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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS,  
DEFENCE AND TRADE

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

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

### Foreign Affairs Subcommittee

Wednesday, 21 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, Payne and Stott Despoja and Mr Barresi, Mr Danby, Ms Vamvakinou 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.

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**Subcommittee met at 9.01 am**

**ACTING CHAIR (Senator Payne)**—I declare open this public hearing into Australia's relationship with the Republic of Korea and into developments on the Korean peninsula. This is the third 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 this 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 opportunities for it to develop.

Yesterday the subcommittee received evidence from Caritas about its work in North Korea. The hearing today commences with the appearance of the Australian Red Cross. Australian charities and non-government organisations deliver substantial aid to North Korea and are able to provide some insight on the humanitarian situation in that country. The subcommittee will also be receiving evidence from two groups involved in exporting to South Korea. Liquefied natural gas from Australia's North West Shelf forms a significant export to South Korea. How to maintain those exports in the face of strong competition is of interest to the subcommittee. The Australian Wine and Brandy Corporation are also involved in the export of wine to South Korea, and their experiences will be of value to other companies endeavouring to break into the market. Finally, I remind members of the media who may be observing the public hearing of the need to report fairly and accurately the proceedings of the subcommittee, as required by the Senate order concerning the broadcasting of Senate and committee proceedings.

[9.02 am]

**DRAKULIC, Mr Vedran, Communications Manager, Australian Red Cross**

**RABE, Mr Nathan, Manager, International Operations, Australian Red Cross**

**TICKNER, Mr Robert, Chief Executive Officer, Australian Red Cross**

**ACTING CHAIR**—On behalf of the subcommittee, I welcome our witnesses from the Australian Red Cross. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee 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. Mr Tickner, I noticed you looked behind you when I referred to the media. The interesting thing about this inquiry is that two weeks ago there was not such a lot of interest. After Monday night's announcement, there has been significantly more media interest, as you can imagine. You might call me cynical, but it is obviously too long in politics for me.

**Mr Tickner**—I would never say that, truly.

**ACTING CHAIR**—I now invite you to make an opening statement.

**Mr Tickner**—Thank you very much for the opportunity to make some opening remarks. I had some long remarks, but I think I will truncate those to a degree so we can move to questions, although there have been some developments since our original submission, in addition to the one that you referred to. Thank you, first of all, for the opportunity to be here today. The essence of what we want to put to you is that we believe that the recent developments, some of which you are aware of and some of which you might not be, do provide an opportunity for further Australian government support to strengthen the ability of the DPRK Red Cross to make a significant and vital contribution to people in that country.

I will not repeat all the detail of our submission but, as we have outlined, the DPRK Red Cross is the largest community based organisation in the country and has consistently demonstrated its capacity to effectively reach and work with vulnerable community groups, in both emergency relief and long-term development programs. In our submission we outlined the work of the International Federation of Red Cross and the International Committee of the Red Cross in the two different kinds of contributions those organisations make. We think that the recent developments warrant a significant and positive response from the Australian government and other governments and new opportunities to do some exciting and important things in the DPRK. We have outlined three broad proposals in our submission, but I would like to make some additional comments to update the committee on three significant issues facing the Red Cross in DPRK.

Firstly, the DPRK Red Cross remains, as I have said, one of the very few community based organisations in the country that operates with a degree of independence and whose programs,



with the support and engagement of the International Red Cross, focus on meeting genuine needs in the community. Over the past two years important governance and management reform initiatives have been undertaken within the DPRK Red Cross. Results of this process have been reflected through the revision of statutes in 2004 and the approval of a development plan in 2004 to 2010. The development plan places vital importance on strengthening the DPRK Red Cross to tackle vulnerability within the community in a range of areas. We would argue that in helping support the Red Cross to grow as one of the key pillars of civil society in the DPRK, Australia can also help in providing vital aid and an opportunity for humanitarian engagement with the whole population of the DPRK.

Secondly, we note the changing context of humanitarian and development assistance. The levels of vulnerability among the population in DPRK remain serious, and there is evidence of that vulnerability across communities. In August of this year and since our original submission, the DPRK government has indicated that there will be a change to the terms under which international funding assistance will be provided, noting in particular that short-term humanitarian assistance would be replaced with longer-term development funding. While a process and timetable for this to be effected remains unclear, we would suggest, with respect, that there is a risk due to the current funding position that this will adversely affect the situation for vulnerable communities, and we draw this to the attention of the committee. Therefore, the Red Cross movement in recent weeks has been looking at the potential impact on the Red Cross international presence in the DPRK and the impact on funding support for the provision of services by the Red Cross, the Red Crescent Federation and the DPRK Red Cross—for example, in essential drug distribution currently funded by the European Commission Humanitarian Aid Office. It is important, however, to note that the International Committee of the Red Cross, the ICRC, presence and role will be unaffected by the proposed changes.

Thirdly, with respect to funding implications, the Red Cross has launched annual international appeals since 1995 to mobilise funding. The appeal for DPRK is one of the largest in the Red Cross. Yet it has relied on donor governments which are able to release funds through humanitarian channels linked to political reform and continuing international negotiations on the six-party talks. With these rapidly occurring changes there is clearly a need for a period of transition. However, we would argue that there is a risk that traditional international funding sources may close, at a stage where new forms of funding may not yet be available or negotiated.

In conclusion, I highlight a speech by Minister Downer in 2004—which I guess is a keynote or benchmark speech—‘Australian aid: creating prosperity’. In this speech, he commented and observed that the quality of social structures is an important element of governance which seeks to reduce poverty. One of the strongest points we would make to you today is that, in the DPRK, the role of the Red Cross is a really crucial element in the emerging social fabric of the country. We would specifically urge the committee to recognise this fact in its recommendations, and to highlight the need for future Australian government programs to include a significant focus on this aspect of national capacity-building and the development of social structures in the DPRK. In other words, not just issues of government and governance are critically important but also the broader social structures of the country which contribute to shaping what happens there—and, indeed, in other countries as well.

Finally, we would say that we regard it as essential that the Australian government and other donor governments distinguish political issues from genuine community needs. It is also essential that they acknowledge the importance of a developmental approach to responding to vulnerabilities, especially in this important stage of transition. We would urge a continuation of dialogue. We think there are a whole range of potential initiatives that could be taken to build that dialogue, including having people from the DPRK Red Cross come to Australia. We, of course, have an Australian based delegate there at the moment, and we believe very strongly that this kind of engagement is of value to all those who participate in it, and particularly those who are vulnerable in the DPRK.

Thank you for the opportunity to make those opening remarks. My colleagues and I have had, if you will forgive the expression, a caucus, and my colleagues are most likely going to be the ones to respond to your questions, but if I can supplement their responses I am more than happy to do so.

**ACTING CHAIR**—Thank you very much, Mr Tickner. I have a couple of questions. I think the difference between the DPRK Red Cross and other non-government organisations that may be present in the country is significant, particularly given that you describe the DPRK Red Cross as one of the key pillars of that society. I am interested in how difficult it is to be a member of the Red Cross in a country like the DPRK—whether that poses any extra challenges to you in an organisation operating on the ground.

**Mr Rabe**—You are absolutely right. There is a dramatic difference between the DPRK Red Cross and other international organisations there. Indeed, the DPRK Red Cross is the only organisation which could be considered to be, in common parlance, an NGO or non-government organisation. It is unique in that way. All the others operating in the DPRK—seven UN agencies and 12 international NGOs—are the entire humanitarian fabric of the country.

The DPRK Red Cross has a very large membership—both volunteers and members. There is a long tradition of Koreans participating in the DPRK Red Cross; it is considered to be almost a sign of social belonging. It is a very mainstream organisation in that regard. It has branches throughout all the provinces of the DPRK, so it is a very well-established organisation. So, for Koreans, participation in the Red Cross does not present a difficult situation. I think humanitarian work in the DPRK has been, as you are aware, very difficult at times for all organisations, but the DPRK Red Cross is probably, by nature of its unique status in the country, the organisation best able to get access to the vulnerable people.

**ACTING CHAIR**—What do you think gives it that status and quality? Why the Red Cross in particular?

**Mr Rabe**—The DPRK Red Cross is a very strong and active member of the international Red Cross body, and its status as an international member of the federation is recognised. It is one of 181 members of the federation which includes the Australian Red Cross—it has an equal status to the Australian Red Cross. That is recognised both internationally and locally. Therefore it has credibility given to it by the movement, which it has been a member of since 1946. It was accepted into the movement in 1956, officially. It has a long history with the movement and I think its international linkage gives it that credibility.

**ACTING CHAIR**—Is it difficult for individuals to be a member of the DPRK Red Cross?

**Mr Rabe**—Difficult in what way?

**ACTING CHAIR**—Well, living in an essentially totalitarian state has certain connotations about interaction in groups, memberships of organisations and things like that. I wonder whether it was difficult for individuals to choose to be member of the DPRK Red Cross.

**Mr Rabe**—No, quite to the contrary. For instance, the Red Cross youth program in North Korea has up to 300,000 young people involved. It starts at a very young age.

**ACTING CHAIR**—We would be keen to replicate that here.

**Mr Rabe**—Indeed, yes. I do not think it is difficult for a member of the North Korean society to become a member or to be active and participate in their activities, such as they are, in the country. As for the leadership level of the North Korean Red Cross, in its contacts with the international movement as well as with the Australian Red Cross, as Mr Tickner said, several high-level delegations from the leadership of the Korean Red Cross have come to Australia for training courses and our interaction with them has been very positive. So I do not think there is a difficulty, in the normal scheme of things, for a Korean in his community to be a part of the Korean Red Cross.

