Certainly someone in the department will look at the comments that have been made and at the submissions that have been made to the committee.

**Senator STOTT DESPOJA**—I suspect the acting chair is right: watch this space.

**Mr WAKELIN**—I notice from your submission that the Korean government is committing something like \$US2 billion to broadband research. Does that have any flow-over and collaborative effort with Australia?

**Mr Kelleher**—None that I am aware of insofar as direct relationships with Australian research institutes are concerned. Naturally some discussion is occurring between technology firms in Korea and companies in Australia. A particular instance that I am aware of in the wireless broadband space is the work being done here in which the Koreans are particularly interested.

**Mr WAKELIN**—From our developmental processes or exchange of technology? Is it from our initiative, from their initiative or from both?

**Mr Kelleher**—I understand it is two-way. Some work is being done on deploying networks here and adapting them to the Australian situation, and the Koreans are interested in looking at that. There is an awareness within the Australian telecommunications community that the Koreans have considerable expertise, especially through ETRI, for developing mobile wireless platforms, particularly CDMA.

**Mr WAKELIN**—That was where CDMA was first implemented.

**Mr Kelleher**—Yes, and they were the first country to move to the data platform EVDO, which is now being rolled out throughout Australia.

**Senator FERGUSON**—This is our first day of talking to people about our relationship. From the evidence that has been put to us today, while I have no doubt about the strength of our relationship, particularly in the area of trade, I am a bit worried about the depth of our relationship. I say that because everybody who has come along has talked about the necessity of understanding the different cultures, yet nobody seems to have done a great deal about it except the Koreans, who have sent 22,000 students out here to get some experience. In the conclusion to your submission you say:

... Australia has much to gain—technologically, economically and culturally—from interaction with Korea ...

I am not sure that it has been really specified as to just what we have to gain. What does Korea have to gain from Australia?

**Mr Oliver**—I am not sure that we can answer that question in the broad for you, but in terms of what we see—

**Senator FERGUSON**—You have been pretty broad in your conclusions, so maybe you can be just as broad in your response to the committee.

**Mr Oliver**—In terms of what we see, we have had, over recent years, a number of Korean delegations coming to Australia. They are very interested in governance kinds of issues. I think we mentioned that recent ones tended to be broadcasting and postal issues. But, prior to that, there were a great many on telecommunications reforms. We went through the process of liberalising the telecommunications sector at roughly the same time but in slightly different ways. There was a lot of dialogue at that stage, probably at government level, not just bilaterally but also in international forums, where these issues were alive. That is just an example of the kinds of things we have seen within the policy area of the department, and that seems to be continuing. It is probably true to say that, broadband issues aside, you do not necessarily see so

many Australian visits to Korea to make similar inquiries. I think that with broadband it may be the other way around, because they are so many interesting things happening there.

**Senator FERGUSON**—The thing that bothers me is that we are talking about our fourth largest trading partner and, I think, about our third largest export destination. Is our relationship based just on the convenience of a trading partner or are we genuinely interested in trying to build a strong relationship? That is what this inquiry is about: trying to understand the nature of our relationship and what the chances are of improving it. It is not just trade that we are talking about; we are talking about the Korean peninsula, which involves North Korea as well—the DPRK. I am finding it difficult to find anything definitive that underlines our relationship, other than the strength of our trading relationship. Is that a fair comment or not?

**Mr Lyons**—It clearly falls within the bailiwick of the trade relationship. In terms of your question about what Korea would benefit from in respect of Australia, clearly at the broadest level there are economic opportunities for both Korea and Australia through taking advantage of the different areas of strength that Australia and Korea have. For example, Korea has that strength in the context of broadband infrastructure. Australia probably has a lot to offer in terms of creative content for what goes on broadband platforms in Korea. I think there are perhaps cross-opportunities for both countries to benefit from that.

**Senator FERGUSON**—Then I am surprised that in your conclusion you did not say that Australia and Korea have much to gain technologically, economically and culturally from their relationship.

**Mr Lyons**—That would probably have been better stated, on reflection.

**ACTING CHAIR**—When all else fails in Australia, we talk about sport. Are you the people to talk to about sport?

**Mr Lyons**—Yes, I am happy to talk to you about sport.

**ACTING CHAIR**—One of our other submitters, Steve Doszpot, who was also a member of the 2001 inquiry into the strengthened economic partnership between Australia and Korea commissioned by the Australia-Korea Foundation, has suggested, for example, that we could call on greater links between Australian and Korean soccer teams—or should I say ‘football’ teams—as a way of developing cultural understanding in its broadest sense. Your submission notes that there have been a number of sport exchanges covering a range of sports. Is that an area worth greater government attention to enhance the development and understanding of cultural engagement?

**Mr Lyons**—That is an area of policy that is directly delivered through the Australian Sports Commission. That is an issue that we could well take up with the Australian Sports Commission, which provides funding to elite sports, including soccer, and has exchange programs for visits by those from other countries, including Korea, at different times. I would be happy to take that issue up with the Sports Commission.

**ACTING CHAIR**—That would be helpful for the committee. We will pursue it, if we can, with Mr Doszpot as well but it does seem that there are existing activities and that they are a good mix so that it is possible to put them together.

**Mr Lyons**—Of course they have had in common the same soccer coach, albeit at different times.

**ACTING CHAIR**—Yes, indeed. I think we have gone through most of the issues that we wanted to pursue with you. Mr Lyons, you did ask me whether I included film and art in my contemplation of cultural engagement.

**Mr Lyons**—I was not sure of the question. I did not mean that film and art were not part of culture.

**ACTING CHAIR**—I am sure you did not. Your submission describes the Korean film industry as ‘booming’, which I am sure is a very good thing. We have a good submission from the Media, Entertainment and Arts Alliance which goes into that as well. Is there anything that you think the Australian film industry can learn from the Korean film industry and its experiences such as the way it is currently raising investment for films through its web site promotional process and things like that?

**Mr Lyons**—I think Australia could probably learn a lot from Korea, which, as I understand it, does have a very viable and successful local film industry. In fact, I think Australia would probably have a strategic interest in developing film and television co-production arrangements with Korea. One of the difficulties, as I understand it, is that Korea cannot provide equal nation treatment to particular co-production partners. That might conflict with its GATS obligations. Unlike Australia, it does not have a most favoured nation exemption under the GATS treaty, which means that it could not enter into any production agreement with Australia that was different from what it was entering into with any other country. That is probably one difficulty for the Australian film industry in terms of what it might otherwise be able to do strategically with the Korean film industry, as I understand it.

**ACTING CHAIR**—Are there any current areas of collaboration of which you are aware other than the reference that you have just made?

**Mr Lyons**—No, not that I am aware of. More broadly in terms of your earlier question—and we certainly will take on board any comments about the role the department could play—certainly one of the roles the department can probably play more but does already play is that it does have an important role in facilitating the flow of information to agencies and also the sharing of information between agencies. We do have regular meetings with agencies. I think that is probably a good avenue through which we can start to share information on international activities, opportunities and information, particularly in relation to Korea as an example in this case, through those forums and our ability to bring those agencies together to talk not just with us but with each other.

**ACTING CHAIR**—That is an interesting observation. When you say ‘start to share’, I could not agree with you more, but it would seem like something that ought to have been happening already.



**Mr Lyons**—I am sure there have been occasions where those sorts of international issues have been raised and information has been shared. Certainly the Australia Council and the department are on the International Cultural Council that is serviced by DFAT and provide input to that. That meets twice a year. But I would never say there is not more we could do, and we are certainly happy to listen to suggestions.

**ACTING CHAIR**—There seems to have been a reasonable level of ministerial contact—exchanges, visits and things like that—in recent times.

**Mr Lyons**—Yes, both in terms of communications and on the cultural side.

**Senator FERGUSON**—Does your department have any contact whatsoever with the DPRK, with North Korea?

**Mr Lyons**—No, not that I am aware of, but I will pass that on.

**Mr Oliver**—The one exception would be an international organisation of which we are both members. I have to say that the contact there is very slight, largely because of the North Korean approach to things rather than ours particularly. But there are a few such organisations where we are both members.

**Senator FERGUSON**—So you are never approached by, for instance, the North Korean ambassador in Canberra over any issues whatsoever?

**Mr Oliver**—I am not aware of any contact of that kind.

**Senator FERGUSON**—There is no reason why you should not be, though, is there?

**Mr Oliver**—It could happen.

**Mr WAKELIN**—In your submission you mention ‘light-touch’ regulation. You also state:

Broadband access costs in Korea are among the lowest in the world, and installation costs are also very low.

What are the comparisons with our own country in the ratios?

**Mr Kelleher**—For country-by-country installation costs of broadband? I am just clarifying your question.

**Mr WAKELIN**—What is the comparative between Korea, South Korea and Australia—do you have any concept of that? Would they be 50 per cent or 25 per cent below us?

**Mr Kelleher**—I can give you those figures if I take that question on notice.

**Mr WAKELIN**—I am happy to accept that. It just seems a fairly basic measure.

**Mr Kelleher**—South Korea does have lower installation cost for users to come online. I am aware that the OECD does collect and report on those figures, so we can provide those to the committee. Yes, they are lower, but in terms of Australian installation costs, recent price reductions have brought our prices much lower than they have been previously. That has been a key element in why we are seeing the take-up that we are observing here.

**Mr WAKELIN**—You would understand that it is quite topical at the moment with other matters that are happening.

**Mr Kelleher**—Yes. It is very topical.

**Mr WAKELIN**—It is just a basic measure on a country that clearly is No. 1, isn't it?

**Mr Kelleher**—Yes, it is one key measure.

**Senator FERGUSON**—Their wage structure is not all that different to that of Australia, is it?

**Mr Kelleher**—I am not aware of their wage structure.

**Mr Oliver**—I believe it is true. GDP per head is roughly comparable. There are some figures. I think some of them are in the submission. In terms of costs, you need to bear in mind the different demographic and geographical structure in Korea, which I think is mentioned in the submission. With, as I recall, 90 per cent of the population within four kilometres of a telephone exchange, DSL coverage is a very different proposition in Korea as compared with in Australia.

**Mr WAKELIN**—You also state in your submission:

If usage is high, it is cheaper to install broadband than use dial-up services.

A number of us have understood that for a little while, but that is pretty profound, and that is where it is going. It might be useful to define that in the answer a little bit as well.

**ACTING CHAIR**—As there are no further questions, ladies and gentlemen, thank you very much for your attendance here this afternoon, for your submission and for the evidence that you have given. If there are any matters on which we might need additional information, the secretary will be in contact with you. You have taken a couple of issues on notice, so we will look forward to receiving that information. The secretary will also send you a copy of the transcript of your evidence today, to which you can make any necessary corrections of errors of transcription.

[2.23 pm]

**GORDON-SMITH, Ms Nicola, General Manager, International Trade Branch, Department of Agriculture, Fisheries and Forestry**

**VITOLOVICH, Dr Paul, Acting General Manager, International Technical Branch, International Division, Department of Agriculture, Fisheries and Forestry**

**ACTING CHAIR**—I welcome our next witnesses. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give evidence in private, you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence under oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. Before we begin with questions, would you like to make an opening statement?

**Ms Gordon-Smith**—Thank you for the opportunity for my department to appear before you. We have provided a written submission, from which I would like to draw some key features to the committee's attention. Before I get into the main body of that, let me start by talking about North Korea. There is very little agricultural trade between Australia and North Korea, although donations of food aid through multilateral channels take place from time to time. Australia's trade relationship with the Republic of Korea is the focus of our submission in this instance.

