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JOINT STANDING COMMITTEE ON

FOREIGN AFFAIRS, DEFENCE AND TRADE

Foreign Affairs Subcommittee

Tuesday, 20 September 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

Subcommittee members: Mr Jull *(Chair)*, Senator Payne *(Acting Chair)*, Senator Kirk *(Deputy Chair)*, Senators Eggleston, Ferguson *(ex officio)*, Hutchins, Johnston, Moore, 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

Senators and members in attendance: Senators Kirk, Moore, Payne and Stott Despoja, and Mr Danby and Mr Wilkie

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.

WITNESSES

Subcommittee met at 9.29 am

AN, Mr Qeefaa, President, New South Wales Korean Language and Studies Association

McROBERTS, Mrs Sook-Hee, Korean Language Consultant K-12, Korean Education Centre, Consulate-General of the Republic of Korea

PARK, Mrs In-Soon, Education Director, Korean Education Centre, Consulate-General of the Republic of Korea

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 second public hearing for this inquiry being conducted by the Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. Our focus in this inquiry is on building a relationship that is positive and mutually beneficial. As part of the inquiry, 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. Evidence received so far indicates that the Republic of Korea and Australia have strong trading links. Such strength may warrant the consideration of a free trade agreement.

A possible bone of contention, however, is a number of anti-dumping cases which involve Korean exporters, an issue which has been raised by the Australia Korea Business Council. Representatives from the business council will appear later today to discuss this matter. The Australian Customs Service is also being called to respond to the business council's concerns. The inquiry's cultural interactions theme will be continued with the appearance of the Australian Broadcasting Corporation, the Media, Entertainment and Arts Alliance and the Australian Film Commission.

The subcommittee will explore the existing cultural links between Australian and South Korean arts institutions and the potential for them to be developed further. 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. On behalf of the subcommittee I welcome our witnesses here this morning. 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 committee does not require you to give evidence on oath, you should be aware that the hearings are legal proceedings of parliament and, therefore, have the same standing as proceedings of the chambers themselves. Before we go to questions, I invite you to make an opening statement, some remarks to the committee, and then my colleagues and I will ask questions of you.

Mrs McRoberts—Thank you for the opportunity to contribute to the committee's inquiry today. As a Korean language consultant, Korean project officer and teacher at the New South Wales department of education since 1994, I have been privy to the many issues facing the Korean language program's development. Since lodging my submission, I have had the advantage of reading the submissions and *Hansard* transcripts of other participants. In particular, I would like to support the comments of Ambassador Cho Sang-Hoon, Dr Suh Chung-Sok from

KAREC and the Department of Education, Science and Training as to the mutual benefits of cultural exchanges and improved educational opportunities.

The Board of Studies' submission was useful in its explanation of the decision-making process for suspending the Korean HSC beginners course but, unfortunately, it did not address the reasons behind the low rate of HSC candidature which are: no access to the course, no protocol for expressions of interest, no logging or recording of inquiries as to the course availability and, critically, no access to the Open High School distance education mode. A low initial candidature for the beginners course is not unusual—for example, Chinese and Arabic also were subject to review by the Board of Studies. Recently, the Open High School contacted all New South Wales schools seeking expressions of interest for the Chinese beginners course and the Board of Studies' decision to suspend Arabic was reviewed and reversed. However, the Board of Studies' decision to suspend Korean remains, despite personal representations by concerned parents, educators and community leaders.

There is now a growing perception within the Korean community that access and equity is being denied. Those familiar with the language of the bureaucracy will be very aware that 'suspension' within the administration is often a euphemism for 'cancellation'. This may well prove to be the case for the Board of Studies' decision. My Australian associates suggest the analogy of Ned Kelly who, following a Melbourne trial by the administration, was suspended—by the neck. From Ned's point of view, his suspension was, in fact, a cancellation. Unless the impediments relating to the Board of Studies HSC Korean beginners course participation are remedied, and encouragement is provided, the suspension of the course may be similar to Ned's.

Even though there were demands for the beginner's course, the Department of Education and Training system failed to recognise them. Teachers in remote areas who could not form a class and parents with adopted Korean children in regional areas inquired of the department and the Open High School as to the availability of the course. For Korean, it is a catch-22 situation. The Korean project was established in 1993 and funding continued until 1996. From 1999, Asian languages with high numbers of students and teachers have benefited by obtaining preferential NALSAS funding, which has produced numerous teaching resources and projects. Those languages were also included in the Endeavour Language Teacher Fellowships DEST initiative, allowing intensive short-term in-country study. Korean was not included.

In many high schools with well-established languages programs, teachers are afraid to have the Korean language program introduced. Instead, students are encouraged to study existing language courses. Students from a Korean background often have no choice but to study Japanese. The government's Saturday School of Community Languages makes these students' mother tongue available. However, many students are not able to attend Saturday classes. Parents from a Korean background approached principals with their concerns. This was without success, due to the reason mentioned earlier—that is, the strong opposition from teachers of other languages to the Korean language program being introduced. This causes serious problems within Korean families. Parents' and children's communication becomes inhibited, leading to domestic and social problems.

Under an MOU, a teacher exchange exists between the Seoul Metropolitan Office of Education and the New South Wales Department of Education and Training. Unfortunately it is inactive, due to either a funding deficiency or a lack of interest by the New South Wales

Department of Education and Training, even though the Seoul Metropolitan Office of Education is very keen to reactivate the program. The current Korean language program needs urgent attention if the Australian government sees Korea as an important partner. Teachers are facing difficulties due to a lack of proper resources compared to those of other well-established languages, and therefore are withdrawing from the Korean language program.

In summary, the government of Korea has recognised the enormous advantages from familiarity with the languages and cultures of its regional neighbours and trading partners. Australian federal and state governments have not as yet matched that realisation. If that is to happen in any depth it must commence in our schools. Madam Chair, my thanks to the committee for the opportunity to state our concerns today.

ACTING CHAIR—Thank you very much. Would other witnesses like to make some comments?

Mrs Park—Thank you for giving me the chance to speak to you. I have looked over the submissions and listened to you talking before this session and I have found a lot of mentions of mutual understanding between Korea and Australia, the importance of that relationship and where that relationship should start. I think it starts at school. Teaching a language is not just about teaching words; teaching a language is about opening up the cultures too. If Australia wants to open up and broaden the cultural relationship with Korea, it has to start in schools.

The Korean Ministry of Education and Human Resource Development had focused on community languages—ethnic schools—but in 2003 it began to focus on its relationship with government schools in New South Wales. They signed an MOU in October last year to support a Korean language consultant position. Since last year we have supported year 9 material and HSC online material for the Korean language. An Australian beginner teachers workshop was held in July this year for the first time after a five-year absence. It was supported half by the Korean government and half by the Australian government. I think this is the starting point.

Our Korean government has started to focus on a regular system of teaching Korean language and culture in Australian government schools. But now I find that our beginner course has been suspended, after we decided to focus on and support Korean language and culture in Australian schools. Our government is very disappointed about that. To expand the budget and support from Korea to encourage the relationship between our two countries, we want about five years before they stop the beginners course.

We had a talk with BOS members. They mentioned demand but they did not have any record of demand or interest, or any calculation of it. They said, 'Just show us the demand.' How can we show them the demand when the course was not open to the public? One adoptive parent called the Open High School for their kids to do the Korean course through distance education, but they were told it was not open. How can you say that there is only one applicant? It is small, but there is no course. It is not small if there are one or two or four applicants. No course means that they have to get private lessons. Two adoptive parents got private lessons for their kids that cost $5,000 a year. They flew by aeroplane to the meeting with BOS. They appealed to them about the education of their kids. They pay tax. Why should they pay a private lesson fee? BOS told us there was no demand, but those parents had called the Open High School and they did not have any calculations or any written report on how many calls they received during the year.

I cannot see any reasonable reason for cancelling or suspending the beginners course. Our government has started to focus on government schools. I think if they could wait for two or three more years there should be a demand. If you held an open interest inquiry, like for Chinese, I think there would be a demand. Last year, the parents and the principal of Eastwood Public School submitted that they were interested in opening a Korean community language program at that school. That was rejected because the numbers were smaller than for Chinese. If it is to be decided on numbers again then, since the Korean population is smaller than the Chinese, let alone in comparison with the population of mainland China, we cannot have any chance of putting Korean into the school. I would like you to take this into consideration. Thank you.

ACTING CHAIR—Thank you very much, Mrs Park.

Mr An—I would like to commence with a short comment. Japanese language education in Australia started one century ago, Chinese language education in Australia started 50 years ago, but Korean language teaching started only in 1994, so only 10 years ago. Please be patient until a lot of Korean candidates can go there to do the beginners course. Then, in 10 years time, if the Board of Studies says there are not enough candidates and it must be cancelled, okay. But I do not think it is fair to cancel it now.

ACTING CHAIR—Thank you very much. Thank you all for those presentations. It does seem confusing to my simple mind that the New South Wales department would enter into an MOU in one breath and then in the next breath make the decisions that they have made. I am interested to get an assessment from you of the number of people that you think would genuinely be interested in pursuing such language courses, were they available. Another issue is where the concern is with the Board of Studies, although that is a matter we can pursue with them. What sorts of numbers do you think we are talking about?

Mrs McRoberts—I will answer first about the MOU.

ACTING CHAIR—That was more of an observation on my part than a question, but please feel free to respond.

Mrs McRoberts—The Korean project was initiated in 1994, and in approximately 1995 we had a memorandum of understanding between the New South Wales Department of Education and the Seoul Metropolitan Office of Education regarding the mutual benefit of education—so teachers were exchanged from 1995. Because main funding was stopped in 1996, we continued to 1998 with reduced funding; naturally that could not continue. Then the teacher exchange was re-activated in 2001. So there were a couple of years where the teacher exchange happened and then, from 2002, it was stopped again because of a lack of interest by the department of education. Another MOU was set up last year for funding to maintain a Korean language consultant position. That MOU was not set up by the Seoul Metropolitan Office of Education but by the ministry of education and human resources in Korea to support a Korean language consultant by funding 50 per cent of the salary.

In terms of studying languages, there has been a very short history. At the beginning of the project we had teachers who were, like me, native speakers for whom Korean was their mother tongue. Our teachers were doing team teaching, so at the same time as helping the students to

learn the language they were training the teachers. We had a remote delivery system, using a modem and computer to have link-up lessons.

In those days, because of team teaching, there were quite a number of beginner course HSC candidates. Because the main funding was cancelled or discontinued in 1996, those teachers have all had to carry on the lessons by themselves to the HSC level. That was impossible. Our teachers' language efficiency was not up to that standard. As you can imagine, there is no way an adult learning a new language is able to teach HSC classes in that language after two or three years training. That proved the government's failure to give us a long-term strategy there. Teachers could not offer HSC beginner classes. Some of them studied very hard at third-year university level, so they got teacher's qualifications and continued on to teach the beginners course and produced the candidates by themselves. After that, because of a lack of resources and support and only me there to support all those teachers, the teachers naturally fell through. I am talking about all these teachers at Wee Waa, Murwillumbah, Warialda and all those areas. They felt very lonely and left out. Teachers could not form the HSC beginner class.

The school needs more than eight or 10 students to form the face-to-face class. Therefore, those students have to learn through a distance education model, which students of all other languages do, but an education course like this was never developed for Korean. I do not want to attack my previous manager but, in those days, I mentioned the issue to my manager because all inquiries came from remote areas, and was denied support. Because of the Korean Olympics, parents and children wanted to know about the country in which they were born. They were very interested in learning their language. They wanted to contact their natural family and they were heavily pressuring me to provide lessons, but I could not. I told them to contact the Open High School but no-one recorded that. The rumour that Korean is a dying language came to me. That was a very distressing time for me until last year. I was so stressed out. I felt like I was sitting in the needle chair every day at my office.

Senator KIRK—Thank you for your submission. You mentioned the teacher exchange program and said that it has not been active since 2002. Is that correct?

Mrs McRoberts—Yes.

Senator KIRK—How many teachers were involved in this exchange program during the period 1994-2002?

Mrs McRoberts—It started in 1995. We had seven teachers on each side, so that each teacher had a counterpart. The Korean teachers visited Australia and our Australian background Korean language teachers hosted them and then, the following year, the Australian Korean language teachers visited their counterparts in Seoul. That was continued until 1998, when funding was completely stopped. Funding was restarted in 2001 and lasted a couple of years. In those days, the Korean government wanted to have 10 teachers exchanged, but the New South Wales department said it had to be limited to four teachers. Four teachers were exchanged for a couple of years.

Senator KIRK—Did the funding for that come from the New South Wales government or the Korean government?

Mrs McRoberts—It was funded by both governments. Four Korean teachers came to Australia. The air fare and whatever related costs incurred in Korea were paid by the Korean government. Once they arrived here, we provided everything, and vice versa.

Senator KIRK—You say that the teachers are Korean by nationality. When they were here, were they teaching the Korean language?

Mrs McRoberts—They were matched with Australian Korean language teachers in New South Wales. When the Korean teachers arrived here, they were matched with an Australian Korean language teacher and they gave them private tutoring in their language development. When Australian teachers arrived in Korea, they were usually learning the Korean language—that is why we were sending them to Korea, to develop their language skills—so they were surrounded by all these Korean-speaking people. The Korean teachers actively trained them to improve their language skills and the Australian teachers provided some English lessons.

Senator KIRK—Has there been anything similar by way of student exchange in the same kind of manner as the teacher exchange?

Mrs McRoberts—Student exchange has not happened until recently. It is happening now, which is very good. I am very happy about that, but it is not happening in terms of language exchange. Student exchange was initiated due to Korean students visiting here to learn English. At first, there was a homestay program, so they came here, paid their fee and homestayed. Gradually, that has developed and some high schools have seen that this is a good opportunity for our students to visit Korea and have a cultural experience. So in October of this year 120 New South Wales students are going to be visiting Korean high schools which they developed a sister school relationship with. I am very pleased about that. I am looking forward to expanding that. This has happened through private enterprise. It is not something that has been supported by the department.

Senator STOTT DESPOJA—In your submission you talk about some of the shortcomings of NALSAS—the Asian language program in schools—but would you support a reinstatement of that particular program?

Mrs McRoberts—NALSAS, as you are aware, is an abbreviation for National Asian Languages Studies in Australian Schools. It is an initiative of the Commonwealth government and funding for it was provided in 2002. Because whoever manages the budget is given the choice as to how to spend their money—I understand that includes the top priority Asian languages and Korean is one of them—I expected a lot. I expected a fair go from that funding. However, it did not happen. I went to my manager a few times asking about the project to be developed for Korea. However, every time it was denied, because of student numbers. So, if you are talking about numbers, there is no way we can produce sufficient student numbers. It is like the situation of a young tree: you have to provide a lot of water for it to grow. I have cried many times because there has not been much money to support a Korean language program, whereas for all other languages, it is easy to produce resources: very interesting CD-ROMs, comic CDs and online readers. When many project officers from those languages were actually working in my office, I was very lonely and cold.

Mr WILKIE—Following on from that, what programs could be introduced in order to encourage people to take up the Korean language, particularly non-Korean-speaking people? You have talked about how it is very hard to attract students. What could be done, if there were resources available, to attract people to study the language?

Mrs McRoberts—It could be done in a few different ways. First of all, teachers out there are struggling. They are always comparing what they have with what other languages have. Teachers are usually teaching a few languages: Korean, Japanese or French. They have all these resources for other languages, and when they try to teach Korean they have to develop and produce those resources themselves. They have to take them from other languages and make them up. It is very hard when teachers have to teach a few subjects, they see that Korean has very little whereas other languages have already produced resources. There are already very popular resources available. So teachers have commented many times, 'Why can't we have some comic CDs?' or 'Why can't we have some online readers? We do not have any. We do not have this; we don't have this.' I say: 'Don't complain to me. Just persevere with it.' But I commend the teachers who are still in the program, and I told them that we could develop a few very interesting resources to attract teachers and students.

Also, those teachers just fall through the system because we cannot ask them to come back. But we can provide some incentives to universities for teachers to be trained as Korean language teachers. High school principals cannot introduce Korean programs, because of staffing issues. Existing programs, however, take all the Korean students, and of course they would not let them go. Other project officers in my office were very sympathetic, and they told me: 'When I was at school I was under pressure to learn Japanese or else. They were told, 'If you don't learn Japanese, you won't have a job.' I do not expect that level of support for Korean, but at the state and federal level we need some sort of support, if Korean is of any importance to Australia. That was always very lacking. For instance, in the days when I saw the teacher endeavour program, Korean was still one of the top priority languages, but Korean teachers were not invited. That is why I went to my office again and mentioned that, and they said: 'This is not a state government issue. You go to the federal government and talk to federal people.' That is what they told me, so here I am.

Mr WILKIE—I want to follow on from that. My question is to you, In-Soon. I am from Western Australia. Obviously this is a program in New South Wales that we are talking about today, but I am wondering if the consulate has programs in any of the other states of Australia, particularly in Korean language studies. If they do, I would like to know how they are funded and whether the consulate is looking at trying to develop programs in consultation with the Australian government to get more people taught Korean languages.

Mrs Park—Because New South Wales has the biggest Korean population, it has about 18 schools that have a Korean program. That is our starting point in New South Wales. We also fund schools in Melbourne. There are six primary and secondary schools in Melbourne that teach beginning Korean. We are funding both parts now. But, if we get a result from the New South Wales government, we can expand our language consultant positions and other funds. But if we cannot get a result and I cannot make a good report to the Korean government, how can I get the budget from them? That is why this is very important.

Every year, the Korean government invites two educators—principals of Australian schools—to Korea to learn about Korean culture and to see how Korea has developed. There is a very low level of appreciation of Korea and Korean culture among principals. That has been running for more than five years now. We invite two educators—principals. Last year, we invited one teacher from primary school and one teacher from secondary school to learn the methodology of the Korean language. One educator, who is a Korean consultant, was invited to Korea also. But there is no funding from the Australian government and no effort made by them to send Australian educators, principals or teachers to Korea—nothing at all.

ACTING CHAIR—When we were in Canberra, the Department of Education, Science and Training indicated to us—and it is in the *Hansard*—that there are Australians studying in Korea under the Endeavour Language Teacher Fellowships.

Mrs McRoberts—No.

ACTING CHAIR—The department indicated to us that that was definitely the case.

Mrs McRoberts—I read that DEST comment in the *Hansard*. But as that does not apply to the New South Wales system I am not aware of it.

ACTING CHAIR—It would go through the federal system, because they are Commonwealth scholarships.

Mrs McRoberts—Yes.

Mrs Park—In the public notice for teachers to apply for that program, there was no mention of Korean, so how can it happen?

Mr WILKIE—I think they are two different programs. You are talking about trying to train people in Australia in Korean studies and language, whereas the program being talked about here is people going to Korea and studying. Given that obviously New South Wales has put some funds in the past into Korean language studies—and I am not sure whether the Victorian government have been putting any contribution into the program there—what contribution has the Australian federal government put into Korean language studies in Australia? If they have not contributed anything, have they been approached by the Korean consulate in order to try and get some funding?

Mrs Park—The Korean Ministry of Education and Human Resources Development had an MOU with the New South Wales government. There is no federal government initiative or funding program so we started with the New South Wales government. If we find any reason to expand, there must be some other relationship formed with DEST. For now, it is New South Wales rather than any of the other states that has the potential for a Korean language program. That is why they have the—

Mr WILKIE—You are running programs in Victoria as well.

Mrs Park—We do not run them. There are Korean programs there, so we fund them to encourage them. But we do not do that with the Victorian government.

Mr WILKIE—I do not want to put words in your mouth but, if the committee in its recommendations suggested that the federal government look at negotiating with the Korean consulate and with the Korean government about putting further educational programs in the Korean language into our schools, am I right in thinking that you would not be disappointed?

Mrs Park—Sure.

ACTING CHAIR—I have one final question. Mrs McRoberts, you have referred in your statements to interest in regional areas. I think you mentioned Warialda, Murwillumbah and Wee Waa. In New South Wales there are about 28,000 Koreans. How many of those reside in regional areas, as opposed to city centres such as Sydney, Newcastle and Wollongong?

Mrs McRoberts—In terms of student numbers?

ACTING CHAIR—You placed an emphasis on interest regionally, so I was interested to know the distribution of residence between cities and regions. If you do not know, that is fine; we will ask other agencies.

Mrs McRoberts—Initially we had a few schools in metropolitan areas involved with the Korean program. Mainly the remote areas were interested because of the competition between languages in the metropolitan areas. The teachers based in metropolitan areas already teach a few languages and they do not have much room to teach another language. However, some did, but gradually that fell through. Currently in Sydney there is one high school. There is also involvement in Wollongong and remote areas. It is more likely in remote areas because the language teaching method was provided by a remote distance education model, involving linking a modem to a computer.

Mrs Park—If you mean the number of community members, you can get some information about that. There are 40 community ethnic schools in New South Wales. Thirty-four are in the Sydney area, including Wollongong and Newcastle. The other six are regional.