**Mr Drakulic**—I understand where your question is coming from but it is important to look at that whole question from a completely different perspective—that is, exposure to and working with the Red Cross in DPRK is a unique opportunity for people who are involved to get exposed to the Red Cross globally, particularly to the things that we always promote, even within the Australian Red Cross. These are our fundamental principles, which explain that our work as a humanitarian organisation is related to humanity, impartiality, neutrality and independence of operations.

Also, to add to what Nathan was saying about youth work, one of the key roles of the youth Red Cross in the DPRK and in the South Korean Red Cross is to open other channels of meeting and of incorporating and sharing experiences. It is important to mention the exchanges of Red Cross messages between family members who were separated many years ago by the conflict and also, in the past several years, the opportunities for families to meet organised through the Red Cross. There is an almost completely unrecognised element of social interaction which happens through the Red Cross, which I think is critically important in our work within DPRK Red Cross and throughout the world.

**ACTING CHAIR**—Thank you very much. In your submission you make a couple of references to your engagement with AusAID and the future of the Australian Red Cross's contact with—I assume—DPRK Red Cross and so on. How would you characterise your relationship with AusAID, and are there any observations you would like to make about that?

**Mr Rabe**—In this context it has been very positive. We began engaging with North Korea through the federation in 1999, with a large grant from AusAID. Since then the funding has ebbed and flowed, as it naturally does. We have taken a very proactive approach to engaging with AusAID and keeping them informed of what the Red Cross does and what is happening

there. We have found that that information has been received in a very positive environment. We have had very good interaction on advocacy issues and on keeping each other informed of what is happening on both sides of the fence. It has been very positive.

**Mr Drakulic**—I would like to add to this, very quickly. I think it is particularly important to mention AusAID's good and quick reaction in times of crisis, particularly with respect to the Ryongchon train explosion emergency appeal, when the Australian government and the Australian Red Cross were among the biggest donors. As we mentioned in our submission, we believe that multi-year developmental funding is critical for the improvement of humanitarian and development work in DPRK.

**Mr Rabe**—Since 1999—over the last six years—the monetary value of our engagement with the North Korean Red Cross has been \$1.6 million, of which about \$1.3 million has come from AusAID. So there has been very strong support.

**ACTING CHAIR**—That is very good to hear.

**Ms VAMVAKINO**—I would like to continue on with this, because I am interested in it. Given the nature of the political environment in the DPRK, it appears from what you are saying that the sort of work that the Red Cross does there—and people's involvement there—is carried out freely, without any sense of restriction. How does the political environment affect the international humanitarian assistance, if at all, in a negative way?

**Mr Rabe**—As I said in my earlier remarks, because of the status of the Red Cross, the Red Cross has an MOU with the government to operate with international bodies and with international organisations like the International Committee of the Red Cross in the federation. So that gives it a bit of distance from its normal structures. There have been ongoing issues of accessibility to some parts of the country—that is common knowledge—which we are constantly advocating about, as part of an international community. As I said, our view is that overall the DPRK Red Cross—in partnership, where that is appropriate and possible, with international bodies such as ourselves—is probably nonpareil in terms of other organisations.

As Vedran said, after the Ryongchon train disaster there was a very strong and immediate response from DPRK Red Cross emergency teams, supported by international teams, including someone from the Australian Red Cross, to get into areas where nobody else had gone before, very close to the Chinese border. Our conclusion has been that in the 10 years that the international community has been engaged with DPRK, not only has there been an improvement in the humanitarian situation generally but there has been an improvement in the working environment, at the same pace.

**Mr Tickner**—I suggest that my colleague Vedran Drakulic mention his experience during the time of that disaster.

**Mr Drakulic**—I had the unique opportunity to visit North Korea last year. I went to Ryongchon to see the work that had been done in the immediate aftermath and longer term, because the explosion affected a large part of the town and completely destroyed houses and building. What really struck me was the fact that the Red Cross—DPRK Red Cross staff and volunteers and international Red Cross staff and volunteers; I was not alone because there were a

few colleagues from the Danish and Swedish Red Cross—was very well accepted. It was understood that we were from the Red Cross and that we were not just another delegation walking through the town. For me, at least, that was a critically important element—people actually recognised and understood that it was the Red Cross that was providing this assistance and working with others, such as the UN or government departments.

There was a clear recognition of the work and the role of the Red Cross, and I think that was very important. The other element, as Nathan said, was that there was an ability by the DPRK Red Cross to access the area immediately, to provide assistance immediately, to take out and deliver prepositioned disaster response supplies that were there courtesy of the international Red Cross engagement. If we had not been there since 1995 there would not have been those kinds of prepositioned stocks and supplies to deliver to the people affected. So it was really not a one-off thing where we were suddenly seen as good; it has actually taken years and years of close work with the DPRK Red Cross to develop them and get them to engage with the Red Cross and understand that our work is about vulnerabilities; it is not about agendas.

**Mr BARRESI**—Robert, you made mention of Alexander Downer’s statement regarding the importance of social structures—not just simply governance. You touch on it a little bit in your submission. Can you describe to me what changes, if any, have taken place in those social structures in the last few years? Is there ongoing support for continued development of that?

**Mr Tickner**—I could answer that question, but I think both my colleagues are probably better positioned to. Nate, I might look to you in this.

**Mr Rabe**—Specifically—and we keep coming back to this when we are talking about civil society—the DPRK Red Cross is pretty much most of the pie, if not the whole thing. We really need to concentrate on those other parts of civil society that could be considered—mass organisations, such as the women’s union, children’s union, farmers’ unions, et cetera, which we find in many socialist countries. As Robert mentioned in his submission, the DPRK Red Cross—with the support of the International Federation of the Red Cross, the International Committee of the Red Cross and other national societies such as ours—has really done a lot of work on addressing its statutes, its governance and management arrangements and becoming a bit more open. In a recent international meeting of the Red Cross, the leadership of the DPRK Red Cross proactively sought submissions from other Red Cross societies on how they could model their governance structures and how they could more appropriately structure themselves as an organisation to deliver humanitarian goods.

Over many years the Red Cross has successfully targeted high-level medical health institutions such as county hospitals. That has been very effective. Now we are moving to working with local Red Cross branches in local township polyclinics and medical centres. That shows that the Red Cross humanitarian work has been very effective in actually getting down to the grass roots, and that accessibility is what we are concentrating on now. That work of restructuring and reconfiguring the Red Cross National Society in DPRK is an ongoing process, but it has been very fruitful thus far.

**Mr Drakulic**—I would like to add to that. Again, I think it is very important to look at these things in the context of a country. We are talking about the Democratic People’s Republic of Korea and the kind of environment there. I think that seeing what the Red Cross does and how

the Red Cross approaches things says a lot about the society and the communities there. We mentioned in the submission that there had been recent, significant changes in the statutes of the Red Cross in DPRK. That did not happen overnight. It was not just a decision by somebody who said, 'Okay, let's change the statutes.' It takes a lot of work and a lot of time. When I visited one community that was benefiting from a water sanitation program that has been going on for quite a number of years, we saw how the program was being done. It was being done in that way because the Red Cross representatives spoke to that particular commune at the beginning of the program, asking them what their issues and needs actually were. So it was not a tailored project done in Pyongyang and just imposed on these people; it was with active engagement with the community. These are the kinds of little things that show us the importance of the presence and the work of the Red Cross.

The first international annual appeal for North Korea was in 1995. Many of our colleagues from the International Federation of the Red Cross have been there for quite a number of years. They commented to us that when they would come to these communities in 1995, 1996 and 1997 there was a bit of apprehension and people would not necessarily come out to meet and greet them. These days, when the Red Cross comes, everybody knows. People come out. They meet us; they talk to us. From somewhere—I do not know where—they find fruit and vegetables and bring them out for us. So I think it is very important to put that into context and understand that these changes are not happening out of thin air.

**Mr BARRESI**—You mentioned the annual international appeals that you have for the DPRK. You also mentioned that they are very much reliant on donor nations. I take it from what you were saying that public support for those appeals is not as strong as it should be. What do you put that down to? Is it really the public's perception of the political environment that is involved there? I know that people tend to be far more generous when there is a disaster or a crisis that takes place, rather than when it is simply part of the make-up of the nation due to its own political structure. Would that be a fair assessment?

**Mr Rabe**—It is part of the issue. I think part of the dilemma of generating public interest for a country like DPRK is that the situation is a chronic, slow-moving, slow-developing situation. As you said, it was not a big bang. Indeed, when there was, to use a bad phrase, 'a big bang', with the train disaster last year, there was an outpouring and we were able to raise a fairly significant amount of money from the public. I think, as you said, one of the ways in which the public responds is that there has to be a big splash in the media—some big event. A chronic, ongoing famine or ongoing disaster, year after year, is probably less exciting for people to give to.

On the other side of the funding, I think appeals have been funded by donor governments 100 per cent out of their humanitarian windows. There has been no government or multilateral body yet—not ECHO, the EU or anybody—that has been willing to give ongoing development assistance from its development window. That is a challenge that we have raised—that the activities that are going on are very developmental. The Red Cross has been supporting long-term assistance to health systems, water systems and disaster preparedness systems. But if the mechanism under which these things are funded—that is, through the humanitarian windows—shuts down and the political situation has not changed then we have a real problem with ongoing vulnerability in North Korea.