Korea's economy has grown rapidly since the 1960s, transformed from a relatively poor agrarian based economy to what is now a highly industrialised economy with a focus on exports. Agriculture accounts for around 3.2 per cent of Korea's GDP, but it is worth noting that the sector does have a disproportionately strong influence in government policy making. Australian imports of agricultural products from Korea are quite limited, but Australia is a major importer of Korean manufactured goods.

Australia and Korea enjoy a strong trading relationship. Korea is a very important market for Australian agriculture, forestry and fisheries exports, particularly beef, sugar, cotton and wheat. As the Korean economy continues to grow and the affluence of its population increases, we consider that the prospects for increased trade with Australia will expand.

In 2004 Australian merchandise exports to Korea were valued at \$9.1 billion, with agriculture comprising 12 per cent of total exports. Merchandise exports to Korea increased by 13 per cent from 2003 to 2004, primarily as a result of drought recovery in Australia's rural sector. The increase was also underpinned by a surge in beef exports following the ban on US beef imposed by Korea after the December 2003 detection in the US of BSE. Korea is Australia's third-largest beef market behind Japan and the US. Beef consumption has grown strongly, parallel with the country's economic growth. In 2004 we exported 93,312 tonnes of beef to Korea, valued at some \$484 million. The high prices in Korea and market opportunities that exist in the absence of the US are likely to continue to attract Australian product. The product would otherwise go to other markets including Canada and the European Union, for example. Australia has also increased the

number of cattle on supplementary feed in order to specifically meet the demand from Korean and Japanese markets resulting from the absence of the United States.

Australia is a major supplier of wheat, raw cotton and sugar to Korea. It also supplies other grains and field crops, including rice, barley, oats, oilseed meal and cotton seed. There are no major trade issues impacting on those crops and grains exports; they enter Korea at relatively low tariffs. However, Australia competes with other major exporters, particularly the United States, Canada, the European Union and China, for access for grain and field crop products into the Korean market.

We do have an issue with Korea's rice import arrangements. Developing countries special and differential provisions were applied to Korea under the outcomes of the Uruguay Round agreement on agriculture. The in-quota tariff is set at five per cent but it is not bound. A set of negotiations which concluded in 2004 extended special treatment for rice until 2014 subject to increases in minimum market access volumes and a relaxation of government restrictions on imports being distributed on the domestic market for table use.

Australian dairy has an important trading relationship with Korea. Exports were valued at \$90 million in the 2003-04 financial year. Korea is Australia's ninth largest market by value and has been identified by Dairy Australia as one of its priority markets. Dairy Australia has a strong relationship with Korean manufacturers and with the food services sector, and has an interactive relationship building particularly through education programs with the Korean dairy industry.

Wool exports to Korea have declined significantly over the past five years. In 2002 our wool exports were valued at \$282 million. That fell to \$131 million in 2003 and \$50 million in 2004. This seems to be due to a shift in wool-processing facilities out of Korea overseas, principally to China, and also to weak domestic demand. We have ongoing negotiations with Korea on market access issues which have been taking place in an improved atmosphere over the last five years due to closer government-to-government consultations. We have regular bilateral meetings on plant and animal quarantine market access issues. They have been taking place since 2002.

The Department of Agriculture, Fisheries and Forestry is represented by an agriculture counsellor who is located in the Australian Embassy in Seoul. The capacity of the person in that job to influence the relationship between the two countries has been significant; they play an important role in fostering and facilitating agricultural trade between the two countries.

Agricultural products imported into Korea generally receive clearance from several organisations and may encounter port delays and lengthy clearance times. Technical and administrative regulations and procedures may also pose problems, particularly for perishable products. Overall, improvements in Korean inspection processes have been hampered by various new testing and documentation requirements, the extension of detention periods for pest identification and other related difficulties. In conclusion, DAFF is working in consultation with industry and other government agencies to ensure that Australia is well placed to meet Korean demand for agriculture, fisheries and forestry products.

That concludes the formal part of my opening statement. I would like to draw the committee's attention to a couple of errors in our written submission. We have omitted an 'M' for million in the third line of paragraph 20. Australian wheat imports to Korea were worth \$338 million in

2004, not \$338. The last sentence of paragraph 34 should be deleted. That sentence reads: 'Korea needs to complete negotiations on continuation of special treatment in 2004.'

**ACTING CHAIR**—Thank you very much. There is a lot of detail in your submission, for which the committee is grateful. You have highlighted in a number of places the challenges the Korean tariff structure pose for our relationship—sheepmeat being one good example.

**Ms Gordon-Smith**—But not the only one.

**Senator FERGUSON**—Can you give us some examples of the tariff rates that apply and some of the other non-tariff barriers? I do not expect you to know them all. If that is too difficult, I do not mind if you take it on notice. We need to know what the existing tariff barriers are.

**Ms Gordon-Smith**—There is a 40 per cent tariff imposed on beef going into Korea. There is a higher tariff on value-added beef—72 per cent—which effectively blocks Australian exports of value-added beef to Korea.

**Mr EDWARDS**—How does that compare with American beef going to Korea?

**Dr Vitolovich**—There is no American beef going to Korea at the moment, because of the presence of BSE—mad cow disease.

**Mr EDWARDS**—What about before that, though?

**Ms Gordon-Smith**—I will have to take the question on notice and respond later, if that is all right with you.

**Senator FERGUSON**—Do you know the tariff rate on meat other than beef?

**Ms Gordon-Smith**—It is 22.5 per cent on sheepmeat.

**ACTING CHAIR**—Your submission notes that there is no domestic sheepmeat production in Korea.

**Ms Gordon-Smith**—That is right.

**ACTING CHAIR**—So it is not protection for their own industry, as such?

**Ms Gordon-Smith**—No. There is, of course, domestic beef production in Korea.

**Mr CAMERON THOMPSON**—Earlier today we were talking about the progress—or lack of it—that has been made towards a free trade agreement. Similarly, at the same time there is discussion about Canada getting a free trade agreement with South Korea. There is already an agreement with the non-EEC countries of Europe, and there are agreements with Singapore and Chile. Given that a lot of Canada's agricultural exports parallel ours, what concerns might that raise? I understand that the tariff on wheat is very low, but having a free trade agreement might still impact on that export. Certainly, we are trying to establish pork markets internationally; if the Canadians were given a tariff-free ride into South Korea that would be a concern. Do you

have any comments on the impact that a free trade agreement between Canada and Korea could have on our agricultural trade with South Korea?

**Ms Gordon-Smith**—It is an important question that you raise. My understanding is that in terms of the relative countries' dispositions toward having a free trade agreement, there is more reservation on the Korean side than on the Australian side. It is the only one of our top five markets with whom we do not have or are not considering a free trade agreement. From what I understand, there was significant adverse reaction within Korea to the free trade agreement with Chile particularly, and I think that came as a bit of a surprise and a shock to the Korean government. I think that made them rethink a bit the prospects for having further free trade agreements, and particularly perhaps with Australia, because of perceptions of the potential impact we could have in Korea, including in sensitive areas like horticulture. That is one of the differences perhaps between us and Canada. Canada would not be strong in the horticultural area, whereas we would be. That concern on the part of Korea is, I think, a response to domestic pressure.

**Mr CAMERON THOMPSON**—Would there be concern, for example, in relation to dairy—the Canadians produce dairy exports—or pork? To what extent would a free trade agreement undermine our existing trade?

**Ms Gordon-Smith**—I am not in a position to give you a definitive answer to that, but I can certainly try to put together a more considered response and come back to you. Having said that, Australia and Korea have a strong and mature trading relationship. We are not a very major trader into Korea, but we do provide some important if not niche products. We have proximity on our side. Products going from Canada to Korea would perhaps face higher transport charges, making our product more attractive. Beyond that, I am happy to come back to you with a more complete response.

**Mr CAMERON THOMPSON**—I would appreciate that if it is possible.

**Ms Gordon-Smith**—Certainly.

**Mr WAKELIN**—In your opening comments I think you mentioned that agricultural production accounts for 3.2 per cent of Korea's GDP. Is that right?

**Ms Gordon-Smith**—That is correct, yes.

**Mr WAKELIN**—You also commented that those producers had an undue or a very significant influence on the national government. Can you comment a little further on that?

**Ms Gordon-Smith**—I do not think I said 'undue'.

**Mr WAKELIN**—No, I did not think you would have said that, but I thought you might have said 'a significant influence'.

**Ms Gordon-Smith**—I think I said 'disproportionately strong influence'. There might be a number of countries that are in a similar situation to Korea in the way agriculture is perceived in its importance to the culture—their perception of it in terms of national identity. Within Korea,

agricultural producers have significant domestic political weight for a variety of factors, including historical ones. The difficulties that we had in our efforts to export live cattle to Korea, and the very extreme—I think it is safe to say that—adverse reaction from Korean farmers, were tied up with their perceptions of the threat that our cattle would have posed to their native breed. They are all tied up in issues of national identity and culture, similar to the way, perhaps, that agriculture is perceived and protected in Japan and many countries around the world.

**Mr WAKELIN**—I presume that then leads to some political decisions regarding tariff and those sorts of things in terms of the regulation of imports into their country. You may not know this—it is probably more appropriate to ask someone else—but, within Korea's voting system, is there an impact on the electoral system in terms of weighting in electorates?

**Ms Gordon-Smith**—I do not know.

**Mr WAKELIN**—It occurs in some places. Have the quarantine controls on farm imports, which are said to be among the strictest in the world, if not the strictest, brought any particular issues for exporters that come to mind—the very strict quarantine reputation, perceived or in reality?

**Dr Vitlovich**—Are we talking about Australia's or Korea's strict quarantine system?

**Mr WAKELIN**—Korea's.

**Dr Vitlovich**—If you look at the major commodities that we have been importing—beef, pork and a number of other products—you will see that we have had access to them for substantial periods. It is a longstanding trade. What we are talking about are new commodities, rather than old commodities. The basis of our trade is longstanding.

**Mr WAKELIN**—This matter is outside your portfolio, but let's draw the comparison—quarantine is said to perhaps intrude into the Korean tourist trade. Have you had any comment about that? It is unlikely to come to your department, but that comment has been made.

**Dr Vitlovich**—No.

**Mr WAKELIN**—Is there a tariff on wool and, if so, what is the percentage? You can take it on notice, if you like. Obviously, there has been a very dramatic drop in exports from this country in the last three years.

**Dr Vitlovich**—I will take it on notice.

**Ms Gordon-Smith**—I do not have a figure to hand.

**Mr EDWARDS**—What work is being done to consolidate the market advantage that we are enjoying at the moment with beef in Korea? What work is being done to consolidate that in the short term and the long term both in Korea and in Australia?

**Ms Gordon-Smith**—That is a good question. We are not sure when the US might come back into the Korean market. We have certainly stepped up production in Australia. As I think I

mentioned in my opening statement, additional beef animals have gone on to supplementary feed to be in a position to meet demand so that we are not facing a situation where we could get product into Korea, if only we had it here available to sell. That is one of the things we are doing.