ACTING CHAIR—Thank you very much. I think we are out of time, unless there is a pressing question.

Senator MOORE—The schools you have listed are all state schools. Are you aware of any private or other forms of schools that have any Korean language taught?

Mrs McRoberts—There are none at all at this stage.

Senator MOORE—None at all.

Mrs Park—In Melbourne there are two private schools.

Mr An—We have a couple of private schools involved in the open high school.

ACTING CHAIR—Thank you. As there are no further questions, may I thank you all for your attendance here today. The committee is very grateful for your submission and for your assistance. There may be some issues on which we need to seek further information or

clarification, so we will come to you about those once we have had an opportunity to examine the transcript. We will also send you a copy of the transcript of your evidence so that you can make any necessary corrections to errors of transcription. Thank you very much for attending today.

[10.16 am]

BAE, Mr William, Private capacity

KIM, Mr Young, Overseas Korean Traders Association

PAIK, Mr Sihyun, Overseas Korean Traders Association Sydney

ACTING CHAIR—On behalf of the subcommittee, I welcome our witnesses from the Overseas Korean Traders Association. 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 the committee to do so and the committee will consider that request. Although the 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. I ask you to make an opening statement in relation to your submission and then we will go to questions.

Mr Paik—This submission is about the development of the Australia-Korea economic relationship and is by the Overseas Korean Traders Association, which is abbreviated as OKTA Sydney. OKTA Sydney is a member of the World Federation of Overseas Korean Traders Association, which consists of overseas Korean traders around the world. It has more than 6,000 members globally and actively participates in local and international trading business. The aim and purpose of OKTA Sydney is to provide trade opportunities and related information to its Sydney members, by linking the worldwide OKTA network operating in 35 countries and more than 56 major cities, thereby contributing economic benefits to the local and national economies of Australia.

In Australia, we have three OKTA branches. One is based in Sydney, obviously, and the others are in Adelaide and Perth. There is a close relationship between the branches, which share trade resources; organise and stage various events such as exhibitions for trade opportunities; and offer education and training support on international trade for new Korean-Australian members residing as permanent residents in Australia.

I understand that you are all familiar with the statistics for trade between the two countries, but I wish to briefly highlight the current status of that trade. Australia's trading relationship with South Korea has developed rapidly over the years. The two countries now share a vibrant and complementary trading relationship, with Australia providing raw materials, primary produce and services to South Korea and importing finished products such as motor vehicles, telecommunications equipment and computer electronic goods from South Korea.

Bilateral trade last year was worth $14.1 billion, making Korea Australia's fourth largest trading partner. South Korea was also Australia's fourth largest export market in that year, ahead of the United Kingdom, Singapore and New Zealand. We remember that at one stage Korea was ranked as the second largest export market after Japan in the early 1990s. Today, Australia is South Korea's seventh largest trading partner and sixth largest importing source, accounting for 3.3 per cent of total imports to Korea. Australian exports to South Korea last year totalled $9.2

billion. The top five export items from Australia in 2004 were coal, crude petroleum, iron ore, non-monetary gold and aluminium. Also, wheat, beef and sugar are the top agricultural exports.

I want to give a brief example of the role of the small individual traders who are residing in Australia as business people. Although the majority of imports from Australia were from major firms or conglomerates of Korea, it is interesting to note that the initial road was paved by small or individual Korean-Australian traders in Australia. Such activities are particularly prominent in the exporting of primary produce, including beef, seafood and fruit and vegetables. Last financial year, for example, the export of chilled beef to Korea reached over 8,000 tonnes, 36 per cent above the previous year. The total value of Australian beef exports to Korea for the last financial year reached $350 million and totalled over 75,000 tonnes. This is one good example of the importance of the role of small traders in Australia.

An example of this can be found in a contract regarding chilled beef imports. Daesang, a Korean food processing giant, signed an agreement with Meat and Livestock Australia to use Australian beef—14 different products of 2.4 million packs to be displayed in the major department stores. There are two important roles of Korean-Australian traders in this particular deal; we have two lessons.

Firstly, the deal was initiated by Korean-Australian traders, and they played a crucial and decisive role in convincing the Korean importers about the quality of Australian chilled over US beef. Secondly, they paved the road to introduce Australian chilled beef in a market that was once dominated by US beef. Previously, Australian beef imports were mainly frozen beef, due to the fact that they supplied the relatively cheaper beef market segment and people were negative about the quality of imported beef from Australia. But this image was gradually changed over time through the importation of small quantities of chilled beef by small-scale traders in Australia. They actually did the marketability tests on Australian chilled beef before there were was a major demand for Australian chilled beef. That is a good example of the role of Korean and Australian traders.

I have just presented one example—the exportation of Australian beef to Korea. But in fact there has been such an effort that activities are not just expanding to primary producers but covering a wide range of industries. Despite the dominance of these primary resources amongst Australian exports to Korea, other opportunities exist in a diverse range of sectors, including automotive, biotechnology, building and construction, dairy, defence, fruit and vegetables, information and communication technology, seafood, textiles and clothing, wine et cetera, to name a few. All these areas may be exploited by large-scale firms or at government level, but they may also be exploited by smaller operators. Currently, individual traders in Australia are actively engaged in an effort to introduce related goods and services to Korea. Again, this initial study is particularly important in terms of testing the marketability of Australian goods and services in Korea.

In the services sector—and education was presented previously—Australia has been particularly successful, with Korea and, secondly, China as sources for overseas student enrolments in 2004. According to unofficial statistics, it is estimated that there are more than 15,000 Korean overseas students currently studying in Australia, predominantly in Sydney. There are short-term stayers, whose stays are as short as maybe a few weeks, and longer-term stayers, who stay as long as four or five years. We want to emphasise this point because many

people are saying this: the fact is that selling one Holden Commodore to Korea is not as easy or as profitable as bringing one overseas Korean student to Australia. Education is sold to these students and they are brought to Australia by individual educational agents selling and advertising an Australian educational product to Korea.

The traditional market is North America, which is the destination for more than 85 per cent of Korean overseas students. Interestingly, this traditional one-way direction has been changing for a number of reasons, including terror related issues, the local crime rate, local people's acceptance of overseas students, natural disasters and so on. The terror related issue is becoming a very big one in the choice of a final destination for overseas studies. There is one example of a safety issue—and this is a true example—that could adversely and severely affect the marketing of Australian education. There are numerous cases of attacks on and robbery of Korean students in the inner west suburbs of Sydney—in Strathfield in particular, where Korean students are highly concentrated. The problem is that they feel they are not well protected by local police. It is time to see overseas students not just as cash cows for Australia's businesses. We should provide services which are appropriate in selling our products to these students. In this way, in the long run, we can build such a positive image of Australia that traditional destinations might be changed from the massive US market to Australia.

In the investment sector, Australian investment in South Korea totalled $2.6 billion as at 31 December 2003. Korean investment in Australia totalled $670 million, of which $495 million was indirect investment. Reciprocal investment to Australia is currently attracted to residential and commercial properties. This, again, is not promoted at the government level but by small Korean business operators in Australia who are representing the large property developers of Australia and Korea. It can be easily seen that, these days, many overseas students purchase their residential properties even before starting their studies in Australia.

I want to look briefly at the agricultural sector of South Korea. South Korea's agricultural sector, among others, is particularly sensitive. As a result, the tariffs on agricultural imports tends to be very high. South Korea is engaged in the Doha Development Agenda of the WTO's negotiations. That aims to reduce tariffs on imports, including those in the agricultural sector. South Korea's agricultural sector is currently undergoing gradual structural reform to increase its efficiency and to allow it to compete with imported produce, and so I want to focus on the agricultural sector. The one area that Australia needs to pay attention to is its agricultural exports to Korea. There are two factors which will play key roles in its success in the area of agricultural exports to Korea. Firstly, the collective bargaining power of the Korean farmers federation will affect the direction of government policy on sources of imported agricultural product. Secondly, in a global sense, Australian agricultural exports to Korea will face fierce competition from the rest of the world. Inevitably, we will see more cost-effective primary produce being imported from South-East Asia and South America. Obviously, heavily subsidised American primary produce will be imported as well. It is time to analyse more seriously the impact of competition on Australian produce in Korea.

So far, joint cooperation has developed between the two countries for trade and economic purposes. There is an agreement on cooperation in the field of energy and mineral resources. An Australia-Korea Ministerial Joint Trade and Economic Commission has been formed and an Australia-Korea Broadband Summit has been established. There are a number of trade success areas for Australia, and one of them is energy and utilities—liquefied natural gas. The wine

industry particularly is booming in terms of exports to Korea. That industry's exports to Korea double every year. Motor vehicle engines and components are also booming. We should remember that the Holden engine company made the largest ever contract in Australia's manufacturing history with Daewoo Automotive in Korea, and now that is under the control of General Motors. Also, we can look at the business and furniture sectors, automotive equipment, pharmaceuticals, tourism and education—I do not need to mention this area any further—and liquefied natural gas supply. This last is the key area that the Korean government wants to secure, in an effort to supply stable energy to its industries. It has already invested in western African nations such as Nigeria, in Indonesia and in the Middle East for crude oil exploration.

With such a business environment established and enjoyed mainly by the large-scale firms and conglomerates of the two countries, we believe that the small and medium-sized firms in Australia may capitalise on the positive trend of this growing market, by identifying other areas for trade that could be developed by individual traders. For the improvement of the relationship between the two countries, OKTA Sydney wants to recommend a further few areas. First, we need to continuously identify other areas for trade. We are currently limited to a few areas by large-scale firms such as those mentioned before. This is very important, because it will motivate more people to participate in trade business connecting the two countries, and that will increase if they feel they are being supported by the Australian government.

Also, cultural and sports marketing is one of the areas to be focused on. I will give a few examples. Korean film-makers, for example, now use New Zealand for film-making, taking advantage of its natural environment. According to sources, they jointly set up drama schools to accommodate student demand from Korea. Obviously, this area could be more capitalised on by Australia. In addition, professional sports teams such as baseball teams in Korea come to practice during the off season—the winter. This year more teams, including high school teams, have already booked their off-season practice and are staying in Australia. We need to vigorously conduct market analysis, because there is one good example where a contract was lost due to a lack of market analysis. That was the failure to export LNG to Korea because Australia quoted too high a price at that time.

Regarding an FTA with Korea, we need to study how such an agreement would impact on small-scale exporters and traders in Australia. There are a lot of opportunities to combine Australia's R&D skills with Korea's power of commercialisation. This is a very interesting area. I have personally received a number of inquiries from Australia's R&D companies.

On the issue of supporting Korean traders in Australia, at OKTA we have successfully staged the next generations trading school, which was heavily subsidised by the Korean government. That was held four years in a row. As far as I understand it, the Korean government has seized the advantage of fully utilising the experienced Korean Australian people in Australia in order to foster and develop more trade between the two countries. Feasibility studies for an Australia-Korea joint research centre for trade are now under consideration. This is led by a number of academics. In Australia, Dr Joseph Yoon from the Department of Industry, Tourism and Resources is networking 105 OKTA branches around the world with OKTA in Sydney.

We have no doubt that the future Korean economy will be greatly affected by North Korea and, in turn, that will possibly affect Australia's mineral exports to South Korea. The impact depends on the speed of economic reform in North Korea. In manufacturing, North Korea is

using cost-effective labour and natural resources. This should be reviewed carefully. More than 90 per cent of natural resources and mineral deposits are located in North Korea, including iron ore, zinc and coal.

Korean Australians are more freely engaged in establishing business connections with North Korea than South Koreans are, due to political sensitivity. Where Korean Australians have an established business relationship with North Korea, we can take advantage of their knowledge of, and experience with, North Korea. In conclusion, I request that the Australian government more vigorously capitalise on Korean Australians—and maybe mobilise them—to pioneer the Korean market.

ACTING CHAIR—We have limited time for questions, but you have given us a lot to talk about. Let me start with one of your final points. You indicated that we should carefully review engaging with the DPRK. I think you said that that would be dependent upon the speed of reform there. What is the feasibility of that and do you think that is impacted at all by yesterday's announcement as a result of the six-party talks?

Mr Paik—I do not want to talk about the political aspects of what has been developing on the Korean peninsula. It is inevitable that North Korea will gradually open its door to the outside world. Already a number of my colleagues in Australia are opening the door on North Korea. They have set up their own business entities in North Korea. Their goal is to capitalise on the relatively cheaper labour and natural resources in North Korea. I think it would be advisable to use that as an initial step; from Australia's point of view, it would be very beneficial.

ACTING CHAIR—Will OKTA be encouraging its members—who, as I understand it, are Korean Australians trading in Australia and exporting—to engage with and pursue relationships in the DPRK?

Mr Paik—Yes, we do. But we cannot leap forward in a short period of time; it takes time to build a road.

Senator STOTT DESPOJA—I am interested in your comments about education services, particularly support for overseas students studying in Australia. As you know, there is a perennial debate about whether we use overseas students as a cash cow and whether we supply appropriate services. Can you elaborate on what you mean by 'providing services'? Are you talking about bridging courses or other forms of assistance? You mentioned security issues, which was quite alarming. Are we talking about very basic safety and security, or are we going beyond that and right through to support with study, housing or what have you? I am not sure, and that is why I hope you can specify what you meant by that statement.

Mr Paik—I may not be in a position to answer, for example, the specific details of the educational product, but one of the major concerns of overseas students these days is safety related. As I just mentioned, before they choose their final destination for overseas study they seriously discuss how safe a place it is. There have been a few instances of robberies and attacks on overseas students—on Pitt Street in broad daylight, for example—which have had a big impact. A number of Korean students decided to shift to other parts of Australia. Sometimes they just pack up and leave this country. That is currently happening not just in Australia but in other

parts of the world, such as the United States. In order to track down more students from Korea, the Australian government definitely should pay more attention to improving safety issues.

Senator STOTT DESPOJA—So that is a general comment on security; it is not a security issue specific to Korean students. There is no particular threat or security problem for Korean students per se. It has just had an impact on the market generally. What would be the next destination of choice? You said the US is also affected by some of those issues. Where would Korean students go?

Mr Paik—Australia and Canada are always neck and neck in competition. Maybe it is just traditional that they prefer North America to Australia as their final destination. However, as I mentioned, it is very interesting to note that the effort from the private sector and government assistance, like the overseas development plan, as I understand it, caused students to rethink studying overseas—that they could go not just to America but maybe head towards Australia as well. This is a mass market; there is no doubt about it. If we shift the direction of maybe 10 or 15 per cent to Australia, that impact will be enormous.

Mr WILKIE—Firstly, if overseas students wanted to come to Western Australia in particular, Curtin University in my electorate would welcome people with open arms. The more people that would like to come and study at Curtin the merrier. Apart from that, Western Australia has a very good football team, as we are going to find out all about on Saturday, when we sort out the New South Wales people. We heard evidence in Canberra about issues around Australian and Korean businesses communicating with each other, particularly with regard to internet speed and the difficulties that businesses here have in downloading information quickly, especially software. That has been a problem when trying to trade in that R&D technology area with Korea. Has trying to get very good high-speed internet access in Australia been a problem for your members?

Mr Paik—When I visited Korea some time in September last year I did not see people using the telephone line for the internet. Australia is still using the telephone line for internet access. I think that fewer than 30 per cent of people are using broadband or ADSL. So, in terms of utilising internet facilities to develop electronic commerce, I think this is the area that needs attention. We definitely need to improve internet facilities in Australia. Most visitors from Korea find that internet facilities are quite behind in Australia.

ACTING CHAIR—I find quite interesting the aspect of cultural marketing you discussed in your submission and also in your comments this morning. We had a witness in Canberra who was keen for a soccer led marketing engagement between our two countries, and you suggest baseball, so we have all options covered. What particular aspects of cultural marketing do you think we should expand on between our two countries and what are the most effective ways of doing that? One of the issues that has come to the fore in our discussions has been an inadequacy of cultural understanding—particularly on Australians' part, of Korea—and we are interested in how we might go about addressing that.

Mr Bae—I would suggest that the Korean market does not generally know very much about Australian culture. That is the main point I can suggest. I know the federal government have already established that they need to be more conscious about the people of Korea—as opposed to the government of Korea—so that Koreans can individually understand the Australian people.

It is much easier to get closer to other people when it is human beings understanding each other rather than government structures dealing with government structures.

ACTING CHAIR—People to people.

Mr Bae—That is it. It is a security measure and it is educational. Security was mentioned. There is the issue of security behind this—understanding each other's customs. I will give a simple example. Koreans drive on the right-hand side of the street. In Australia cars have a different way of going. A couple of months ago a Korean student had an accident in the middle of Liverpool Street and she was dying. That was on the internet—on the broadband—in Korea. Even in primary school the students there saw the day's news information on this. People were shouting out. What happens if a Korean student is dying on the street? The big issue is that we do not understand what the Australian people are like. That is the main point—to introduce Australia to the people of Korea.

ACTING CHAIR—You also made an observation in your submission about supporting Korean traders in Australia.

Mr Paik—That is correct, yes.

ACTING CHAIR—Can you clarify that for me. I do not know whether you mean support for Korean companies trading in Australia or for Australian companies exporting to Korea. Which way are you going there?

Mr Paik—What I mean by supporting Korean traders in Australia is paying attention to those individual traders and also the chamber of commerce or OKTA, the Overseas Korean Traders Association. They put a lot of resources and energy into introducing and advertising Australian products and services to Korea. One example I have mentioned is that we organised the Korean trading school. That was held last July for 2½ days and was heavily subsidised by the Korean government. The reason that they supported and subsidised that event was that they want to capitalise on the work, experience and knowledge of Korean Australians to sell more products from Korea to Australia. The reciprocal way is also available to OKTA Sydney. By getting support from the Australian government, we could stage exactly the same kind of trading school. We are encouraging and fostering this to develop and sell more Australian goods and services overseas—not just to Korea.

ACTING CHAIR—As there are no further questions, I thank you very much, gentlemen, for your assistance here this morning. We are very grateful for your submission and your remarks. There may be some issues on which we need to come back to you to seek further information or clarification, and the secretary will contact you if that is necessary. We will also provide you with a copy of the transcript so that you can make any corrections to errors of transcription if there were any.

Proceedings suspended from 10.50 am to 11.00 am

MOULIS, Mr Daniel, Lawyer Assisting, Australia Korea Business Council

SHIELDS, Mr William John, Chairman, Australia Korea Business Council

WOTTON, Mr John Sadler Anson, Executive Director, Australia Korea Business Council

ACTING CHAIR—On behalf of the subcommittee, I welcome the representatives of the Australia Korea Business Council to this hearing. 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 consider your request. Although the subcommittee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and as such have the same standing as proceedings of the chambers themselves. Before we begin with questions, we would like to ask you to make an opening statement, and I am sure that will stimulate my colleagues' interest.

Mr Shields—I have a brief opening statement I would like to make, to put into context the submission you have before you. The Australia Korea Business Council, as you can see from the submission, was established with the specific purpose of enhancing the scope for trade and economic cooperation between Korea and Australia, as well as the scope for further investment between the two countries. Over the period we have been operating—the last 26 years or so—there is no doubt Korea has been a major trading partner of Australia and, in fact, our fourth largest overseas market.

Our members, which currently number 27 amongst the corporations of Australia and nine smaller business and individual professional members, account for 80 per cent of Australia's exports to Korea by value. They cover most of Australia's leading resource companies and most of the companies in Australia that dominate financial and other services, as well as some non-government and government organisations, such as Austrade and Meat and Livestock Australia, and we have a few Korean companies working in Australia, such as Hyundai Motor Company, as members.

Basically, we seek to achieve our aims through providing opportunities for dialogue between leaders of the business community. The focus of these discussions will change over time. This is determined in cooperation with our counterpart in Korea, the Korea-Australia Business Council, as well as its support through the Federation of Korean Industries. Our members determine the focus of what we do. In recent years we have been focused most importantly on identifying challenges to the relationship and opportunities for expanding in both trade and investment. This has occasionally led to other things you have seen in your submissions—for example, the broadband summits flowed out of an initiative from the joint annual meeting of the business councils.

It was against this background that AKBC's submission to this inquiry developed. The idea of looking at the role of anti-dumping within Australia's trade with Korea was first raised by the Minister for Agriculture, Fisheries and Forestry, the Hon. Warren Truss, in his opening address to our joint annual meeting in 2003 in Queensland. It was in fact our 25th, or quarter-century, anniversary meeting. He suggested, amongst a number of things, that an industry dialogue ought

to be established on the anti-dumping issue. As a result of that, both parties to that joint annual meeting agreed to take up this suggestion. We developed a discussion paper with the help of our corporate member Freehills, and particularly Daniel Moulis, who has had wide experience in this area, and we submitted that to the following year's joint meeting in September 2004, held in Seoul, Korea.