**Mr Tickner**—It is outside the framework of the committee's terms of reference, but another quick example of that disparity in appeals is that we have an appeal for Niger, where a terrible famine is happening. When the appeal in response to Hurricane Katrina opened, it quickly surpassed the amount of funds raised for Niger. That is the world we live in.

**Senator STOTT DESPOJA**—Maybe our Parliamentary Friendship Group might do something about that, Robert. I have a couple of quick questions following on from the acting chair's in relation to your work with AusAID. You mentioned in your submission that since November 2004 you have been engaged with AusAID, looking at future funding assistance because—to use your words—the humanitarian need is still immense. You said in response to the acting chair's question, Mr Rabe, that it has ebbed and flowed and there had been fairly positive relations. What is the future outlook at the moment? Are you optimistic that AusAID is appropriately funding or supporting the work of NGOs—and the Red Cross in particular—in that region?

**Mr Rabe**—I think the funding has ebbed and flowed, for sure. At the moment there is not a significant amount of funding for Australian agencies for DPRK. My understanding of that is that there will be a certain reticence until a committee such as this one looks at the issue or until a more whole of government approach towards the Korean peninsula is formulated. That will dictate how AusAID looks at its activities there. But, certainly, whenever there have been humanitarian disasters or needs, such as the train disaster last year, there has been no problem when direct humanitarian assistance has been needed. I can only categorise our dialogue with AusAID as extremely positive. I think the people who are charged with looking at development assistance and assistance to the Korean peninsula are extremely open to looking at new or alternate ways to continue funding there but at the moment the answer to that question from my point of view is that there are not sufficient dollars going into DPRK.

**Senator STOTT DESPOJA**—Just on the issue of DFAT generally, I note also in your submission that you talk about distinguishing the political considerations of the nuclear talks from the humanitarian needs. That seems a pretty important and obvious statement to me. Is there a reason that they are not distinguished at the moment? Is there a problem there? Are we losing sight of the humanitarian aspect because we are getting bogged down in the diplomatic and/or political aspects?

**Mr Rabe**—From my point of view, the decision that the international community has taken is that any assistance to DPRK will be from its humanitarian window. If the humanitarian situation is declared over—and we are currently facing that prospect—then that is a political decision. Therefore, if the political decision is taken and the humanitarian envelopes for funding are no longer available and there is no additional funding made available from other sources of funding, such as developmental windows, then you are going to be having a humanitarian impact, and that is what we want to avoid. We want to avoid the meeting of the needs of the people, which are continuing to be significant, being decided on political terminology that this is no longer a humanitarian situation and, therefore, let us close the windows for UN change systems.

**Senator STOTT DESPOJA**—I understand.

**Mr BARRESI**—I am not sure whether you guys can answer this but as observers of what is happening in North Korea I am wondering if you can. There is a comment in your submission

which says that the food shortage is unlikely to ease and they cannot be self-sufficient in their food production. What are their options in terms of trading with other nations for long-term sustainability of food imports, or is the feeling that it is going to be reliant on aid for a long time to come? Is it possible for them to trade their way out of this with some changes?

**Mr Rabe**—My view is: not in the immediate future. That is the key challenge for us. If these humanitarian windows are closed down then what is going to happen to the many vulnerable people who are dependent and who will continue to be dependent on international assistance for years to come? So, in the long-term, as structural changes are made in DPRK society, there may be an opportunity for them to decrease their dependence on international aid, but at the moment I do not see any prospect of that being viable.

**Mr WILKIE**—This may have already been answered. My apologies for being late; the plane was late. We heard yesterday from Caritas that it would appear that although the North Koreans are saying that the food shortages are solved there will probably be ongoing food shortages. I am wondering if the North Koreans have based that claim on the view that their food rations are being cut from 300 grams to 250 grams per day, whereas the international recognised minimum is about 40 per cent more than that. Is that the basis on which they have suggested there is enough food—which is really not enough food and is 40 per cent less than it should be? Would that be your understanding?

**Mr Rabe**—I am not familiar with that level of detail to answer.

**Mr WILKIE**—This is something I have asked about previously in the parliament. Do you support UNHCR classifying all of the North Korean refugees across the Chinese border as refugees officially? Has the Red Cross internationally said anything about that? There is a big dispute about the 50,000 to 250,000 North Korean refugees across the border and whether they are classified as refugees, which would therefore mean a whole lot of things could be done for them. But the Chinese resist it. I think the international agency should be a lot more active in classifying them as refugees.

**Mr Rabe**—Certainly, Australian Red Cross has no official position on that and the international bodies of the Red Cross, I would imagine, would not have a position on it. It is not usually the sort of issue we would take a public position on.

**Mr DANBY**—It is not a thing that you take a public position on.

**Mr Rabe**—It is not our mandate to adjudicate whether somebody is a refugee or not; that is the UNHCR's responsibility.

**ACTING CHAIR**—Thank you very much. Thank you for your submission. We are very grateful for your contribution to the inquiry. If there are any matters on which we need additional information, our secretary will be in contact with you. We will also send you a copy of the transcript of evidence from this morning so you can make any necessary corrections to errors of transcription if there are some. Thank you for your appearance.



[9.42 am]

**BANNER, Mr John, President, North West Shelf Australia LNG Pty Ltd**

**HAMILTON, Dr John Andrew (Jack), Director, North West Shelf Ventures, Woodside Energy Ltd**

**HARMAN, Mr Graeme, Manager Corporate Affairs/HSE, North West Shelf Ventures, Woodside Energy Ltd**

**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 ask the subcommittee to do so and we will consider that request. Although the committee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. I invite you to make an opening statement, and we will go to questions after that.

**Mr Banner**—I will make a few comments. The North West Shelf Australia LNG Pty Ltd markets liquefied natural gas or LNG produced by Australia's North West Shelf Venture. We are based in Western Australia and we have representative offices across the region in Tokyo, Seoul and Beijing. We are focused on bringing competitive LNG from Australia to the Asia region, building on a successful track record of exports. The North West Shelf Venture is Australia's largest resource project, with investment in onshore and offshore oil and gas facilities totalling more than \$14 billion. LNG exports commenced in 1989 and to date we have produced and exported over 100 million tonnes of LNG into the Asia region. The venture is owned by six participant companies each with an equal one-sixth share—that is BHP Billiton Petroleum; BP Development Australia; Chevron Australia; Japan Australia LNG; Shell Development (Australia); and Woodside Energy.

LNG or liquefied natural gas is a purified natural gas that is chilled to minus 161 degrees, at which point it condenses into a liquid 1/600th of its original gaseous volume. The purifying and chilling processes take place in LNG trains. The North West Shelf Venture operated three LNG trains for the first 15 years of its exports and commissioned a fourth train towards the end of last year. In addition, a final investment decision was taken earlier this year to expand the venture further by adding a fifth LNG train that will be commissioned in the second half of 2008.

As I said we currently operate four LNG processing trains at our Karratha facilities. We have a total combined annual production and exports of 12 million tonnes of LNG per annum. We sell LNG into markets in Asia, Japan, Korea and China. Deliveries to China's first LNG project are expected to start in about the middle of next year. We have also exported LNG to markets in Europe, Turkey and the US. In 2003 we secured a contract to supply more than three million tonnes of LNG over seven years to South Korea. That contract expires in 2010 and that represents about five per cent of our current production. The current annual production of our venture is 12 million tonnes per year of LNG and when we commission the fifth train in 2008, it will rise to 16 million tonnes per year.

Last year we bid on an additional LNG supply to Korea. The North West Shelf Venture made the shortlist of suppliers but we were not successful in the final award. We were disappointed that we did not win but believe we bid a competitive and commercial price for reliable Australian LNG. We would also like to acknowledge the strong support we had in that bid from state and federal governments and the embassy in Korea. Lastly, Korea has further requirements for LNG. They are talking about tendering for additional supply towards the end of this year or early next year. The North West Shelf Venture thinks it is well prepared to win a piece of that business.

**ACTING CHAIR**—Mr Banner, you acknowledged your support for the work of Australia's diplomatic representatives in South Korea, in particular. Do you include Austrade in that? Is Austrade part of the process in all of this?

**Mr Banner**—Austrade works with us in all of our markets. Most of our contacts in government relations are always handled directly through the embassy.

**ACTING CHAIR**—How would you characterise your relationship with Austrade?

**Mr Banner**—It is very good. All the supporting government agencies have been very good.

**ACTING CHAIR**—We heard from Bill Shields and his colleagues in the Australia-Korea Business Council yesterday. Is your organisation a member of the AKBC?

**Mr Banner**—Yes, we are. We participate in most of the meetings.

**ACTING CHAIR**—Another witness yesterday, the Overseas Korean Traders Association—I do not know whether you have had an opportunity to see their submission—made what I would describe as an oblique reference in their submission to the round of tenders to which you referred in your opening remarks and of which there is mention made in your submission. In broad terms, they said they thought there was a need for more regular market analysis of the market in Korea and chose to use Australia's bid for that particular set of LNG contracts as an example of where perhaps better or more market analysis could be done. I would be interested in your comments on that. I am aware you may not have seen the submission.

**Mr Banner**—I have not seen their submission. We use a number of sources for market research within Korea and also external agencies. The owners of North West Shelf Venture and I believe that we do an adequate amount of market research in advance. In addition we participated with ABARE in 2003 in their study of the Korean market and we are acknowledged in their report on the energy needs of Korea. So we work with a number of agencies. I have not seen the Overseas Korean Traders Association submission but I will now have a look at it. If they have something more to add, that is useful for us. As much information as we can get is always helpful in a bid. Again, the embassy has proven to be very helpful there.