**Dr Vitlovich**—The submission of Meat and Livestock Australia also touches on this matter. They mentioned two things: one is that there have been supply constraints within Australia and there have been prices in alternative markets, particularly in Japan, that have restricted the ability to fully occupy the space of other trading partners. Nevertheless, these additional things have been taken. I am aware that the industry themselves have been running courses and extension work within Korea to help solidify the market, plus they have been seeing whether they can find alternatives to traditional cuts of, in particular, beef that have been used in Korea.

**Mr EDWARDS**—What are the chances, and what is the time frame, of American beef getting back in there?

**Ms Gordon-Smith**—There have been some suggestions that the US might go back into the Korean market as early as the first quarter of 2006. As I understand it, the Koreans are waiting to get epidemiological results from the testing of a cow from the state of Texas in the United States which was identified as having BSE. The Koreans have asked to see the test results. Depending on the outcome of their request to the United States, and depending on their reaction to the information they get, it might be a shorter time or it might be a longer time. We think it is possible that the Koreans, even if they do open up their market to US beef again, in the first instance might take what could be termed a rather conservative approach and, for example, let in only animals below a certain age like 20 months and perhaps only deboned. After an initial step like that, we may see an increase in the age and a change to the restrictiveness of the requirements. It seems to be a matter of when, not if, the United States gets back in, but there are a number of variables that make it difficult to give you an accurate assessment of when it might take place.

**Mr EDWARDS**—How big is the niche market we have with our kangaroo meat, and do we pay a tariff on that?

**Ms Gordon-Smith**—What I can tell you about kangaroo is that the market has possibly been a little disappointing. There were high expectations of the kangaroo market and kangaroo sales into Korea which have not been met. I could speculate—but it would be only that—about the reasons why it has not turned out in reality to be what the investors originally hoped for. I cannot give you precise answers to the questions you pose but I am happy to get back to you.

**Senator FERGUSON**—I want to go back to my earlier question just briefly. You were going to tell us about some of the non-tariff barriers that exist.

**Ms Gordon-Smith**—There are a variety of non-tariff barriers that we face going into Korea, depending on the product. One of them, for example, relates to labelling for organic produce. We face a situation at the moment whereby Australian organic produce going into Korea is only allowed by Korean regulations to be labelled as organic in English and not in Korean. So the Korean consumer has no basis on which to know that it is an organic product and make some choices.



**Senator FERGUSON**—I am glad all ours are not in Korean!

**Ms Gordon-Smith**—That is one of the ways in which barriers are raised to Australian products.

**Senator FERGUSON**—Why has there been an upsurge in tobacco figures from \$7 million to \$37 million?

**Ms Gordon-Smith**—I am not sure I can tell you why. I can tell you that the figures do look rather extraordinary but they have been verified by the Department of Foreign Affairs and Trade. That seems to be the result of product which has been re-exported from Australia.

**Senator FERGUSON**—That just seems unusual. I do not know why it was not being re-exported before if that was the case. We have this enormous jump. The other thing I wanted to ask you about was animal oils and fats.

**Ms Gordon-Smith**—I sought some clarification on these figures from the Department of Foreign Affairs and Trade earlier. I have simply got some annotations which talk about 2003—

**Senator FERGUSON**—Why don't you take it on notice and just give me an answer later?

**Ms Gordon-Smith**—Yes, I think I had better do that.

**Senator FERGUSON**—You have given us a very good table but no explanations as to why some things have gone up so much and some have gone down so much. For instance, the figure for 'fruit and nuts' is less than half. There must be some reason why that would happen. Could you just have a look at that table and give us some explanation as to why there are those variations?

**Ms Gordon-Smith**—Yes, I will do that. You mentioned tobacco and also—

**Senator FERGUSON**—I mentioned tobacco and animal oils and fats. There is an enormous blip in the figure for oil seeds, for instance. There is \$12 million one year, \$5 million the next and \$9 million the next. There are enormous variations each year when, in many cases, once a market is established, you tend to get a much more constant trade than that. I will leave that with you.

**Ms Gordon-Smith**—We will come back to you on that, and on the figure for nuts as well.

**Senator STOTT DESPOJA**—Firstly, I am very glad to see that the burgeoning pet ownership market is providing us with a growing pet food market. My question is a brief one that carries on from Barry's query about stricter standards. I note that in the submission you referred to the differing food related standards. I am assuming from that that Korea has stricter food standards, particularly from the reference in the submission to food additives, because they do not recognise the standards that are generally recognised as safe.

**Ms Gordon-Smith**—Can you give me a paragraph reference?

**Senator STOTT DESPOJA**—It is the third-to-last paragraph: No. 91. It talks about the revision of their food related standards in an attempt to achieve greater international harmonisation. I am curious about how we differ from Korea in our food standards, particularly on issues relating to food additives.

**Dr Vitlovich**—I think this one is more historical. The Korean system may have, like other systems, just had standards of an administrative nature imposed without any scientific backing. It then takes time to do the science to look at the international standards and to change the system. Under the Korean legislation, until you change your system the existing one applies. It is a matter of sufficient time passing for all these changes to go through the system.

**Senator STOTT DESPOJA**—What implications does that have for us in terms of exports? For example, I was wondering about genetically modified foods. Is that impacted on as a consequence of their standards being outdated, anachronistic or just too generalised?

**Dr Vitlovich**—These standards would not apply to genetically modified foods but would be more in terms of particular food additives that may or may not be present in food. From an Australian perspective, we would target the ones—and would ask the Koreans, like all our trading partners, to pursue particular changes—that would be of interest to us. That is the tactic that we and our trading partners have taken with the Koreans.

**Senator EGGLESTON**—It is said that immigration procedures in Australia are perceived as being difficult by people coming from Korea. Is there some issue there with our quarantine rules? Do people coming here from Korea pose particular problems for Australia in terms of quarantine issues?

**Ms Gordon-Smith**—I do not think so. I am not aware of any such difficulties, but I am happy to make some inquiries, given the specificity of the question.

**Senator EGGLESTON**—It is not like South America or Africa? It does not pose any biological hazards for Australian agriculture?

**Ms Gordon-Smith**—With South America and Africa, I am aware that when you are re-entering the country you have to identify if you have been in those areas in the last six days or so. I will make some inquiries and come back to you.

**ACTING CHAIR**—I thank both of our witnesses for appearing this afternoon. If there are any other matters on which we need additional information, the secretary will be in contact with you. Thank you for the matters you have taken on notice to assist us with responses in those areas.

**Proceedings suspended from 2.55 pm to 3.05 pm**

**DANIELS, Ms Yole, Assistant Secretary, Compliance and Analysis, Department of Immigration and Multicultural and Indigenous Affairs**

**EDGAR, Ms Barbara, Director, Community Liaison, Department of Immigration and Multicultural and Indigenous Affairs**

**ELSON, Mr Glenn, Assistant Director, Asia Bilateral, Department of Immigration and Multicultural and Indigenous Affairs**

**SMITH, Mrs Louise, Acting Assistant Secretary, Temporary Entry, Department of Immigration and Multicultural and Indigenous Affairs**

**ACTING CHAIR**—On behalf of the subcommittee I welcome officials from the Department of Immigration and Multicultural and Indigenous Affairs. Although the subcommittee prefers that all evidence be given in public, 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, you should be aware that these proceedings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. Before proceeding to questions, does anyone wish to make an opening statement?

**Mrs Smith**—No, we do not have an opening statement.

**ACTING CHAIR**—Okay, we will work from the information we have here. We were hoping for some words of wisdom! We have been discussing the two-way flow of people between Australia and Korea today, but with different witnesses and in different categories. There are lots of Korean students here but not very many Australian students in Korea. There are a large number of Korean tourists visiting Australia and a significantly fewer number going the other way. An observation in the Republic of Korea's submission to the committee was that they find some difficulty and challenges in our immigration system and environment. I think they called it troublesome. Has the department received any feedback firstly on that imbalance of movement and secondly on the issues of difficulty with the immigration system from the Korean side?

**Mrs Smith**—I cannot really comment in terms of the imbalance. I do know that the numbers are quite low in terms of Australians going to Korea, say, on the working holiday maker visa.

**ACTING CHAIR**—A bit low—you mean 24!

**Mrs Smith**—Yes.

**ACTING CHAIR**—That is pretty low!

**Mrs Smith**—Yes, it is a considerable imbalance. In terms of immigration difficulties, that has not been reported to us. As you mentioned, the number of visitors from Korea is very large—223,000. It is mostly done through the electronic travel authority, which is an electronic permission to enter that is available over the internet. It is processed very quickly. Working

holiday makers can gain an internet visa as well. Processing times are very quick for that. Similarly, students are accorded a very low assessment level in the student visa assessment level framework. It is at assessment level 1 and assessment level 2, which are the two low-risk categories. So processing times for those are very quick as well.

**ACTING CHAIR**—In relation to the skilled migration plans that the government is pursuing—the increase in the skills stream—has there been any particular engagement with Korea on that?

**Mrs Smith**—Koreans are represented. Around 1,100 were granted skilled visas last program year and of those nearly 800 were former overseas students. Certainly, those numbers have been increasing over the last six years. There is a chart in the submission. We would expect that to continue to increase, particularly as student numbers have been increasing over the past few years, and we would see that flowing on to the skilled migration side.

**ACTING CHAIR**—The Korean government in its submission noted that ‘immigration procedures at arrival in Australia are troublesome and often too strict’. I am interested in your comments on that.

**Ms Daniels**—The clearance processes obviously involve a number of agencies and they apply to anybody coming into Australia. In certain circumstances during the immigration clearance process, if the primary line officers detect for some reason that some person’s intentions are not in accordance with the visa they are holding, then that person might be referred to DIMIA for further assessment. An example might be where somebody holds a visitor visa and contrary to the visa conditions they intend to work in Australia. They will come under some level of scrutiny. Another example might be where somebody’s travel history is not consistent with the visa they hold. If they, for example, spend considerable amounts of time in Australia on a visitor visa and short periods overseas somebody at the primary line might determine or think that they might not be genuine visitors and refer to them to an immigration inspector. It is in that context that some travellers might think that the strictures are too severe. The facts are that 126 Korean nationals were refused entry at Australian airports out of close to 240,000 Korean nationals who arrived in Australia in 2003-04. That is 0.05 per cent of the travelling Korean group. I present that to you as an outline of the processes through which everybody goes at the airport.

**ACTING CHAIR**—We as a committee understand that but felt it was important given that it was a clear statement in the ROK submission.

**Mr EDWARDS**—I will go to the student guardian visas. Have there been any problems with them? Any compliance issues?

**Mrs Smith**—Not major ones. One of the key issues is that the guardian cannot leave Australia without making arrangements for the child or student they are caring for. That is something that does need to be followed up in our state and territory offices from time to time to remind people, particularly through the school sector, that guardians do need to seek permission if they are departing Australia at any time.

**Mr EDWARDS**—Is it a matter of one guardian per student, or can there be one guardian for a number of students?

**Mrs Smith**—No, the student must have a guardian and it would not be appropriate for a guardian to have more students in their care unless of course they were their children or members of their family.

**Mr EDWARDS**—Are they usually members of the family?

**Mrs Smith**—Usually, yes.

**Mr EDWARDS**—How serious are your concerns about young Republic of Korea women working in the Australian sex industry? What evidence is there to suggest that there may be some serious coercion issues here?