It was from that basic process that this submission has arisen. In the eyes of some the submission may appear to be narrow in focus as opposed to our overall aims as a business council. However, we were mindful of two things in doing this: firstly, the fact that the committee would have before it other submissions which would more than adequately cover existing trade and investment relations with Korea and Australia and the history behind that—and we have seen that some of our members have made those submissions—and, secondly, the fact that in recent years there is no doubt that this has been a sensitive issue amongst our Korean counterparts and in the dialogue we have with our Korean corporate members who are involved in this process. That, we believe, has the potential to have a negative impact on future relations and the expansion of our existing relations with Korea. Against that background, we are happy to answer any questions.

ACTING CHAIR—Thank you very much. Mr Moulis and Mr Wotton, do you wish to add anything at this point?

Mr Moulis—I would like to make a short opening statement.

ACTING CHAIR—Please do.

Mr Moulis—I appreciate the opportunity which has been given to me by the council and also by the committee to come here and assist with your deliberations. The submission is fairly clear and quite detailed, so all I intend to do in this statement is to recap on some of the basic propositions that are set out there.

Firstly, by way of qualifying myself, I am a lawyer and have been involved in anti-dumping proceedings and trade regulation proceedings for many years. I have some comparative understanding of the way systems operate in other countries as well. In the case of Korean companies involved in Australian proceedings, Freehills has represented Hyundai Petrochemical, Daewoo Electronics, Samsung Electronics, Hyundai Hysco and Lotte Daesan Petrochemical.

Our submission makes the point that Korea and Korean companies are subject to more dumping notices and more current investigations that any other country, so obviously it is a matter of both interest and concern to them. In this context, procedure, fairness and transparency are critical, because the commercial interests of Korean exporters are adversely affected, as are the interests of Australian importers who are relying on Korean products. They want to know that they can present their views, understand the case that is being made against them and be heard, so due process and the perception of fairness in anti-dumping proceedings and decision making are always important.

The submission suggests that material injury claims made by Australian industries, and the necessary causal nexus between dumping and such injury, should be more openly contestable. It highlights a few areas where different approaches by the investigating authorities would make a

difference—would increase, say, the degree of comfort that Korean exporters feel, when they engage in the process, that they know the case and are being given a fair go to put their point of view.

The second important request is a request for debate and relates to the question of what is in the wider national interest—whether the national interest should be a factor which is taken into account when deciding whether to impose dumping measures and, if so, what processes might apply in taking that into account. The council thinks it should be.

The submission also mentions the community interest test in European investigations, which permits consideration of the wider costs and benefits of taking anti-dumping action. Also, competition policy is largely absent from material injury findings in Australia, which focus on the impact on the Australian industry, which is competing with the imports itself. The submission suggests that competition policy is an important aspect of economic regulation in Australia more generally and asks why it should not be considered to be relevant in the specific circumstances of dumping matters. Whilst not mentioned in the submission, Canada's competition authorities, for example, have a right of intervention in dumping investigations in that country, so there we see a recognition of other policies and other investigative authorities and policy makers getting involved in decision making in anti-dumping. That is all I wish to say by way of an opening statement. I hope that we can respond adequately to your questions, either immediately or by way of follow-up. Thank you very much.

ACTING CHAIR—Thank you very much, Mr Moulis, and thank you very much to the council for its submission. I must say that I have participated in a number of anti-dumping legislative inquiries over the years and found it a challenging area to understand, but your submission is extremely helpful. I do not know whether that says more about me or about your submission!

One of the questions that I wanted to ask you is about the reference that you make on page 8 of your submission about what you regard as a disproportionate number of Korean exporters who are involved in these anti-dumping cases. Customs, in contrast, say that their assessment is that it is 17 per cent, and that that number is proportionate to the amount of trade we do with the ROK. How do you contrast that with your observations and is there more information you would like to give the committee in relation to that aspect of the discussion?

Mr Moulis—I looked this morning at the number of goods in respect of which anti-dumping duties have been imposed which come from Korea, and I think out of 26 there were nine product groups which were coming from Korea; the next most numerous was China, with seven, and I think it went down from there. In terms of current investigations, off the top of my head I do not know the number—I think it was around 12 or 13—but there were four which involved Korean companies, and that was more than any other country. So, whether it is or is not disproportionate, there certainly are more Korean companies involved in anti-dumping investigations than any other country.

The other point I would like to make about impact—and perhaps this is not the best sort of analogy to use—is that it is a bit like saying, 'The road toll's gone down.' It is very important to the families of people involved, say, in an accident on the road that they were affected. So when we look at impact on, say, Korean companies, it is very important to those companies in terms of

their commercial trade with Australia. It increases their entry price into this country. It might put them out of the market altogether. So I do not think that talking about overall significance detracts from the main point, which is that it is significant to individual Korean companies and to Korean exporters.

Mr Shields—I just want to add a comment on the broader issue that you raise, which I think is the nub of the issue from an economic perspective. You cannot measure the impact of anti-dumping, whether it involves Korea or any other country, just by looking at the proportion of cases that might be held. That will fluctuate over time, and there is no doubt that when we submitted this paper to you the figures were right and there was a disproportionate focus, as Danny has said, on Korea. Nor can you take what I have seen mentioned as the amount of duty levied relative to trade as necessarily an indication of the impact.

I think we have learned over time from a number of these areas of trade intervention—for want of a better word—that the broader economic impact is something you have to measure across the economy as a whole. Some of our members have spoken out about this in the past but I think it is best represented, as we say in the submission—we do not go into detail, but we highlight it—in the recent Productivity Commission report. They talk about what we might call loosely the 'ripple effects' of the impact of imported goods on other industries, consumer products and of course the lack of competition, more broadly speaking, that can come from intervention in what are very key and specific growing areas, most recently consumer durables but also industrial inputs, including chemicals. So we want to be very cautious when we measure overall impact, and I think our experience tells us that it is likely, in time, to be greater than just these initial measures of proportion of trade, amount of duty raised relative to value of trade et cetera. The ripple effects, or the second-round effects, are critical.

ACTING CHAIR—Mr Moulis, you made an observation about the Canadian situation, in which I think you said that the competition regulator in Canada is involved in an assessment of these situations. That flows directly from the observations about the Productivity Commission findings on that point. How would that enhance the process in Australia, in your view, if that were to be the case?

Mr Moulis—Could I hand over to my economist friend on that point?

Mr Shields—Process, as such, I think you can argue about—it is a grey area—but the bottom line of our submission is very straightforward. We believe that process and the effectiveness of process is enhanced when there is transparent and open debate. The detail is in the submission. In a sense, at the moment, it is effectively what I might loosely term 'in house' throughout the process. There may be perceptions that arise as a result of that that are not right, and there may be perceptions that are right. We make that point in our submission. But the bottom line is that many countries—not just Canada; we quote the United States and other countries in our submission as well—recognise the need for open debate somewhere in the process: at the review stage, at the process of investigation or at the point of challenge, be that judicial or non-judicial. That does not exist here except in very limited cases, and we believe that process would be enhanced significantly if we had a more effective and openly transparent process.

ACTING CHAIR—One of the other issues you raise I suppose I would describe as perhaps apprehended by us in relation to the role of Customs, where it can potentially become an

advocate for parties in the process. Would you like to make any further comments on that? Back to the lawyer, obviously!

Mr Moulis—Yes. I think it is only a perception, but perceptions are important. I guess the situation changes with the policy indications that are pressing down upon Customs from above. The particular example that we highlight in relation to steel was taking place at a particularly interesting time where international steel supply was quite high, but you can see in that example where these political influences do lead the fact-finder, the body that is making recommendations, to be perceived to have some bias, because it is quite openly stating that it works with the Australian industry to get its complaint up and running. I think that is an extreme example. In that particular instance there clearly was this perception of bias, but I want to make it quite clear that there is no actual bias mentioned in our submission at all, and that is not—

ACTING CHAIR—Thank you for clarifying that.

Mr Moulis—That is not being said at all.

Mr Shields—I think perception here needs to be dealt with cautiously. We have in mind perception from two angles. That may not come out of the submission in black and white. Perception on the Korean side is clearly important, there is no doubt, because of the sensitivity they see in this issue and the impact in more realistic terms that might have on future plans for access to the Australian market, for expansion in investment and for trading and business relations in Australia. But I think there is also an issue of perception in Australia—that is, a perception amongst industries and businesses in Australia of what they might be able to obtain or seek through relief via the anti-dumping process. That may not always be in accord with what the process actually intends.

Senator KIRK—Thank you for your submission. In its submission, the Customs Service claims that it uses transparent WTO consistent methodology in assessing these matters. I do not know if you have had the chance to read its submission, but I wonder how you might respond to its claim in this regard.

Mr Shields—I have not had a chance to read their submission.

Mr Moulis—I would like to respond to that. Perhaps I can do it in two ways. First, I would say that the processes that each country puts in place are, I guess, reflective of its own due process administrative law regimes. It is not just a question of saying that we should do exactly what the WTO says we should, because the WTO obviously is broad and generalised in the rules that it has in place. I think the question is: what is suitable for our conditions and what should we do given our common law heritage? In that regard, if you look at the comparative practice of, say, the United States, there is a very strict process, involving timetables for the submission of information and administrative protective orders for the confidentiality of information, which allows counsel for the opposing parties to see the evidence which is being presented. In Australia there are very strict rules about confidentiality, so often you are arguing in the dark, as it were, as to what the true position is. It is very difficult to argue your case.

Second, there is also a more adversarial or open public hearing process in other countries, where representatives of industry get to stand up on their feet and put their point of view as to

what is going on and the injury that is being suffered. I think what we are looking at here in terms of our own heritage is WTO plus what is good for us in terms of procedures. I think exporters, and not just Korean exporters, certainly would see some benefits if there were to be these open procedures. It is not easy for Customs to suddenly transform what they do and do something which is technically very different. I think it does require fairly wholesale revision of the rules of our procedure. They are doing what they are expected to do under the legislation.

Senator KIRK—I noticed there was an anti-dumping authority that was abolished in 1999. I wonder what your views are in relation to that and whether or not that provided sufficient independence, openness and due process—the sorts of things you are referring to now.

Mr Moulis—The anti-dumping authority certainly did put in place a check and balance. It was a two-stage process. The Customs Service did most of the fact finding and took the consideration to the preliminary decision stage. After that it would hand it over to the anti-dumping authority. The anti-dumping authority did not have in place the sorts of technical procedures that I have mentioned, but I certainly think they did bring a different approach and view and a fresh attitude towards the issues, specifically focusing on material injury and industry issues. So I think that it did make a difference in those days.

Mr Shields—I would add a comment to that. What we have in this submission is two strands, effectively. One strand is process and issues associated with process, such as transparency; and the other strand is more the broader issue of the true economic impact, if you like, of this process—not just on Korean companies exporting to Australia or wanting to expand business here but also on Australian companies dealing with them and wanting to expand business.

So what I would say in answer to your question is that there may have been past models which could satisfy both, but I would not be trapped into thinking that that is the only case. I would look for a model—and that may still need some investigation—which effectively combines the requisite economic and business skills, if you like, in assessment with satisfying the issues of process and transparency.

Senator KIRK—Do the American or Canadian models do that? In other words, do they address the two issues that you are mentioning—the process as well as the economic impact?

Mr Shields—From my perspective, from what we see and what I understand of those models, on the process side it goes towards what we are arguing in a number of aspects, perhaps not exclusively. It is very hard to know whether it gets there on the economic side, to be honest. But Australia itself has a lot of past experience in looking at issues of intervention in trade matters. We have good experience that can be brought to bear not just through people like the Productivity Commission but potentially other bodies. We mentioned the ACCC not because we have any particular brief for it but as a possibility that it could be utilised in this context as well.

Senator KIRK—Thank you.

Senator STOTT DESPOJA—Despite the temptation to ask you about anti-dumping—and I am very mindful of one of your main recommendations on supporting the Productivity Commission and the idea of an independent review—I want to take the opportunity with the business council in front of us to ask your views of what is quite an historic decision in the last

24 hours in relation to North Korea. I understand that this is not within your purview, if you like, but I am just wondering what the opportunities or implications are of the outcome of the six-party talks—partly because, as my colleagues and I would talking about earlier, it is quite amazing announcement. I am wondering what that means in terms of our business relations or the particular context you are dealing with. Is there an opportunity?

Mr Shields—I do not want to duck the question, so I am happy to give it an attempt, but I must introduce my answer by saying that I am an economist with modest or moderate experience in Korea-Australian relations. If I had have brought our deputy chairman along, who is a long-time diplomat with long-standing relations with Korea, he could probably have given you a much better response on the North Korean issue.

From our members' perspective, by and large this is a positive—there is no question. In the past we have not really discussed North Korea in our meetings in great depth. The reason for that is pretty obvious: it has been very difficult to find people who can speak consciously and comprehensively about it, to understand where we are going into the future and really talk about the opportunities in the environment we had prior to last night. Now, if last night's announcement, as I saw it, is correct and it is delivered and followed through, then, like many of the Korean companies we deal with, some of our members—most of our members, perhaps—would see enormous opportunities in the north in time. There could be great cooperation in the resource area, there could be great cooperation in the agricultural area—including the development side, not just simply exporting from Australia. A lot of our 'newer' members, if that is the right word—members in the last decade or so—are more in the financial services area. I think you have already mentioned that a highlight of that is Macquarie Bank. They would be interested but I think that interest would come in my own judgment with considerable time. This is a very undeveloped infrastructure in the north. You are more likely to see development in the resources and agricultural areas in the first instance, but there is no doubt that quite a few of our members would be strongly interested in opportunities.

ACTING CHAIR—Not that we could persuade Macquarie Bank to be a witness.

Mr Shields—Macquarie Bank, of course, along with all our members, signed off on our submission, so to speak, and the discussion process—

ACTING CHAIR—I will take that as read, Mr Shields.

Mr Wotton—If I may just add to what Mr Shields said, I think this is small step in a longer path to a result which hopefully will be of benefit to business. It really will depend on what America, China and the other countries have given to North Korea to see whether developments will occur there. We have a while to go yet to see what the result is going to be, but it is certainly very positive step, as Chairman Shields says.

Senator STOTT DESPOJA—That is a good point about the other countries. I noted the words of our foreign affairs minister when he talked about Australia being keen to provide assistance, whether it is in relation to energy, resources or what have you. I am happy to have this question taken on notice if it is something you would prefer to deliberate on. What is the next step for the business council? Do you have to take into account changes, or make an

overture? What is the next step in trying to capitalise on some of these issues, albeit with a very long-term focus?

Mr Shields—That is a very good question. 'Capitalise', however, in the scheme of things is very early. The first stage for the business council, assuming our members want us to have a role in this, is to identify opportunities and perhaps challenges. The second is to help evaluate or more broadly speaking facilitate those opportunities if we can. The opportunities will only come, however, if the agreement that we saw last night is delivered on. The first step in that process that is going to be critical is how the Republic of Korea handles the rapprochement with the north and how that is then translated into business relations between the south and the north. We have seen some tentative areas of business relations develop between South Korea and North Korea but in the previous environment that was naturally limited and, in my judgment, was always going to be naturally limited. The real challenge, a little like two decades ago when we integrated East Germany and West Germany, is to come. That itself will set the scene for what Australian companies can do going forward.

In a number of Australian companies we have a very effective base now. When I say 'facilitate' their operations, most of our leading members are now based in the Republic of Korea and have very strong bilateral programs of interaction with Korean business counterparts, Korean government and Korean bureaucracy and that is a great base on the ground to assist going forward, including with the north.

Senator MOORE—We have had evidence this morning about concerns about education opportunities within Australia to learn about Korea and specifically to learn the Korean language. Is there any role for an organisation like yours in promoting cultural exchange and, most specifically, education? It did sound quite negative in terms of the commitment to basic language exchange.

Mr Shields—That is also a good question. Like all organisations, to a certain extent we are trapped by our history. The business council is a specific business-focused council that grew up over the last 20 years to facilitate business relations. There are other bodies to facilitate and help with things like cultural and educational exchange, et cetera. Inevitably there are overlaps. The business council for its part has a fairly comprehensive view of the development of relations with Korea over time. We would be more than happy to find a way to assist. I do not think that in the education area that is likely to be particularly large or broad based, to be frank, but it could be specific in some instances—helping with individual access to educational facilities or encouraging educational relationships.

One of the hats I wear these days is at the Macquarie Graduate School of Management. We have not done much with Korea; I have never understood why. There is an awfully strong role, potentially, for Australian graduate schools to do more business with Korea in both facilitating Korean education here in the business area and in South Korea. We have to overcome what I see as a strong cultural and historical view in Korea that the way to get this education is in the United States and not Australia. We can compete successfully in quality and we can compete very successfully on price. These are challenges with which the business community could help but they are interlinked with those sorts of business schools. More broadly speaking, no, it is for other areas to handle—the Australia-Korea Foundation and perhaps others.

ACTING CHAIR—Mr Shields, when you were making your introductory remarks you said that one of the roles of the council was in identifying both challenges in and opportunities for developing the business relationship—to paraphrase your observations. In the process of identifying challenges, obviously one of the large ones you have come up with is the substance of your submission. What other challenges have you identified?

Mr Shields—One of the challenges that our members would see for Australian corporations in dealing with Korea is the need for more comprehensive and perhaps—in my own personal view—more aggressive deregulation in Korea in the financial and broader services area. We have a number of members who feel that they have a lot to offer Korea. Our experience in Australia is, quite frankly—not just in my opinion but in that of many other commentators—unique around the world in financial and general services deregulation, corporate law and other things. In these areas—financial services, governance, accounting services and legal services—we feel there is a lot of scope for Australian corporations to provide assistance and do business with Korea, but we need some deregulation in Korea of a number of current restrictions, for example, on law firms operating within the country. Accounting firms may also have greater scope to operate. That is one great challenge we have on our side in talking to our Korean counterparts.

Another challenge has been identified in our recent work. We had a roundtable discussion about 12 months ago, or a bit longer, identifying investment opportunities between Korea and Australia. There is no doubt that it has been difficult for some Australian corporations to invest and do business in Korea because of the nature of the culture, regulatory restrictions and/or, as they would see it, frameworks which are not really helpful or conducive to their business. The case in point would be Coca-Cola Amatil, which is well on the record. Unfortunately, they are now seeking to divest from Korea, as I understand it. That is another area where we could see an opportunity for the business council to promote greater access for our companies into the Korean market. This is on the back of what is a well established and traditional relationship in the resources area that really does not require much from our side, to be frank.

ACTING CHAIR—Are there any concerns about corporate governance issues?

Mr Shields—There have been concerns about corporate governance issues—speaking more personally than on behalf of the council—for a long time. Korea has clearly been challenged to address that. One of the challenges was of course the infamous 1997-98 Asian currency crisis which impacted strongly on Korea. Korea has made substantial progress in a number of areas but from our own experience and what we see elsewhere there would be ample scope for them to make further progress and that is something that Australia could help on, including through people like the Institute of Company Directors in Australia.

ACTING CHAIR—The AICD does a little of that, doesn't it?

Mr Shields—Yes, they do. More recently they have developed some specific focus in that area.

ACTING CHAIR—We might talk to them about that.

Mr WILKIE—Can you give us an understanding of the problems being faced by businesses in Korea? What happened with Coca-Cola Amatil and why do they want to get out?

Mr Shields—I can make a broad brush comment. I am not a Coca-Cola Amatil executive and I cannot speak with confidence about their internal operational issues.

ACTING CHAIR—We do not expect that, Mr Shields.

Mr Shields—From a broad perspective, their problems were operational and regulatory. In the operational area they came in at a time when Korea itself was being challenged by changes, particularly out of that late 1990s experience. One of the particular areas they were challenged by, and overcame to a certain extent, was the consolidation of the initial four operations they had. That consolidation required significant labour market decisions, and the labour market in Korea is not even as easy as ours to work in, particularly in terms of retrenching and removing staff. Coca-Cola did so and raised their efficiency by consolidating the four operations they bought into the three operations they now or recently had. Still, they thought that was a strong challenge to them and remained a constraint on their business expansion.

In the regulatory area it had a lot to do with the nature of the distribution system and its small scale relative to the larger scale supermarket oriented distribution system we are used to—the small scale being 'corner store' distribution. There were also regulatory restrictions around advertising and brand identification which they thought would hamper their business if they continued.

Against that background—personally speaking—they are operating in a business area where the natural cultural and demographic traits in Korea did not really favour the sorts of products they were serving. In a sense they were making an uphill battle for themselves in the carbonated soft drink business because Koreans do not necessarily see that as a large part of their consumption of beverages. Coke was both expanding a market and trying to establish a brand. They did establish themselves as the number one brand in that market but it was a small—growing, but small—market relative to others. You can look at both sides of the argument. There is no doubt that the regulatory labour market, the advertising restrictions and the nature of the distribution system, is where they saw the greatest constraints on their business going forward.

ACTING CHAIR—The committee heard earlier today—I am not sure whether you were in the room at the time—from the Overseas Korean Traders Association. Is there any relationship or association between your organisation and that group?

