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JOINT STANDING COMMITTEE

ON

**FOREIGN AFFAIRS, DEFENCE AND TRADE
(Foreign Affairs Subcommittee)**

Reference: Australia's relations with ASEAN

CANBERRA

Wednesday, 30 April 1997

OFFICIAL HANSARD REPORT

CANBERRA

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

(Foreign Affairs Subcommittee)

Members:

Mr Taylor (Chair)

Senator Bolkus	Mr Bob Baldwin
Senator Bourne	Mr Bevis
Senator Chapman	Mr Brereton
Senator Childs	Mr Dondas
Senator Forshaw	Mr Georgiou
Senator Harradine	Mr Hollis
Senator MacGibbon	Mr Jones
Senator Schacht	Mr Lieberman
Senator Troeth	Mr Nugent
	Mr Price
	Mr Slipper
	Mr Sinclair
	Ms Worth

Matter referred for inquiry into and report on:

The development of ASEAN as a regional association in the post Cold War environment and Australia's relationship with it, including as a dialogue partner, with particular reference to:

- . social, legal, cultural, sporting, economic, political and security issues;
- . the implications of ASEAN's expanded membership;
- . ASEAN's input into and attitude towards the development of multilateral regional security arrangements and processes, including the ASEAN Regional Forum (ARF);
- . ASEAN's attitudes to ARF linkages with, or relationship to, other regional groupings;
- . economic relations and prospects for further cooperation, including the development of the ASEAN Free Trade Area (AFTA) and possible linkages with CER;

- . development cooperation; and
- . future prospects - in particular the extent to which the decisions and policies of ASEAN affect other international relationships.

WITNESSES

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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE
(Foreign Affairs Subcommittee)

Australia's relations with ASEAN

CANBERRA

Wednesday, 30 April 1997

Present

Mr Taylor (Chair)

Senator Childs

Mr Bob Baldwin

Mr Brereton

Mr Barry Jones

Mr Nugent

Mr Sinclair

The subcommittee met at 9.04 a.m.

Mr Taylor took the chair.

CHAIR—I formally declare open this first public hearing of the foreign affairs subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. We are inquiring into the development of ASEAN as a regional association and, in particular, Australia's relationship with it. It comes as no surprise, particularly for those of you from DFAT, that ASEAN is 30 years old this year. It is very timely that this subcommittee should examine Australia's relationship with this developing and expanding regional organisation to our near north. Also of course you would be aware that it is now the fourth largest trading region in the world after the United States, Japan and the European Union and, with that in mind, it is exhibiting an understandable growing confidence and influence in regional affairs.

Today we will take evidence from the Department of Foreign Affairs and Trade, from Austrade, from AG's, from the Department of the Environment, Sport and Territories and from the Department of Defence. On behalf of the subcommittee and indeed the joint committee—we will be joined later in the morning by other members; I think Ian Sinclair is still on his way back from Macau and is due in about lunchtime—I welcome representatives from the Department of Foreign Affairs and Trade in particular who are about to be sworn in or affirmed.

I make the point that, whilst this is and will continue to be an open hearing, if at any time you as departmental representatives want to go into closed session, we can discuss that and do likewise. It is important that we get as much on the open record as we can today. I note indications in Mr Flood's response to the committee that the opportunity is there to go into closed session if later in the hearing we feel that is appropriate.

[9.07 a.m.]

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CHAIR—I invite Mr Milne to make a short opening statement in relation to this inquiry.

Mr Milne—Thank you, Mr Chairman. As you said, it is a good time to review ASEAN in its 30th year and also in the same year in which it is likely to expand to include all the South-East Asian 10 countries. I and my colleagues Mr Raby and Mr Ross Muir, from AusAID, will briefly outline the main themes in the submission. I will begin by making a short statement on that.

Our submission is divided into three parts. The first provides background about ASEAN's development since 1967 and its contribution to regional stability and security. It sets out the mechanics of ASEAN's structure, which now has more than 200 meetings at different levels and on different subject matter each year. It has a secretariat based in Jakarta. ASEAN, as you also noted, has been marked by an increasing confidence and a strong inclination to influence the regional agenda and to ensure that its interests are fully taken account of in wider bodies. The economic data we have put into the first part of the submission indicates the great economic growth of the ASEAN region as a whole and its members and also notes that the political stability which ASEAN has contributed to has been accompanied by a marked degree of prosperity.

The end of the Cold War and the Cambodian peace settlement together have led to relative strategic security and stability in South-East Asia and have opened the way to an integrated South-East Asian community and not one that is split between ASEAN on the one hand and the countries of Indochina on the other. However, it is important to realise that ASEAN is not in itself a security or defence organisation. Although it was a moving spirit in the formation of the ASEAN regional forum, which does in fact deal with matters of regional security, this organisation involves all the major powers of the region in a dialogue among equals. The name, of course, sticks because the meeting is held in association with the meeting of ASEAN foreign ministers and their dialogue partners in July of each year. At the same time, ASEAN among its members has articulated several codes of conduct, such as the Treaty of Amity and Cooperation in South-East Asia, its basic document, but it has also promoted the South-East Asian nuclear weapons free zone and its declaration on the South China Sea of 1992.