**Ms Daniels**—Each year our compliance operations nationally would locate about 18,000, 19,000 or 20,000 people who are either working in breach of their visa conditions or working unlawfully. About 300 of those are in the sex industry. Koreans are represented within that group, but they are certainly not a disproportionate number of the group. I think you might have been moving to the possibility of whether there were indications of trafficking amongst this group. Our compliance officers are trained to look for and detect indicators of trafficking. It is a very low threshold. Any indicator of trafficking immediately generates a referral to the AFP, whose responsibility it is to investigate trafficking matters. Indicators of trafficking might comprise things like limited movement or somebody not holding their travel documents.

Since 1999, we have referred about 160 people—I am not sure whether it is people or cases; I will say ‘people’ but that will need to be verified—to the AFP as having some indicator of trafficking. About 20 of those have been Korean nationals, certainly nowhere near the majority. Probably a more important statistic is that to June this year, of that 20, there has not been a bridging visa F—which is the trafficking bridging visa—granted to a Korean national. In summary, the indicators of trafficking have been identified in a small number of cases, but they are indicators only. The AFP has not moved those cases to a point where they are asking for visas to be granted for those women to remain in Australia for the purposes of investigation leading to prosecution.

**Senator STOTT DESPOJA**—I was going to ask a similar question to that of Mr Edwards. Just to clarify, when you say in the submission ‘options are being explored to ensure that the welfare of young ROK nationals is protected’ are they the options to which you referred, or are there other issues being investigated as a way of trying to presumably prevent the trafficking but also ensure successful prosecutions?

**Ms Daniels**—They are the most significant options explored in the context of the sex industry to make sure that our compliance officers are well attuned to the possibility that these indicators might exist. As I said, there is a very low threshold to make sure that they are quickly referred to the AFP for investigation and that, if they so choose, those women—and they are largely women—have the capacity to remain in Australia to assist them with investigations and prosecutions.

**Senator STOTT DESPOJA**—You mentioned some figures to Graham of the broader numbers of women involved in the industry. I am not sure if you came up with a percentage of Korean women in the industry, if I missed that, or whether you are in a position to give us an

approximation. I note you have said that DIMIA has recently become aware of 'substantial numbers'. What constitutes substantial numbers?

**Ms Daniels**—Are you quoting that from the submission?

**Senator STOTT DESPOJA**—Yes. It is on page 9, under section 2, compliance issues.

**Ms Daniels**—Yes. That is a somewhat separate issue, which I will explain. The figures that I presented to Mr Edwards were locations by our compliance officers of Korean women working in the sex industry who are of compliance interest. In the main, they would be women who are working unlawfully or in breach of their visa conditions. They appear in our location statistics, along with a whole raft of other nationals who are in the sex industry or are working unlawfully in another industry—construction or the agricultural industry. This sentence in the submission refers—

**Senator STOTT DESPOJA**—It is specific to the WHMs.

**Ms Daniels**—Yes. It refers specifically to the number of women who we are not locating—because they are not really of compliance interest concern—but, rather, who we are encountering working in the sex industry. They are working in accordance with the conditions of their visa. A working holiday-maker can work and they are not, prima facie, of compliance interest because they are working in accordance with the conditions of their visa—as, for example, might be a student, as long as they are not working for more than 20 hours a week.

**Senator STOTT DESPOJA**—I can see again the distinction between the people involved in the sex industry and the WHM entry conditions or what have you. Trafficking is another issue, but it can be related.

**Ms Daniels**—Yes.

**Senator STOTT DESPOJA**—You mentioned in that same section the issue of the ROK plans to have greater security for passports. Are we talking biometric passports? Do we know what security improvements Korea is considering for passports?

**Ms Daniels**—I do not have those details, except to—

**Senator STOTT DESPOJA**—I probably should have asked DFAT or the passports division.

**Ms Daniels**—Yes, it is probably a question for DFAT. But I know—and obviously you know—that a new travel document was put out this year in an attempt to combat whatever level of abuse there might be of that passport. I am sorry, I do not know the details.

**Senator STOTT DESPOJA**—That is fine. I will ask that of the passports division on notice. I have one other question in relation to section 3 of the submission—detention and removal. You have given us a specific number of people who have been removed or who are in detention. The submission states:

As at 24 June 2005, 424 ROK nationals had been taken into detention during 2004-05.

How many are in detention now?

**Ms Daniels**—I do not have those figures. Could we take that on notice?

**Senator STOTT DESPOJA**—That would be appreciated.

**Mr WAKELIN**—I want to go to the table on page 11 and work through two or three categories under the definition of ‘skill’. Can we have some explanation on ‘Independent/Skilled Independent’? There has been a significant rise there. What is that category? Why the term ‘independent’?

**Mrs Smith**—These people are not sponsored. These are independent skilled migrants who are applying and who are meeting the points test based on their skills and educational qualifications.

**Mr WAKELIN**—The statistics show that business skills have doubled in 12 months. Is that predominantly a capital amount? What are those business skills?

**Mrs Smith**—I might have to take that on notice. I can say that it is not just capital. There are several categories within that.

**Mr WAKELIN**—Yes, I presumed there were.

**Mrs Smith**—One of them is in relation to making a substantial investment, but other categories relate to being sponsored by a state or territory government or to having successfully operated a business as a temporary business visa holder.

**Mr WAKELIN**—There are no geographic requirements, are there?

**Mrs Smith**—There are when state sponsorship is involved. There were changes—

**Mr WAKELIN**—For the business skills?

**Mrs Smith**—There were changes the year before last that did bring in the state sponsored category. I can take that on notice and give you a more detailed break-up.

**Mr WAKELIN**—The doubling of those figures in 12 months is quite significant. An issue was raised earlier—by the acting chair, I think—in relation to the ambassador’s concern that ‘immigration procedure at arrival in Australia is troublesome and often too strict’. I can accept all the reasons for that; but, just to understand process, I have two basic questions. Mr Edwards commented earlier that this was not an uncommon complaint by many Australians. In terms of the employees who are required to perform these duties, how much flexibility do they have in managing arrivals—that is, there is a very strong flow, a flood, of people coming in and then there is a drought? What are the management practicalities for your people in the basic servicing of people coming in?

**Ms Daniels**—The primary line at the airports is a Customs function. I am not from the entry area so, if you are asking about the liaison with Customs and the sort of training they get, I would have to take that on notice.

**Mr WAKELIN**—It is an interagency matter, isn't it—Quarantine, Immigration, Customs and so on?

**Ms Daniels**—Yes.

**Mr WAKELIN**—Is the lead agency Customs?

**Ms Daniels**—Yes, but they are actually performing the function on our behalf. The secondary line, which is immigration personnel acting as immigration inspectors, is where cases would be referred if doubts arose during that processing—if there were issues or concerns about the intentions of the persons to stay in Australia.

**Mr WAKELIN**—My concern is not about that, because I hope the system will do that. I think we have some percentages about those who are potentially in breach or have a problem, but the overwhelming majority are going about their business.

**Ms Daniels**—Yes.

**Mr WAKELIN**—Particularly in the tourism industry, which we are keen to promote, there is a matter of good service and good management of our guests. So I am curious to know what quality control there is, what management there is and what assessment is made to treat in an appropriate manner the 99.99 per cent of people who are good customers of Australia. That is the intent of the question.

**Ms Daniels**—I will take that on notice, because I am not from the entry area. I will be able to get some details.

**Mr WAKELIN**—Thank you, because you acknowledge that your department is the lead agency and I am pretty interested in the customer service issues.

**Senator EGGLESTON**—I am interested in the skilled migrant issue. I notice you have the number of independent skilled migrants going up from 65 in 1996-97 to 1,166 in 2004-05. Do you have any breakdown of what the figures represent? Do they represent trades skills, given that there are industries like the Pilbara mining industry and the North West Shelf gas project looking for particular kinds of tradesmen?

**Mrs Smith**—No, I do not have that breakdown but I can take that on notice and we can provide that to you.

**Senator EGGLESTON**—I would appreciate that. Do we specifically set out at all to attract people like boilermakers, welders, plumbers and electricians for the major resource industry developments that are going on?

**Mrs Smith**—It is based on skills that are on the in-demand list and that does change regularly and it does respond to the particular needs that are expressed to us by industry. So it is an attempt to be contemporary with the skills that are in demand. For instance, IT and communication skills were obviously a key feature in the last few years. That is changing towards some of the trade areas as well, so I can give you that break-up.



**Senator HUTCHINS**—In the compliance issues, you mention the ‘continuing improper use of ROK passports by non-ROK nationals’. Are North Koreans the non-ROK nationals?

**Ms Daniels**—They may include some of them but primarily the major concern relates to ethnic Korean PRC nationals who have, over a period of years, used the Korean passport, after a passport swap and a photo substitution, to enter Australia on the basis that Koreans have access to the ETA. So there has been for quite some time evidence of travel to Australia in that set of circumstances: photo-substituted Korean passports being held by ethnic Korean PRC nationals.

**Senator HUTCHINS**—So they are from China.

**Ms Daniels**—Yes.

**Senator HUTCHINS**—And they get through North Korea to South Korea.

**Ms Daniels**—I think it is actually the other way. I think it is Koreans going to China.

**Senator HUTCHINS**—North Koreans?

**Ms Daniels**—No, South Koreans. The PRC nationals are leaving Korea at a hub, there is a passport swap and then the person on a Korean national’s ETA passport, photo substituted, enters Australia.

**Senator HUTCHINS**—And they come via China?

**Ms Daniels**—They would exit China.

**Senator HUTCHINS**—Are they generally the people who have made application for the protection visa as well?

**Ms Daniels**—They may be. I cannot say for a fact. I do not have the statistics of that cohort of protection visa applicants, and I do not know whether we covered that in the submission.

**Senator HUTCHINS**—The submission states that the ROK is one of the top 10 protection visa application countries. I think it also says that there are a number of people held in detention at the moment. I think there are 200-odd people held in detention at the moment. The submission also states that no PVs—protection visas—have been granted to ROK nationals for applications lodged since 1 July 1999. Does that mean that people who are non-ROK nationals who have come here on other passports have been granted protection visas?

**Ms Daniels**—I do not have that detail. I will take that on notice.

**Senator HUTCHINS**—It would be helpful if you could let us know. Is there any significance in the date 1 July 1999? It is not 28 June, 1 August, May Day, Christmas Day or anything like that; it is 1 July, the beginning of the financial year.

**Ms Daniels**—I am not sure why that period was chosen.

**Senator HUTCHINS**—I am sure you do not have this available, but would you be able to supply the committee with the number of protection visa applications that have been lodged since 1 July 1999?

**Ms Daniels**—Sure.

**Senator HUTCHINS**—And the previous question about the non-ROK—

**Ms Daniels**—And the granted PV.

**Senator HUTCHINS**—I understand that a number of people, including ethnic Koreans, have made charges into embassies in Beijing trying to get asylum and/or protection. In fact, I understand that they got into the Australian compound at one stage so that they could jump over into the Canadian one. Any information you could give us on those areas would be appreciated.

**Ms Daniels**—I will.

**Senator HUTCHINS**—In relation to the previous question about the sex industry, is it the department's opinion that Korean women, being illegal migrants or exploited migrants, are overrepresented in the raids on or exposure of the sex industry?