Mr Shields—No, to my knowledge at least, there is not. John can correct me if I am wrong. I was not here when they made their comments, so I cannot make any precise comments on that. We try to deal as much as possible with a broad range of Korean organisations, but most of our interaction is focused through our counterpart in name—the Korea-Australia Business Council. More importantly, that organisation is serviced through the Federation of Korean Industries. That is where most of our dialogue and interaction comes with Korean companies, but it is significantly supplemented in today's world by the bilateral relationships most of our large members have with Korean counterpart companies.

ACTING CHAIR—I think you said that, in terms of doing business, most of your members try as far as possible to locate themselves in Korea.

Mr Shields—We are obviously a fairly concentrated organisation of companies—small in number but large in size. And those companies see the need these days to be on the ground.

ACTING CHAIR—You said they account for 80 per cent of Australia's exports by value?

Mr Shields—We account for 80 per cent of exports by value. If you look down the membership list—BHP Billiton, Rio Tinto, Hamersley Iron, Macquarie Bank, Ernst and Young in a different context, and KPMG—all of these people are on the ground in some form or other in Korea because it is justified by their business. Even Australia LNG, after some early attempts to break into the Korean market, has recently been successful—as you will see in their submission—and has opened an office in Korea as well. It is just a way of doing business in today's world.

ACTING CHAIR—One assumes that having an on-the-ground location enhances cultural understanding as well.

Mr Shields—I think it does. I cannot speak personally across all individuals, but the people I know in those offices, who in a number of cases have run them for a long time, interact very effectively and understand more of how Korea does business by being on the ground. I was involved in some way in the initial business development in Korea for Macquarie Bank when I worked there, and there is absolutely no doubt that that model works for them. The only way you can expand that business is by being on the ground and understanding whom you are dealing with.

Mr WILKIE—Following on from that: in many parts of Asia personal relationships are very important in business. Is that the same in Korea?

Mr Shields—I think it is in broad terms. I have to tell you that I speak from my own narrow background here and it may sound like the Macquarie Bank mantra—which I do not want it to—but I think what pays more credit over time to your business success is knowing your products and what you can develop to serve your clients. The personal relationship side is important, but you will not sustain this over time unless you have the product that people want.

Mr WILKIE—That is fair enough.

Mr Moulis—Could I make a correction. I was looking for my statistics—I am not so good at statistics; I am better at words—and in relation to the number of current investigations, there are 10 product groups and of those 10 product groups Korean exporters are involved in seven. So that is seven out of 10. And in relation to goods subject to notices, there are 26 product groups and Korean exporters are in nine of those product groups, which is more than anyone else. I just wanted to correct that and save my friends at Customs a little bit of time.

ACTING CHAIR—That is very generous of you, Mr Moulis. As there are no further questions, Mr Shields, Mr Wotton and Mr Moulis, we thank you very much. Thank you particularly for your submission; it has assisted us on that specific issue of substance you have

addressed. We are very grateful for your presence here today. If there are any other matters on which we need further information, the secretary will be in contact with you through the council. We will provide you with a copy of the transcript so that you can make corrections to any errors of transcription that you may identify.

[11.40 am]

GLEESON, Mr Geoffrey, Director Operations, Trade Measures Branch, Australian Customs Service

RICE, Mr Andrew, National Manager, Trade Measures Branch, Australian Customs Service

ACTING CHAIR—Welcome. 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 committee will consider that request. Although the committee does not require you to give evidence on oath, you should, of course, 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 go to questions, I invite you to make any opening statement you wish to provide and we will go from there.

Mr Rice—Thank you. Australia's anti-dumping practice is founded on the World Trade Organisation anti-dumping agreement and implemented through the Customs Act. Customs has no control over the cases that are lodged by industry. Anti-dumping activity only occurs in response to complaints lodged. Customs examines each complaint using transparent, WTO-consistent methodology. Australia's application of its anti-dumping procedures is based on standards which are even more stringent than those required under the World Trade Organisation anti-dumping agreement.

Customs screens out a large proportion of all applications and cases are terminated promptly if no dumping or injury is found. Australia's anti-dumping system practices and procedures are fair and transparent. An example of Customs transparency is the public file system, which contains more information than is required under legislation. Customs acknowledges the time needed to produce valid applications. It provides limited advice on draft applications if requested to do so by Australian industry. It does not assist in the preparation of applications; it merely assesses whether there appears to be a case for initiating an anti-dumping investigation.

Customs works hard to ensure that parties are able to defend their interests but is obliged to consider submissions only in response to the initiation notice and the statement of essential facts, which is a key milestone in our process. All submissions in response to the statement of essential facts are taken into consideration in drafting the report and recommendations to the minister. In many cases, these considerations have resulted in changes in particular aspects of the case if not the final recommendation. Fairness is also demonstrated by Australia's practice of imposing the lowest level of measure necessary to remove injury from dumping.

Australia's appeal system is World Trade Organisation consistent and provides both administrative and judicial review. Only judicial review is actually required under the anti-dumping agreement. Our submission provides a range of statistics. Although our colleagues before us have done quite well in that respect, I can discuss them further if you like. Both Australia and Korea are users of the World Trade Organisation anti-dumping system. In 2004

Australia initiated nine investigations into alleged dumping and Korea initiated three. During the period 1995 to 2004, Australia imposed 54 dumping measures and Korea 43.

It is worth noting in conclusion that the anti-dumping regime is being reviewed in the current Doha trade round in the World Trade Organisation. Some of the issues that are topical to Korea, such as public interest and sunset reviews, are under discussion at this time. The agreement itself has been subject to a wide range of proposals for change. I am sure that the committee would be aware of the World Trade Organisation ministerial round in Hong Kong in December. That will be a key milestone for seeing where the anti-dumping agreement, amongst other things in the Doha Round, is going. But at this present time, we are expecting a potentially changed anti-dumping agreement sometime later next year. That is the essence of what I have. They are essentially dumping type issues. If there are any Customs cooperation issues, we can attempt to address them as well.

ACTING CHAIR—The business council, through their representations both in their submission and this morning, have made some points that they would like to see addressed. Let us just choose one—the involvement of the competition regulator in the assessment of anti-dumping cases. What is your comment on that?

Mr Rice—The current policy does not involve the competition regulator, obviously. There were a couple of comments earlier on about national interest issues. We would concur with the view that was put before, that there are other countries that operate national interest and competition tests. Under the current policy and regime for dumping investigations, our national interest and competition test is that we do assess all applications on fact, not on assertions. It is a rigorous process involving a number of steps. We would argue that that in itself is a test of national interest and competition issues.

It is probably worth saying that our predecessors are not the only ones making these kinds of comments. We are at present having consultations with a broad range of industry players about a revised ministerial guidance on material injury, which is something that the minister has asked us to do. That very issue came up last week. When I asked about the ease with which such a test could be applied, some of the proponents said that it was difficult to quantify and I think that that is always one of our issues. Returning to my earlier comment about fact not assertion, what we need to find in this process—which is a highly contestable process at the best of times—are facts that can be substantiated. At present, under the current policy, we would argue that we are addressing issues of national interest and competition, but I acknowledge that that will not satisfy everybody.

ACTING CHAIR—When you talk about national interest, do you include broad economic impact in that?

Mr Rice—We do not at the moment. That is not our practice. But I would acknowledge that that is part of it. Certainly, those are the arguments that have been put this morning and were put with the people that we were speaking to last week. We do look at some other issues, in terms of economic factors affecting the industry, in assessing our material injury findings, so we do draw in some of that, but I would acknowledge that that is not as wide as some people would prefer.

ACTING CHAIR—Investigation time limits is another issue that has been raised. You comment on where Australia lines up in international comparisons of the global standards for time limits. There is some concern about the need to be able to make full reports and full submissions and so on. Do you have any comment on that?

Mr Rice—It is certainly quite tight for us, and these cases generally are not clear cut.

ACTING CHAIR—They are complex, aren't they?

Mr Rice—They are complex cases. Some of them are incredibly complex, particularly when we start to get into objects that you and I are not expert at looking at.

ACTING CHAIR—There is too much information.

Mr Rice—Yes. It is quite complex. We do need, in many cases, to do investigations overseas. There is a time limit involved in that. We are working with other business and financial systems in that respect, dealing with exporters overseas. It does take a considerable period of time. We do have a provision in the legislation to seek extension, if that is required, and we do in a number of cases. But the fact of the matter is that the review of 1998 which gave us the current system set the limit of 155 days. That is what we are working with, as best we can.

ACTING CHAIR—I recall the review of 1998. Does the revised ministerial guidance only pertain to material interests or is that a broader examination?

Mr Rice—If I step back a little bit, it is only about material injury—

ACTING CHAIR—Injuries.

Mr Rice—Yes, sorry—injuries. Obviously, at the top of the peak we have the anti-dumping agreement. It is implemented through the Customs Act. We have ministerial guidance on material injury, and then we have some of our own customs policy approaches to dealing with particular issues, so it is part of the suite of methods which we have to investigate cases.

ACTING CHAIR—Thank you.

Senator STOTT DESPOJA—I want to ask about the export of uranium. I am not really au fait with how people go about getting valid permits through customs and, in the case of Korean companies, getting access to valid permits for the purposes of exporting uranium. Can you talk us through that? Have there been some difficulties?

Mr Rice—Thank you for absolutely flooring me there! I think I will probably have to take it on notice. We have a prohibited imports-exports regime which involves licensing. I cannot remember off the top of my head whether uranium indeed sits in that process, but Customs is the organisation that polices issues that fall into the prohibited export regime. I will have to take it on notice.

Senator STOTT DESPOJA—My apologies for flooring you. I am sure that we on this side of the table are equally not aware of the actual processes involved, but I think the committee

want some information on any difficulties that Korean companies have had in relation to getting valid permits when it comes to the export of uranium.

Senator MOORE—What are the resources within your branch that are involved in this particular activity?

Mr Rice—There are 40 people in my branch. We have four what are called operational sections. Mr Gleeson is in charge of one of them. We have a section that deals with policy type issues which are very much about ensuring that what we do operationally is World Trade Organisation consistent and also consistent with our domestic legislation. We also have a dumping liaison and implementation unit. The Dumping Liaison Unit is that part of the organisation that assists with—

Senator MOORE—Dumping liaison and implementation.

Mr Rice—Correct. It is the front end and the back end; that is probably the simplest way to put it.

Senator MOORE—I am trying really hard to be very straight on this because I am having difficulty with the terms! It involves liaison and implementation. Who do they liaise with?

Mr Rice—Essentially with industry.

Senator MOORE—So they link between the industry and what is happening.

Mr Rice—Local manufacturers. We also deal with exporters and importers—importers principally.

Senator MOORE—What is the fourth one? Were there three or four sections?

Mr Rice—We have four separate operational sections. That is just the way we are structured at present.

Senator MOORE—Where are they located?

Mr Rice—In Canberra.

Senator MOORE—Mainly in Canberra?

Mr Rice—All in Canberra. It is probably a bit different from the rest of Customs. We sit within the Cargo and Trade Division, so we are closely located with those people who are involved in tariff classification and evaluation and also those who are involved in the movement of goods.

Senator MOORE—The issues that people were talking about in the papers that we saw this morning about transparency and understanding et cetera would come under that liaison group in terms of providing information, making sure people understand what is going on, where you fit—that kind of thing?

Mr Rice—That is certainly part of it. We would say that our whole branch is intent on issues of transparency. We have a number of systems and approaches that are given to us through the legislation which allow us to be transparent. I talked about the public file, where we put documents that take into account commercial confidentiality issues. The public file is open to interested parties. We allow submissions at various points in our process. We regularly receive approaches from manufacturers, importers, exporters and the legal fraternity. Our door is open to comment. We have some statutory allowances for commentary, which have defined rules about them—how long after certain milestones we can accept submissions—but we try to maintain as open a system as possible.

ACTING CHAIR—Has the ACS made any public response to the Productivity Commission report of February this year? You know the report I am talking about.

Mr Rice—I do. It has not, and my understanding is that that is because there is yet to be a government response in total. My understanding also is that that government response is wrapped up, if you like, in a Council of Australian Governments' consideration of national competition policy. So, whilst we are in contact with our good friends in Treasury on a regular basis on this matter, I am not aware of when that government response might come. I am not entirely certain of its relationship to the COAG process. We are waiting for the COAG process to be resolved first before we know what becomes of any of the recommendations.

ACTING CHAIR—Notwithstanding all of those layers—and I acknowledge that they are considerable—do you expect Customs to be making a contribution to the government response?

Mr Rice—We would make a contribution.

ACTING CHAIR—But that has not happened yet?

Mr Rice—Not yet.

ACTING CHAIR—Thank you for assisting with some of those issues. It helps us compare and contrast the submissions and we are very grateful. We will provide you with a copy of the transcript so that you can make any corrections to the *Hansard*. If we have further matters to raise with you as a result of the continuing inquiry, we will be in touch through the secretariat.

Mr Rice—Thank you for the opportunity to come today.

[11.58 am]

SHIN, Dr Gi-Hyun, Korea-Australasia Research Centre, University of New South Wales

SUH, Dr Chung-Sok, Director, Korea-Australasia Research Centre, University of New South Wales

ACTING CHAIR—Welcome. Do you have any comments to make on the capacity in which you appear?

Dr Shin—I am the convenor of the Korean studies program at the University of New South Wales.

ACTING CHAIR—Thank you. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give evidence in private you may request to do so and the subcommittee will consider your request. The committee does not require you to give evidence on oath. However, 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. You may wish to make an opening statement and then we will go to questions.

Dr Suh—The Republic of Korea is Australia's fourth largest trading partner. The importance of the relationship between the two countries has long been recognised by the Australian government and large Australian enterprises dealing with Korea. There exists scope for further collaboration between the two countries in this new century. However, Australia's relationship with Korea so far has tended to focus on short-term economic benefits without paying specific attention to opportunities in working as long-term partners. Despite the mutual importance of maintaining good relations between the two countries and the potential scope for further collaboration for mutual benefits, the awareness of Korea among the Australian public remains largely unsatisfactory.

The consensus amongst government officials and large businesses that Korea is important to Australia and that there is a need to deepen the relationship between the two countries is not widely shared by the Australian public. Therefore, establishing strategies for long-term cooperation is urgently required considering the significant imbalance between the recognition of the importance of this issue at a national level and the lack of recognition among the general public. A long-term partnership between the two countries, including diplomatic, economic and strategic cooperation, can be established and maintained effectively only when it is supported by social, cultural and educational understanding and interactions between the two countries. Based on these viewpoints, our report addressed the need to establish the sociocultural and educational structure that would be conducive to the creation of current and future partnerships between the two countries.

Our report mainly concentrated on three areas: firstly, educational programs in formal institutions—including primary, secondary and tertiary; secondly, the research activities among the universities and research institutions in Australia; and, thirdly, the possibility of building a human resource pool in Australia that is conducive to the long-term benefit of the two countries.

The problem with the research front is that we need to strengthen the link between the research and business sectors, between research and policy formation in Australia and between primary, secondary, tertiary and ongoing continuing education after graduation. I think those areas need to be addressed.

ACTING CHAIR—Dr Shin, did you wish to add anything?

Dr Shin—Basically, my contribution to this submission is language education science. In a nutshell—and I am sorry for being a little bit philosophical—I think the location where the two cultures meet is in individuals' brains. As representatives of the university research centre, we have been focusing on how to create more people who have studied the Korean language and how to make the Korean language program in schools and universities more attractive to younger Australian people.

ACTING CHAIR—I want to ask you a question about the point you made on page 2 of your submission, where you said:

... the awareness of Korea among the Australian public remains unsatisfactory.

How would you describe the position in reverse? How would you describe the awareness of Australia amongst the Korean public? Would you call it satisfactory or unsatisfactory? Does the same problem exist there?

Dr Suh—I believe there is room for improvement. In general, Australia is considered by Koreans as a country where there are kangaroos, koalas and the Opera House. Certainly there is room for improvement and we need to address this issue. However, in our report we mainly concentrated on working in Australia but we need to improve awareness of Australia in Korea as well.

Dr Shin—Cultural interaction always has to be two-way. I think the level of mutual understanding seems rather unsatisfactory.

Mr WILKIE—Your submission talks about the Australian media, particularly major newspapers, often portraying negative aspects of Korea. Can you give me some examples of where that has occurred and the types of areas where the newspapers have been negative. I am from Western Australia and I certainly would not have seen that over there, so I am curious to know exactly what you are talking about.

Dr Shin—The sort of situation we have in mind is that Korea does not get any sort of media attention but, if it does, then generally it is about something bad. I fully understand that the nature of news items is to be negative, as otherwise they would not get attention. Even so, I think it was *60 Minutes* that talked about Korean shipbuilders a couple of weeks ago. That delivered a fairly positive image of Korea to the Australian general public, which seems to occur on relatively rare occasions. In most cases, something bad is happening in Korea or amongst the Korean community somewhere in Australia. That seems to be the general case.

Mr WILKIE—Do you think the positive publicity that is out there today about North Korea and the six-nation talks being successfully concluded will have a positive impact on the general image of Korea?

Dr Shin—I think so, yes. Maybe North Korea will be helpful in building up Korean studies programs in Australia.

Mr WILKIE—Do you think the Australian public is very aware of the differences between North Korea and South Korea?

Dr Suh—I am dealing with the educational institutions and students there. I think that amongst the students awareness has improved, but in the wider Australian public there are still some people who may not effectively distinguish between the two countries.

Mr WILKIE—Where you have seen what you perceive as biased reporting, what sorts of measures have you put in place to try to counterbalance that?

Dr Suh—The reporters have their freedom, so we do not want to force anyone to portray positive images of Korea. However, many writers can submit their articles and try to create positive images in the Australian media. But I state that in general most of the articles that appear in the major newspapers are related to the negative aspects. So I think a specific committee might need to be formed to consider ways of improving the awareness of both countries in both directions.

Senator STOTT DESPOJA—Can I ask for a clarification in relation to one of the tables you provided us: table 2 in the appendix. You talk about the Australian members of the Korean Studies Association of Australasia. Forgive me for being parochial, but I am just looking at the entry under 'South Australia', where you have four members listed. You talk about the University of South Australia as well as Adelaide university, but you have also referred to Murdoch University. That is not a South Australian institution, as my good friend Kim will attest; it is a Western Australian university. I am wondering if you mean Flinders University, or should Murdoch be in the WA category? I am just wondering whether South Australia still has four members.

Dr Suh—I am sorry. It is our error. Murdoch University should be reclassified under 'Western Australia'.

Senator STOTT DESPOJA—It is definitely Murdoch, though?

Dr Suh—Yes, that is right.

Senator STOTT DESPOJA—Thank you.

ACTING CHAIR—You have got three.

Senator STOTT DESPOJA—Yes. We are losing numbers.

Mr WILKIE—It is a great chart, because we have got four and I see that Curtin is at the top of the list.

Senator STOTT DESPOJA—As I said, forgive me for being parochial. Can I also ask about the language issue. You are not the first witnesses to talk about the importance of education, lifelong learning, resourcing that and how that leads to better cultural understanding and relationships, but in terms of specific strategies you talk about NALSAS, the Asian language studies program that was axed in 2002. Are you calling for the reintroduction of that scheme? You talk about long-term efforts and a specific and strategic plan being required, but are you talking about NALSAS or some kind of language program in schools that the Commonwealth could assist with or fund? Is that one of your recommendations or not?

Dr Shin—I think it is more the latter than the former. Instead of trying to get the NALSAS program reintroduced, any sort of similar scheme would be useful to us. We have to understand that Korean studies do not exist on their own, they are just a part of Asian studies, and if we want to single out Korean studies and get them improved in a more effective way, I think we need some separate measurement, because Korean studies would have to compete with, say, Japanese studies, Chinese studies or even Indonesian studies, which have been relatively well established and have longer histories than Korean studies.

Dr Suh—I will just add to that issue by mentioning the support provided under the NALSAS program. I do not want to be too backward-looking. However, I think that if we can address the training of the new teachers of the Korean language effectively and with a long-term view, that would be the most conducive to the promotion and development of the Korean studies program. Language education is the backbone of all Korean studies. In this world of globalisation, unless it is localised, globalisation will not succeed. With regard to how to localise, language education should be the starting point. So far, the government support for Korean language education has taken place without a long-term strategy to effectively deliver long-term goals. Therefore, in managing the government's support, the scholars and the people who are teaching the program felt a bit frustrated because of that lack of a long-term strategy.

Senator STOTT DESPOJA—Is this something that the Commonwealth has a role to provide? I do not mean to push, but I am trying to elicit a specific recommendation, simply because I am aware of the shortcomings of NALSAS. We heard this morning that Korean was not necessarily a language that was identified as a priority or funded in the same way that the languages to which you refer were. That was obviously a Commonwealth program. Are we talking about a Commonwealth program to provide that long-term strategy, or is it something that the private sector, business councils, the research centre and other groups can help with? Is this an area in which we should be putting resources as a government or not?

Dr Suh—I do not want to be critical but, in general, the Australian corporate sector is not as philanthropic as the corporate sectors in other countries. It is very difficult to get long-term funding from the corporate sector in Australia. That is a fact. I think that, until the language program is adequately developed, the funding should come from the Commonwealth government.