ASEAN as an institution has played less of a role in the economic dynamism of the region than in its contribution to regional stability. Basically, the economic growth has occurred because of the policies and practices of the individual members. It was not a case of ASEAN coming first and creating the conditions for economic growth. In fact, regional economic cooperation really only got under way with the formation of the ASEAN free trade area in 1992.

The second part in our submission outlines some of the issues and trends affecting our relations with ASEAN; as we have noted, a confident and assertive ASEAN with a clear political and economic agenda. When it comprises all the 10 South-East Asian states,

which is likely to happen as early as this year, it will comprise a market of close to 500 million people and is already a significant presence in world trade. Enlargement will not, however, be a one-way street for it in terms of increasing its effectiveness. The inclusion of members with different levels of economic development, different degrees of governmental performance, is likely to make decision making more difficult for the organisation and may over time, because of the wider spread of interests they involve, lessen its cohesion.

The final part of our submission outlines Australia's relations with ASEAN. We were the first formal dialogue partner of the association in 1974. Our main interfaces with ASEAN are two major ministerial meetings each year. First of all is the ASEAN post-ministerial conference, which immediately follows the ASEAN ministerial ministers meeting, and later in the year, normally in September or October, the AFTA-CER ministerial talks.

The areas in which our relationship with ASEAN is developing most quickly include trade and security dialogue and cultural cooperation. I do not want to go through all of the statistics at this point, but I might just mention some of the major points relating to our trade with ASEAN countries.

The first is that we export more to ASEAN than we do to either the United States or the European Union. We have a trade surplus with every ASEAN country apart from Vietnam, where the volumes are not very considerable. In the last five years our exports to ASEAN have increased by 11.5 per cent per annum compared with a general level of 8.3 per cent to APEC members and 7.7 per cent annually to the whole world. Also, there has been a moderate increase in levels of recorded Australian investment in ASEAN, but we believe these levels are still disappointingly low and that is an area in which we could do more.

There are also some interesting new developments in the area of cultural and sporting links between Australia and ASEAN. The establishment of a culture and information working group at the ASEAN-Australia Forum in Canberra in May 1994 has led to a growing partnership between Australia and the ASEAN members. They are interested in cooperating with us in a range of issues in that area. Sport is also another priority, particularly in the lead-up to the Asian Games in Bangkok in 1998, the Commonwealth Games in Kuala Lumpur later that year and, of course, the Olympics in Sydney in the year 2000.

As I mentioned previously, we also have an important security dialogue with ASEAN countries. This is carried on both bilaterally and in subregional groupings such as the Five Power Defence Arrangement, the more recently concluded agreement on maintaining security with Indonesia, as well as discussions in the wider ASEAN regional forum. I would now like to ask Dr Raby to speak a little bit about AFTA-CER.

Dr Raby—AFTA stands for the ASEAN free trade area, which is the economic cooperation free trade agreement that Mr Milne mentioned in his opening remarks, and CER stands for the closer economic relations between Australia and New Zealand. These are two free trade areas, and since 1993 there has been a process of dialogue between the two areas. For us, this is something quite novel. We have not actually worked before with New Zealand in a cooperative way with third countries, as we are on this particular dialogue.

The history of the dialogue goes back to 1993, when Thai Deputy Prime Minister Supachai proposed that for the first NTIOC conference in Melbourne in November of that year the two sides, CER on the one hand and AFTA on the other, should explore the possibility of a formal free trade arrangement. He repeated that on one other occasion, and there was some public support from Singapore at the time.

Clearly this came as something of a surprise to other members of ASEAN. Since 1994 we have not heard from the ASEANS about a formal free trade arrangement between the two areas. Nevertheless, for our part we have taken up the offer of dialogue and exchange to try to explore ways to facilitate business between the two areas, particularly to lower the transaction costs for business both on the CER side and on the AFTA side.

There have been two ministerial meetings of the AFTA-CER dialogue—in 1995 and again last year—and the third one will be held in October of this year in Kuala Lumpur. The main objective has been to explore ways of facilitating business links and exchanges. Where the process may evolve to is still uncertain and has not been resolved on both sides. Both sides, though, are strongly committed to concrete business relevant actions and see the facilitation agenda as very much supporting and complementary to the APEC business facilitation agenda.

There are basically three tracks to this exercise as of now. One is the official level track, with the ministerial as the main activity. That has a program of work under way on customs facilitation, exchange of information and the publication we would expect this year of a joint customs compendium. There is an Internet page which sets out details of the two free trade areas and other forms of facilitation activities, including in the area of standards. Last year at the ministerial meeting a MOU on standards cooperation between the two areas was signed. This is the first time that either AFTA or CER have signed MOUs with anybody.

It is an umbrella agreement. We are now working at putting more content into the agreement on specific standards areas. For example, we may explore building standards or health standards. This is the subject of ongoing discussion. What it does do for Australia, though, is make us something of an insider in the ASEAN process of setting standards. That is very useful for us to the extent that we can influence the evolution—the development—of ASEAN standards to conform with Australia standards and, more broadly, with accepted international standards.