**Ms Daniels**—No. As I mentioned before, they are not overrepresented. During the last program year we located close to 300 women in the sex industry—

**Senator HUTCHINS**—Are those figures in the submission? I could not see them.

**Ms Daniels**—No.

**Senator HUTCHINS**—Do you have a breakdown of people in the sex industry?

**Ms Daniels**—We can provide that to you. Of some 250 or so persons located working illegally in the sex industry, around 50 are South Koreans.

**Senator HUTCHINS**—What are the other nationalities?

**Ms Daniels**—I only have the overall locations of various nationalities, but in the sex industry I just have the Koreans. However, in the sex industry we typically have PRCs and Thai nationals. They would be amongst the top numbers.

**Senator HUTCHINS**—What about Filipinos?

**Ms Daniels**—There would be some Filipinos. I do not have anything more helpful with me.

**Senator HUTCHINS**—It would be appreciated if you could take that on notice.

**Ms Daniels**—The question being the representation of various nationalities in sex industry locations?

**Senator HUTCHINS**—Yes.

**Mr EDWARDS**—Regarding the SIR, could you give us a breakdown of who the sponsoring states were, what the skills were and where they are?

**Mrs Smith**—I would have to take that on notice.

**Mr EDWARDS**—I accept that. You may get an update as well. It might be over 28 now. It is just as a matter of interest.

**Mr WAKELIN**—This is a pretty important relationship, as we all agree. What is DIMIA's role in promoting a greater appreciation of the relationship? Regarding the term 'cultural appreciation of each other', I sometimes struggle to know exactly what we mean when we talk about culture and cultural—we might all have our different definitions. What is DIMIA's role? Is their specific role to find and discuss this within the department, and do they have a leadership role in this issue?

**Ms Edgar**—The Australian government's multicultural policy is really directed towards all Australians and Australia's domestic community harmony, addressing racism where it occurs and promoting the benefits of cultural diversity. It promotes messages of inclusiveness, basically for all people. It definitely does have positive flow-on effects for the bilateral relationship of Australia with other countries, including Korea, because, where migrants in Australia are happy, assured, not facing discrimination, feeling accepted and able to contribute and participate, they will be sending positive messages back to their countries of origin. So to that degree there certainly is a good, positive effect for the bilateral relationship, but it would be an indirect effect.

**Mr WAKELIN**—What contact do you have with your Republic of Korea counterpart in developing and testing that? Do you have any contact?

**Ms Edgar**—We have a network of community liaison officers in all our state and territory offices—

**Mr WAKELIN**—For example, there is one at the airport. It may be a different role that we are talking about.

**Ms Edgar**—In terms of contact with the Korean community, we have a network of community liaison officers in all our state and territory offices who maintain those contacts.

**Mr WAKELIN**—Within Australia?

**Ms Edgar**—Yes.

**Mr WAKELIN**—I was referring to the other end. I was trying to get a picture. I appreciate what might be happening on this end. I am seeing what linkages are made to test the veracity of what you have just said—that is, linking to the Republic of Korea itself. What evidence do we have about where Australia sits in the mind of the Republic of Korea, and how does that good relationship manifest itself in Korea? Have you had an opportunity to test that?

**Mr Elson**—Maybe I can respond to that one.

**Mr WAKELIN**—Thank you.

**Mr Elson**—We have a number of staff based in our embassy in Seoul who perform immigration functions and have very good working relationships with our counterpart immigration agencies in the Republic of Korea. We also have a regional director based in Beijing who plays a coordinating and representational role for the department in the North Asia region. The relationship which the department has with its counterparts is largely based, or focused, on dealing with issues such as people smuggling and identity fraud. In terms of the broader relationship, that is something which is largely coordinated by the Department of Foreign Affairs and Trade.

**Mr WAKELIN**—So you use a minimal amount of what I would call the broader relationship. I understand that it is important that that role be performed, because that is what I suppose you would regard as your core business. I was wondering whether there was also that more positive role, but you were just saying that DFAT is more involved with that. I was endeavouring to test what you were saying that we are endeavouring to do in Australia and how that gets tested in the Republic of Korea.

**ACTING CHAIR**—As there are no further questions, I thank all of the witnesses for appearing before the subcommittee this afternoon.

[3.45 pm]

**LETTS, Mr Malcolm, General Manager, Trade Markets and Investment, Industry and Investment, Queensland Department of Primary Industries and Fisheries**

**ACTING CHAIR**—On behalf of the subcommittee, I welcome Mr Malcolm Letts. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give evidence in private you may ask to do so and the subcommittee will consider your request. Although this committee does not require you to give evidence under oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. Before we proceed to questions, I would like to invite you to make an opening statement.

**Mr Letts**—Thank you very much, and thanks for the opportunity and the invitation. First of all I would like to apologise on behalf of Jim Varghese, who is the director-general of the department. He was unable to be here today. As a preliminary statement, I would like to say that I have made the assumption that the committee is interested in the work of the department as opposed to the whole-of-government responses that would be given by someone other than me.

South Korea continues to be a strong focus for the department in relation to trade development work and investment attraction work. Korea is Queensland's second largest trading partner behind Japan, and we view the country as an increasingly sophisticated market of 48 million people. DPIF—if you do not mind me using that acronym—in collaboration with other state and Commonwealth agencies, targets a range of sectors in Korea that offer trade and investment opportunities for Queensland food and agribusiness exporters. These include meat, particularly beef, and organic, natural and functional foods and food ingredients. Additional opportunities include forestry, livestock, agricultural services and fresh produce. Research collaboration opportunities also exist in areas of crop modelling, climate applications, livestock quarantine and forestry management, centring on DPIF's expertise in these areas.

The Queensland government has a trade and investment office based in Seoul and a very active commissioner in Matthew Kang. DPIF trade development activities are built on the partnership between our minister, the department and the Queensland trade and investment office in Seoul. The aim of this partnership is to build strong networks between government and business in Queensland and Korea. From our experience, working with government is certainly an advantage when you are working in the Korean market.

The Minister for Primary Industries and Fisheries has visited the Republic of Korea three times in the last 18 months and twice in the last 12 months. In particular, he was accompanied in November last year by Mr Peter Kenny, the chair of AgForce, one of our industry bodies, by the president of the Queensland Farmers Federation, Mr Gary Sansom, and by Terry Nolan, who is a meat processor and a member of the Meat Industry Council of Australia. The emphasis of that mission, both in Korea and Japan, was to promote the safe quality of our beef and, particularly, the national livestock identification system, which we are using to convince both the Japanese and the Koreans that we have a superior quality product from a traceability point of view. The final thing I would like to tell you is that the Department of Primary Industries and Fisheries is

placing an officer in the Queensland Government Trade and Investment Office in Seoul for 12 months, specifically to pursue opportunities associated with food in Korea.

**ACTING CHAIR**—Thank you very much. The committee is grateful for your attendance here today and for the Queensland government's submission. Aside from a general brief on food, does the officer you are placing in Seoul, to whom you just referred, have any specific focuses?

**Mr Letts**—There are a couple of areas. We have employed a local food consultant—a Korean—in Seoul for the last six months or so on a part-time basis to explore opportunities of working with some of the major companies in Korea. The Korean retail and wholesale sector is controlled by a few very large companies, and getting access to those companies is difficult. We have discovered from experience that having someone in the market is a huge advantage in getting through a series of meetings to get to the decision makers within a company that can buy produce.

One area we are primarily looking at is the area of wellbeing generally. The Koreans are very sensitive about the foods they consume and the whole area of wellbeing seems to be becoming increasingly important. I guess it would be other natural products and GMO-free soya beans. There are a whole range of products that we are looking at in relation to that market. The other general area that we are looking at, not just in relation to Korea but in relation to Asia generally, is the export of fresh produce. So we would be interested in exploring opportunities for mangos, mandarines and some of the other fresh produce that we currently do not have protocols for but are keen to work with the Commonwealth in getting those protocols established.

**ACTING CHAIR**—Are there any import quarantine challenges with that sort of thing for you?

**Mr Letts**—There always are.

**ACTING CHAIR**—Perhaps I should have said: 'What are the import quarantine challenges?'

**Mr Letts**—Queensland is obviously very much a tropical state. We have more than our fair share of pests and diseases because of that, particularly fruit fly. The existence of domestic industries in those markets always means that we have to go through onerous disinfestation processes in relation to protocols. That is often a barrier—not so much in Korea because the Koreans do not have a lot of tropical fruit, obviously, given their location. Therefore, we would hope that the negotiation of protocols will not be too difficult.

**ACTING CHAIR**—Have any other states posted specific officers in a similar manner to Queensland on food exports?

**Mr Letts**—Not that I am aware but I could take that on notice.

**ACTING CHAIR**—Is it a by-product of your missions, which I think your Minister for Primary Industries and Fisheries has led in the past little while, to the Republic of Korea? Is this decision to locate a specific officer a result of those initiatives?

**Mr Letts**—It is to some extent. It is also, I guess, a by-product of the trade commissioner based in Seoul, Matthew Kang. He is very active and has been doing a lot of work on the food industry in particular. He sees lots of opportunities there based on the work he has been doing over the last four years. So we are to some extent responding to his prompting on the opportunities and also the work we have done ourselves.

**Mr CAMERON THOMPSON**—There has been comment during the day about LNG into Korea and all that sort of stuff. What is happening in relation to the market in Korea for coal?

**Mr Letts**—The Primary Industries and Fisheries portfolio does not cover minerals. That is covered by the Department of Natural Resources and Mines, so I would have to take that question on notice and get back to you.

**Mr CAMERON THOMPSON**—There goes that plan!

**Mr WAKELIN**—I only had one question, which is on the wine industry. The Wine and Brandy Corporation submission notes that there is a lack of understanding of wine by occasional wine drinkers in the Republic of Korea—but I suppose you could always practise until you get it right, couldn't you? Maybe there could be a better understanding about wine. I am a South Australian, by the way, so I declare my interest.

**Mr Letts**—I cannot comment specifically on the wine tastes of the Koreans, although we know they are a little different. Several wine producers in Queensland are interested in exporting to the Korean market. Some companies have travelled to Korea to explore those opportunities. Queensland has not done a lot of work on in-market promotions and understanding the palate, but I can do some investigation and see what we can find out.

**Mr WAKELIN**—I understand that we do not have a big segment of the wine industry but we have had a significant rise.

**Mr Letts**—Yes. I am not sure whether we can use wine as an indicator of economic development, but as the middle class grows in a lot of Asian countries wine consumption increases. I suspect it is not much different in Korea.

**Senator STOTT DESPOJA**—In South Australia we do use wine as a measure of economic development. This is not specific to your department, but what dollar amount does Queensland put into marketing in Korea generally? A Tourism Australia brief given to us earlier today said that Tourism Australia invested more than \$2 million in Korea in 2004-05. Does the Queensland government produce something similar that highlights tourism, collaborative ventures in science and technology, or other aspects related to your department more broadly?

**Mr Letts**—I could get those figures for you. Within the Queensland Government Trade and Investment Office I think there are three staff; there is an additional education officer based in Seoul and a tourism officer as well. If you take those people alone, you would be looking at a reasonable budget. That does not account for the ministerial trade missions that go there and a range of other investments the Queensland government makes. I can take that question on notice and get back to you with a figure.

**Senator STOTT DESPOJA**—That would be interesting. How does the Queensland government compare with the other state governments in its enthusiasm to get involved in the Korean market or develop bilateral relations with Korea on a state government basis?