Dr Shin—I think it would be a good idea to give a tax benefit or some sort of incentive to the business sector to help cultural or language studies—not just Korean, but in other areas as well.

For instance, things like internships would be quite attractive incentives for younger Australian university students. We find that it is rather difficult to implement the internship program at the local level because the companies are not very interested in it. The government cannot force the private sector to do this sort of thing but, if you can do it indirectly, that would be a good solution.

ACTING CHAIR—When he appeared before the committee during the hearings, His Excellency the Ambassador mentioned a proposal to establish a research centre, probably in collaboration with a specific Australian university. Have you heard of that and do you have any comments to make about that suggestion?

Dr Suh—Considering the small number of scholars and considering that there are already three research centres, instead of establishing a new centre I think strengthening one or two of the existing centres might be a more effective way of directing the funding.

ACTING CHAIR—Don't you also suggest the creation of a key centre for Korean studies?

Dr Suh—The creation of a key centre may not mean the establishment of a new centre. It may mean designating one of the existing centres as a key centre so that the funds can be used effectively. Whatever it is we do, it will mean creating and strengthening a research hub which will embrace the scattered scholars in Australia. I think that, effectively, all the collaboration from the scattered scholars will be a good way forward.

Dr Shin—I would like to add two points. One is that at the beginning of the nineties there was a Commonwealth funded national Korean studies centre established in Melbourne. After the funding finished, the centre simply disappeared. Since then we have not had a Commonwealth funded Korean studies centre. Second, I think that setting up a research centre would be a very good idea but, at this point in time, we need some sort of structure from which we can draw out younger Australians' interests in Korea. I do not just mean for research work; we also need a structure from which we can increase the number of younger people interested in undertaking Korean language studies, at school level as well as university level.

ACTING CHAIR—It seems to me, from the evidence we have heard from our first two days of hearing in Canberra, and here as well, that there has in fact been quite significant detail given to us about business collaborations, research collaborations, across a range of disciplines and research connections. Whilst I acknowledge the very significant challenges in relation to language and language learning—those are quite clear to us—it seems to me that what we need more than new centres and new research ideas and so on is, perhaps, a little coordination, a little direction, around what is already happening. Is that a reasonable observation?

Dr Shin—That is what we have suggested here. We suggested setting up some sort of vision group which can lead us—

ACTING CHAIR—But I think you make that suggestion in relation to language specifically rather than more broadly. Is that what you are referring to in paragraph 5.1? I thought that referred specifically to language education and support rather than more broadly. I was thinking that the coordination and arrangements need to have a more broad—

Dr Suh—Yes, I agree. However, although there have been many collaborations, there has not been much research on the bilateral aspects between Korea and Australia as compared with Australia and other countries. I think the creation of a research hub would be a very good way. That could embrace language and research aspects and the link between the two areas. Unless we effectively link the language education into the research with a long-term vision, the effect will be piecemeal and we might end up repeating past experiences.

ACTING CHAIR—The other issue on which I am curious is the precise role of the Korea Australasia Research Centre and what you do at the University of New South Wales—a great university, I might add.

Dr Suh—The Korea Australasia Research Centre was established jointly by UNSW and the Korean government's Korean Research Foundation. Our goal is to in a sense create a research hub and to link and embrace the scattered scholars in Australia. Also, as an interdisciplinary centre, we would like to link language education and research with research in other areas. However, our funding is very limited. We did not receive any funding from the Commonwealth government. We are doing what we do at the maximum capacity. However, to act as a national coordinator, as you suggested, we certainly need more funding support.

However, that is exactly what we have been doing for the past five years. Our members comprise members at UNSW, but we also have adjunct members as collaborators in research projects with our centres. We have commissioned more than 50 research projects related to Korea and the Korea-Australia bilateral relationship for the past five years. We have been trying the best we can, but there should still be strategic funding support. If there were, we could do it more effectively.

ACTING CHAIR—Do you have any relationships with corporate Australia or, for that matter, corporate Korea?

Dr Suh—At this stage, we are trying to talk to one of the leading Australian companies which have been very successful in Korea. We are talking to one of the companies, the name of which I cannot reveal at this stage. We have also approached the Korean side for funding. Most of the funding so far has come from the Korean side. We are desperately looking for funding support within Australia.

ACTING CHAIR—What size is the research centre? How many staff do you have?

Dr Suh—We have a lean structure. We have four permanent staff but, as a kind of consortium, we have about 18 research members within UNSW who are permanent academic staff but are also working here. Within UNSW we have 29 members and from other institutions in Australia and New Zealand we have 35, and within South-East Asia we have approximately 20 members working in conjunction with our research centre projects.

ACTING CHAIR—That is a significant number.

Dr Suh—It is, but we have a very small amount of funding to support the research activities among those.

ACTING CHAIR—Do you have a relationship with a particular university in South Korea?

Dr Suh—In South Korea, for each research project, we link with different universities. There are many good universities. Depending on the focus of the projects, it might be strategic to link with other universities. For our strategic network, the Seoul National University has been the major research partner.

Mr WILKIE—On page 328 of the KARC submission, there is a reference to Australian universities trying to sell educational opportunities in Australia as business opportunities and not as a means to create and maintain long-term relationships with the two countries. I would have thought that if people are actually studying here, they would be developing long-term relationships as a matter of course. Given that universities are trying to get people in to make business so that for a university it is a business opportunity, do other countries adopt a similar approach or is this different in other places?

Dr Suh—Currently from Korea, after the United States, the second-largest destination is China. Then, after the United States and China, they choose Canada, Australia, Europe and New Zealand. However, for some unknown reason, they perceive Canada as, in a sense, less business oriented and more education oriented. That is the general perception, but it is very difficult to quantify. Somehow, we should portray Australia as a place that has very high standard, high-quality education with a safe environment, but which is also a country that emphasises long-term relationships. In portraying Australian educational opportunities within Korea, we could strategically combine those aspects as well in order to improve the awareness of Australian educational opportunities in Korea.

Mr WILKIE—How would other countries do that in trying to attract students? How would Canada, for example, achieve that?

Dr Suh—I do not know the actual marketing strategy or the process of campaigning and so on. But I do know things from surveying Korean overseas students in Australia and from the results of interactions with Korean students working in Australia. There are also web sites within Korea for those who have studied in Australia and then returned. The voluntary footnotes on those web sites from the former students have been quite negative—which is very sad. The comments by students who have returned from other countries have been slightly more favourable, which addresses my concerns.

ACTING CHAIR—Thank you very much for assisting the committee today and for your submission. It does help us in our deliberations on this very broad inquiry. We may have some issues on which we will come back to you through the secretary. We will also provide you with a copy of the transcript so that you can make any necessary corrections to errors of transcription that may occur.

Proceedings suspended from 12.26 pm to 1.46 pm

CARROLL, Mr Ian, Chief Executive, ABC Asia Pacific

LEE, Mr Eliot, Representative in Korea, ABC Asia Pacific

STYLES, Mr Jim, Marketing and Sales Manager, ABC Asia Pacific

ACTING CHAIR—I welcome our witnesses from the Australian Broadcasting Corporation this afternoon. Thank you very much for coming in a little early. We have been so efficient today, you see, we have been running slightly earlier. Although the subcommittee does prefer 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 committee will give consideration to that request. The committee does not require you to give evidence under oath, but you should be aware that the proceedings are legal proceedings of the parliament and they have the same standing as proceedings of the chambers themselves. I would like to invite you to make an opening statement, and then we will go to questions from committee members.

Mr Carroll—I will start by thanking you for the invitation to appear before the committee and by explaining a little bit about our service and the role that it plays in Korea. As a little bit of background, the Asia Pacific channel is run on a grant from the federal government. It has been on air for 3½ years. It was started after two previous Australian attempts in the region had not succeeded. In that time, the channel has built up a distribution across 41 different countries within the region, the latest being a launch into India.

Each country represents a very different equation in terms of getting audiences and distribution. No one country is similar to the other. It is not just cultural, regulatory and political issues; it is also as much about markets, how those markets work and what access one can negotiate for a place in the media world. We are dealing with some countries that are highly regulated and where as few as 20 channels may exist and are available to the public, right through to countries where there are up to 200 channels from all around the world and each market has to be treated quite differently.

South Korea has always been an obvious market for the channel but the language barriers are considerable and the competitive nature of the market has been very difficult. Unlike some countries, it is technologically extremely advanced and the range of services that are available to an audience are considerable. I would like to now pass you on to my colleague Jim Styles, who has been the executive responsible for handling our entry into Korea. He can set out a little bit of the way in which the channel appears, how many people view it and what role it has.

Mr Styles—We see ABC Asia Pacific as a link between Australia and all the countries, but it is particularly important in South Korea because of the way the industry is, the way it is very accepting of the English language and the way in which we have been able to develop it. Under survey we reach 47,000 individual homes on a monthly basis. We appear on a digital platform, which is not the analog platform, of course, mainly because they have so many channels that we can only fit onto the system when it is on a digital platform. We suspect that there are approximately 100,000 homes that can subscribe to our channel, so we are quite pleased that we have reached quite a high audience in that number.

ACTING CHAIR—You said 47,000?

Mr Styles—Yes. The channel is available on all the digital platforms in Korea. The major cable operators are CJ CableNet, which is a major organisation in Korea related to transport, food and a lot of other things; CNN cable, which is a very important company in Korea; and Qrix. I am not too sure where it comes from, and Eliot may be able to tell us, but it will be a major corporation. The major corporations see cable television as a very important part of their business.

We are also available through media centres. These are media centres which actually take the signal down and distribute it to smaller cable operators, which financially are not capable of doing digital or basically have decided they will not go the digital route but they will have some other organisation look after that part of it for them. One of those companies is BSI and the other one is Taekwang KDMC, which has not started telecasting as yet but has signed the agreement and is just waiting for the delivery of equipment.

As I mentioned before, the English language is very important to Koreans, because they support the learning of English in all schools. Consequently, basic English learning is fairly strong. Korea has done this on the basis that it is a trading language. Because they are such a strong trading nation, that is the way they should train their people to actually speak English, as you will understand when Eliot talks to us later. So we recognised English as being important. We recognised it from the whole network, in fact. So we have had English language learning programs on the channel and we have particularly found Korea a very big challenge for us.

To illustrate the point, the Seoul city government has invested $US12.5 million in the development of what they call an English village, into which 300 students go a week. They do not speak any language but English whilst they are in it so as to learn a higher standard of English. We have taken a very strong position in that as a sponsor. That $US12.5 million has produced living quarters, their own hospital and their own facilities, including picture theatres. We have spent a substantial amount of money in developing an ABC Asia Pacific room where we have supplied computers and other learning material to assist the children to learn English. Then there is a new studio where they have fake interviewers and interviewees. They have English-speaking students actually interviewing others. We could tell you more but there might be questions. Eliot, being Korean, would like to join us in answering any questions which you may think are applicable to him.

ACTING CHAIR—May I just clarify Mr Lee's position. Mr Lee, you are based in Seoul?

Mr Lee—Yes, I am.

ACTING CHAIR—For ABC Asia Pacific?

Mr Lee—Yes.

ACTING CHAIR—Thank you very much. Did you want to add anything else, Mr Carroll?

Mr Carroll—I was just going to mention one thing that arose from Jim's remarks. Just looking forward, the Korean system is now moving quite quickly to digital and will gradually phase out analog. Is that right?

Mr Styles—That is correct.

Mr Carroll—As that happens the channel is very well positioned to grow with digital. In other words, it is not just letting the market do it; there is a planned phasing-in of digital over the next few years and therefore our reach will extend considerably. The other thing I would mention is that in the next two years we are going to introduce Korean subtitling as closed captions on our major drama and information programs, which will also extend our reach in that market. We would be happy to answer any questions you might have.

ACTING CHAIR—I cannot wait to see Korean subtitling on *Bananas in Pyjamas*—I am keen on that! Thank you very much. I have several questions, and I am sure we all have issues we want to raise with you. One of the things that struck me from your submission is where you talk about the potential for Australian industry to recognise ABC Asia Pacific as an opportunity for them to use in the development of their trading relationships in export and import. What do you mean by that—using ABC Asia Pacific as a tool?

Mr Carroll—The most obvious example I can point to is language, but there are other opportunities as well. The education industry in Australia is extensively using the service in a number of different ways through joint program productions, through straight-out sponsorship and so on. In fact, just as we left the ABC a moment ago, there was a whole crowd of students coming out of a rehearsal theatre who had just been sitting language exams for UTS. We have a connection with UTS: they assist us in making various programs and they also sponsor programs. It is all part of their building of their recruitment of foreign students.

Mr Styles—Can I also add that we are a commercial channel and therefore we would like to see Australian trade organisations use us to promote exports and imports in and out of Australia.

ACTING CHAIR—On a conservative estimate, you have 47,000 television subscribers in Korea?

Mr Carroll—In Korea at the moment—actually in Seoul, isn't it?

Mr Styles—In Seoul.

ACTING CHAIR—Okay, there are 47,000 in Seoul, but this is not an opportunity that you see Australian business having taken up to a great degree at this stage?

Mr Styles—No, not to a great degree—nowhere near the degree we would hope. We would have thought that there might have been the opportunity for them taking it up as a valuable tool—we used that word 'tool', which we will use quite a lot—in promoting their industries. We would have thought that there may be some manufacturers that might want to use it, but certainly in mining, agriculture and those sorts of things we would hope that eventually, if not now, they would take it up as a straight promotional tool.

ACTING CHAIR—We had William Shields and others from the Australia Korea Business Council here before the lunch break. It is perhaps a question we should have asked them at the time, but do you have any relationship with them? Is ABC Asia Pacific a member of those sorts of business councils—the Australia Korea Business Council in particular?

Mr Carroll—We have spoken to that organisation. We are a member of some organisations but not necessarily a member of it. We have made a lot of presentations—sales proposals, I think we would call them—to various groups over the few years we have been on air. One of the major problems is that some of the branded products are only sold in some countries and not in all countries, and because we are so broadly based—in over 41 countries—they tend to think there is a waste in their message. If they only export to five countries they tend to think, 'What happens in the other 36?' But we have to keep pushing to hopefully have them accept the fact that we are a worthwhile unit to use.

ACTING CHAIR—But isn't your telecasting into each of the 41 countries targeted to each of the 41 countries?

Mr Styles—No, the same picture and sound goes to all countries.

ACTING CHAIR—So what I see in Phnom Penh is what I see in Hong Kong?

Mr Styles—That is true. It is changing a little, in that Ian has established a system that is coming in soon whereby we have three time frames. In fact, Pacific time will be 7 o'clock, Asia time will be 7 o'clock and India time will be 7 o'clock so that the programs are better suited for the time zone. In that case we will have messages that can go to Asia alone, to India alone or to the Pacific alone, and that will help us substantially.

ACTING CHAIR—Just to be absolutely clear: you are selling advertising?

Mr Styles—That is one of my jobs, yes.

ACTING CHAIR—I just wanted to get that absolutely clear. That is kind of counterintuitive for a discussion with the ABC, but I will work on that. You talk, under the heading 'International Broadcasting', in your submission about the low level of international news agency coverage of Korea reflecting apparently limited Australian public interest in the country. It seems to me to be a chicken and egg situation: if you have limited coverage, there is limited Australian interest; if you had greater coverage, there might be greater public interest. Do you want to comment on that?

Mr Carroll—Our service does quite a bit of coverage, but we are reliant on agencies and also on a special feed from the Korean broadcasters themselves from which we select material. Our experience is that, apart from obvious major stories, there is not much day-to-day coverage out of Korea, and we would like more for the international service. For the domestic service, the coverage of Korea on all the media in Australia is fairly limited, except for major obvious events, and I am not really the one to judge exactly why that is. But we have a strong coverage on our international news. In other words, the news that goes out on ABC Asia Pacific is specifically produced for the international service with a regional emphasis.

ACTING CHAIR—I predict there might be a spike over last night, today and the next couple of days on matters Korean, broadly speaking.

Mr Carroll—For sure. Obviously that is a story that we have followed in considerable detail.

ACTING CHAIR—Indeed, you will be pleased to know that your journalists were assiduously trying to cover it here this morning, so they are on the job.

Mr Carroll—Yes.

Senator MOORE—Mr Lee, how does the cost of subscribing to this service in Korea compare to the cost of other services that people could get?

Mr Lee—Generally, people paid, in real number terms, between $US10 and $US15 per month per prescriber to get the analog service. But as the digital service is rolled out with more services and features, we are hoping that K1 will be able to charge more.

Senator MOORE—I am just interested in the range of services people could have in Korea. How competitive are you?

Mr Lee—At the analog stage you probably do not have much quality of service; you just get a simple feed. But at digital level they are going to get all sorts of interactive services where people will be able to check with their banks or even order pizza through their TVs. By using their TVs, they will be able to send SMS messages to their friends' mobile phones. All sorts of new features are going to be available.

Senator MOORE—Is there a feedback mechanism for the people who subscribe—and, Mr Styles, you said that 47,000 houses would have it—to tell you what they want?

Mr Styles—Yes, we get quite a lot of reference from all over the place, but also from Korea, on our web site. Our web site works very closely with the television channel. It carries our program guides and transcripts of our programs. It generally works in concert, and we do get substantial feedback.

One of the things we always found was that, because we are a general television service and we have different layers of programs, we tend to get more comment than we would if we were a straight news or sports channel, or something like that. We can be controversial in what we play—not controversial in the sense that it is good or bad but because it is entertainment and people have definite opinions about some entertainment.

Senator MOORE—What is the most popular? Or, rather, what causes the most feedback?

Mr Styles—I think news causes feedback. Sport does, generally, and so do documentaries. People like documentary programs. Language, for instance, brings us over half of the comments on the web site. We have about 250,000 users a week on the web site and over half of them are related to education—English learning, basically.

Senator MOORE—I have one more question. It is about the issue of the subtitles. You are going to introduce the Korean subtitles. Are you going to introduce them to the other 41 countries in their own languages? Is that rolling out as one big service?

Mr Styles—Not to all 41, but we will to the major ones.

Senator MOORE—The major ones. And that is rolling out at about the same time?

Mr Styles—It can do.

Mr Carroll—It will be delivered as it is affordable. Ironically, the Vietnamese are the first. The Vietnamese themselves are subsidising it because they were looking for that opportunity. It is being trialled in Vietnamese, then Chinese, then Korean and then Thai.

Senator MOORE—I have one more question. Mr Lee, how many Korean people are working for the ABC in Korea?

Mr Lee—Not many. I am by myself.

Senator MOORE—You are a unit. Is it expected to grow as services grow?

Mr Styles—It is all related to what we are trying to achieve at the time. This is not for me to say, but in time our channel will probably take on more programming from our individual countries. There might be Korean programming or Thai programming—

Senator MOORE—Feeding in—

Mr Styles—Yes, feeding in. At that time I suspect that the whole thing will change.

Senator MOORE—Thank you.

ACTING CHAIR—That actually begs the question of the size of the ABC's representation in Seoul. If it is one person, then it is Mr Lee. Is it any larger than that? How many people in the team?

Mr Styles—I am there often.

ACTING CHAIR—So you are it?

Mr Lee—Yes, I am.

Senator MOORE—You are the ABC.

ACTING CHAIR—The ABC is 100 per cent Korean in Seoul.

Mr Lee—Yes.

ACTING CHAIR—Excellent—that works!

Mr Styles—I must say that we work very closely with the embassy in Korea. It has been very supportive and we have used its personnel in many different ways. It supports us and we support it.

Mr WILKIE—I have got a few questions. Firstly, I will make a comment: I think you run a fantastic service and it is a great initiative by the ABC, so congratulations. From what I have seen of it, I am very impressed. One of my queries might have been covered but I was talking to my colleague and I did not hear it. Is most of the broadcasting in Korea digital?

Mr Styles—No, it is mostly analog at the moment but it is moving very quickly to digital. The Korean government has taken a very strong position on transferring to digital. Unlike some other countries, they are encouraging the country towards digital.

Mr WILKIE—Would that be interactive digital?

Mr Styles—Very much so. From what I have seen it is very interactive, as Eliot said, in banking, movies, commentary and all sorts of things.

Mr WILKIE—Do we have that service on offer for the ABC broadcasts in Australia at the moment?

Mr Styles—No.

Mr WILKIE—Is that because our technology is not up to scratch?

Mr Styles—That is a broad question! In places like Korea the cable system is very important because it is the way that television has been distributed for a long time. In Australia we have done it by terrestrial means and the capacity to use digital is a little more limited. You really have to compare it to the pay television sector in Australia, which could expand its technology to do these very things if it wished. But one of the restricting things is that pay television here does not yet reach a sufficient percentage of the population for it to—if it ever does—go down that route. I do not know.

Mr WILKIE—Have there been any moves to put the ABC Asia Pacific on pay TV in Australia for people who may be interested in accessing it?

Mr Carroll—No. There is a significant problem in doing that, and that is because nearly all of our programming comes from the Australian market and therefore we do not have the rights.

Mr WILKIE—So you have the rights to broadcast it overseas but not in Australia?