**ACTING CHAIR**—Thank you. It is not a very detailed submission. We will be happy to make sure you obtain it. If there were any further comments you wanted to make off the back of that, you would be very welcome to forward those to the subcommittee.

**Mr WILKIE**—I think you run a fantastic operation in Western Australia in particular. Being a proud Western Australian, I am happy to say that. You would never know it; Western Australia is in part of my electorate, I suppose! In my electorate we support a lot of the mining industry, so I am always happy to support Woodside, in particular, and North West Shelf LNG. You mentioned that your bid was competitive, but we have heard evidence that the bid we put forward was about 38 per cent higher than the winning bid, which is a fairly large differential in price. What comment do you have on that?

**Mr Banner**—We do not normally talk publicly about our pricing in our bids, but we understand that the lowest bid in that tender was a greenfield development, a new development, in a fairly high-risk market area. It was actually a Middle Eastern supplier. Perhaps they assumed that they needed to be much below the price of a reliable established supplier in order to be competitive. There have been market reports about what the final bid prices were; we have heard various numbers. We bid on the basis of being an established reliable supplier. If somebody is trying to come into the market they may feel that they need to put in a very, very competitive price.

**Mr WILKIE**—What is your assessment of the ability of the winning tenderer to provide the gas on an ongoing basis—or is that getting a bit too sensitive?

**Mr Banner**—It is not so much that it is sensitive, but we do not generally talk about our competition. It is really up to the buyers and the Korean government to decide how much risk they are willing to take. They would certainly be taking a higher risk in buying from that supplier than buying from Australia, because of political and economic stability.

**Mr DANBY**—I am not a very technological person, so can you describe the trains to me a bit more?

**Dr Hamilton**—The easiest way to think of an LNG train is that it is just a large refrigerator. We bring gas from offshore and take the carbon dioxide out of it—otherwise, it would freeze—and from that point we start cooling it down, the same as a fridge cools down water inside. The first half of the train is cooling the gas in its first phase. Then we put it through the freezer section and that is what drops it minus 160 degrees. At that point, the gas becomes a liquid—it is liquefied.

**Mr DANBY**—Can you remind me of the volume reduction you talked about before?

**Dr Hamilton**—It is one to 600. That is the idea of liquefying natural gas: gas volume transport is too expensive. By dropping it by a factor of 600 you can ship more energy effectively. At the other end, in Korea, they warm it up against sea water or air and it is back to town gas—the same as what runs through to homes in Australia.

**Mr WILKIE**—So it does not have a locomotive at one end and wheels underneath!

**Dr Hamilton**—The equipment is of a significant scale.

**Mr DANBY**—How big is the train?

**Dr Hamilton**—It is 300 to 400 metres long, about 60 metres wide and it costs about \$2 billion to build. In round figures, the cost of LNG4 was \$1.6 billion and the phase 5 expansion project, with the jetty, about \$2 billion. So it is complex technology but the process itself is simple.

**Mr DANBY**—So it goes from the train fridge to ships which have similar technology?

**Dr Hamilton**—Yes. It runs from the end of each processing unit down into storage tanks. Then we pump the LNG onto ships. It is a 21-day round voyage to Korea or Japan markets—our North Asian markets. The ships work like a pipeline on the sea.

**Mr DANBY**—If you take away your current contracts from your capacity with the fifth train, what is your excess capacity to sell LNG—or is that confidential?

**Mr Banner**—Some of the initial contracts in Japan are expiring in 2009. We are in the process of negotiating new contracts. If they are all renegotiated, that will be the full capacity of all five trains. We start the China business next year, and that is over three million tonnes of exports per annum.

**Mr DANBY**—And the destinations that this all goes to are South Korea, Japan and China—they are the only three places at the moment?

**Mr Banner**—Ninety-eight per cent of it does and occasionally we have some odd cargo.

**Dr Hamilton**—That is where they go on long-term contracts. We do short-term contracts to those countries, plus the US and Europe. It depends on where the market and best prices are.

**Mr DANBY**—But you have no long-term capacity. You are not the people who are going to sell the LNG to Governor Schwarzenegger for the Californian business?

**Mr Banner**—Potentially a small amount of our production could end up going to the west coast. They have not built any terminals yet. They are still in the process of building those terminals. Potentially a small amount could go there but our historical market has been North Asia and we have strong relationships there, including with Korea, and that is probably where it will go.

**Mr DANBY**—Who is responsible for building the terminals at the other end?

**Mr Banner**—It has been in the press that BHP is trying to build a terminal. Shell and Chevron have terminal projects. So it is either the major oil companies or major gas importers. There is another company called Sempra. That is a gas marketer.

**Mr BARRESI**—Excuse my lack of technical expertise, but what is a gas hydrate compared to LNG, or is that just another term for it?

**Dr Hamilton**—Gas hydrate is where you trap the methane gas you end up burning inside a water crystal and it also reduces the volume for transport. It is not technically feasible at the present stage but it is being developed as a technology. It drops the volume in LNG terms from 1:600. In a gas hydrate you can get storage factors of about 1:150. So it is about 25 per cent of

what we can do in LNG, but if the technology works—and it is still in development—it is cheaper. That is why it is being developed.

**Mr BARRESI**—I note that they are developing and exploring the possible gas hydrate fields. I was trying to work out what effect it is going to have on your long-term—

**Dr Hamilton**—That is a different angle. There is gas hydrate from transport, which is what I mentioned, and in Japan and Korea there are potentially significant gas hydrate deposits on the sea floor of the Sea of Japan. Natural gas seeps out of the ground then freezes and gets trapped in a gas hydrate at 2,000 or 3,000 metre water depth. We are talking significant depth. That is naturally formed gas hydrate and Korea and, in particular, Japan have an interest in trying to work out how they can exploit it and bring it to the surface. No-one has worked out yet how you bring it to the surface.

**Mr WILKIE**—Curtin University, which I was talking about yesterday and is in my electorate, is developing this whole gas hydrate concept.

**Dr Hamilton**—It is developing the transport side, which Woodside funds.

**Mr WILKIE**—It works. It is just a matter of trying to get it cost-effectively working.

**Dr Hamilton**—There is significant natural gas formed as hydrates. That is why the interest is in worldwide reserves. If it could be developed, it would be a very large gas reserve. Technically, part of the research is trying to work out how to get it. No-one can get it to the surface at the present point.

**Mr BARRESI**—It is just a matter of time.

**Dr Hamilton**—Possibly.

**Mr BARRESI**—I notice in your submission that you highlight that in 2003 you were able to achieve your first ever term contract. It expires in 2010. What are you doing at the moment to secure the ongoing contractual relationship beyond 2010?

**Mr Banner**—Thank you for that question. That was what we call a mid-term contract. It was for seven years and commenced in 2003. We said it was a first because it was our first medium term contract into Korea. We had had contracts prior to that with Japan. That was the first contract into Korea. It was the buyer side that specified a shorter term than most of the longer term contracts. They looked for a seven-year period. It was on the basis of winning that contract that we bid for this business that they tendered at the end of last year that we talked about earlier. We were not successful in that but we are continuing to work on our relationship there and to prepare for the next tender, which we expect to come out at the end of this year or early next year.

**Mr BARRESI**—So you are not ceasing operations in 2010?

**Mr Banner**—No, we are certainly not expecting to.

**Mr BARRESI**—Although I was not there, I understand that the Korean ambassador in Canberra mentioned that one of the possible reasons for the failure of the bid was that consortia can sometimes be a little slower in responding to issues and decisions because of the number of organisations involved. But I note that the winning bid had three foreign countries as part of its bidding process. Do you agree with that assertion; and, if so, what are you doing as a consortium to change your own internal structures to allow you to be far more responsive?

**Mr Banner**—Issues such as what price to put into bids or what price to negotiate to on any of our contracts are always worked out with the six owners. The six owner companies at times have different views of what the market looks like. We normally get everyone into a room and put up our justification for certain prices and basically get everyone to agree to a price level. We are probably one of the ventures around the world with more players than some of the others—some have two or three. But most have more than one company, so they all go through the same issue. We have six.

It has worked successfully for 16 years, so I would not say that it is not working. We are always working on ways to improve the decision-making process; but it does work. The decision we made earlier this year to build Train Five again involved the six owner companies all agreeing at one time to go ahead with a major investment project. So it does work. I am not quite sure where the comments of Korean Ambassador Cho came from. We keep in touch with him also. Maybe because we did not win he can say it did not work; but, in China we did win, so you could say it did work. So maybe that comment is just from his perspective.

**Ms VAMVAKINO**—How important would you describe personal relationships as being in doing business with Korea? Are they helpful? Do they have an impact? Could you comment on that?

**Mr Banner**—Absolutely. The relationship is important in virtually all the markets. To step back a minute: in Japan, where we are dealing with the major utilities companies, there is much less government involvement; in China, the government is very involved in major decisions like this, so that relationship and the embassy impact is very large. Korea is in the middle. A quasi-private company is buying, but the government ministry is very much involved in the final decision making. So, on an ongoing basis, we build relationships with the buying company—which, as you saw in our submission, is Korea Gas Corporation—and a lot through the embassy we build relationships with the people in the ministry who are involved with the energy purchases. It is very important, and we rely heavily on the embassy to help build those relationships with the government.

**Ms VAMVAKINO**—So the government-to-government relationship between Australia and Korea is obviously important to Australian businesses, the way they operate and their potential success or failure in their business ventures. Would you agree with that?