The second track is a business track, which is being led very much by the MTIA representing a wide group of businesses. That is quite an active exchange. At least year's ministerial, the Malaysian trade minister requested the business groups to come forward at the next ministerial meeting with a list of trade barriers between the two areas. For our part, the Australian side has completed its obligations. This represents something of a new way of cooperation between the business level and the official level. A third track which is just beginning is an academic or think-tank track, which is exploring what the possible evolution of this arrangement might be.

I stop at this stage, Mr Chairman, but if I could raise the possibility of perhaps discussing our thinking about strategies for this off the public record, as some of the strategic issues are issues that are in the early stage of thinking but may be of interest to the committee.

CHAIR—Just on that, before we go any further, would you like to do that today? Bear in mind that this is a preliminary hearing. This inquiry is going to take the committee possibly five months to complete. Today's hearing is only an initial hearing. I think it would be better, from our perspective anyhow, if we did that in a closed session that will give us a bit of time later on. We can ask some general questions in the area. Are you happy with that?

Dr Raby—That would be fine, yes.

CHAIR—Is anyone else to speak?

Mr Milne—We have Mr Muir to speak on the aid aspect.

Mr Muir—The AusAID contribution to the joint submission is listed as part 4 in the submission. Just to summarise, I think part 4 really focuses on three issues. The first issue is international development cooperation and what contribution that has made to ASEAN. The second issue is Australia's role. The third issue is a future role for Australia. I will just go through these briefly.

Firstly, international development cooperation has played a significant role in helping economic growth and stability in ASEAN. Over the last 10 years, international aid official flows have amounted to about \$US100 billion. These have been mainly to create an enabling environment for growth and stability. Things like major infrastructure items, education and training, and policy advice have been the major focus of these flows.

One thing that has to be said is that the individual countries really are the catalysts—they are the prime initiator for growth and stability. Nothing can replace good economic and good macro policies. But the international development cooperation and the donor consultative groups have really helped this process. Australia has been a member of major aid consultative groups on Indonesia, the Philippines, Cambodia and Vietnam. The

Indonesian one was set up in 1967, the same time that ASEAN started.

We have been a foundation member. Through that we have contributed, firstly, to encourage burden sharing in the region. We have encouraged other donors to put their funds into the region. I think that has been an enormous advantage to us. Secondly, we have encouraged good macro-economic policies, mainly through support of the World Bank approach on these matters.

The second issue is Australia's role. Australia is part of the international donor effort. We are a modest part. At the moment we contribute about six per cent of the total aid flows to the region. Over the past 10 years Australia has provided \$2.5 billion of aid to ASEAN countries. In this financial year we are providing \$266 million; that is, slightly over one-quarter of the total of Australia's aid vote goes to ASEAN countries.

We deliver that aid in three ways. Firstly, bilateral aid is most important—the aid relationship, for example, between Australia and Indonesia and Australia and Vietnam. Secondly, we have a regional focus. In particular, in this context the Australian aid program has the ASEAN-Australia economic cooperation program, which focuses on economic cooperation for mutual benefit. It has two streams. The first one is major projects, in which we share our technical knowledge and establish cooperation on technical aspects—things like waste water, environment management and all these kinds of things where Australia has good technology. We can offer really practical support and reinforce Australia's general policy dialogue with ASEAN. Then there are other regional programs, including the South-East Asia regional program, the Mekong Basin subregional program and also the private sector linkages program, where we focus on creating private sector linkages for aid purposes between Australia and the region.

The third thing that we focus on in the submission is the future role of Australia's aid. This will become much clearer when the Simons report comes out. The Simons committee is due to announce its findings this Friday, 2 May. The committee has been headed by Paul Simons. That is looking at Australia's overseas aid, the policies for the future, how we should deliver our aid, et cetera. That will be an important factor in terms of everything we do in the aid program.

I have just a few comments on Australia's aid to ASEAN. Firstly, I think the lesson that we have learnt from our aid with ASEAN—from our development cooperation programs—is that development cooperation can certainly help create rapid and sustained growth. There is no doubt about it. But it is not the only criteria; there is a lot more to that. Certainly most of it must come from the individual countries themselves.

The second thing is that, with ASEAN's expanded membership, development challenges will increase and not abate. We have had Vietnam as a new member of ASEAN. More than 50 per cent of its population is below the World Bank's poverty line. It is the same with other countries such as Cambodia and Laos. Cambodia has a per capita

income of \$260 per annum. Over 60 per cent of the population live in poverty. Laos, for example, has a life expectancy of 50 years. The poverty ratio there is 46 per cent of the population. So there is certainly a lot that Australia can do through the cooperation process.

On the other hand, there are some very highly developed ASEAN members. We have Singapore, Brunei and, increasingly, Malaysia and Thailand. I think our role there is to form a cooperative role to encourage them as donors to engage in collaborative efforts with us.