Mr Carroll—We have to buy rights for the areas we broadcast in. Whether it be the football, a drama, *Getaway* or whatever the program, obviously the local broadcasters own the rights. In fact, we have had to take quite a lot of action to stop various operators taking the service off satellite and putting it on in Australia because the rights holders are not happy about that prospect.

Mr WILKIE—How competitive is the advertising we are charging for the Asia Pacific service?

Mr Styles—We charge a very low rate. The cable satellite industry is one that is not well supported generally by advertisers. It used to be well supported once but advertising has now become very localised rather than 'umbrella wise'—I use that term because I was in this business in the UK when it first started and, at that stage, major advertisers used to buy umbrella packages which fitted in to support the advertising on the ground. But that has changed. It is not a big industry in any case and we are a very small part of it. We are very competitive and we will take any money.

Mr Carroll—I should point out that the industry is overwhelmingly subscription driven. Firstly, advertising represents a relatively tiny proportion of the revenue of the commercial industry so it is highly competitive for the dollars that are there. Secondly, the larger regional companies tend to be in individual territories. They have 10, 12, 13 or 14 separate satellite beams but all of that costs money. So we are a minnow in the advertising world. We are looking for some growth and we are taking various actions to achieve that. Our primary role is in relation to viewers and therefore we do not charge a subscription fee. The operators may put us on a package where there is a fee for the total package and we are one channel, but we are not charging either the operator or the subscriber a fee to have that service. That is because of the nature of the service we run. We could charge a subscription fee but then we would almost certainly lessen the number of people who are receiving the service.

Mr WILKIE—I have another question, which is not really about the ABC's Asia Pacific service. You talked about how English language is important and how you are part of the whole move to get English language training up and operating in Korea. We have heard evidence today that Australians should be taking on a lot more Korean studies and having Korean taught in our schools. Do you think it is an important area that should be looked at—encouraging people to take up learning Korean in Australia?

Mr Styles—Personally, yes.

Mr WILKIE—I was seeking a personal comment. I was just curious because you are working there and you see how the business environment operates. I would be interested to have Mr Lee's comments too. Obviously, when this committee comes to make recommendations, if that is part of the evidence we consider, I would like to have various people's views on it.

Mr Styles—I certainly believe that Korea is such an important market that there should be more emphasis on it at all levels: education and government. At every level there should be more emphasis on including Korea in our curricula, our comments, our press and whatever. It is a very important country to us and we should make more effort.

Mr Lee—I would like to comment on that. I think it is very important to learn other cultures' languages if they are very different from English, especially if you want to do any kind of business. For example, if ABC Asia Pacific did not have me in Korea it would have been very difficult distributing our services in Korea. Koreans always welcome any foreigners who are eager to learn Korean. We are mindful of those people. I think it has to do with attitudes and how important Australians think Korea's business is.

ACTING CHAIR—Do you think there are many subscribers who are bored with the American Forces Network and who have switched to ABC Asia Pacific?

Mr Styles—It is very interesting. One of our most successful areas is the American forces there. Unfortunately, it is not researched because it is outside of the normal research situation, but the people who are involved in it say that we are one of the most popular programs, if not the most popular. They love our football as against gridiron. They love everything. They have even asked us if we will take Humphrey B Bear up there to make appearances and things like that. So the armed forces are very keen.

ACTING CHAIR—As to the English village and the Australian pavilion, I have not heard about this particular initiative of the Seoul City government before. Can you tell us some more about that, Mr Lee?

Mr Lee—Yes. It is a program sponsored by the Seoul City government. There is an English village in Korea outside of Seoul. Seoul is in the process of building another village, but this one opened up last year. It seats about 300 students. They are all elementary school students. They are randomly picked. They apply for the seat through the internet. They come to the village and they stay there for an entire week. All the staff are foreigners from Canada, Australia, America or even Britain. The program is also written by Americans or Australians—whoever the teachers are. It is receiving great reviews from parents and students. It is important for us because we have 300 new kids going through every week and that is a huge amount of traffic for us. Whenever they go through our programs, such as the ABC Asia Pacific studio or the digital room, they go back to their parents and they talk about it. As we are so interactive and online, the kids come back to the web site and make comments on it. They always go away with little gifts from ABC Asia Pacific, so it stays in their minds. It is a very important program for us.

ACTING CHAIR—Does the Australian pavilion operate within the village? Do other countries have separate pavilions as well?

Mr Lee—No. We are the only one who has it. It is not a pavilion; it is a digital room. It has sets of computers and TV screens.

Mr Styles—I think when that document was written it was going to be a series of pavilions. In Korean terms, they are big rooms. That did not happen, but we have been allocated another room where we have computers, televisions, programs and things. What I am really excited about—it is a bit of a religion with me—is that we want to re-establish the old pen pals idea and call them e-pals, so that Korean schools can correspond with Australian schools and there is an interaction between the two communities.

ACTING CHAIR—Have you been in the Australian digital room? Have you seen people engaged in that process?

Mr Lee—I set up that room, so I know it very well. I have seen the kids doing classes over there and they love it. There are about 20 kids in each class. A couple of them are on the computers writing emails. Some of them are in front of a screen watching Australian educational programs. Some are at the Australian map learning about the cities and other tourist spots in Australia. It is working fine, in my opinion.

ACTING CHAIR—Are there elementary school students there in their early teens?

Mr Lee—I would say there are 12- to 13-year olds.

Mr Carroll—We get lots of emails all the time from schools in the region who are now using the English language programs in the same way as Australian schools use, say, *Behind the News*—that is, there is set time every day when the classes watch the programs. They either record the programs and then replay them in the class on a daily basis or they watch the programs live. That is occurring in a lot of different countries around the region, and not just in Korea.

Mr Styles—One other thing I might add is that we have also been a facilitator in bringing students to Australia to do three-week courses in English learning, for those children who are up to it. We had 15 not so long ago and in a couple of months time we have 30 coming. That has been developed through one of our cable operators who is promoting the fact of coming to Australia to do a three- or four-week English course. We have done that mostly through the Australian Centre for Languages here in Sydney, but it could be done anywhere. That is another aspect to it. And we have sent a group of Australian teachers to other places—not to Korea but to Taiwan, for instance. The teachers have gone up there and taught English. I think the last course we did in Taichung in Taiwan had something like 75 students. Again, it is an Australian push through us.

ACTING CHAIR—I want to go back, probably through you, Mr Styles, to the capacity for Australian industry to take up use of ABC Asia Pacific. What initiatives and programs do you have in place to encourage them to do that—that is, to make them aware of the opportunity and to tell them how good it is going to be for them?

Mr Styles—We usually look at it from the point of view of an amount of money that might be a suitable budget for that particular client. That purchases for them X number of spots over a time. We always suggest that it be three months because that helps reach and it helps frequency of people seeing the commercial. Once we have the client interested, we do several things. There are many programs where we just place the commercials like in a normal situation, but we can give them the advantage of being close to news or in sport or in drama—whatever it is that might do the best job for them on the channel. We have produced programs in association with some of the clients. For example, we have done that for cooking and for tourism where the client involved, who might have an emphasis on food, can produce editorials, programs or commercials which relate to their product and which can be placed in the normal programming.

I mentioned before that in industry groups there is a real opportunity to promote Australia. You might remember the ‘clean, green’ thing, which was an incredibly successful promotional tool. If any one of the industries could pick up a theme and promote it on our service, they would get that whole message through and increase interest in Australia as an export nation.

ACTING CHAIR—I was also wondering whether you have journalist exchanges through the ABC with Korea specifically or in the region generally. Do you bring journalists to Australia and vice versa?

Mr Carroll—Not specifically, but we do work with the department of foreign affairs on a number of exchanges. The minister has set up a specific scholarship in recognition of John Doherty, our founder, and there are a number of other foreign affairs programs where we organise their time in Australia. We plan a placement and facilitate them doing reporting and so on. That is happening every few months.

ACTING CHAIR—Have you had Korean participants in that program?

Mr Carroll—I do not think so. I think the last two we had were a television journalist from Indonesia and one from Thailand. The department tends to offer the scholarship around the embassies. The embassies then nominate people and there is a selection. But obviously there are a lot of countries. I think there were about 100 people nominated for the last two positions.

ACTING CHAIR—I might be wrong, but it seems to be something the ABC could take an initiative on, given the depth of your penetration across 41 countries in the region. You could very effectively engage at your own level on that.

Mr Styles—We have done work on the Solomon Islands, for instance. We have done some things there, not necessarily in journalism but in television industry training.

ACTING CHAIR—Was that through the Pacific Media Initiative that DFAT supported?

Mr Styles—Yes, it was partly involved in that. The other thing is that we have numerous groups of people going to Vietnam to train the operators of television there in lighting and news. It has quite a different news attitude than we have. We are going back there soon to assist them in lighting, television production and news production. Vietnam has been very important in that sense.

ACTING CHAIR—Mr Lee, is your presence here fortuitous or did you come especially for today?

Mr Lee—No, this took me by surprise.

ACTING CHAIR—We are very glad that we could surprise you. We hope you have found it interesting. We certainly appreciate your input and feedback from the perspective of somebody on the ground with ABC Asia Pacific in Korea.

Mr Lee—Thank you very much for having me.

ACTING CHAIR—That gives us quite a unique opportunity as far as this inquiry is concerned. Thank you very much, Mr Carroll and Mr Styles, for bringing Mr Lee with you.

Senator MOORE—There is no-one there at the moment.

ACTING CHAIR—We hope that when you get back the office is still there.

Mr Styles—This is part of his annual holidays.

ACTING CHAIR—Lucky you—but we are glad you have taken it here.

Mr Lee—Thank you for raising that issue because I need to talk about that in order to expand our operation in Korea, because a lot of help is needed.

Mr WILKIE—I hope we have given you some information and ammunition to get more—

ACTING CHAIR—We encourage the reporting process, Mr Lee. Thank you all very much for appearing before the committee this afternoon. We will provide you with a copy of the transcript so that any errors of transcription can be corrected by you if necessary. If there are other matters on which we need to do any follow-up, the secretary will be in touch with you.

[2.27 pm]

GAILEY, Miss Lynn Elizabeth, Federal Policy Officer, Media Entertainment and Arts Alliance

ACTING CHAIR—Thank you, Miss Gailey, for joining us here this afternoon. On behalf of the subcommittee, I welcome you to the committee hearing. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give evidence in private you make ask to do so and the committee will consider your request. Although the committee does not require you to give evidence on oath, you should be aware that these hearings are effectively legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. I now invite you to make some brief opening remarks and then we will go to questions.

Miss Gailey—We are aware that this is quite a broad ranging inquiry into Australia's relationship with Korea but, as I indicated in our submission, we are focused exclusively on trade and have looked at this inquiry in light of the possibility that the government at some point in the future might be contemplating a trade agreement with Korea, and it is on that basis that we have made our submission. Given the very active trade agreement agenda that the government has been pursuing in recent times, we have been an active participant in a number of inquiries into trade agreements. This agreement, as much as anything, reflects our consistent position held by the alliance and is provided in the hope that it will inform your deliberations and give you some information into the background of the audiovisual industry in Korea.

ACTING CHAIR—We appreciate that. You have made it quite clear that in any foray into an FTA question you would be supporting a positive listing environment a la the Thai arrangement, for example—is that correct?

Miss Gailey—That is correct but, in the event that the government were minded to pursue a negative listing model, we would be looking for the agreement with Singapore to be an appropriate precedent.

ACTING CHAIR—Given that we have a representative of your organisation here, it is inevitable that, over and above the observations you have made about trade, we are interested in the links between the film production industries, for example, in Korea and Australia. Earlier in the day, the Overseas Korean Traders Association mentioned its interest in using New Zealand as a venue for Korean film production, shooting and so on. Can you take the committee through what you know of the relationship between the Australian and Korean film production industries and what sort of engagement there is?

Miss Gailey—At a feature film level, some Korean films have been undertaking part of their production process in Australia, and that has been almost exclusively postproduction. That is not uncommon for Asian countries. For instance, a number of Chinese films also do their postproduction work in Australia. Australia has very good sound and editing postproduction and mixing facilities, so a number of big budget Chinese films in particular have in recent years done their postproduction work here. That pattern is repeated with Korea. I can think of only one

Korean feature that filmed here, and that was about five years ago. On the other hand, a number of Korean television commercials have filmed here and continue to do so.

ACTING CHAIR—Is the alliance comfortable with those arrangements? There are no issues which, in terms of your members, concern you?

Miss Gailey—In terms of the feature films, no, but there have been some difficulties in the television commercial arena.

ACTING CHAIR—Can you elaborate on those for the committee.

Miss Gailey—One of the things with television commercials is that, with the way the migration regulations work, there is no requirement for them to consult with the alliance in respect of visas if the commercial is never going to air in Australia. One of the other things about television commercials is that it takes a very short time for them to be produced, so often people need to be in Australia for only three or four days, and over the years there have been a number of issues with non-payment. There have also been issues with Korean television commercial companies not coming to Australia on correct visas. For our members, the bigger issue is when they are not paid; it is incredibly difficult to do anything to retrieve those funds. Some of the other government agencies have also had problems in the past with Korean television commercial productions not seeking appropriate permits and authorities to film. It has been improving in the last two or three years, but non-payment on television commercials continues to be a bit of a problem.

Senator MOORE—So they go home and the actors or the people working on the commercial do not get paid for their work?

Miss Gailey—Yes.

Senator MOORE—Does that happen only with Korea or with other countries as well?

Miss Gailey—It happens with other countries as well, but I think it is because Korea has such a robust industry and is in a position, unlike a number of other Asian countries, to be able to afford to travel to produce commercials that it seems to be more of an issue with Korea than it is with a number of other countries—Thailand or Malaysia, for instance.

Senator MOORE—Are you aware of any reciprocal activities—of Australians going to work in Korea? Your submission indicates a very vibrant industry in Korea on a whole range of production methods. Are you aware of Australian people going to work in Korea?

Miss Gailey—Not to any significant degree. The Australian Film Commission are speaking after me and they may be able to illuminate on that more adequately. The area where there is a lot of activity is live theatre. A lot of the larger commercial musical theatre productions mounted in Korea are mounted from Australia. I think *Cats* is there at the moment—though I stand to be corrected. For six months of any year there will probably be an Australian production of one of those kinds of musicals on stage in Seoul.

Senator MOORE—That would be a significant element of work for people in that industry to be able to say with confidence that they would have six months work in Korea. Has that been a long-standing situation?

Miss Gailey—It has been going on for quite a few years.

Senator MOORE—I did not know that. Thank you.

ACTING CHAIR—That is very interesting.

Mr WILKIE—I have had a lot to do with the alliance over the years through my other role as Deputy Chair of the Joint Standing Committee on Treaties. I was having a chuckle before because I could see the obvious link here with the submission about free trade agreements and their impact. Could you give us a rundown on that part of your submission which talks about Koreans preserving their culture and putting protections in place to make sure that happens? How does their protection vary from that which we offer to our industry?

Miss Gailey—Until fairly recently it was broadly analogous in that both countries retained the right to implement any measures that the government considered appropriate, whether it be for performing arts, literature, film and television or radio, and whether it was by way of subsidy or imposition of content standards—whatever method it chose to use. In the last 10 years Korea had in place a number of protections and some of them were honoured in the absence of enforcement. In the last 10 years they have been very actively promoting their cultural industries and have implemented quotas which have been incredibly effective in seeing the growth of a really healthy film industry sector.

Since we signed the free trade agreement with the United States, we are in a slightly different position in that we have now agreed to stand still in respect of a number of measures, such as content standards on free-to-air commercial television. We have committed ourselves to consultation with the United States in the event that we are to introduce content standards in addition to what is already in place in respect of subscription television and new media. That has considerably constrained our hands. In the US free trade agreement we have effectively looked to those mechanisms that the government has been utilising and lock out the possibility of, for instance, introducing a quota system should a government at some point ever be so inclined in respect of cinemas, as is the case with Korea. We were also trying to make the point in our submission that Korea is a good model of how you can shift an industry over a relatively short period of time with a really sophisticated set of arrangements designed specifically to bolster your own cultural industries in your own country.

Mr WILKIE—That is fantastic. I will not go down that path now, because we are not looking at the US, but I would like to see whether the arrangements that we have put in place in the agreement have made any difference to what is being broadcast on Australian media now. That is something I would like to explore privately rather than in this forum.

Senator KIRK—I am trying to understand better the nature of the Korean productions that are being produced in Australia. You mentioned short feature films and commercials; is that right?

Miss Gailey—Yes.

Senator KIRK—I am trying to get my head around just how significant this is. I would have thought that most Korean films and advertisements would be made in Korea. I am wondering what it is that attracts Korean film-makers or those who are making commercials to come to Australia to film.

Miss Gailey—With commercials it is usually the exotic location.

Miss Gailey—They want their car to be seen driving over a wonderfully architecturally constructed bridge that other cars being advertised on television in Korea will not be driving over. They are the same sorts of things that drive any industry to look for the exotic or the different or something they think will enhance the branding of their particular product. I have never worked in advertising and I cannot speak for the way their minds work, but if they are trying, for instance, to brand a car to show that it means that you are the kind of person who will travel because you are affluent or whatever, they may choose to come to a location that they think gives them good onscreen production values. In respect of the feature films, our experience is that the reasons they come here are almost exclusively to do with the facilities and the capacity Australia has in terms of postproduction of films.

Senator KIRK—You mentioned before that there were some occasions when people were not paid. I am presuming that you mean that your members were not paid. When these films and commercials are filmed in Australia, is there a lot of Australian involvement by way of actors or anything else? I imagine the postproduction stuff would involve Australians, but what about in the actual films or commercials themselves?

Miss Gailey—For postproduction, usually just the producer and director will come out from Korea to oversee it and they use Australian postproduction personnel. In television commercials it is usually all Australian crew, although they will bring producers and a director. The other thing that should be said about our experience with Korea is that it has been over a relatively short period of time. The growth of their industry has been very recent. I think what we saw in the late nineties, particularly with television commercial producers from Korea who were not paying people, was a bit of a rapid take-up in an industry where there were more cowboys than was desirable. Certainly the trend seems to be on the way down, which indicates the maturing of that sector of the industry.

Senator KIRK—In circumstances where people are not paid, does the problem lie in not being able to locate the individuals once they have returned to Korea? Can that not be tracked down through the immigration department? You mentioned the nature of the visa perhaps as being problematic there.

Miss Gailey—It is incredibly difficult.

Senator KIRK—I was just wondering why that is. I would have thought that, if you had come into the country, you would have had to have provided some sort of identifying information. I guess that is really a question for DIMIA rather than for you to resolve. Thank you.

ACTING CHAIR—On the general issue, I know that Mr Dalton is talking to us next, but is there any potential to grow Australian engagement culturally? With films or in any of the sorts of broad cultural issues you have put in your submission—which is very comprehensive, I might say—is there any potential to grow that? Part of this inquiry is about how we might be able to enhance the relationships at all of those levels. We are interested in suggestions and ideas about where Australia can go to build that further. I guess it is fair to say that one of the impediments we perceive from the hearing so far is a real problem with language education. It is not at all to do with Koreans not learning English but, rather, the lack of engagement by Australians in learning Korean. That puts you behind the eight ball in terms of long-term engagement processes. I am interested in your perspective on that.

Miss Gailey—My personal view on the latter part of your comment is that I think Australia is heading for really big problems in a number of areas because of the collapse of the teaching of languages in schools across the board since the time when, if you were hoping to go to university, it was practically obligatory that you did final year English, maths and a language. A large number of schools in both the public and private sector offer only two languages in total. I think the results of that are going to have a really serious impact on Australia's ability to trade internationally. I think it will have a serious impact on Australia's understanding of other cultures. That is my personal view.

In terms of language, the issue exists as to whether we are talking about our audiovisual industries being able to work in Korea, Japan, Malaysia or Thailand. That being said, there are a number of people who, when they have identified a market—and postproduction is often one—have been able to overcome that. There is certainly potential for Australia to attract more postproduction work from Korea. In terms of engaging with each others' cultural product, the AFC have been instrumental in those endeavours in the Asian region. I am sure Kim Dalton will be able to give you more detail on that than I am able to.

ACTING CHAIR—Are you aware of any of the efforts that are made through DFAT to engage in cultural exchange? Is the MEAA across part of that?

Miss Gailey—We know that through Austrade there are a number of initiatives to showcase Australian work, Australian culture and the like.

ACTING CHAIR—Do you support those?

Miss Gailey—Absolutely. I think what the ABC was saying earlier is incredibly important. We suggest that the really valuable work they do in the Asian region is one of the reasons it would be good to see them slightly better resourced than they currently are. I always think that those sorts of initiatives and that sort of work are really useful in terms of raising awareness of Australia as a country with a viable audiovisual industry, albeit one that is struggling slightly at the moment.

Senator MOORE—I have one follow-up question, in terms of the comment you just made about language and the previous answer you gave about Korea becoming a regular employment option for people in the musical and dramatic field. Do your members talk about things like having language skills? Is that something that people in your industry look at in terms of enhancing their employability?