**Mr Letts**—It is difficult for me to judge other state governments. We are very interested in Korea because beef is our major food export and Korea is a major market for our beef. I suspect that that alone may make us more interested in the market than the other states are. I do not have figures on what the other states spend, so I cannot make a judgment on that.

**Senator STOTT DESPOJA**—My colleague has just accused me of asking a dorothy dixer. I was genuinely after an objective assessment of Queensland vis-a-vis the other states, but that might be something we can ask the other state governments.

**Senator EGGLESTON**—Koreans drink a lot of beer, don't they? Do you have any joint ventures with Korean breweries? Do you export XXXX beer to Korea?

**Mr Letts**—I can take that question on notice, but I am not aware of any beer exports or joint ventures.

**Senator EGGLESTON**—What about spirits—your famous Bundaberg Rum and things like that?

**Mr Letts**—Once again, I will need to take that question on notice.

**Senator EGGLESTON**—What categories of fish do you export to Korea? Is it largely crustaceans?

**Mr Letts**—My understanding is that the emphasis of our exports is on crustaceans. I do not have the figures in front of me. It is difficult for us to be competitive in the chilled fish market, given what Asia produces.

**Senator EGGLESTON**—Prawns?

**Mr Letts**—Prawns and crabs. I can certainly give you some details on that.

**Senator EGGLESTON**—Yes, I would be interested in knowing about that. Have there been any attempts to establish aquaculture in Queensland with Korean interests?

**Mr Letts**—There has been a lot of discussion in relation to joint research and development projects with the Koreans. Our minister visited with some aquaculture people when he was in Korea in May, and there is quite a bit of interest in relation to joint ventures associated with aquaculture. There was recently an opportunity associated with algal production, which seems to have moved offshore. But certainly there is interest in working in this area, and there was some interest in an investment in Queensland in that area, which seems to have gone off the boil just at the moment. But there is interest, yes.

**Senator EGGLESTON**—Would that include prawn farms?



**Mr Letts**—I cannot answer that question specifically. I was aware of the algal production, but I will have to take the question in relation to prawn farms on notice and get back to you.

**Senator EGGLESTON**—There are also cultured pearls. Is that done in North Queensland, as it is in the north of WA?

**Mr Letts**—There are cultured pearl aquaculture enterprises working in North Queensland. Whether or not there are Korean interests involved in them, I would need to check for you.

**Senator EGGLESTON**—I know you have barramundi fish farms. Has that been explored as a gourmet fish export?

**Mr Letts**—I would need to check that. But, as I said, it is difficult to be competitive in that market.

**Senator EGGLESTON**—Yes, I took that point.

**Mr CAMERON THOMPSON**—Mr Letts, in your submission you talk about exponential growth in demand for anything that is organic, basically. Obviously the BSE stuff must play a part in relation to Queensland beef exports, but is Australia establishing itself in the Korean market as a green supplier, particularly when it comes to issues like horticulture, where we have heard there are massive tariffs and protection and things like that? Are we getting a bit of a label as a clean and green supplier, and is that working for us?

**Mr Letts**—Yes would be the short answer. The feedback we get from the Korean market is that they do see us as a supplier of clean product and of high-quality product. That is the area that we are pursuing in relation to the work that we have done, and we have done quite a bit of work with the beef industry in relation to organics. As you heard from a witness from the Department of Agriculture, Fisheries and Forestry, there is an issue there in terms of labelling of organic product—meat, in particular—in the Korean market. Our minister spoke to the Ministry of Agriculture and Fisheries about that issue when he was in Korea in May.

**Mr CAMERON THOMPSON**—Is this only the question about having ‘organic’ written in English and not in Korean?

**Mr Letts**—That is basically it, yes. But certainly in a range of other products—things like GMO-free soya beans, for example—there is an interest. There is an interest in maize and a range of other ingredients for snack foods and other products.

**Mr CAMERON THOMPSON**—Are you able to work out the value of that ‘organic’ tag? To what extent is that driving the marketing?

**Mr Letts**—We view it as an opportunity in a competitive market. I am not sure that we have quantified it. We put targets on increased exports, obviously, and in some of those areas we have targets over the next two to three years in relation to what we think we can achieve. I would need to get back to you in relation to a figure on what we estimate the size of the organic market to be. But given that it is a sizeable economy and there is a growing middle class that are very health conscious about what they eat, our expectation is that it will continue to grow. We are not

limiting ourselves, in relation to the market development work that we are doing, to organics. We are looking at a range of products, including others in the wellbeing area—not just organic products but things that are good for you if you eat them.

**Mr CAMERON THOMPSON**—What level of awareness is there in the Korean market, among consumers of beef, of issues like BSE and foot-and-mouth disease?

**Mr Letts**—Our understanding is that the awareness is pretty good amongst the people who consume high-quality meat products, in particular, and we saw that reflected in a fall in consumption following the scares in North America.

**Mr CAMERON THOMPSON**—Can I go to the other area, horticulture.

**ACTING CHAIR**—Before you do—sorry, Mr Thompson—I will interrupt you. I think DAFF told us that one of the problems with marketing organic products in Korea was that all the labelling as to ‘organic’ is done in English.

**Mr CAMERON THOMPSON**—We did that.

**ACTING CHAIR**—Did we do that?

**Mr Letts**—Yes.

**ACTING CHAIR**—Sorry, I missed that discussion. Do you have a plan to get around that? That was really the point of my question: what is your plan?

**Mr Letts**—In the short term it is something that we could address but we would need to do it through formal channels. It would need to be done with the ministry for agriculture, forestry and fisheries in Korea. That could be done either by our state minister writing to his counterpart over there or through the Department of Agriculture, Fisheries and Forestry here. In fact, I had discussions this morning prior to this hearing with the DAFF witnesses here today in relation to that issue, so we would be pursuing that to see what we can do. These are non-tariff barriers. It is very difficult to negotiate around those sorts of things because the reasoning behind them is unclear to us. All we can do is make representations.

**ACTING CHAIR**—Sorry, Mr Thompson, for the interruption.

**Mr CAMERON THOMPSON**—No worries. Given all the protection that they apply to horticulture, can you tell us if we are just not competitive at all against these kinds of tariff barriers in relation to exporting horticulture to Korea?

**Mr Letts**—It is difficult to be competitive. However, we believe that there may be opportunities in the high end of the market in relation to the hospitality sector and that sort of area—obviously for limited volumes but that is the area that we will be pursuing. Take mandarins for example. We believe that there is potential there. In the market at the moment there is an SPS barrier to mandarins. Even though Australian citrus has access to the market, mandarins do not. Most of the citrus that is produced in Queensland and exported is mandarins, so there is an issue there that we need to pursue in relation to that.

**Mr CAMERON THOMPSON**—What sort of barrier did you say applied to mandarins?

**Mr Letts**—It is a sanitary and phytosanitary barrier associated with disinfestation processes, so to get into that market we need to have the Korean government agree that they will accept our produce based on its freedom from pest and disease. Generally—and this is my understanding—Australian citrus does have access to enter the market, but mandarins, as a subset of citrus, do not.

**Mr CAMERON THOMPSON**—We must have a range of horticultural products that they would not produce in Korea, certainly in terms of when they actually come into season. If they are not producing it, can't we base an argument on that or otherwise say our seasons are exactly the opposite of theirs, as they would be? Is there any opportunity to explore those kinds of arguments and opportunities?

**Mr Letts**—Yes, there are and we will be doing that particularly in relation to mangoes. However, there is a process that needs to be gone through to get fresh produce onto the list that then goes forward for negotiation with other countries. That has to go through the horticulture market advisory committee, which is a national committee. It has a priority list and the decisions it makes are based on the volume of potential trade, the difficulty in terms of getting other protocols negotiated—how easy is it or not to disinfest for that particular product?—and a range of other things that it would consider. So mangoes would be something that we would be putting forward—or the mango industry itself would be putting forward—to say we think that it is timely for us to consider putting this to Korea as a market access issue and then hopefully we would be able to get that negotiated over a period of time.

**Mr CAMERON THOMPSON**—You spoke about opportunities in the high-end kind of market. What types of produce are they specifically?

**Mr Letts**—Once again we are looking at the things that we have strengths in—our mangoes and mandarins. There may be some opportunities for some of the tropical fruits that are produced in North Queensland and maybe avocados. There is a range of Queensland produce that we would be looking at. We are currently consulting with industry in relation to what they see as opportunities in the market right throughout Asia, not just in Korea, and we will be pursuing with industry those opportunities as we progress it over the next six months or so.

**Mr CAMERON THOMPSON**—What specifically about this countercyclical argument that our seasons are the other way around to theirs? Do we have an argument that we can work with? Are they interested in the argument that we can deliver produce if they have a down season and they cannot get any of their local supply?

**Mr Letts**—My understanding is that the barriers that exist at the moment are related to biosecurity issues and that the countercyclical barriers are not something you can use under the WTO in relation to preventing access of imports into a country. Therefore, generally speaking, the market access issues you would need to deal with are associated with biosecurity, not with seasonality of product. If they grow the crops themselves in any sort of domestic sense, then they have a strong argument to say that we need to go through the due process in relation to SPS protocols.

**Mr CAMERON THOMPSON**—But we are the ones who are pretty clean and green. What threat to do we pose to them? Can you give us a couple of the examples of pests?

**Mr Letts**—Fruit flies, black spot, citrus canker and mango seed weevil—those sorts of things. Korea is a good example of where they do not actually produce—they do not have a local mango industry—so we could argue fairly clearly that we would need to have a minimal disinfestation process. However, we found that, because mango may be a host to a fruit fly species that can then attack other crops—

**Mr CAMERON THOMPSON**—Fruit flies would freeze to death in Korea, wouldn't they?

**ACTING CHAIR**—I am not sure that Mr Letts is an expert on the Korean meteorological ins and outs. Mr Letts, thank you very much for attending today. We really appreciate the Queensland department's input and your part of the broader submission. If there are any matters on which we may need additional information, our secretary will write to you about that. We will also send you a copy of the transcript of your evidence this afternoon, to which you can make any necessary correction to errors of transcription.

**Proceedings suspended from 4.12 pm to 4.25 pm**

**BARTON, Ms Carolyn, Manager, Uranium Industry Section, Resources Division, Department of Industry, Tourism and Resources**

**DILLON, Ms Cathy, Manager, Minerals Development Section, Resources Division, Department of Industry, Tourism and Resources**

**FERBER, Dr Peter Howard, Assistant Manager, LNG and Petroleum Development Section, Offshore Resources Branch, Resources Division, Department of Industry, Tourism and Resources**

**KARAS, Mr John, Acting General Manager, Resources Development Branch, Resources Division, Department of Industry, Tourism and Resources**

**ACTING CHAIR**—On behalf of the subcommittee I welcome our witnesses from the Resources Division of the Department of Industry, Tourism and Resources. Although the subcommittee prefers that all evidence be given in public, 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 this subcommittee does not require you to give evidence under oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standings as proceedings of chambers. Before we proceed to questions, I invite you to make a short opening statement.

**Mr Karas**—We welcome the opportunity to provide a statement on the Australian resources and development sector and our relationship with Korea. The Republic of Korea is a key market for Australian energy and mineral resources. In 2004, the value of Australia's energy, minerals and metals exports to Korea totalled \$5.4 billion, or around 60 per cent of the total value of Australia's merchandise exports to Korea. Australia's major resources exports to Korea include coal, crude petroleum, iron ore, gold, aluminium, zinc, lead, uranium and copper.