In conclusion, the main focus of this part of the submission is that Australia's practical support for development cooperation will continue to bring mutual benefits for Australia and the ASEAN members.

CHAIR—This is a preliminary hearing. We have about an hour to explore your submission at this stage. On behalf of the committee I thank you for what I think is a very comprehensive, well developed submission which will be very helpful to the committee as it works its way through a lot of these issues.

Perhaps the first thing we should get on the public record is the composition of ASEAN, the likely new entrants and the pressures that are building up both within ASEAN and external to it in the region for membership. Perhaps you could also say something about the degree to which Mahathir's economic caucus proposals are part of that environment or in what ways they might be flying in the face of the concept. Could you make a broad brush exposition of the composition and likely changes and then the interrelationship between ASEAN and the caucus.

Mr Milne—ASEAN started out with the original five members: Thailand, Malaysia, Singapore, Philippines and Indonesia. That formed the core of ASEAN up to 1984, when Brunei was admitted. There was no further change in the membership until 1995, when Vietnam was admitted. That now comprises seven of the 10 so-called South-East Asian countries.

It is clear that ASEAN is interested in getting the remaining three South-East Asian countries—Cambodia, Laos and Burma—admitted in the near future. I think their goal is to have them admitted probably in the middle of this year provided they can meet the technical qualifications for entry in terms of their ability to sign onto the various ASEAN agreements and undertakings, even though they will have to, no doubt, have some extension of time to enable them to conform to the requirements for membership of AFTA. Obviously countries like Cambodia would find it difficult immediately to adopt the full AFTA regime.

But the ASEAN countries as a group have said that they are not formally concerned with the internal situation in those countries. Their main concern is whether

they can meet the technical requirements which enable them to sign onto the ASEAN agreements. This is not to say they are not concerned about the possibility of instability in some of those countries. For example, the present situation in Cambodia is not exactly stable. The situation in Burma is also a matter of some concern, I believe.

CHAIR—Are you saying that the political dimension to further admission—I am thinking particularly of Burma—our attitude to Burma and to SLORC, et cetera, is not shared within ASEAN, that they have a completely different perspective?

Mr Milne—The ASEAN policy towards Burma as it stands itself and also as a potential member is characterised by the term ‘constructive engagement’. They believe that having Burma isolated on their flank will not suit their interests or Burma’s interest in the long run. They believe that, by working with the present regime in Burma, they will be able to bring them more fully into the international community. They believe that will have an effect in inducing appropriate internal reform. ASEAN is very careful not to prescribe the form of government of its members, because there is a wide range of degrees in the types of government within ASEAN, ranging from the Philippines and Thailand on the one hand to more controlled regimes like Vietnam. There is clearly not a uniform pattern of government administration that ASEAN sees as a goal.

CHAIR—Does DFAT have an assessment that you can talk about in an open forum of the probability of meeting that 1997 target for all 10 nations?

Mr Milne—I think there is a very good chance that all 10 will be admitted this year, possibly in July but, if not then, almost certainly by the end of the year when ASEAN has an informal summit of its members. That will also be an occasion for celebrating its 30th anniversary.

CHAIR—What about the relationship with the caucus?

Mr Milne—The caucus was obviously promoted by Malaysia’s Dr Mahathir. He believed it was important for the south-east Asian countries to form a closer relationship with the countries of north Asia—Japan, China and Korea—in order to extend the weight of ASEAN, to link it to a larger group and to serve as a vehicle for developing connections with those countries, particularly connections of an economic nature. He described it initially as a caucus. In other words, some of the members of APEC were to meet beforehand to work out common positions. I think basically he wanted to strengthen the position of ASEAN as a group by developing these connections with the EAEC. It does not really impinge on ASEAN as such, except that all the ASEAN current members would in his view be involved in the EAEC.

CHAIR—Is it a fair assessment that even today there is a certain reservation on the part of Indonesia, the Philippines, et cetera, and, external to that, of Japan?

Mr Milne—Certainly the Japanese have indicated that they did not wish to join in any exclusive grouping.

CHAIR—Did that come up during Prime Minister Hashimoto's visit? Was that dimension looked at?

Mr Milne—I am not aware of what went on in that visit.

CHAIR—Are you saying that the caucus is a good idea on the part of Malaysia but that there is a lukewarm reception to that and that it would only be a subset to ASEAN? It is a link, as you indicated, with north Asian countries.

Mr Milne—It is not managed as an ASEAN exercise. It is simply that the membership overlaps. ASEAN as a body has not adopted this as a policy. It is very much a Malaysian aim.

CHAIR—I suppose what I am asking you is: are there any pressures within ASEAN that would pose problems for ASEAN as a grouping as a result of Dr Mahathir's caucus concept?

Mr Milne—I do not think there are any particular pressures. As you said, I have the impression that the other members are not particularly enthusiastic about the idea, but they do not wish to go against the ASEAN principle of consensus.

CHAIR—For the benefit of those who have just joined us, we have just had an opening statement in general terms from Mr Milne. We have had an exposition in general terms by Dr Raby on the CER and AFTA. Mr Muir has given some introductory comments on overseas development cooperation. I invite questions on the general organisational part of the submission.