Miss Gailey—To an extent, but the productions I was referring to would be in English. At the moment there is a sort of route that picks up Korea, Singapore and South Africa. To the extent that people can seriously look at language, there are a number of Australian-born Indians, for instance, who manage to work quite happily in Bollywood in Mumbai. Obviously, their language skills are completely adequate for the purpose. But for people whose first language is English working in the Asian region, there are so many languages to deal with that you would have to determine a long-term career in a particular country.

ACTING CHAIR—Thank you very much, Miss Gailey. As I said, the alliance's submission is most comprehensive and very helpful to the committee on the cultural points of our inquiry, so we are very grateful for that. Thank you also for your attendance here this afternoon. If we have any issues we need further information on we may be in contact with you through the secretary. We will also send you a copy of the transcript so that you can make corrections to any errors of transcription.

Miss Gailey—Thank you very much for the opportunity.

[2.49 pm]

DALTON, Mr Kim, Chief Executive, Australian Film Commission

ACTING CHAIR—On behalf of the subcommittee, welcome to our public hearing today. 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 committee will consider that request. Although the committee does not require you to give evidence under oath, you should be aware that these hearings are legal proceedings of the parliament and, as such, have the same standing as proceedings of the chambers. I invite you to make an opening statement and then we will go to questions.

Mr Dalton—As the committee would be aware, we have made a submission which we hope has assisted the committee in its work. I should add that, if there are any absences of information—and they extend beyond the conversation we will have this afternoon—we are more than happy to follow up and provide any further information that might assist you in your work. Additionally, by way of background—and this is mentioned in the report—I have a particular engagement with Korea in as much as I am a member of the Australia-Korea Foundation, appointed by the Minister for Foreign Affairs. I have been on that committee now for almost two years, so that has brought another dimension to my interest in Korea and hopefully to my understanding of Korea and our relationship with Korea.

The relationship between Australia and Korea as far as the audiovisual is concerned has a number of aspects to it. Korea has always been a significant market for Australian films, both for theatrical distribution and video and DVD distribution—and, to a certain extent, television. Increasingly, there is contact between Australia and Korea as far as Korea using Australia as a base for postproduction—using our highly developed postproduction facilities here—and, to a certain extent, shooting commercials, feature films and television work out here as well. That is something that I think is expanding.

Culturally speaking, we have had a lot of connection with Korea over a number of years in terms of our major film festivals bringing in Korean films. There has been a lot of interest in Korean film for a number of years in Australia, and there is a small but significant audience for those films within Australia. That has led to the commercial release of a couple of films, most notably *Oldboy*, which was in the Cannes Film Festival and had a commercial release here. We have had some discussions with Korea about the idea of a cooperation agreement. We initially approached them about the possibility of a co-production agreement, but the Koreans have issues in terms of the undertakings they have made in signing up to WTO. That presents them with certain issues in terms of pursuing a co-production agreement.

I guess the Australian industry has always looked at the structures that underpin an extremely vigorous and successful audiovisual, particularly film, industry in Korea. We have always looked at it with interest from a policy point of view, and we have always suggested that Korea presents an interesting model for the way that a country can build a very lively, successful, engaged local industry around a set of regulatory structures in the areas of cinema and television. Again, we

have gone into quite some detail about the history of those regulatory mechanisms and, in our view, the significance of those regulatory mechanisms. I am happy to talk to you about it more.

We have noted with interest that Korea also has, ahead of many other countries and certainly ahead of Australia, anticipated the importance of digital media, digital delivery systems and digital content. Their infrastructure is one of the most developed in the world in terms of broadband capacity, but they have also focused on the issue not just of infrastructure development but also very much on content within that digital environment. They have taken a range of actions to ensure that there is Korean content within the digital environment. That is something that we look at with interest.

Arising out of our participation in the second Australia-Korea Broadband Summit, held in Seoul in April this year, where I gave a presentation about some of the work that the Australian Film Commission has been doing in this area of broadband content, we have had a take-up from some people in Korea. We are going back in November to present some of the work that we have been doing to a digital content conference in Seoul. We are also following up meetings there with Samsung which is establishing a broadband content service. Samsung was quite interested in talking to us about some of the work we have been producing here and the possibilities of licensing that work.

As you probably know in terms of trade, America has been very interested in entering into a bilateral free trade agreement with Korea but the stumbling block to that has been their screen quota system and audiovisual regulations. That has been an issue which, from our observation at the moment, is still unresolved as far as the Americans and Koreans are concerned. The Koreans have entered into a bilateral trade agreement with Chile but they did exclude cultural goods and services from that agreement.

Our submission to the government in terms of an Australia-Korea free trade agreement would be similar to the submission that we always make on these free trade agreements—that is, that as far as possible culture is removed from the agreement. We think that if the government goes down the road of taking reservations then we think the model that was established in the Singapore Australia Free Trade Agreement is the model that could be used. We would assume that Korea would embrace that and would not want to do anything different.

ACTING CHAIR—You will be pleased to know that we have had consistent messages on that point. I am curious that DVD seems to be the only aspect of technology that has not taken off at a million miles an hour in Korea. Your submission is interesting on that point.

Mr WILKIE—They have gone past it already.

ACTING CHAIR—No, they are still keen to rent videos, according to this—which is interesting. You referred to—and your submission also referred to it—the potential cooperation agreement, which I think started its development in mid-2004. Where is that up to now? It was not clear to me from what you said.

Mr Dalton—It has not gone beyond some initial discussions between ourselves and our counterpart in Korea. They were very initial and early discussions and there was an immediate concern on the Korean part as to the nature of the relationship they could enter into, given their

WTO undertakings. From our point of view and theirs, I should say, there was a feeling that we did not want to do all the work just to end up with an agreement that we would cooperate without it having a bit more substance. We were very interested in the idea initially of talking about something with more substance to it in terms of an actual co-production agreement.

ACTING CHAIR—Do you expect to see any progress?

Mr Dalton—When we end up in the same part of the world as each other at various festivals it is something that we always talk about. In fact, I am off there in a couple of weeks time to the Pusan International Film Festival. No doubt I will meet my counterpart over there and we will once again have another discussion about this issue.

ACTING CHAIR—That brings me to the Pusan promotion plan. I think you also mentioned in your submission a lack of inclination, if you like, to include Australia in the process because we are not perceived as an obvious participant. Do you think that is changing?

Mr Dalton—I would like to think that it is changing. I think that it is an attitude that we have encountered not just in Korea. It is an issue, rather than an attitude, that we have also had to deal with recently in Hong Kong, which also has a similar scheme. As a result of conversations with people in Hong Kong, we had a very positive response from them saying, 'If you accept you're part of Asia, we'll accept you're part of Asia and we'll be very interested in Australian film-makers participating in this marketplace.' We did agree with the organisers of the PPP last time around. We hope in further discussions this time that they would be open to having submissions come from Australia for films.

This year, unfortunately, we were not able to put forward any scripts. They quite understand that we do want some sort of Asian connection within the films. When we first went and spoke to them a couple of years ago, there were actually two or three films around that were either being developed by Asian-Australians or had themes and stories with an Asian theme to them. That was when we were having trouble convincing them that we would sit comfortably at a table with a whole lot of other Asian film-makers. It is just a matter of continuing to talk and, as much as anything else, being there. That is why we are going back to Pusan again this year. If it is on and off, you are there but you are not there; it does not work.

ACTING CHAIR—Consistency is very important.

Mr Dalton—That is right.

ACTING CHAIR—You made the observation in your submission that you had been able to convince the organisers to consider projects that you would submit for the round in April-May this year. What happened to those?

Mr Dalton—That was the one when, unfortunately, we did not have any projects to submit. I hope that we have broken that barrier and that next year they will be once again quite open to seeing any projects that we submit.

ACTING CHAIR—As a film festival, does it cover all varieties of film? Does it include documentaries and short films?

Mr Dalton—Yes, it does. In fact, there are four Australian films going this year, and two of them are documentaries. One of them was shot in Port Moresby. It deals with the phenomenon of young gangs in Port Moresby. The other one is *Vietnam Symphony*, made by Film Australia. The story is set in the war. Talking to the selector from the festival, the reason they were interested in both of those films, particularly the Vietnam one, was that these are issues and regions of the world that they are very interested in—as well as the Australian perspective on that.

ACTING CHAIR—Do they do short films as well? I would have thought that some of the contenders for Tropfest would fit into their category.

Mr Dalton—Yes, they do. There are not any Australian films; feature films have been invited. In particular, *Look Both Ways*, the Australian feature film that is performing very well at the moment, has been invited.

Senator MOORE—We were just commenting on the broadband information which you gave us. It is phenomenal. I have no questions, except to say that I am in awe.

Mr WILKIE—Those of us who did not want Telstra privatised would have been really keen for the government to commit the sort of investment—

ACTING CHAIR—We have had such a nice day so far.

Mr WILKIE—I know, but I had to slip that in, particularly having read the submission. Their broadband access is quite phenomenal compared to ours.

Mr Dalton—Certainly, as I said before, the infrastructure development within Korea has been quite exceptional and has led the world. From our point of view, there is a real interest in Korea about the content coming out over that infrastructure as well. Although we are at a very early stage as far as content for broadband here is concerned, in relation to the work we showed them when I gave the presentation at the summit in April I think it is a little like our film industry—they are very interested in our creative abilities in Australia. We may not have the volume and we may not have the extent, but we do have very high levels of creativity in Australia.

Mr WILKIE—We heard that in evidence given at a committee hearing in Canberra from business people, but they were talking about software development. The problem they had was that the speed of our internet is so slow that they could not transmit the data back to Korea. It was fine to have the ability to develop the software, but if they could not get it over there, what was the point of doing it? They needed to look at other ways of being able to transmit the information. It was making them uncompetitive by comparison.

Mr Dalton—One option would be accessing content out of Australia across to Korea. I guess our interest is looking at whether there are any options for licensing our material into their broadband services, and then speed is not such an issue.

Senator KIRK—I wonder whether or not there is very much of a market for Australian films in Korea. That is my particular interest.

Mr Dalton—Before the Asian crash, there was a significant market, certainly in video. Realistically, as you would be aware and as we pointed out in our submission, Korean films have about 50 per cent plus of box office share and after that you are competing with all the big American films. The American films do not have as much space in that marketplace because of the success of Korean films, so there is a very high level of competition for any other films which are coming in. Nonetheless, some Australian films do get theatrical release there. Back in the nineties there was a period where, after Germany, Korea was the biggest market for sales of Australian feature films on video. It was an exceptionally strong market. That all changed. But, again from the figures we have shown you, there still is a very healthy market and a lot of Australian films do sell into the video market.

Senator KIRK—I wonder why there is that differential—why people are happy to watch Australian films in the comfort of their own homes but they do not to go out to see them on the big screen.

Mr Dalton—I do not know. All marketplaces have their own specifics, but it is partly about the competition for screen space. By and large the people who are distributing Australian films are the same people who are distributing American films. So just getting that shelf space, for want of a better word, is always a problem for smaller Australian films, which will not be doing the level of business that American films can do.

Senator KIRK—I think you mentioned one Korean film that had commercial release here last year.

Mr Dalton—A film called *Oldboy*.

Senator KIRK—I have not seen it. So that was the only one. Is it quite a rare occurrence for a Korean film to—

Mr Dalton—There have been some. We do do it there, but, going from memory, there have been about six or seven Korean films which have had a theatrical release here in Australia. There have not been very many. By definition, they are foreign language films and they are being released subtitled. That is a smallish market in Australia—you are only looking at a few per cent of the box office here—and they are competing with all the European, Chinese and other films. Having said that, in terms of films working as cultural ambassadors for their country, I think Korean films have had quite an impact in Australia. Certainly at the major Sydney, Brisbane and Melbourne film festivals there is always a very strong following of people who are very interested in seeing and keeping up with the latest Korean films. Korean films are beginning to make a very significant impact internationally. Across Asia, into Japan and other Asian countries, the distribution of Korean films is expanding. You notice that at places like the Cannes Film Festival it is rare for there not to be one or two Korean films every year now. It is considered to be one of the most exciting and developing industries in the world.

Senator KIRK—That is interesting.

ACTING CHAIR—Finally, may I ask you about your involvement in the Australia-Korea Foundation? Which came first—your interest and involvement in the Korean industry or your opportunity to participate in the foundation?

Mr Dalton—As I have said, anybody who is interested in policy issues around audiovisual content in Australia is aware of Korea because it is a very interesting model and it is such an important industry. You tend to want to know why this relatively small country has such a vibrant industry and such a large share of its own box office and TV time. I certainly knew a lot about the Korean industry prior to being approached to be on the AKF, but I think the reason I was asked to be on the AKF was that they had decided at a strategic level that they wanted to engage with the Korean film industry and they thought that, if they asked me onto it, that might have some impact, and it has. Perhaps what I have brought is more of an emphasis on the whole area of digital content and broadband interactive content, because I think that that is potentially where there are some real opportunities for exchange between Australia and Korea—cultural, creative and personal exchange and, in the longer term, economic exchange.

ACTING CHAIR—The executive officer of the foundation spoke with us in Canberra, I think. Thank you very much for appearing before the committee this afternoon. We are very grateful for both your submission and your presence here today. If there is anything we need to follow up with you our secretary will be in touch. We will also send you a copy of the transcript so that if there are any necessary corrections to errors of transcription you can make those and return it to us.

Proceedings suspended from 3.11 pm to 3.21 pm

BARNARD, Dr Peter, General Manager, Meat and Livestock Australia

McCALLUM, Mr Andrew, Manager, Trade Policy, Meat and Livestock Australia

VOSS, Ms Wendy Jean, Market Analysis and Support, Korea, Meat and Livestock Australia

ACTING CHAIR—Welcome. 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 request to do so and the subcommittee will consider your request. Do you have any comments to make on the capacity in which you appear?

Dr Barnard—I am the general manager of economic planning and market services for Meat and Livestock Australia.

ACTING CHAIR—Although the subcommittee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and, as such, have the same standing as proceedings of the chambers themselves. Dr Barnard, I would like to invite you, and those of your colleagues who wish to, to make an opening statement, and we will go to questions after that.

Dr Barnard—Let me say a few words about Meat and Livestock Australia and the importance of the Korean market to the Australian meat and livestock industries. Meat and Livestock Australia is a company that was formed in 1998 out of the ashes of two old organisations, the Australian Meat and Livestock Corporation and the Meat Research Corporation, to undertake two sets of activities on behalf of the Australian meat and livestock industries: research activities and marketing activities. Approximately 50 per cent of our budget is spent on research and 50 per cent is spent on marketing. We are funded by transaction levies on cattle, sheep and goat sales. Each time cattle, sheep and goats are sold in Australia a levy is payable to the Australian government, and that levy is handed on to Meat and Livestock Australia. We also receive government matching dollars for some of the research activities that we undertake.

We market beef and sheepmeat products both here in Australia and internationally. Amongst the most important of our international markets is the Korean market. Last year we exported 93,000 tonnes of beef to Korea. That was Australia's fifth largest export to Korea last year. We exported just over 1,100 tonnes of lamb and about 700 tonnes of mutton. Last year we made record sales of beef to Korea of 93,000 tonnes, worth about half a billion dollars to the Australian export industry. No doubt those sales were assisted by the absence from the market of our major competitor, the United States. The United States has had a couple of cases of BSE, so at the moment their beef is not permitted entry into the Korean market. But our sales to the Korean market have been growing over a long period of time, and we believe that they will be even higher this year. A pleasing aspect has been growth in the value end of the business—growth in the chill trade to Korea, growth in the grain fed trade to Korea and growth in the cuts trade to Korea, rather than the carcass trade. So it is growth at the right end of the business.

We believe that there will be further growth in the Korean market, for a number of reasons. They have limited local supplies. They have a local herd of about 1.8 million beef cattle. Increasingly, they are adopting a Western cuisine into their diets. Their economy, of course, is reasonably healthy. It is expected to grow by about six per cent next year. Their infrastructure, particularly for handling the chilled beef trade, is getting better all the time. We are investing heavily in the market. We have had an office there since the late 1980s. We are marketing our beef and sheepmeat actively in the market at the moment. We have a logo that we launched a couple of years ago. It is a pretty simple logo—'Hojuchungjungwoo', which means Australian clean and safe beef. We think that is the major message that people want to hear about our product.

In terms of access barriers, considerable progress has been made in liberalising the beef trade to Korea over the last decade. We used to face quotas into the Korean market. We used to face a raft of regulations that would impede the flow of imports. But, gradually, over time, there has been success in lowering those access barriers. The quotas have gone and now we just face tariffs, although they are still at considerable levels. A lot of the regulations that impeded our beef trade to Korea have also been addressed, particularly regulations that impeded the chilled beef trade to Korea. In terms of further work, the tariff barriers are still high. In beef, we face a 40 per cent tariff; in sheepmeat, we face a 22.5 per cent tariff; and, for value added products, such as hamburger patties, there are tariffs of up to 72 per cent.

We would certainly like further progress in lowering those tariff barriers and in addressing some remaining regulations that impede our work in the market. But, as I say, we have come a long way over the last decade. We would like to place on record our gratitude to the Australian government for the work that they have done in addressing those access barriers. There have been successful bilateral negotiations, in many cases, and there has been WTO action against some of those regulation and quota arrangements, which have been successful. The Australian government has also placed an agricultural counsellor in our embassy in Seoul, which also has the strong support of the industry.

We see the Korean market as an exciting market. We are certainly fully supportive of exploring the potential for a comprehensive free trade agreement with Korea. We think there are both strategic defensive and offensive reasons for taking that course of action. We believe that, if that sort of action was successful, the Australian beef industry could benefit further from significant growth in trade to the Korean market. That is all we want to say in our opening statement. We are certainly prepared to answer any questions you might have.

ACTING CHAIR—Thank you, Dr Barnard. That is very helpful. You did not mention, in quantum terms at least, pork exports. Is that for a particular reason?

Dr Barnard—Yes. It is because Meat and Livestock Australia covers sheep, beef and goat meat, but not pork.

ACTING CHAIR—Of course you do. Silly me!

Dr Barnard—But I think pork exports to the market are reasonably small.

Ms Voss—They are very small. There is an average of 50 tonnes a month.

ACTING CHAIR—Of our exports?

Ms Voss—Yes.

ACTING CHAIR—Thank you. I knew it was referred to in your submission but then you did not give me a quantum. I am keen to know what a beef gift set is.

Ms Voss—Basically every Thanksgiving Day, which is happening today, Koreans like to give each other gifts, just the way we do. For them short ribs in particular, but any beef gifts sets, are the preferred option. Basically you have them set into a little styrofoam container to keep them chilled and then they are placed into decorative packaging and given that way to relatives.

ACTING CHAIR—Fantastic!

Dr Barnard—We would love Australians to adopt that practice.

ACTING CHAIR—It is an interesting concept, particularly for those of us who are vegetarians. I am stunned. I think that is a great idea. That would go down well at the pub as a replacement for meat trays. You mentioned, Dr Barnard, the potential for a free trade agreement between Australia and Korea. What feedback do you get from your contacts and colleagues in Korea about their inclination and interest?

Dr Barnard—The Koreans are certainly interested in exploring free trade agreements with a number of countries. Of course, they have already undertaken a couple of free trade agreements. From the information we have in Australia, they are interested in actively pursuing other free trade agreements. I do not know that we are the top of their list at the moment, but hopefully we have the potential to creep our way up that list. We certainly think that it would benefit our trade to address some of those nuisance regulations that still remain in terms of our exports to Korea but also to address the potential for lowering those tariff barriers. Our major competitor in the market is the United States, and there is also talk about exploring a free trade agreement with the United States. It was for that reason that I stated in my opening remarks that there are both offensive and defensive reasons for exploring an FTA with Korea. Certainly, if the United States were ever to sign a free trade agreement and that involved a lowering of those beef tariffs for US product it would place us at a significant competitive disadvantage in the market. These FTAs are exciting but they are also threatening if your competitors are able to do a deal that you are not able to do.

ACTING CHAIR—Indeed. Other witnesses today—we are making the careful and subtle segue from film to meat here this afternoon—have talked about similar challenges they identify for their own industries, so it is an interesting discussion. One country you mentioned in particular in your submission was Canada and the challenges that that might present. Korea's one bilateral at the moment is with Chile, isn't it?

Mr McCallum—Chile and Mexico.

Ms Voss—Singapore.

Mr McCallum—Sorry, Chile and Singapore.

ACTING CHAIR—I have conflicting information.

Dr Barnard—Japan has done one with Mexico.

Mr McCallum—Korea are talking about Mexico, too.

ACTING CHAIR—Canada would present a significant challenge in the meat market for our producers I would have thought?

Dr Barnard—Canada at the moment is suffering the same difficulties as the United States—they have had cases of BSE in Canada that have precluded them from selling into those north Asian markets. But one would expect that over time both the United States and Canada will re-enter that trade. Canada has not got the size of industry that the United States has. Nevertheless, it could make significant sales into the market and significantly affect our potential trade.