Iron ore exports to Korea in 2003-04 increased by five per cent to 26.56 million tonnes, valued at approximately \$750 million. This represented about 14 per cent of Australia's iron ore exports, ranking Korea as Australia's third largest market for iron ore, after Japan and China. Imports of Australian iron ore in 2004 satisfied about 50 per cent of the Korean market requirements.

Exports in 2004-05 and 2005-06 will reflect a flow-on of higher iron ore prices negotiated in response to increasing global steel demand, in particular a price increase of 71.5 per cent negotiated for the fiscal year commencing 1 April 2005. However, given that Australian iron ore prices remain at a discount to those of Brazilian exporters on a landed cost basis, export volumes are unlikely to be significantly affected by the level of the price increase.

Gold exports to Korea in 2003-04 fell nearly 13 per cent to 41 tonnes, valued at approximately \$700 million. There has been a downward trend in gold exports since 180.5 tonnes were exported in 1996, easily ranking Korea as Australia's then largest gold export market. It is currently the third largest market, with 13 per cent of exports, behind India, with 49 per cent and the UK, with 23 per cent.

In 2003-04, Australia exported 204,000 tonnes of aluminium ingot to Korea, valued at approximately \$450 million. Zinc exports to Korea mainly comprise zinc concentrates, with exports in 2003-04 falling eight per cent to 350,000 tonnes, valued at approximately \$A125 million. Korea was Australia's third largest zinc market after the Netherlands and Japan. In 2004, Australian zinc imports supplied 29 per cent of the Korean market.

Korea is Australia's largest market for refined lead and ranks second to China as Australia's largest market for lead concentrates. In 2003-04, exports of lead concentrates fell 27 per cent to 125,000 tonnes, while those of refined lead increased 21 per cent to 46,000 tonnes. Exports were valued at approximately \$140 million. Copper exports to Korea mainly comprise copper concentrate, with exports in 2003-04 falling 16 per cent to 68,000 tonnes, valued at approximately \$65 million.

Korea is a very important coal market for Australia, as it is our second largest market behind Japan. Australia exports both metallurgical coal for steel making and thermal coal for power generation to Korea. In 2004, Australia exported around 12.7 million tonnes of metallurgical coal and 17.3 million tonnes of thermal coal to Korea, at an approximate value of \$A1.8 billion. This was an increase in volume of 12 per cent and an increase in value of nearly 40 per cent on 2003, when coal prices were much lower. Australia accounts for around 37 per cent of Korea's total coal imports.

Most of the metallurgical coal is sold to POSCO, Korea's major steel maker. The relationship between POSCO and Australian coal suppliers has been longstanding and has been responsive to short- and longer term needs of both buyers and sellers. On steaming coal, Australia faces strong competition from China and Indonesia. Australia's share in Korea's thermal coal market fell from around 50 per cent in 1998 to less than 30 per cent in 2003. There are signs that China may not be able to sustain exports at previous levels, opening up opportunities for other suppliers such as Australia in the Korean thermal coal market.

Korea is Australia's fourth largest export market for uranium after the US, the EU and Japan. In 2003-04, Australia supplied Korea with 930 tonnes of uranium oxide, valued at approximately \$42 million. This represented approximately 10 per cent of Australia's total sales and 29 per cent of Korea's import requirements. Korea's annual uranium demand is expected to increase by 50 per cent to 4,770 tonnes by 2015, and Australia is well placed to compete for this extra demand.

Natural gas has played an important role in meeting Korea's rapidly growing demand, accounting for 17.6 per cent of primary energy consumption in 2004. Korea is the world's second largest importer of liquefied natural gas after Japan, importing 22.1 million tonnes in 2004, mostly under long-term contracts with Indonesia, Malaysia, Oman and Qatar.

ABARE forecast Korean gas demand to grow steadily over the next decade, reaching over 33 million tonnes per annum by 2015. It expects that Korea will have uncontracted demand for 5.7 million tonnes per annum in 2010, rising to 19.9 million tonnes per annum in 2015. This represents a major opportunity for Australia. Korea has not been a major market for Australian LNG although the North West Shelf joint venture signed a seven-year contract with Korea Gas Corporation, Kogas, to supply half-a-million tonnes of LNG per annum from 2003. The North West Shelf was unsuccessful earlier this year in its attempts to secure a long-term contract with Kogas to supply from 2008, with suppliers from Yemen, Russia and Malaysia offering a lower

price. A further round of long-term contracts is expected to be offered in early 2006. The North West Shelf and other Australian LNG suppliers, including Woodside, Chevron and Exxon Mobil, have all expressed interest in future LNG supply to Korea.

Korean companies have shown increasing interest in participating in Australian offshore petroleum exploration, as evidenced by the recent entry of the Korean National Oil Corporation and Seoul City Gas into two exploration permits off the Victorian coast.

**ACTING CHAIR**—Thank you. I know there are LNG questions and coal questions. We will start with Mr Thompson.

**Mr CAMERON THOMPSON**—There has been a focus on LNG in Korea and I notice that worldwide there has been a spiralling upwards of coal prices and those sorts of things. What is the impact of the apparent switch to LNG? Is that having an impact on demand for coal in Korea? Is there a switch there? In the longer term are we going to see a decline in demand for coal in Korea?

**Dr Ferber**—Demand for all forms of energy is rising in Korea. I have some details here. I will have a look through those while Mr Karas talks about coal.

**Mr Karas**—Apart from nuclear power, coal is probably the lowest cost fuel in Korea, even given the escalation in coal prices. We find that when you have higher energy prices there is increasing demand for coal power within Korea. A large number of new coal power stations, nuclear power stations and gas stations are being developed to meet future requirements in Korea and we expect, as my colleague has just indicated, that the demand for all these fuels will increase.

**Dr Ferber**—I have a table here from the Korea Energy Economics Institute, which shows the demand in 2005, 2010, 2015 and 2020 for the different types of energy. I can provide a copy of that to the committee.

**Mr CAMERON THOMPSON**—That shows them all going up, does it?

**Dr Ferber**—The units are million tonnes of oil equivalent. Coal rises from 49 to 75 over the period. LNG rises from 21 to 50 over the period. All the forms of energy increase over the period.

**Mr CAMERON THOMPSON**—Is that thermal coal or does that take into account coking coal as well?

**Dr Ferber**—This would be energy demand.

**Mr CAMERON THOMPSON**—So it would be thermal.

**Dr Ferber**—Yes. I am not sure whether they have included metallurgical coal in that figure.

**Mr CAMERON THOMPSON**—I would appreciate it if we could get that graph.

**Mr WAKELIN**—Energy is a key part of any economy. You have mentioned nuclear power. Does your work suggest that there has been an increase in capital investment in nuclear power in places such as Korea? What is the trend in the comparative cost per kilowatt hour across power sources? I suggest it is probably in favour of nuclear power.

**Ms Barton**—There are currently 19 nuclear power units in Korea. They are operated by Korea Hydro and Nuclear Power Co. They are forecast to build another eight units by 2015, so there will be 27 nuclear power plants. We do not have the cost information, but we could provide it.

**Mr WAKELIN**—It would be interesting because there is a pretty important debate at the moment on where it is all going—the capital investment and the costs of energy output.

**Senator FERGUSON**—What do you see as the future market opportunities for LNG? If Yemen, Malaysia and Russia can supply LNG at a far cheaper price than Australia to countries in North Asia and, I guess, anywhere else in the region, what is that going to do for our LNG industry?

**Dr Ferber**—The LNG market is in transition from a buyer's market to a seller's market. The contract announced earlier this year reflects that transition. Some of the companies were still offering LNG at the old prices, similar to what Australia obtained in Guangdong, but the future expectation is that prices will rise significantly. That is the reason there was a wide difference in prices.

**Senator FERGUSON**—So with the Chinese we are locked in for 25 years at a lower price?

**Dr Ferber**—I am not sure whether there are pricing reviews in that contract. We do not have a copy of it. Japanese contracts have pricing reviews every five years. I am not sure whether the Chinese contract reflects that. I do not know.

**Senator FERGUSON**—Neither do I. That is the problem. You say it was a buyer's market at the time of the signing of that contract, but it could be that the LNG being supplied to China is at half the price that it is going to be in three years time. It is possible.

**Dr Ferber**—That is possible.

**Senator FERGUSON**—It seems that we are losing market share for thermal coal but gaining market share for other types of coal.

**Mr Karas**—That is right. We lost substantial market share for thermal coal. That reflects increasing competition, particularly from China. Earlier this decade, China expanded its coal exports from around 30 million tonnes a year to, at one stage, almost 90 million tonnes a year. Korea, being right on her doorstep, was able to take major advantage of that. Whereas China was previously a minor supplier, with Korea it was able to slip in there and become the dominant supplier over that period. China has now stabilised its coal exports at around 80 million tonnes and Australian suppliers are finding that there is now stronger demand for their coal in Korea.



**Senator FERGUSON**—What about in the case of lead? Exports of lead concentrates fell by almost the same amount by which refined lead increased. Are they not using lead concentrates or are they sourcing them from elsewhere?

**Ms Dillon**—I am sorry, I do not know the answer or the explanation.

**Senator FERGUSON**—It is something we ought to find out. If we are losing the market for lead concentrates to somebody else, surely we ought to be able to follow it up and find out whether they are still using it.

**Ms Dillon**—May I take your question on notice?

**Senator FERGUSON**—Yes, because I would like to know that. In the case of uranium we supplied 29 per cent of Korea's import requirements. Do you know where they get the rest from—Canada?

**Ms Barton**—My guess would be Canada. We can find that out for you.

**Senator FERGUSON**—With some of these minerals it is not quality that counts; it is price. I presume that in the case of uranium it is directly a price issue as to where they get their supplies from. I am wondering why we are getting 29 per cent while someone else is getting the other 70 per cent and whether it is purely a price issue or there are other factors involved.

**Ms Barton**—Historically, uranium has been on long-term supply contracts.

**Senator FERGUSON**—Long-term supply contracts?

**Ms Barton**—Yes, at quite low prices. Over the last two years the uranium spot price has tripled from \$10 to \$29 a pound, so the current long-term contracts which are in place are at fairly low prices but they are being renegotiated as they expire. The view of the Australian producers is that they would like to extend some of those contracts.

**Senator FERGUSON**—As a South Australian, I am interested because the extensions by BHP Billiton at Roxby Downs will depend a lot on what future long-term contracts there are and on the demand.

**Ms Barton**—Yes.

**Senator FERGUSON**—If we do not identify why the market share is going elsewhere, it may be difficult for them to make their positions.

**Ms Barton**—The world market for uranium is a seller's market at the moment.

**Senator FERGUSON**—What is it—about \$40? What sort of unit do they sell it in?

**Ms Barton**—It is \$US29 a pound.

**Senator FERGUSON**—I do not know where I got 40 from. It will be 40 before long.

**Senator EGGLESTON**—In relation to that last point, the Japanese, when buying iron ore, did not like to put all their eggs in one basket. They diversified, so they bought it from Australia, Brazil, South Africa and India. I wonder if that might be a factor in the issue that Senator Ferguson has raised about the Koreans diversifying their sources of supply. I would like to ask some questions along the lines of exports of LNG. This document, the opening statement, says that Korea is importing, under long-term contracts, LNG from Indonesia, Malaysia, Oman and Qatar. It says:

The North West Shelf was unsuccessful earlier this year in its attempts to secure a long term contract with Kogas for supply from 2008, with suppliers from Yemen, Russia and Malaysia offering a lower price.