Senator CHILDS—I have a threshold question that goes to political, social, cultural and trade links. Ms Hanson MP has made a number of statements which have been widely reported in the region. What has been the reaction to that in the various ASEAN states? How inhibiting is that to our relationships?

Mr Milne—In the first place, it is a development we would not have wished to happen. It has not been helpful to the development of our relations with Asia. On the other hand, I do not think that at this stage it has caused significant damage. You will see from the figures that we can provide for the committee that it has not limited or deterred an increase in the number of visa applications for students or tourists. It has not shown itself in any dip in trade as yet, but it does have the effect of causing questioning in the region about Australia's commitment to engagement with Asia.

That said, it is clear that the leaders of ASEAN countries recognise that these

views are not those of the Australian government or the majority of the Australian people and that a number of them have made it clear that this is the case. I think the joint resolution of the parliament in that respect denouncing the desirability of a racist approach and making clear the government's and the parliament's opposition to racism was very helpful in creating a correction of the perceptions in the region.

Senator CHILDS—Mr Milne referred to the different degrees of economic development, and Mr Muir referred to the advanced economies as donors. What do economies like Singapore give to the less developed economies? Is there a changing relationship? Can you develop the role of those advanced economies that Mr Muir referred to?

Mr Muir—There certainly is a changing relationship. Singapore—in particular the Ministry for Foreign Affairs—has set up a technical cooperation directorate. It has 16 people at the moment, and it has been going for about two years. Basically Singapore is moving into development cooperation. We are certainly supporting that move. We are already working with Singapore on a small activity, which is training Vietnamese customs officials. We are doing that jointly. In fact, a team from Australian Customs and Singapore Customs is going to Vietnam next month. These are the kinds of activities we are moving into with Singapore. I would see this certainly increasing. We have plans to do environmental management type joint activities. I also expect that in years to come countries like Malaysia and Thailand would also be working with us on this.

Senator CHILDS—Dr Raby, in referring to AFTA and CER you gave examples of lowering the costs. You mentioned customs and standards cooperation. I wonder if there was a prioritised list that you have in your mind. Just what are the issues? Are there any additional ones to those you have adverted to?

Dr Raby—There are two others. There has been a technical information exchange on the ISO 14000 series. That is environmental standards. At first, the ASEAN side was a bit resistant to this, but then recognised that a voluntary industry based standards approach to environmental conformance is of some interest.

Secondly, we have published a couple of articles in the ASEAN standards and quality bulletin on Australian or CER standards and conformance development. It is really at the level of information exchange and confidence building, but with the signing of the MOU last year we are now trying to explore areas where ASEAN would be interested in more sustained work on standards in a systematic way. Building standards is one area. Obviously that would have benefits for our construction industry. Our own industry has raised health standards and we are trying to engage the ASEANs on that. Over the next few months in the run-up to the ministerial, we will try to elaborate some more areas that there may be interest in.

I guess part of the problem for us in all of this is that AFTA itself is evolving. As

Mr Milne said, it began in only 1992. The ASEANs own understanding of AFTA as an economic arrangement is itself changing. At first they saw it as being restricted to trading goods, but with the conclusion of the Uruguay Round it was no longer possible to have a free trade arrangement that was restricted only to goods. To bring it into conformance with WTO requirements, they had to expand that to services. That is a very difficult area, because that goes to the heart of lots of different regulatory arrangements within the region.

Many of the region's service industries are highly protected, quite inefficient and will need to go through quite substantial reform and adjustment to be able to compete, even within the context of AFTA. So that has put a lot of pressure on the regulatory arrangements. The standards people, regulators within ASEAN, are working very hard to bring domestic understanding and then legislation up to an AFTA standard.

Further, there has been recognition that AFTA will also have to pick up issues like intellectual property. I guess what I am saying is that we have a moving target in AFTA. They, themselves, with limited bureaucracies and limited experience in the area, are running very hard just to keep up with developments being driven by the AFTA free trade agreement, let alone contemplating wider links into things like CER.

Mr NUGENT—Senator Childs and I have just come back after having spent two weeks in China. I have three questions. You may have covered this in your opening brief. If you have, I apologise for my not being here. Could you update us on any reception, as you see it, and any subsequent developments in terms of the Prime Minister's visit to Singapore? That is a critical part of this area, of course. I was there when he was there, but I would be interested in your more considered assessment. Secondly, could you comment on the proposed expansion of ASEAN, with the three additional countries presumably coming on board on 1 July, and the ramifications there, particularly how we might handle the Burmese situation in that context?

CHAIR—Peter, just to interrupt you. We have already covered the last one just before you arrived.

Mr NUGENT—Obviously it will change the dynamics having those three countries because none of them are anywhere as near as developed and so on. We are interested in how you see that affecting the whole situation.

Thirdly, having been to Singapore twice this year so far, I get a very loud message that they in particular—and I think other countries to perhaps a lesser extent—are very keen on doing joint ventures with some Australian companies in third countries. I am not talking about aid; I am talking about business and economic joint ventures. I wondered if you could give us your thoughts on that area as well.