ACTING CHAIR—I will go to my colleagues, but I have one more question. I am very interested in how difficult it is for you as an organisation to persuade participants in the production process here to do what is needed to go into a market like Korea—to produce beef gifts sets, for want of a better turn of phrase, or to produce these two particular unique brands and present them in the way that makes them attractive to the Korean market. How receptive and amenable to that approach to their production is the Australian producer?

Dr Barnard—As a general comment, they are very receptive. The Australian beef industry lives off its exports. We export around two-thirds of our product, so we have to be focused on those export markets. Korea is our third largest export market, so it is a very important market for individual exporters. I think their receptiveness has been assisted by changes that we have implemented to our marketing program. A decade ago we would market relatively independently from individual exporters, but now we market in partnership with those exporters. We enter into cooperative and signed agreements with individual exporters to promote their products and brands in markets like Korea and Japan. It is a partnership arrangement. They are selling the product and we have good knowledge of marketing requirements in those countries. I think that with that partnership arrangement the Australian processing community is doing a really good job in markets like Korea and Japan.

ACTING CHAIR—That is very interesting. Thank you very much.

Mr WILKIE—What was the basis for the trade liberalisation that occurred in January 2001?

Mr McCallum—The Korean market was subject to quotas, as Peter said before, and the Korean government conducted a tender system for the purchase of imported product. Companies in Australia had to apply and put in a tender price to supply product and then the Korean livestock marketing organisation purchased the product according to price. That system was removed and individual importers were therefore allowed to associate directly with exporting companies in Australia to facilitate trade.

Dr Barnard—So, as I indicated, the Korean market has undergone successive and very significant reorganisation over a decade. They got rid of the quotas and the tendering system, as Andrew said, and replaced them with tariffs. They then addressed further regulations that

impeded trade. Those largely related to the way product was sold in Korea and restrictions on how it was sold. It used to be that if you were a butcher in Korea you had to decide whether to sell domestic or imported beef. If you were a supermarket, you had to have them in quite distinct sections or on distinct counters in your store. We and the United States saw those sorts of regulations as impeding the sale of imported beef. The Australian government took the Korean government to the WTO and the Korean government, to its credit, as a result of our successful WTO action, has now addressed those regulations and has removed the restrictions that existed.

Mr WILKIE—Just to continue on from your mention of the WTO, your submission is very heavily supportive of the free trade agreement, and I remember during the US agreements you were very supportive, but in actual fact we got ripped off on meat and livestock in the FTA, didn't we? We wanted to have tariffs cut over five years; we got 18 years. We have talked about increased access for lamb, but we really got that through the WTO process because we took the Yanks to court. Given that and the fact that that is how we have achieved this change in their attitude, what real benefit is there going to be with a free trade agreement with Korea? Isn't it similar to what happened with the United States where we liked it because we thought we might get something out of it but we are not guaranteed of getting a reduction in tariffs? Given that, if you look at the beef herd in Korea—I think they produce about 36 per cent of their own beef—how realistic is it to expect them to drop their tariffs and then lose their beef industry? I just cannot see it happening, in the same way it did not happen with the United States. I am interested in your comments.

Dr Barnard—First of all, I will address the comments you made about the Australia-United States Free Trade Agreement. Although we would have liked more from the Australia-United States Free Trade Agreement—and, when you enter a trade negotiation, you always set your parameters high—compared to a situation in which we would get nothing, the Australian meat and livestock industry welcomed the 70,000 tonnes of extra quota we received and the removal of those quota restrictions over an 18-year period. Admittedly, we would have liked it to be a lot shorter than 18 years, but getting extra quota and getting rid of those quotas over time was a positive move from the viewpoint of the Australian meat and livestock industry.

FTA negotiations are tough. I think the North Asian negotiations—the talks with Japan and the exploration now with Korea—are going to be tougher than the US negotiations. I think we have to be very insistent that these FTAs are comprehensive and that they do embrace agriculture. We have to be very insistent that there is substantial liberalisation in agricultural products. I look at a Samsung television, we drive around in Hyundai cars, and they come in with relatively low tariffs. We ought to insist that the same rules apply to our products when we sell them to Korea. It will require steel on the part of the Australian government if we do ever get into FTA negotiations with these North Asian countries, but we certainly believe that, given the importance of the trade, the negotiations are potentially profitable to our industry.

ACTING CHAIR—One of the groups we heard from in Canberra was the Queensland Department of Primary Industries and Fisheries. With regard to marketing Queensland produce in Korea, they raised with us an interesting aspect of the regulatory environment, which is that, if you are trying to sell an organic product in Korea, they require you to write 'organic' in English on the labelling, not in Korean. Do you have any comment to make on that?

Dr Barnard—Again, when I stated in my opening remarks that there were some regulations that remain that continue to impede the trade, that was a regulation very much in mind. We are certainly working on that regulation with the Australian embassy in Seoul. That is an area in which we would definitely like to see movement. We believe that, if our products are certified as organic, we ought to be able to state that they are organic in both English and Korean up in the market there.

Senator KIRK—I understand that South Korea has quite a vigorous quarantine system. How, if at all, have the Australian Quarantine Inspection Service helped you in meeting those strict requirements in Korea?

Dr Barnard—Yes, they certainly have a strict quarantine environment operating for imports into the Korean market. Fortunately, because of the status that Australia has, we have not had many difficulties in meeting those requirements. The only time that I can remember having any difficulty at all was quite some time ago now, not in recent years. It was when we have either had an isolated anthrax outbreak or some problems with contamination in small shipments that have gone up there. We think that the posting of an Australian ag counsellor in the Seoul embassy has been a very positive move in educating the Koreans about the safety of Australian product and about the systems that we have down here to preserve the integrity of Australian red meat.

We have also done a lot of work over the last 10 years in ensuring that these sorts of problems are almost unknown—certainly, extremely rare. We have got systems. A producer when he sells his cattle has to sign a form that attests to the treatment that those cattle have received, so if he has supplied veterinary treatments to those cattle he has to state that on the form. There are random audits on those forms, so it has placed Australia almost in an unparalleled situation worldwide in terms of the view that international customers have of our product as being clean and safe. We have not had any problems for a long time in Korea.

Senator KIRK—It is interesting that you say there is a person located in the embassy just to deal with these things. I know this does not have to do with Korea, but is it quite common through the Asia region for somebody to be placed?

Dr Barnard—Fortunately, it is becoming more common. We think that it has been an important move by the Australian government. For about four or five years we have had an agricultural counsellor in Korea, for a longer time in Japan, and I think for a couple of years in Beijing. The Australian government announced recently that it was going to post an extra counsellor to Beijing and a counsellor in one of the South-East Asian markets—I forget which one—that would cover the South-East Asian region. If you are an export industry, it is very important to have that government support in dealing with quarantine arrangements in these countries. We are very appreciative of those moves by the Australian government.

ACTING CHAIR—Thank you very much. I am not sure who designed your logo, but it has a very feminist theme running through its colours, might I say, by way of observation. I am not sure whether it works in the Korean market, but it certainly works here. We are very grateful for your attendance here today and for the organisation's submission as well, which helps us fit part of our inquiry into place. If we have any issues we need to follow up with you, the secretary will be in touch with the corporation to do that. We will also provide you with a copy of the transcript

from this afternoon, so if there are any errors of transcription which need correction you can make them. Thank you all very much for attending.

[3.50 pm]

de GROOT, Mr Jack, Chief Executive Officer, Caritas Australia

McCAFFERTY, Ms Margaret Louise, Program Coordinator East Asia, Caritas Australia

ACTING CHAIR—On behalf of the subcommittee I welcome the witnesses from Caritas Australia. 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 consider your request. Although the subcommittee 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. I invite you to make an opening statement, and at the conclusion of that we will go to questions.

Ms McCafferty—We have a brief additional paper which I will circulate now. Also, we did foreshadow the possibility of an in camera session but we will not be pursuing that today.

ACTING CHAIR—If you wish the committee to receive information confidentially, it is possible for you to write to us in the context of the hearing. Perhaps that would assist you in providing information that you think is important, rather than going in camera this afternoon.

Ms McCafferty—Thank you. Firstly, we welcome the recent news in yesterday's announcement concerning the cessation of nuclear programs in exchange for energy aid. I think that is a great step forward. However, our experience of working with the DPRK would lead us to wait to see the details and to wait to see how it all pans out. Although it is a great step forward, we would also be hesitant at this stage to believe that those problems have now been resolved.

As background, the DPRK first appealed for international assistance in 1995, following severe floods which destroyed the harvest and an already weakened and very frail economy. In the decade since then, the Caritas international network, of which we are a part, has provided assistance of over $US30 million to humanitarian programs in the DPRK. The Caritas international network comprises 162 active member countries that are operating in over 200 countries or territories globally. The Caritas confederation is one of the largest humanitarian agencies globally. By the end of 2006, Caritas Australia will have contributed $A1 million to humanitarian programs in the DPRK, which is not an insignificant amount as it is all from Australian donor funds.

Senator MOORE—Is that since 1995?

Ms McCafferty—Yes, that is over the 10-year period—or until the end of next year. The situation in the DPRK remains one of the most serious humanitarian crises globally, and Caritas Australia is committed to supporting the international program long term. In 2005, the Caritas International program budgeted for about $US2.5 million. We are fairly uniquely placed to implement a large range of programs in the DPRK in various sectors.

I will give a brief background to the humanitarian imperative. Food insecurity is one of the biggest issues. There have been improvements in the harvest in this last year—in fact, it is the best harvest for over 10 years—but it still falls far short of what is required for internal needs. There are approximately 6.5 million people reliant on food aid from the international community to stave off malnutrition. That is almost 30 per cent of the population.

Looking at the health of children, a nutritional assessment came out earlier this year, undertaken by WHO, UNICEF and OCHA, that indicates there has been an improvement in child nutrition over the last couple of years. But still 37 per cent of children under the age of seven are stunted in growth and 23 per cent are underweight. They are really horrific figures. They are very high by WHO standards and, if you think about the impact of 37 per cent of children to age seven having stunting—which is the calculation of height to age—it means that they are mentally and physically underdeveloped and that underdevelopment after the age of three will never be regained during the course of that life, regardless of future nutritional supplements. A third of the new mothers are anaemic and malnourished.

There were initiatives of economic reform introduced in 2002 which have started to open up markets and direct foreign investment, but at the same time new areas of vulnerability in the community are starting to be identified. There are problems with social services, medical services, hospitals functioning without power, lack of water and the use of extremely outdated equipment. Earlier this year one of our colleagues visited a county hospital serving 60,000 people. The only medicines that they had were those being provided by Caritas. Alternatively, there are traditional medicines, which a lot of the people must rely on, not to mention the very outdated medical equipment.

Emergency assistance is vital for North Korea to promote and safeguard the wellbeing of people. However, we must also address the underlying causes and this will require the commitment of the government of DPRK and a concerted effort from the whole of the international community regarding the development of DPRK. That will require a much less hostile international community and also recognition of the very genuine needs for humanitarian and development assistance, and an acknowledgment that that assistance is not linked or tied to political agendas.

In September last year the government of DPRK indicated that they would welcome more technical assistance and more long-term development program assistance. They indicated that they wished to do this and try to phase out the humanitarian programs. Our recommendation to you here today is that humanitarian support to the DPRK should not be linked to the resolution of the political issues that are outstanding. We note that in 2003 our aid commitment was about $3 million. In 2004 we committed two lots of $4 million—about $8 million—and then this year, to this point, there has been a commitment of about $2.5 million. Perhaps it is a matter of timing as to when payments are made, but we would really encourage the maintenance of that level of commitment to the DPRK, if not an increase.

Secondly, it is unlikely that it will be all smooth sailing from here. Whilst it is important to pursue the solutions to the political and nuclear questions that are in front of us, we also need to see this as a period where we can be involved in capacity building and in building the foundations for longer term development programs. We should not be waiting and holding bilateral programs until the point when all of the political and nuclear issues are resolved.

Finally, as the DPRK is a signatory to the Millennium Development Goals—and they are something that we are all committed to—this is also an opportunity to work with the UNDP and others towards a national development strategy for the DPRK. In conclusion, we need engagement that is constructive and non-confrontational as we work towards the resolution of other issues at the same time.

ACTING CHAIR—Thanks very much. Do you have anything to add, Mr de Groot?

Mr de Groot—No, not at this time.

ACTING CHAIR—You made reference to Caritas's view about aid levels. I did want to say on behalf of Senator Stott Despoja, who could not be here this afternoon but was here this morning, that she wanted to pursue the question of whether—in light of yesterday's announcement and the result of the six-party talks—there was a need to in fact be increasing aid to the region. Effectively I think you have addressed that. I thought that it was important to put that on the record. One interesting note which has come out of the last couple of days is that the WFP have indicated they are in fact going to pull out based on the DPRK assuring them that they believe they can meet needs internally. What is your view on that?

Ms McCafferty—Firstly, the needs do exist; there is no question about the needs in country. The question is about how those needs are fulfilled. It is our understanding that the DPRK have clear commitments from both China and South Korea, that they are confident that they will be able to meet the food needs through the public distribution system. So in that sense that is a great step forward. I suppose the Caritas program is focusing on the most vulnerable sectors—particularly, say, orphans, children, nursing mothers and the elderly—so these are probably the least likely to be assisted.

For some time the DPRK has indicated its reservations about being included in the consolidated appeals process. The other countries that are included in that process are really the worst cases in Africa, Chechnya and Palestine. For the DPRK to be associated with those lists of the most needy globally is a source of great concern and shame, I believe. The WFP have been looking at it. Last year when the first announcement was made they sent a number of parties for discussions with the DPRK and to talk about an alternative model or framework for international cooperation, which is what they were working towards. Now it would appear that that window is going to be closed, so we will have to wait and see how efficient the humanitarian program can be through the public distribution system and through the other donors.

Mr WILKIE—Congratulations on the work you do; it is obviously very important both worldwide and in Korea. Going back to the pull-out of the WFP, the North Koreans are obviously claiming that they have enough food coming in from other sources, and I wonder what they base that on. In your submission you talk about how they have cut government food rations from 300 grams a day to 250 grams a day, which is only 40 per cent of the internationally recognised minimum. Would they be classified as having enough food, based on that 250 grams a day?

Ms McCafferty—I do not think anyone is exactly clear on the commitment from their neighbours or on what they would be distributing through the distribution system. It has been extremely problematic in the last 12 months because, due to the political situation, there has not

been the commitment from the international community to support the WFP. There have been fluctuations in food assistance due to those political tensions. That has been very problematic to manage on the ground. Organisations such as Caritas try to fill in gaps where we can.

Mr WILKIE—We will be talking to the Australian Red Cross tomorrow. Their submission talks about limited access to identify whether the food is going to the right places. I think they say they can access four out of the nine provinces. Are you confident that the food aid you provide is going to the people who need it the most?

Ms McCafferty—Yes. We work very closely with the WFP. In fact our office, which is a joint office with a number of agencies, is within the WFP structure, and we use their monitoring and distribution systems. That ensures some coordination and, as I said before, we can fill gaps. At the same time, we have a policy of 'no access, no aid'. I am sure the Red Cross would also have that policy. There are only about 45 counties that we do not have access to. We have access to the majority of counties—over 85 per cent of them—and that is monitored. There are some gaps in monitoring information, absolutely, but food distribution is usually monitored with regular follow-ups and we are quite sure that those funds are being delivered to the beneficiary groups and no systematic diversion of aid has been recorded.

Mr WILKIE—Given that the WFP made them pull out of North Korea and you are using their distribution networks and monitoring systems, what contingency plans will you put in place to be able to continue your service?

Ms McCafferty—The reluctance of the government to continue the humanitarian aid program has been known for some time—they announced that last September—but it is only in the last month that they have announced that the WFP will close. They have also announced—and it has been reported—that the international NGOs will need to pull out staff by the end of the year. So we are in a state of flux. It will be a time of reassessment and reorientation for a number of agencies in the field as they negotiate exactly what is meant by that.

At the same time, we have assurances from the government that they want our programs to continue. They have specifically asked for support in long-term development programs and in capacity-building programs. Caritas has a number of different distribution and support mechanisms in place. One of them for the food distribution was with WFP. There are alternatives that would have to be worked through with the various ministries.

The other aspects of our program, perhaps, are things such as refurbishing hospitals and trying to get more modernised equipment, or just basic equipment, and medical supplies. Our main program manager is actually based in Hong Kong and travels very regularly to the DPRK. In that instance our links would be with the department of health, and we work quite closely with them. We also work quite closely with the department of education and the department of agriculture. So with those direct links we have been implementing programs, for example, to help develop fishery programs or fertiliser programs. We work through the ministries. We are ideally placed in not having gone in with an international office and set up there. The programs will be able to continue largely as they have done, with the exception of the food component, which is in question at this point. But we do have some perspectives as to how we might get around that one.

ACTING CHAIR—I wanted to ask a question which relates to an observation in your submission when you talk about the requests from the DPRK for assistance with technical projects. You make the observation that to move forward on that is going to require significant commitment from both parties. I am reasonably confident that the agencies of which you speak which are working within the DPRK will provide that. What about the commitment of the DPRK government to do the same?

Ms McCafferty—There are certainly different voices in the DPRK. There is the line ministry, and then perhaps security or military issues that have to be considered. Also, within the DPRK there are very different understandings of even what that announcement about development programs and capacity building might mean.

ACTING CHAIR—So what we may actually think that means is not what that means?

Ms McCafferty—Exactly; that is right. They might have very different and varied interpretations of what that means—what for them is realistic and what for them is something that they would find onerous or problematic. We certainly believe that it is possible. We have some experience in some development programs with ministries but it is something that needs to be worked out over the longer term. I think it is a question about building relationships and about building trust with the various authorities in the DPRK that we are genuine about wanting to see the development of the country.

ACTING CHAIR—So the announcement and results so far of the six-party talks may, in fact, provide some light on the horizon in relation to that, potentially?

Ms McCafferty—Sure. It would be fantastic. There are a number of countries who have ceased all bilateral funding until this is resolved. That is understandable in one respect. However, when you have a country with such huge needs, it is difficult to say, 'We won't provide any capacity-building, training or foundational work until this other question has been completely resolved,' because it will never be resolved to everyone's satisfaction.

Mr de Groot—I think also that the 10 years of relationship that we have had with the different ministries within the DPRK means that that trust is well established now. So the ability to move forward is based on the long heritage that we have there with the people. Also, we have not been initially captured by the political debates. We have been able to keep on working very closely with the needs of the people, whether that be in health care, education or this crucial area of food aid that has been front and centre for so long in the debates about DPRK.

Senator MOORE—One of the things I have noticed with Caritas in Queensland is a very personal approach with people—engaging local communities in being involved and getting active. One of the things we have heard about today is a great gap of knowledge in our community about all things Korean. Through the work you do with Caritas, is there any program to make sure that the people who are supporting Caritas and its action get to know more about Korea? Is there a way of building knowledge and awareness and making people understand a little bit more about the community?

Mr de Groot—Certainly. Yesterday when Margaret and I were meeting about preparing for this session with you we thought: 'I wonder how much they will actually know about the DPRK.

Let's start from our experience of the people because this is what we offer.' Today there is obviously a completely different horizon. Now we have front page stories about DPRK throughout the nation.

ACTING CHAIR—Yes, and you should note the media interest in today's inquiry as a result, which was not present two weeks ago.

Mr de Groot—I can imagine. We need to use both these opportunities. We do have that long history, and in our educational materials and general promotional materials we have had stories about this work in Korea for quite a long time.

Senator MOORE—I have seen some of that and it is great.

Mr de Groot—Yes, but how far it pervades into the community's understanding about the situation in North Korea is doubtful. I think we need to use these sorts of moments, particularly those of the last 24 hours, to say, 'Look, this is about the fundamental needs and dignity of a people who are quite hidden from the mainstream interests throughout our nation' and to say, 'This is a very significant opportunity to engage further with this community who have put up the green light that they wish to engage and wish to move forward and who are calling on the international community to honour their commitments to that as well.'

But I do not suppose North Korea really has been the strong focus for community engagement in Australia for us and we have not seen a lot of people coming to us, but we have certainly had significant and stable continuous support for the Korean humanitarian response over the last 10 years. I must say, even in 1995, when I was not with Caritas, I remember reading the story of Caritas's response at that time through ABC material and immediately getting calls about what else Caritas is doing there and how even a Catholic Church agency would have a connection with DPRK.

ACTING CHAIR—That is very interesting.

Mr de Groot—Yes, that is the nature and the strength of our network: wherever you go, for better or worse, the Catholic Church is there. By one stroke of the pen or another, we are there.

ACTING CHAIR—Thank you very much for that. If the committee needs to follow up issues with you, we will do that through our secretary. We thank you both for your submission, for your update and for your presence here this afternoon. The committee will reconvene at 9 o'clock tomorrow morning in Melbourne.

Resolved (on motion by **Mr Wilkie**, seconded by **Senator Moore**):

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

Subcommittee adjourned at 4.19 pm