**Mr Banner**—That it is very important, yes, I certainly agree.

**Dr Hamilton**—Very much so for our business. LNG business is very much a relationship business. The long-term contracts, the original foundation contracts, are put together for 10 years or 20 years. So it does rely heavily on the relationship to make it work.

**Mr Harman**—At both state and federal levels.

**Senator STOTT DESPOJA**—Just a quick question on the issue of relationships—in particular, those with the Australian government. The acting chair asked about trade and other connections. Given Senator Ian Campbell's forum as Minister for the Environment and Heritage and the commitment or keenness to reduce greenhouse gas emissions, have you had many discussions with the government and the minister for the environment on the issue of providing energy to the region on the basis of being part of that theme of reducing greenhouse gas and providing alternatives?

**Dr Hamilton**—We have had discussions at two levels: one, where LNG is the solution or a contributor to the solution of greenhouse gases. In particular, it was one of the selling features behind the Chinese government's bid in terms of coal displacement as energy. LNG is the friendliest of the hydrocarbon fuels in terms of gas. The other part of the engagement of course is that at an Australian level, producing LNG is very energy intensive, so you are a heavier emitter at this end of the chain, although there is a net benefit to the world greenhouse out of its use. We are actively engaged with government at the local level as well. We were, I think, the 100th participant of the Greenhouse Challenge process. We won an award last Wednesday night, in the large business sector, for our latest project. Currently, we have spent about \$200 million over the last two to three years, and we will have finished spending the money for the current program by next year. That has achieved about a two million tonne reduction per annum in greenhouse gas emissions from the plant here. We work at both levels both in reducing the footprint here and being very heavily into the marketing side, which is part of the solution.

**Senator STOTT DESPOJA**—Are the discussions on future market needs and opportunities ongoing, particularly in the context of the government now proposing this Pacific forum that will discuss energy needs in the region? Is that something that you are involved in?

**Dr Hamilton**—Only at very formative stages.

**Senator STOTT DESPOJA**—I acknowledge that it is early stages. Have you been approached or have you been involved in that?

**Dr Hamilton**—Particularly through Woodside we are engaged in support of what is scope at both levels, particularly in terms of technology advice. But, as I said, it is still very early stages. It is not yet fully integrated into a marketing pitch as part of the solution. It still has a way to go.

**ACTING CHAIR**—We discussed the potential for an FTA with Korea with a couple of participants yesterday and, not surprisingly, the AKBC was amongst them. What impact would that have on North West Shelf Australia LNG?

**Mr Banner**—It could only have a positive impact. I am not sure whether there are any duties or anything that are currently restricting LNG imports—in fact, there aren't any. But I think just the fact of Australia having an FTA with Korea would give us a little bit more of an edge when we are competing in these tenders with other players in the global scene that do not have FTAs with Korea. We would strongly support one being developed. I think it is a bit of an uphill challenge for the government.

**ACTING CHAIR**—It is the agricultural challenges, amongst others.

**Mr Banner**—There are definitely agricultural challenges, as there are in Japan. We would support it on that basis. It would just build up trade relations.

**Mr DANBY**—Regarding Japan, do you pay any duties or excises when the LNG comes in?

**Mr Banner**—We do not pay any.

**Mr DANBY**—So there would be no advantage of an FTA with China except in the conceptual way that you talked about with Korea?

**Mr Banner**—It is just the conceptual side. It is the same with the US FTA; there is no real direct benefit.

**ACTING CHAIR**—Gentlemen, thank you for your submission and for assisting the subcommittee by appearing today. If there are any matters on which we may need further information, the secretary of the committee will be in touch with you. Can you have a look at that observation made by OKTA, as you said you would, and provide us with the response on that?

**Mr Banner**—Yes.



[10.11 am]

**BAE, Mr Jong-Yul (John), President, The Korean Society of Victoria**

**NAHM, Dr Gi Young, Chairperson, Advisory Committee to The Korean Society of Victoria**

**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 ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence under oath, you should be aware that these hearings are legal proceedings of the parliament and, as such, have the same standing as proceedings of the chambers. We do not have a submission from you but we thought it was very important to talk to representatives of the Korean community in Australia, and we have chosen Melbourne in which to do that. If you would like to make an opening statement we will then go to questions from members of the committee.

**Dr Nahm**—Our community here was established in 1972. It is the second Korean community in Australia. The first one was in Sydney, as far as I know. I was a foundation member of the Korean Society of Victoria. I served the first, second and third terms of the presidency. I worked in many different ways to serve that community. When I came here 35 years ago I started working with the mines department in the Victorian government as a groundwater specialist. My last position after 20 years of service was acting assistant director. I left that department to study theology and become a minister. I am now working as a Uniting Church minister to serve the Australian congregation, not the Korean.

Our constitution makes provision for a committee, which is quite unusual. It is an advisory committee which consists of past presidents of the Korean Community of Victoria. We serve in a sort of advisory capacity. In a legal sense that is in our constitution. We did not have the opportunity to submit in writing. I do not know what happened but we want to let you know what we are doing here, and our thoughts about the future relationship between the two countries.

I think many people have talked about trade and so on, but today I want to talk a bit about the cultural side. The two countries are quite different countries. A friend of mine told me—and I do not know how accurate this statement is—that there are 200 differences that he had found between the two countries, starting with driving on the left-hand side and so on. Some would say that, if we have such big differences between the two countries, it is very hard to make a friendship because normally they think that similar parties would make much closer relationships. But I do not agree with that sort of thinking. If you have differences, you can compensate for each other—the weak part of one with the strong part of the other. Korea is a small country in area but Australia is quite a big country in area, but the population size is the other way around. Also, we have plenty of natural resources here, but they do not. Instead, they have plenty of human resources. In such a way, in the future the two countries should develop a great friendship or relationship through helping each other.

In order to do that, we believe that having a cultural understanding is a very basic thing. If you have a trade relationship, once the trade finishes that is it, perhaps. But if you understand each other culturally then I think that relationship will last much longer and it will be much deeper. That is what we believe. There are many ways to describe it. One of these things, for example, is something that Mr Bae will present and has written on. Language is a very important part of culture, so it was quite good to see Korean language study introduced at secondary education level. But now the numbers have decreased. I think only five schools are now teaching Korean in Melbourne. I think that is true. The number used to compare to other Asian languages. Anyhow, that is one small part of it.

What I am suggesting here today is that perhaps we may consider establishing an Australia-Korea cultural foundation or some such thing—something that is continuously looking at how we develop a much deeper and more sincere relationship between the two cultures. Then in the future perhaps more people in Korea will know about Australia and they will perhaps buy more products from us. For example, Australia is known as a big, empty country and that is all. But in the future, perhaps, if it is known in a bit of a different way, it will be much better for us. For example, it is one of the least polluted continents in the world. That is a good catchphrase to sell our food products—that is, that we make good food products in this country—because there is a big market there. Pollution and the environment are big issues in Korea, for example. If we understand it that way—if we understand our culture here and we understand their culture more deeply—we will have a deeper relationship. Today I just thought I would give that suggestion. If it is possible, we should establish such a foundation to continue our relationship. It should involve not only this government but also its counterpart in the Korean government working together. I believe that is important.

**ACTING CHAIR**—Thank you. Do you wish to add anything, Mr Bae?

**Mr Bae**—As Dr Nahm already mentioned, I have distributed some material.

**ACTING CHAIR**—Yes, indeed, you have.

**Mr Bae**—The number of schools that are teaching Korean language is becoming smaller and smaller. That is a worry and a concern. If it is possible, please encourage all high schools and secondary colleges to offer more subjects on Korean language and Korean culture. That is our hope.

**ACTING CHAIR**—Thank you very much for appearing before the committee this morning. I think the question that you raise, Dr Nahm, about the need for depth of cultural understanding is something that has come through in the committee's hearings in Canberra, for two days, and also in Sydney yesterday, although how to get there is another question. For example, the submission from His Excellency the Korean Ambassador to Australia and the submission from our Department of Foreign Affairs and Trade both say that the basis for our relationship is in Australia's participation in the Korean War in the 1950s. At the back of my mind is the thought that if that is what our two governments think, if that is where they lay the foundation of the relationship, then if we are not now talking more about cultural engagement and depth of understanding our relationship has not come a long way in 55 years. That view is of concern to me. It is quite clear in both submissions, and I was quite struck by that—that in 2005 we would

still be saying that this is where the bond was formed. The bond should be quite significantly different by now. Do you have a comment on that?

**Dr Nahm**—The other thing is that that generation has gone now—

**ACTING CHAIR**—Correct, effectively.

**Dr Nahm**—so many people will have forgotten about that. If my understanding is correct, Australia was the second country to participate in the Korean War—after the United States. Once the United States said, ‘We’ll go there,’ Australia was the second country to go and our deep relationship started from there—forged in blood, actually.

**ACTING CHAIR**—I do not for a minute minimise the importance of that engagement and of that contribution—please do not misunderstand me: I do not; I acknowledge that completely—but in 2005 I think there should be more to be seen.

**Dr Nahm**—Yes.

**ACTING CHAIR**—We heard from a representative of the Australia-Korea Foundation. Is that the sort of vehicle that could do more in creating a greater depth of cultural understanding? You talked about the suggestion of an Australia-Korea cultural foundation, but in fact there are many existing bodies. There are research relationship bodies and business relationship bodies, and there is the foundation itself—all sorts of things. Is there is room to enhance the role of the foundation?