Mr Milne—As regards the Prime Minister's visit to Singapore, it is clearly

appreciated in the region as a strong indication of the government's continued engagement with the region. I think he sent some very useful messages on that general theme. It was, of course, a bilateral visit; it was not focused on relations with ASEAN.

It is clear that our relationship with Singapore is a strong one for us in the region. It certainly benefited by the Prime Minister's early visit, within about a year of taking office. The relationship with Singapore is widely based and developing very soundly. That is an important element overall in our relationship with ASEAN.

On the second point about the proposed expansion, yes, as you say, we do expect that the three other countries—Burma, Laos and Cambodia—will be admitted to ASEAN this year perhaps not at the July meeting, but quite possibly they will be. It depends a little bit on the situation in Cambodia and how that remains stable. Certainly soon we expect to be dealing with an ASEAN 10 rather than an ASEAN seven.

In relation to the implications of Burmese entry and the lesser developed status of the other members, that will certainly have an impact on ASEAN's ability to reach decisions on any particular matters. It will slow down the decision making process. Particularly I think the new members will not be adjusted to the idea of going to an ASEAN meeting on whatever level and being able to make or negotiate conclusions without referring it back to capitals, which I think the longer standing members of ASEAN are now confident of doing because they have a broad understanding of each other's aims and intentions.

For us, we have taken the line that, if ASEAN chooses to admit Burma, that is a matter on which ASEAN has to decide, but we certainly hope that they will take the opportunity of Burma's incipient forthcoming admission to encourage them to continue down the path of reform on which they have made very little progress—in fact, almost negative progress in the last year or two. We will continue to deal with Burma as we are dealing with them on a bilateral basis. That will not affect our policy towards Burma, but we acknowledge that they will be involved in ASEAN meetings and we will also not adjust our policy towards ASEAN as a group because of that.

In relation to the third point on joint ventures, certainly there is interest on the part of Singapore and some other countries in joining with us in joint ventures in third countries. It is often very difficult to identify suitable projects. This has been raised with us by a number of countries over the years, but actually putting the arrangement together is a more complicated arrangement. The newly established SABAF, the Singapore-Australia Business Alliance Forum—

Mr NUGENT—Generally regarded as being pretty unsuccessful, I would have thought.

Mr Milne—But I think they are now starting to address the possibility of looking

at joint projects in third countries. It is a complicated matter and I would not wish to suggest that the process as yet has got very far. For example, there is another project in Laos where we and the Thais have been working in a combined manner. Would you like to say something more about that, Ross?

Mr Muir—Yes, this is what is known as the king's agricultural project. It is a rural development agricultural project that Australia is doing with Thailand. It will be situated in Laos. It is still under design at the moment and has not yet started.

Mr BARRY JONES—I wanted to follow up some of the issues that you have raised. I notice that you have set out in your submission the proliferation of the various organisations in the area, some of which are obviously much less effective than others. Holding your submission up to the light and looking through it, it suggests that ESCAP is not really winning the hearts and minds.

As ASEAN becomes more powerful, more inclusive and so on, the strengthening and consolidation of ASEAN is going to mean that organisations like ESCAP, which have a comparatively timid presence, are going to become increasingly marginalised? While you are on that, if you could say something about the latest state of play of ASEM, the Asia-Europe Meeting, and what the line up is. I know Japan is on our side, but it is not in ASEAN. Who is on our side?

Mr Milne—I think ESCAP is certainly playing much less of a role in the ASEAN region than it used to, say, 20 or 30 years ago. Partly that reflects the greater level of economic development and sophistication of the economies and I think just a natural process of bureaucratic decline. But at the same time ESCAP does cover a wider area than just ASEAN. It certainly used to go as far as Iran in one direction up to the Soviet Far East in the other. It does cover a wider forum, but I think it is going to be certainly much less relevant to ASEAN interests in the forthcoming future than it has been in the past.

On the question of ASEM, I think it is fair to say, as Mr Nugent indicated, that we have broad support for our admission in the region. Japan has been certainly very strongly supportive of our admission. We also have quite good support from a number of the other ASEAN countries—in fact, all except Malaysia have indicated that they would like to see us there.

Mr BARRY JONES—Even Singapore?

Mr Milne—Certainly, yes. Singapore is one of our earliest supporters. They came up with the idea of ASEM in the first place. I think it was clear from what they said to us at the time that they very much envisaged that we would be there. Malaysia has withheld an ASEAN consensus on the subject and, given the ASEAN rules of procedure, no-one wishes to challenge that and force a conclusion.

So I think you would have to say that we have broad support in the region, but not yet unanimous. Until we can get over that last degree of unanimity required, we will have to wait.

CHAIR—There is a fundamental question that perhaps you cannot answer, but maybe you could add something to the limited information that we have got. Why has ASEAN been so successful whereas 30 years ago associations such as the Association of South Asia and the other tripartite arrangements were unsuccessful? Is it just part of an extension of the economic growth? Why has ASEAN been so successful?