Our argument has always been that people buy from us because we offer other factors like assurance of supply, a stable political climate, an assured legal climate and all those sorts of things. The figures in your document suggest that perhaps that argument is not quite as valid as people might have thought it was, especially in Western Australia, and that price is really the key determinant and that these externals that we like to talk about, which are supposed to give us a competitive advantage, may not be quite as important as we may have thought. Is that a fair comment?

**Dr Ferber**—Australia's reliability is a very important selling point for Australia.

**Senator EGGLESTON**—But we are losing out.

**Dr Ferber**—I cannot really comment, not being a party to those negotiations, as to why Korea chose those particular companies, other than to say that price was a factor.

**Senator EGGLESTON**—We are losing out to Gulf countries and to Indonesia and Yemen, which is quite an interesting thing to observe. The other one is iron ore. You say at the end of the paragraph on iron ore:

However, given Australian iron ore prices remain at a discount to those of Brazilian exporters on a landed ... basis export volumes are unlikely to be significantly affected ...

Do you know what the quantity is of that discount from the Brazilian iron ore?

**Ms Dillon**—I think of it in terms of shipping days. To ship iron ore from Australia to Korea takes about one-third of the time that it would take to ship it from Brazil to Korea. I am afraid the freight rates have been bouncing a lot lately, and I cannot give you a figure on what the freight differential would be.

**Senator EGGLESTON**—The discount is on freight, is it, rather than on the price of iron ore landed in Pohang or somewhere?

**Ms Dillon**—Yes. What happens is that both Brazil and Australia would be selling to Asia on so many cents per dry metric unit, you might say, at the point where the iron ore goes over the ship's rail. Then the buyer pays the freight. So when it is landed in Asia, you add the cost plus

the freight. So the differential is a freight difference. Australian suppliers would like the Asian buyers to recognise that cheaper freight rate and, I guess you could say, pay more for Australian iron ore.

**Senator EGGLESTON**—Do the Brazilians sell their iron ore at a cheaper base rate than we do?

**Ms Dillon**—No. There tends to be a benchmark price that is used. The 71.5 per cent increase on last year's contract pricing probably applied for both Brazilian and Australian iron ore.

**Senator EGGLESTON**—Yes, I heard about that. Where does most of Brazil's iron ore go to? Does it go to Rotterdam or somewhere like that? To Europe?

**Ms Dillon**—They do supply Europe.

**Senator EGGLESTON**—Is Asia an add-on market? That is what I am really asking.

**Ms Dillon**—No. I think Asia is a significant market but I would have to check that—which I will do. Sorry, I did not bring those figures with me.

**Senator EGGLESTON**—Okay. Is Korea buying iron ore from South Africa and India in any quantity?

**Ms Dillon**—I could not say. Certainly, Brazil would be the major competitor. There might be a little bit purchased on the spot market from India, but it would not be of particularly high quality.

**Senator EGGLESTON**—That is what I have heard. India is a growing supplier though, I have also heard.

**Ms Dillon**—Yes.

**Senator EGGLESTON**—The last one is uranium versus coal. Nuclear power stations can provide very large amounts of power. Is there a seesaw effect to be anticipated between uranium and coal? If we sell more uranium, as a matter of course, will we sell less coal to Korea? Is the future scenario that our uranium sales to Korea will go up and our coal sales will come down?

**Mr Karas**—What we need to take into account is that energy demand is expanding within Korea, so they are putting in a lot of generating capacity. They are building a lot more nuclear power stations—another seven. They are building more coal-fired capacity. That demand will continue and probably will not start to level off until 2015 or 2020. It is only when you start getting that levelling off that you will start to find that decisions will be made about which power stations you run to meet your current demand for electricity. Do you run your nuclear power stations first, or do you run the coal power stations first? When you start getting to that sort of level, then you might start finding that it will have an impact on the overall demand for your levels of imports. At the moment, the growth in the market is shadowing or masking those sorts of short-term swings in the demand for different fuel sources.

**Senator EGGLESTON**—Is my premise that nuclear power stations in general generate far more electricity than coal correct or not? If you are going to add eight nuclear power stations to the supply side, even though there is an increase in demand, does that by implication—I know I am re-asking the same question, I suppose—suggest that coal might be in less demand?

**Ms Barton**—The relative share of nuclear power in Korea by 2015 is expected to increase from about 30 per cent to about 44 per cent. So the relative share will increase.

**Senator STOTT DESPOJA**—What involvement does the department have in the regional pact that Australia is entering into as part of promoting new technology for the purposes of reducing greenhouse gas emissions? Is that something that your department is involved in or is it something that we expect the Department of the Environment and Heritage to be more involved in?

**Mr Karas**—I understand that you will be meeting with officers from our energy and environment division in Melbourne. They will be focusing a lot more on those energy cooperation type issues. The Australian government involvement in the new Asia-Pacific partnership is at the moment being coordinated, I understand, by the Department of the Prime Minister and Cabinet and other agencies are feeding into that. We are certainly looking at the sorts of contributions that we will be making in terms of technologies—clean coal technologies or nuclear power and so on and so forth—as part of what will overall be considered a package of measures from Australia.

**Senator STOTT DESPOJA**—That was going to be the subject of my next questions—the implications for the department and the various branches that are represented here today in terms of promoting clean energy, or energy that can assist a reduction in greenhouse gas emissions, as well as the implications that has for other aspects of our energy sector, good or bad. Perhaps I should address those to the energy environment division.

**Mr Karas**—By the same token, we are actively involved in capacity building in our international collaboration with a lot of countries. If we have various technologies, research skills and so on available in Australia, we look at how we can facilitate those and use those sorts of skills to add value to our commodity exports.

**Senator STOTT DESPOJA**—In terms of the work of the branches represented here today, are there people who are involved in the discussions that are taking place or is it still too early days to find out? Are people seconded to PM&C or are there people within the department who are actively working on this regional pact? Is that something that is affecting you or the people in your division?

**Mr Karas**—At this stage we are indirectly involved. Our main area of representation would be through the energy and environment division. They would be involved in the direct intergovernmental processes. But we are working in cooperation with them in developing packages of measures to go forward. For instance, on the coal front we would be looking at whether we can develop a regional clean coal strategy, which would involve the support of Australian industry and power generators in developing a package of measures that could be put forward from the department as part of our contribution to those arrangements.

**Senator STOTT DESPOJA**—I have one final point, on the issue of uranium—I don't think I would be a good Democrat if I did not sneak in a uranium question. I note that on the department's web site and in its submission there are a number of references to Australia being well placed to compete for this extra demand. I think the web site talks about favourable conditions in which to further increase production and exploration. I am wondering what the department's role in this is. What is the department doing to, I guess, facilitate Australia's involvement in competing for this market? Is that something that the department is actively involved in, either in terms of providing staff resources or finances?

**Ms Barton**—There are a number of roles that the department is involved with. One is the high-level group meetings with Korea—that is, senior representatives from the department meeting with the senior Korean government representatives and with industry. Again, that program is run out of the Energy and Environment Division; you may wish to ask them that question. The other role that we have is liaising with industry and assisting where we can with helping them to get into new markets. In the case of Korea, we have not been actively involved, because they already have long-term supply contracts and they are handling those relationships quite well.

**Senator HUTCHINS**—In another inquiry we are conducting on China, Rio Tinto stated to us that their iron has to go through quarantine in China. It seems to be some sort of strange barrier. Are there any restrictions on our raw material exports into Korea that might seem to be some sort of strange impediment?

**Ms Dillon**—I am not aware of any restrictions on Australian exports of iron ore to Korea.

**Senator HUTCHINS**—Not necessarily iron ore, but any raw materials. Is there anything that is restricted?

**Ms Dillon**—There would be the standard restrictions on exports of nuclear materials, of course. In the minerals and metals field it generally is a clear run. We tend to find that it is agricultural products that run into problems.

**Senator HUTCHINS**—In your statement you talk about how our gold exports have fallen 13 per cent over a certain period. What is behind that fall, if anything? Are they using less gold or getting it from someone else? Is there any particular event or decision you can point to that accounts for this occurrence?

**Ms Dillon**—Gold imports and exports are very volatile because basically it is an investment. So you will find that investment sentiment or whether some country or other has eased its restrictions on gold exports will play a role in how much gold is imported. But from an Australian point of view, again, we sell at the world price and it is not really too significant to whom we sell because we have no problem selling our gold. If there are fluctuations one market down, we sell to another market.

**Senator HUTCHINS**—So it will go down and come back up as required?

**Ms Dillon**—Yes. Even exchange rates will affect preponderance to buy gold—the changes in foreign currency values.

**Mr CAMERON THOMPSON**—Going back to what Natasha was talking about and some of the earlier discussions in relation to the trends in coal, LNG and nuclear, I wonder whether or not there is any discernible impact being made by the Kyoto protocol and the greenhouse concerns. Are we getting any kind of evidence or indication that there is any switching happening to more greenhouse friendly fuels, either in Korea or anywhere? If so, is that having any price implications? I realise Kyoto is only one per cent of total consumption or some damn thing—it is very little—but is there any discernible impact of those concerns starting to play out anywhere in the marketplace?

**Mr Karas**—Korea does not have any binding commitments under Kyoto to address their emissions. In our trading relationship on energy with Korea it has not been highlighted as a major issue from the Korean side in terms of the demand or the fuel mix. Part of the Asia-Pacific Partnership and the involvement of Korea in that has been aimed at supporting the development of greenhouse measures within Korea and perhaps complementing some of the Kyoto type measures.

In terms of the wider market—and I think you are not just referring to Korea in this case—one of the issues that we have been looking at fairly closely is the Japanese response to Kyoto. There are significant proposals within Japan to impose major carbon taxes on energy imports. We have commissioned research by ABARE, which indicates that that would have negative impacts on our coal trade and LNG trade with Japan; it would have a minor positive impact on our uranium exports to Japan. A lot of those negative impacts on the Japanese market would be offset, but not fully, by increasing demand for coal in China and Korea, who take advantage of any fall in Japanese energy consumption. You get that leakage of industry going to other North Asian countries.

**Mr CAMERON THOMPSON**—I hear what you are saying about those Japanese demands being picked up by Korea or China or wherever. Apart from dislocating where the work is being done or where the demand is, is that going to have any impact on prices?

**Mr Karas**—The analysis that ABARE was doing looked at price impacts. The modelling looked at relative prices or price indexes. There would be price effects in there: there would be reductions in coal prices, perhaps in LNG prices and perhaps an expansion in uranium prices. But that is all in relation to a best-case scenario. They measure a lot of those changes in terms of those price effects. I think the ABARE analysis is available on the ABARE web site, but if it is not I can make a copy of that report available to the committee. It is a couple of years old now

**Mr CAMERON THOMPSON**—Thank you.

**ACTING CHAIR**—As there are no further questions, I thank all of the witnesses for appearing this afternoon. It has been a very interesting day. If there are any matters on which we may need additional information, the secretary will contact you about that. The secretary will also send you a copy of the transcript of your evidence this afternoon, to which you can make any necessary corrections to errors of transcription.

Resolved (on motion by **Senator Ferguson**):

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

**Subcommittee adjourned at 5.08 pm**