**Dr Nahm**—My concern is that we get more actively involved—rather than just the name of the organisation itself. Even if we have 100 bodies, if we cannot achieve what we really need then perhaps we have to consider once again.

**Ms VAMVAKINO**—I am interested in the language aspect that you have raised. I think the acting chair is right in suggesting that our relationship with Korea seems to be founded on our involvement in the war. Equally, when we talk about our relationships with Turkey it is often mentioned that we forged a relationship in our participation in Gallipoli. But the Turkish speaking community in Australia is very large in comparison to the Korean community. Given the size of the Korean community here—and you are obviously interested in promoting the language—is the Korean language being taught in government schools? Is the Korean language being taught in the Saturday morning language schools? What exactly is the community doing to promote the teaching of the language? Also, given the smallness of the community, can you describe some of the things that the community does not only to engage itself in the broader multicultural society but also to fight for the issues of language retention, cultural expression and so forth?

**Dr Nahm**—At the moment we have a Saturday school.

**Ms VAMVAKINO**—So it just at the Saturday school that the Korean language is taught?

**Dr Nahm**—Yes, we have a Korean language school which was established—do not quote me—about 15 or 20 years ago. I was the first chairperson of the board of directors. They are

teaching children the Korean language on Saturdays only, using premises of Wesley College in St Kilda Road. They also have a class to teach any Australian adults or anyone who wants to learn Korean. Twenty years ago, I did it myself for six years because there was no such organisation or institution. Every Saturday for about six years I taught adult Australians Korean, including culture. But now they are formally doing this, and I think that is a great contribution. There are also some other schools which teach Korean, including a government supported one. They are very active. Some of the high schools include teaching Korean in their curriculum, but these days they are withdrawing one by one, so I think there are only five left. That is the situation.

**ACTING CHAIR**—Five in Victoria?

**Dr Nahm**—Yes.

**Ms VAMVAKINO**—Does that reflect the decrease in interest in retaining the Korean language within the Korean-Australian community? Is that what that decline is reflecting? I am interested in the attitudes of the second generation. You must have a second generation now.

**Dr Nahm**—No-one knows the exact number of Koreans here in Victoria because it fluctuates. These days there are a lot of students coming here to learn English because English has become a sort of international language. So we do not know. But we guess there are about 10,000 Korean people here in Melbourne. I think this is probably the third biggest group; Queensland is becoming a more popular area.

**Ms VAMVAKINO**—So the Queensland community is bigger?

**Dr Nahm**—Yes.

**ACTING CHAIR**—The largest Korean population is in New South Wales.

**Dr Nahm**—I think Victoria was second, but we lost that competition and in Queensland they have more, I think. But we still believe that, unofficially, we have 10,000 people.

**Mr BARRESI**—What annual Korean festivals, activities or cultural exchange programs take place now in Australia, initiated either by the community in Australia or by the Korean government? Are there any at all? You hear about Chinese festivals, Italian festivals and Greek festivals—all of them. What is actually happening at the moment?

**Dr Nahm**—At the moment we have been weak in that way. We do have festivals in our community, such as the Moon Festival, which is quite a big one, and also one of what they call here 'Chinese new year'. That is not exactly Chinese; that is the moon calendar new year. That is the sort of thing that we traditionally celebrate. So we do that here too. On top of that, from time to time some musicians come from Korea and give performances here. In a certain way, that is on a commercial basis. If we get more actively involved in cultural types of things, perhaps we could invite them and perhaps our musicians, dancers and artists could go there and perform, not only in Seoul but in the countryside as well as in the bigger cities. Those are the sorts of things—and also painting exhibitions.

A long time ago when I was the president of the Australia-Korea Association here in Melbourne we had quite a big art exhibition of old paintings. That was in 1975 or 1976. That was quite a success. We also had a film festival, which was perhaps the first Korean film festival in Australia. The response was very good, actually. So if we were to carry out those sorts of activities on a much bigger scale—on a government-to-government scale—they might be very successful.

Of course, I know many other foundations in the name of Australia-Korea, but I do not know exactly what they are doing. I am not criticising; I have no intention to. But if you consolidate them all, even within existing organisations, and if you can enforce in that particular area and give much stronger support then I think that would be very helpful and an efficient way to help improve the relationship between the two countries—not only the countries but the cultures, actually.

**Senator KIRK**—I think you mentioned the fact that there are numerous Australian-Korean organisations throughout Australia. Is that the case? In fact, I think you mentioned that you were the president of—what was it—the Australia-Korea Foundation?

**Dr Nahm**—The Australia-Korea Association.

**Senator KIRK**—Where does that association operate? Is that a national organisation with branches—

**Dr Nahm**—That is just a Victorian one. But this relationship continued and so it has now taken over one of those orphan or adopted children's associations.

**Senator KIRK**—You mentioned also a Korean film festival some years ago. Does that still happen here in Melbourne?

**Dr Nahm**—Yes, within our community. I would not exactly call it a festival, but we prepare the foods and share them with each other—it works on that basis. So it is a big feast, I would say, rather than a festival.

**Senator KIRK**—Yes. That was really my interest—whether or not there were other events such as that that are organised by—

**Dr Nahm**—Perhaps we may develop that sort of thing more widely, within the Australian community rather than in a small community within itself. It is a possibility.

**Senator KIRK**—That is the next step. If you hold these sorts of events, there is the issue of whether or not the wider community will be invited to attend.

**Dr Nahm**—At the moment we do not.

**Senator KIRK**—Not at the moment.

**Dr Nahm**—We do not have such a big one.

**Senator KIRK**—You mentioned that there are about 10,000 Koreans in Victoria. About how many of them are formal members of your society?

**Dr Nahm**—It is a bit hard to define what the membership is—whether financially contributing people are members. Perhaps half of them could be members.

**Senator KIRK**—Do you hold fairly regular events, then?

**Dr Nahm**—Yes, we have meetings and gatherings and so on about five or six times a year, I think. Is that right?

**Mr Bae**—Yes.

**Dr Nahm**—Around that number.

**Senator KIRK**—Are many of those opened up to the wider community to attend?

**Dr Nahm**—Yes, we do that, and from time to time we invite returned soldiers from the Korean War. For example, last time we had a music concert, so we invited them and they enjoyed it. They had many medals. But numbers, we find, are decreasing year after year, which I think is very sad.

**Senator KIRK**—You also mentioned a number of students who visit Australia in order to engage in short language courses. Has the society had any involvement with those students who come here, perhaps by way of assisting them to find accommodation or generally to settle into the community?

**Dr Nahm**—Yes, on a personal basis I do. I am also an adviser of the La Trobe Languages Centre. They mainly call me when Korean students come in, so I am looking after them, as I said, in many different ways. Sometimes when they have a problem at 2 o'clock in the morning they ring, because I told them, 'Any time—24 hours my phone is open, so you can make contact.' So we help them from time to time. Sometimes my wife answers, actually—just in case it is a girl student. I do not want to embarrass them.

**Senator KIRK**—Of course. Apart from you, are there others who are involved in this role? It seems quite onerous.

**Dr Nahm**—I think there are many of them. Some of them just care for them at home and provide accommodation, food and so on. Many of them do.

**ACTING CHAIR**—Is the Victorian association replicated in the other states? Do you have a federation of groups?

**Dr Nahm**—They tried, but we do not have that.

**ACTING CHAIR**—Not even in New South Wales, where there are almost 28,000 Koreans?

**Dr Nahm**—Yes, we do in New South Wales. They have their own. There is the Korean society of Sydney or something like that.

**ACTING CHAIR**—Right. Do you work together? Do you have any relationships?

**Dr Nahm**—Yes, the presidents communicate with each other. But there is no official link to elect a federal president, because it is unnecessary.

**Mr WILKIE**—Thank you for coming along today. I am just wondering who funds the Victorian language program for teaching Korean. I do not know if that was covered before.

**Dr Nahm**—That particular Korean language school has three sources of financial support. The state government provides part, the Korean embassy provides part and the parents pay fees. That is how they operate. Their annual budget is around \$100,000. Do not quote me, but that is the sort of size. There are more than 10 classes, I think. How many classes are there?

**Mr Bae**—Nine?

**Dr Nahm**—There are around 10 classes.

**Mr WILKIE**—That is jointly funded by the state of Victoria and the Korean government?

**Dr Nahm**—Yes.

**Mr WILKIE**—We heard yesterday in New South Wales evidence that people believed that there should be more studies of the Korean language in Australian schools because of the importance of Korea as a trading partner. Do you think the federal government should look at funding Korean language programs for non-Koreans in Australia?

**Dr Nahm**—If the federal government provided that sort of opportunity that would be fantastic. That would be a great effort it would be giving to establish the relationship between the two countries.

**Mr WILKIE**—But it is not happening at the moment.

**Dr Nahm**—No.

**Mr WILKIE**—Would you support that sort of initiative?

**Dr Nahm**—Sure—more than support, actually.

**Mr WILKIE**—It is a loaded question—I think that is what Mr Barresi is trying to say. Are the schools teaching Korean language in Victoria private schools or are there private and public schools?

**Dr Nahm**—I do not know. The Victorian government is fully supporting the Blackburn High School, I believe.

**Mr WILKIE**—Is it primarily public schools?

**Dr Nahm**—Yes, public schools.

**Senator KIRK**—The Saturday school of the Victorian School of Languages receives funding from the Victorian government.