Mr Milne—That is a difficult question to answer. Partly it reflects particular circumstances that applied to ASEAN. This gave them a forum for, if not resolving differences between its members, at least papering over them, neutralising them and keeping them to one side. It was the economic circumstances affecting the area and permitting their rapid growth that also played a great part in their success.

As I said, ASEAN as an institution was not designed as an economic grouping at all; it was designed as a forum for discussing and resolving—or at least putting to one side—political differences between them. It came against the background of confrontation between Indonesia on the one hand and Malaysia-Singapore on the other, with various allies lined up on either side. It was largely to prevent a recurrence of that situation that it came into being. Its economic growth and prosperity was not a direct product of the organisation being established, but simply that the greater degree of political stability—the ending of the Vietnam war also greatly helped remove the sense of threat to those countries in the region—set their energies free to develop their economies.

CHAIR—Perhaps it was the other way round, that their common, very large GDP growth was the thing that reinforced the cohesion of ASEAN?

Mr Milne—The cohesion came first and the growth later, because I do not think the growth really got under way until about 10 or 15 years ago.

CHAIR—So it was the other way around?

Mr Milne—Yes.

Mr BOB BALDWIN—I would like to raise some points. Firstly, in June 1987 Papua New Guinea was given observer status to ASEAN: with the recent developments involving Sandline International operations in New Guinea, what discussions have taken place through ASEAN with a view to helping rectify the problems or administering any helpful control? Secondly, what dispute resolution procedures, when you have disputes between ASEAN countries, are in place? Can you elaborate on those for me, please.

Mr Milne—On the first point, as far as I know, although Papua New Guinea is an

observer of ASEAN, I do not think ASEAN has decided to consider the situation in PNG in any way or seek to get involved. They have a very clear hands off policy of not intervening in each others' internal affairs, as far as members go, and that would certainly apply even more so to the internal affairs of observers. So the short answer is that there has not been any ASEAN consideration of that.

CHAIR—Just to interrupt you, it might be worth while making the point on the record about membership, dialogue partners and observers—the hierarchy of it might help, as to who is in which group, who are dialogue partners and who are observers. Because we see this at the parliamentary level in the ASEAN inter-parliamentary organisation, which has grown—

Mr NUGENT—It is on the record in the submission.

CHAIR—I know that, but I am saying we need to get it on the record.

Mr Milne—There are now 10 dialogue partners. We have the seven members of ASEAN, we have three candidate members, if you like, but the only observer as such is PNG. Dialogue partners are Australia, New Zealand, Japan, Korea, the United States, Canada, the European Union, China, India and Russia.

Mr NUGENT—Is Pakistan a partner?

Mr Milne—Pakistan is not. They have a sectoral arrangement with Pakistan. It is what called a sectoral partner.

CHAIR—Is there anybody else in that group?

Mr Milne—That is the only one with a sectoral arrangement. India was, but it is now admitted to full dialogue status.

Mr BARRY JONES—Sri Lanka?

Mr Milne—No. It has no connection.

CHAIR—Sorry, I interrupted.

Mr BOB BALDWIN—My final question is: given the proliferation of alphabet soup with all the different organisations, what separates ASEAN from the multitude of all the other groupings, linkings and associations? It would be a very well-versed person who would be able to keep up with all the different groups. You almost gave me a migraine just reading all the different acronyms.

Mr Milne—We have a glossary at the back.

Mr BOB BALDWIN—Does it create a conflict by being involved—we are in one group, they are not; then we are both in a group over here and then we are not and we have moved on? What sorts of problems does that present?

Mr Milne—Surprisingly few, I think. In terms of ASEAN, the big gathering is the post-ministerial conference of all the members, the three potential members attending as guests pending their admission, and the 10 dialogue partners. So it is a gathering of 20 on that occasion. The membership of the ASEAN Regional Forum is very slightly different. It is 21 with the addition of Papua New Guinea.

Ms Greaves—We did not answer one of the earlier questions about dispute resolution. Within ASEAN, under the Treaty of Amity and Cooperation, there is a process for dispute resolution known as the high council but it has never been convened. Generally speaking, what has happened with disputes in the region within ASEAN is that they have been resolved or shelved. But the preferred form of resolution is consultation and negotiation. Interestingly, just in the last couple of years we have seen a couple of the territorial disputes in the region being sent by the parties—Malaysia and Indonesia—to the International Court of Justice. That is a rather new development. But, as I say, there is this mechanism within the Treaty of Amity and Cooperation but it has not yet been used.

Mr BOB BALDWIN—On the trade front: where there are differences of opinion on what trade tariff barriers should apply between two countries, does everyone go running off to the World Trade Organisation or is there a dispute resolution process between ASEAN countries to work out and determine what tariffs should apply in that situation?

Dr Raby—Within the context of AFTA they have not set up, as far as I am aware, a formal dispute resolution mechanism. They are working on it. But there is an endless series of meetings at senior trade official level that go on throughout the year plus many trade or economic ministerial level meetings and these are intended very much to resolve disputes. AFTA is still very much in a formative stage. The principles and so on have been laid down but they are only now beginning the process of lowering barriers between themselves. In fact the very first dispute that almost went to the WTO after the WTO was formed was going to be between Singapore and Malaysia, which was quite a novel development in the international trading system. In the end it was resolved at a high political level between Singapore and Malaysia.