**Mr Bae**—There is a Saturday school.

**Mr WILKIE**—Is that private or government?

**Dr Nahm**—That is government.

**Mr WILKIE**—The other comment I quickly want to slip in was in regard to your fantastic presentation in which you referred to the shipping program and the iron ore. I just thought I would slip in that most of the iron ore comes from Western Australia. Thank you.

**ACTING CHAIR**—It is a very good thing Barry Hall was cleared is all I can say.

**Mr BARRESI**—This may be sensitive, but we often hear with a lot of communities in Australia that there is a bit of friction. How fractured, if at all, is the Korean community in Australia in speaking with one voice on a lot of these issues? Do you speak with one voice or are there multiple groups out there with their own particular regional emphases? I come from an Italian community background. Yes, we have one voice, but there are always so many other regional centres all promoting themselves. Is it the same with the Korean community? Obviously, if it is, it makes it even more difficult for you, because you are dealing with smaller numbers. Can you be up-front about that, if at all?

**Dr Nahm**—I cannot tell you about Sydney or Brisbane, because I am not a member of those particular communities, but I can tell you about the Melbourne Korean community. I surely can tell you that we are very proud of this community. Perhaps this is a unique international community, because from the beginning we concentrated on making this Korean community in Victoria a gentleman's community—and I am not talking about sexual discrimination here. Commonsense works as commonsense. That is our motto, actually. There is no division here. There are not many voices; there is only a single voice. For example, if you go to other states or other community organisations, there is competition to become president.

**Mr BARRESI**—Yes, of course—the Indians, the Chinese. It is like that all the time.

**Dr Nahm**—We do not do that here. Mr Bae is now in his first term. We have a two-year term under the constitution. From next year he will be very busy looking for the next person to take over.

**Mr BARRESI**—Looking for a successor.

**ACTING CHAIR**—‘Succession planning’ we call it.



**Dr Nahm**—The previous one continued for two terms—for four years—because he could not find the next person. That is the situation. They are really serving the people as president. That is the community.

**ACTING CHAIR**—That is very nice. As there are no further questions, I would particularly like to thank you both for coming along this morning. We have had a very interesting discussion and the committee has found it very valuable. Mr Bae and Dr Nahm, if we have any questions we wish to pursue with you we may follow those up through our committee secretary. Thank you very much for attending.

[10.44 am]

**GUY, Mr Steve, Compliance Manager, Australian Wine and Brandy Corporation**

**ACTING CHAIR**—Good morning, Mr Guy. On behalf of the subcommittee, welcome to our hearing here today on our inquiry into Australia's relationship with the Democratic People's Republic of Korea and developments on the Korean Peninsula. 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 subcommittee and we will consider your request. Although the committee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. I invite you to make a statement and then we will go to questions.

**Mr Guy**—Thank you. The Wine and Brandy Corporation is a statutory marketing authority—federal, obviously. We are based in Adelaide, but we have offices around the world in major international markets. The nearest office to the Korean peninsula is in Tokyo. In a nutshell, we are responsible for promoting and protecting the image of Australian wine overseas and promoting the concept of Australian wine. Wine Brand Australia is the term that we use.

We have had great success. I would not like to claim that it is just the efforts of the corporation over the last 20 years—it is obviously the efforts of Australia's winemakers and viticulturists—but certainly the corporation has supported those efforts, to the extent that wine now provides a contribution of nearly \$3 billion in export income, which is in fact more than wool. That has come off a very low base. Twenty years ago, Australia was a net importer of wine—it seems hard to believe now. We are the world's fourth largest wine exporter and the largest outside Europe. The corporation recognises that we have been successful in traditional markets where perhaps we have a competitive advantage—in Europe, particularly the UK, the United States and of course New Zealand. If we are going to sustain the growth in export volume and value that we have come to expect over the last couple of decades, we need to look outside that comfort zone.

To that end, we have identified a number of what we call 'emerging and embryonic' markets, and in the embryonic category of China, India, Poland and Russia also falls Korea. Australian wine sales to Korea last year represented nearly 1.4 million litres, which was 21 per cent growth on the previous year and nearly \$7 million in value. Just as an average, that is greater than the average price per litre that we obtain in general. As a premium market, Korea is reasonably well positioned. The average price per litre that we receive from Korea is higher than the general average. We have seven per cent of the market in Korea. France, Chile, the United States and Italy are the only countries that have a greater share than us. I will speak a little bit more about Chile later.

In developing this market, because we clearly do see potential, we have a number of planned strategic initiatives. We are inviting key media representatives from Korea to visit Australia in the 2006 vintage. The aim of this is to create an increased awareness of Australian wine and to establish relationships for future interaction. We are developing a comprehensive wine

promotion in conjunction with Austrade in order to position Australia as the premium new world wine supplier.

We are also providing key information on the Australian wine industry in the Korean language. To that end, we are providing overdubs of a CD that we produced earlier this year—a CD that contains a wealth of information about Australia's wine industry statistically and from a promotional aspect. There are maps of each Australian wine region, a lot of information about the wine styles associated with each region, the history of the industry and the whole message associated with Australian wine. We are doing that in Korean. We are also doing that in Mandarin for the Chinese market. We are also currently recruiting an executive officer who will have responsibility for the Korean market, amongst other emerging markets in Asia.

What are the obstacles to developing the market, which is admittedly only 1.4 million litres? The first, of course, is the tariffs. There is a 15 per cent tariff on imported wine entering the Korean market, which by Asian standards is not particularly high, but we as a corporation would obviously like to see that reduced. We note that Chile recently signed a free trade agreement with Korea which will result in that tariff not applying to Chilean wine from 2010. It reduces periodically between now and 2010—I think linearly from year to year.

But the most discouraging obstacles to trade are not in fact the tariff barriers but the behind the border issues and the technical and non-tariff barriers. For instance, any shipment of a new product into Korea faces a fairly detailed inspection, including an array of chemical analyses conducted by the Korea Food and Drug Administration. It is a lengthy process and at times it appears arbitrary. If a product is rejected, there seems to be no provision for appeal and retesting. Penalties can be draconian. Admittedly the penalties are applied to the importer rather than the exporter.

One other issue that is not covered in the submission but which does cause serious logistical problems for Australian exporters is that in 2002 Korea introduced a system of differential labelling of wine and other alcoholic beverage products, depending on the market channel that is being used—depending on the distribution channel. So, if the wine is destined to be sold through a retail store, it needs to carry one form of labelling; if it is destined to be sold on premise in a restaurant or bar, for instance, it needs to include a different label. You can imagine the sorts of logistical problems involved there. It goes back through the supply chain, so the producer of the wine in Australia has to know in advance what proportion of the product that is being sold to Korea is going to go into either of those two channels. We believe that this is an internal taxation arrangement introduced in order to overcome problems of tax avoidance, but it is something that we certainly would like to take up further with Korean authorities if we ever have the opportunity.

**ACTING CHAIR**—Thank you. You have given us a very detailed submission and summary this morning, which is very helpful to the committee. It does not look like it is an easy process to navigate the Korean market.

**Mr Guy**—Korea is not unique in that aspect. One of the problems, of course, is that because it is an embryonic market we simply do not know a lot of the detail that is needed in order to navigate the market access issues; but, as I say, we are about to appoint a person who is going to have responsibility for discovering as much as they can about that process.

**ACTING CHAIR**—Did you say responsible for emerging markets in North Asia or Asia broadly?

**Mr Guy**—Asia broadly, because we are talking about India and China as well as Korea.

**ACTING CHAIR**—That is a big job.

**Mr Guy**—It will be a big job. We are a fairly small organisation and we are not replete with resources.

**ACTING CHAIR**—I know you are a statutory authority. Do you work with Austrade to navigate these processes?

**Mr Guy**—Yes, we do. We work with Austrade in a number of markets and we have always had a very cooperative relationship with Austrade. Obviously we are focused on wine and Austrade has a broader agenda, but we have always had a very good relationship. Our key performance indicators tend to be a little bit different. Sometimes we think Austrade is looking at growing the number of exporters to a particular market whereas we are perhaps more interested in market development in terms of market penetration.

**ACTING CHAIR**—How does the AWBC go about doing that? Earlier in your submission you said that there is some lack of understanding of wine itself and also a lack of understanding of the market and cultural sensitivities by exporters. How do you go about addressing those two quite distinct challenges?

**Mr Guy**—One of our functions is to provide information to exporters on market conditions. For instance, the sort of area we bring to the notice of intending exporters to Korea is not only the market structure in terms of the split between retail and on-premises consumption but also the occasions on which wine is drunk. Wine represents only two per cent of all alcoholic beverage consumption in Korea. There is a very large market there for traditional beverages, such as soju, which is a hard liquor produced from tapioca. It is very cheap; it gets very favourable taxation arrangements. Wine is still a small part of the overall alcoholic beverage market in Korea, but it is one that has the potential to grow. It is a gastronomic culture. That is the sort of message we would deliver. Wine is increasingly being drunk with food. Of all the wine that is sold, 75 per cent is red, so the health message—the French paradox from 10 to 15 years ago—was quite widely delivered in Korea. We would also be explaining the gift-giving cultural aspect of wine sales in Korea. We believe that something like 30 per cent of all wine is sold to give as gifts. Obviously, there is a very seasonal aspect to that. There are particular times of the year when gift-giving is appropriate, and that is when we notice the spike in wine sales.

**ACTING CHAIR**—I can think of a marketing opportunity for you. We were talking to Meat and Livestock Australia yesterday about the Thanksgiving celebration, which is apparently occurring now. Perhaps with their beef gift sets people could be encouraged to give a bottle of Australian red wine as well as Australian beef. It would be perfect.

**Mr Guy**—Yes. There is certainly an opportunity there for wine and food to be marketed collaboratively.

**ACTING CHAIR**—We also talked yesterday to ABC Asia Pacific, who are in the business of selling advertising on their channel for Australian exporters. Is that a road that the AWBC would ever go down? If you are having an executive officer look at these emerging markets in Asia and we have ABC Asia Pacific telecasting directly into the market, that is an option as well, I suppose.

**Mr Guy**—Yes, that certainly could be.

**Mr WILKIE**—With regard to Chile getting a bit more of a market share through their FTA, what tariffs are paid by France, US, Chile, Italy and Australia? If you are aware of that, can you tell us so that I can draw some sort of comparison?

**Mr Guy**—I think the 15 per cent applies across the board and equally to all their trading partners with the exception of Chile. As far as I know, Chile is the only country that has these arrangements with Korea. Speaking to Austrade representatives recently, they indicated—and I do not know how authoritative this is—that there has been some internal disquiet at the effect of the FTA arrangements on Korean farmers. They feel as if they got a bad deal. That is not specifically wine, of course, but farming in general. There is something like \$US11 billion in compensation payments that will need to be delivered by the Korean government in order to compensate those farmers for the perceived disadvantage. The outcome of this is that there is apparently not a lot of sympathy in sentiment in Seoul at the moment for negotiating an FTA with any other strong agricultural country, so I am not that optimistic that we would be looking at an advantageous FTA in the near future.

**Mr WILKIE**—With regard to Chile, your submission talks about how there is going to be a gradual elimination of the tariff. Do we know what they are currently paying?

**Mr Guy**—As with everyone else, it was 15 per cent when that agreement was signed, which was late 2003. Exactly where it stands at the moment, I am not sure, but I believe it is a linear reduction until 2010. That would suggest that a couple of per cent a year would come off that.

**Mr WILKIE**—The submission suggests that the FTA reduction in the tariff has lifted the Chilean wine sales. I want to put that into perspective, given that 65-odd per cent of taxes and charges are levied on wine. If they are receiving only a one or two per cent reduction, that is not really going to influence the sales, is it? It is probably an unrealistic expectation that the FTA is what has caused that increase in the sales.

**Mr Guy**—Exactly. It may be just the fact that there is increased exposure, increased awareness, in the Korean market of Chilean wine as a result of publicity about the FTA. It might not be directly related to the decreasing tariffs.

**Senator STOTT DESPOJA**—Again, on the point of comparisons, the inspection process that you describe seems quite laborious to me. I note your recommendation. I presume that means that in most other places if the organisation has issued a certificate—it meets your standards—then you would expect that permit to be sufficient. Are there other markets where you can say that this happens equally badly or worse? I am assuming that this is one of the worst examples of a market you are trying to break into that has to go through that laborious inspection process.

**Mr Guy**—Taiwan has recently introduced a fairly idiosyncratic inspection and certification requirement, and we have been successfully able to negotiate a situation whereby the corporation can issue the certificates, based on analysis by Australian laboratories, which will then be acceptable to the Taiwanese government. That is the sort of thing we would like to be able to develop with Korea. It is probably a bit unfair to say that they are the worst market access conditions—technical barriers—that I have come across. China has a similar situation, where it can even take six months to get label approval. That is the sort of thing we would be addressing, and are addressing, in the current round of negotiations with China on an FTA. I would say that Korea is far from the worst. As well, the impact is mitigated by the fact that it is such a small market at this stage. It is not as though we are running into these sorts of problems on a daily basis.

Certainly we would like arrangements with Taiwan similar to those developed through the bilateral agreement with the European Union, that is the bilateral agreement on wine trade. We have an arrangement whereby the corporation issues the European import certificate. The other comparable situation, I suppose, is Canada where a similarly rigorous and comprehensive inspection process is conducted at a provincial level rather than by the national government. There, again, the situation is slightly different, because it is a very controlled market in Canada and the customer—for instance, the Liquor Control Board of Ontario, which is the largest single purchaser of wine in the world—is a semigovernment authority. So, although there is a government requirement to have this sort of inspection process, it is also to their advantage—because they are also the customer—to expedite it, because they do not want to be hurting their own sales and their own logistics. The other thing the corporation will do is to issue a range of certificates for countries such as the Philippines, Brazil and Turkey—having the corporation's stamp has always satisfied them. That is the sort of thing we would like to see.

**Senator STOTT DESPOJA**—Obviously there is the precedent, so it is feasible. It is something we could look at recommending. I probably should not have used such poetic licence in referring to it as the worst because, you are right, there are different barriers, whether it is inspection processes, duty or a range of other things. This just happened to strike me as one that seemed a bit of a bother to deal with.

**Mr BARRESI**—You mentioned in your opening statement that the differential labelling regime caused a bit of a problem, particularly not knowing which sales channel it is going to go down to, and that you would like to raise the issue if there was an opportunity. What is preventing that discussion from taking place? Why hasn't it been addressed? Can you point to anything we can do or that we can recommend which will facilitate that?

**Mr Guy**—It is an internal taxation issue, rather than a trade issue as such. But I think it does impact more on imported product than it does on domestic product. I will put it into perspective. It is common or it was common for on-premise outlets—restaurants, for instance—to go to the local discount bottle shop, purchase alcoholic drinks, including wine, and then sell them at the sort of mark-up you would expect in a bar or restaurant. But, in doing so, they were not declaring all the inputs to their business. So the tax department introduced this system whereby you would not be able to do that, because the labels that the products are sold under in the retail stores are different labels to what would be sold in the restaurant, and it would therefore make it easy for other people to complain or for their inspectors to discover if this is being abused.

It applies equally to domestic producers in Korea, so that is why it is not, strictly speaking, a trade impediment. But, although it applies equally on paper, it impacts more on the imported product because the need to keep different stock-keeping units and the need to keep different inventory for these different marketing channels obviously, when you are disengaged both geographically and in time, makes it much more difficult. You do not have the flexibility of moving product from one marketing channel to another. It is much reduced for the exported product.

**Mr BARRESI**—But there must be a distributor in Korea who is acting on behalf of the Australian producers.

**Mr Guy**—Yes.

**Mr BARRESI**—So why would the problem be for Australian producers to deal with that? Could it not be at the distributor's end?

**Mr Guy**—Because the labels have to be put on in Australia. You cannot put these labels on once they get into the Korean market. It is probably difficult enough. If an Australian producer is bottling a particular product, it is probably difficult enough for them to know how much of that particular bottling run they need to put Korean labels on. To then go to another label and say, 'We need to put on a certain number of labels for the Korean on-premise market as opposed to the off-premise market,' is just another level of complexity and probably discourages them from even dealing with the Korean market in the first place.

**Mr WILKIE**—I suppose in that regard when the purchaser was making their purchase they would tell the supplier what they wanted in those terms, so they would have a fairly clear indication that they wanted X amount for table wine for home and X amount for restaurants. There is probably a way around that. That is probably how they deal with it. My first question is on the testing. Obviously it is quite a difficult regime. Do we know how much Australian produce has been rejected? Has any?

**Mr Guy**—There has. There was an issue last year with a wine from one of Australia's largest producers, which was rejected on the grounds that it contained sorbic acid, which is a legal additive. There is nothing illegal about it: it is a preservative, it is an alternative to sulfur dioxide and it acts as a yeast inhibitor. It is not used widely in Australia, but as I say it is legal. This particular shipment was rejected, ostensibly because it contained sorbic acid, when the declaration that the importer had made was that it did not. There were threats to impose draconian—extremely heavy—fines on the importer. Apparently, in the event of any subsequent problems, an importer can actually lose their licence for seemingly trivial offences. In this particular case, we were involved because the exporter fervently denied—and we had testing done here—there was any sorbic acid in that wine. It certainly was our advice as well. I knew that producer did not use sorbic acid. It was a protracted process. There was no automatic appeal avenue. We did receive cooperation from Austrade in Seoul. It took a long time but eventually that wine was allowed into the country with no real explanation of what had happened other than to say there was an administrative error. It was a totally non-transparent process.

**Mr WILKIE**—So that importer continues to import Australian wine?

**Mr Guy**—Yes.

**Mr WILKIE**—You have probably already covered this, but I want to clarify it. Do we export all bottled wine, or do we export bulk wine as well?

**Mr Guy**—I think some bulk wine goes to Korea. I do not know the exact figure. In fact, I am not sure of the Australian figure off the top of my head, but I know that about 17 per cent of all wine sold in Korea is imported in bulk. Some of that is then blended with local Korean wine—they have a small production capacity there as well—but that is basically at the bottom end of the market. Coincidentally, 17 per cent is the figure for Australian bulk exports generally. Seventeen per cent of all Australian wine does get sold in bulk, but the proportion that we sell in bulk to Korea I am not sure of.

**ACTING CHAIR**—Mr Guy, there are no further questions. Thank you very much both for the corporation's submission and for appearing before the committee today. If there are any matters which the committee needs to follow up with you, our secretary will be in touch. We will also send you a copy of the transcript from today so you can make any necessary corrections to any errors of transcription. That concludes this morning's proceedings. I would like to thank all of the witnesses who have appeared today, the Hansard staff and the secretariat for their assistance in holding these two hearings in the last day.

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

That this committee authorises publication, including publication on the parliamentary database, of the transcript of the evidence given before it at public hearing this day.

**Committee adjourned at 11.12 am**