I have just been advised that the dispute mechanism for AFTA was signed in November of last year, but I do not think anything has gone to it at this stage. As you see in other free trade areas, for example, NAFTA between the US, Canada and Mexico, it is quite common for parties to those agreements to take disputes to the WTO, which has a higher level of dispute resolution capacity than the regional arrangements often have.

Mr BARRY JONES—I want to raise some issues about Australia's relationship

with ASEAN vis-a-vis the United Nations. Clearly Malaysia, for example, carries some weight in the UN system, holding the presidency of the General Assembly. To what extent do the ASEAN nations either individually or collectively question the fact that we are part of the WEOG group in most UN agencies? We are not members of that group in UNESCO, but we are in most UN agencies. Generally speaking, I assume that, while of course there are the secret ballot and certain confidentiality to be respected, I think we can almost take it for granted—correct me if I am wrong—that we did not get a very rousing vote of support from the ASEAN nations. Is that something to do with the fact that they see us as being half-hearted, that we are not really committed to the Asia-Pacific region or that, where it suits us, we are over with WEOG? To what extent is this an issue that is raised and to what extent is it an issue that causes some political reservation on their part so far as Australia is concerned?

Mr Milne—I do not believe it has had a great impact on their attitude towards us. I think they recognise that it is perhaps an accident of history that we were in that group originally. There are probably arguments that could be advanced to say that we should be in a different group. But, just dealing with the situation as it is, I do not think it has had a significant negative effect on their attitude towards us or has affected their voting support for us in international bodies. Ideally, what we would like to see eventually is perhaps an East Asian-Australasian grouping in the United Nations. The Asian group is very wide as it goes from the Middle East all the way to Korea. In answer to your question, basically it has not had a significantly adverse effect.

Mr BARRY JONES—How many of the seven, let alone the 10, do you think, roughly, voted for us for the general security council?

Mr Milne—As you say, it is a secret ballot, but I think our estimate is that we certainly got most, if not all, of them. That would be my impression.

Mr BARRY JONES—Even—

Mr Milne—Not of the 10, I think.

Mr BARRY JONES—Even the ‘M’ word?

Mr Milne—Maybe not the ‘M’ word, no.

CHAIR—I have two questions: one in the strategic area and one in the development assistance area. The Spratlys have started to re-emerge with some pressures; the Philippines has been making noises in the last 48 hours about incursions by the Chinese. How active is that problem within ASEAN—collectively, quite apart from the state concerns?

Ms Greaves—It is certainly an issue which is discussed frequently by ASEAN

countries and not all of the ASEAN countries, as you say, are claimants. There have been efforts within the ASEAN group to try to discuss this issue further. For example, the Indonesians have developed an informal workshop process for trying to talk through some of the issues involved and trying to build confidence between the claimants plus the other ASEAN countries to try to help manage down that issue.

The Manila Declaration, back in 1992, was a declaration by ASEAN countries on the South China Sea, which was intended as a code of conduct for countries in the region, including other claimants. The hope was that all of the claimants would come on board on that. After the Mischief Reef incident in 1995 the ASEAN foreign ministers came together again in a joint statement. So it is an issue that they talk about. They have moved now to talking about it with China in the ASEAN-China bilateral dialogue that they have. They have just had the third meeting of that dialogue a couple of weeks ago. Again, we understand that South China Sea issues were discussed between China and the ASEAN countries.

CHAIR—I have one for Mr Muir—and I might be straying into Simon's territory here. This committee and other committees, I am sure, around the parliament have been hearing in recent months a lot of comments about micro credit. What part is micro credit likely to play in Australia's strategy, particularly in ASEAN?

Mr Muir—I think micro credit is certainly an area of interest to us. There has been quite a lot of focus on micro credit from other donor countries and also from us. For example, in Thailand Australia has a micro credit program that is run through Australian and local NGOs. We also have smaller micro credit programs in Indonesia. However, I think there are a number of considerations here. First of all, many of the very successful micro credit forays in the ASEAN countries have actually been carried out by the ASEANs themselves. For example, in Indonesia there is a very major bank—Bank Rakyat Indonesia—which has set up a large micro credit scheme that is working very well. There are also private banks that are doing it well. For example, Bank Bali is running bussing systems in the villages collecting deposits and also dispensing credits.

We have to be aware of the limitations or the opportunity cost if we get too far involved in micro credit systems which are probably arising and growing of their own accord in the region. I think probably the areas that we will be focusing on in particular would be in Indochina where there has not been that sort of development—particularly in Vietnam, Laos and Cambodia.

CHAIR—So it might become a major strategy in Vietnam, for example?

Mr Muir—It would certainly become one of the activities that we would be thinking about in the program. At this stage, as with all aid activities, we are quite conservative in what we do to make sure that it works, and we start on a small scale. With a country like Vietnam, it would start off as a minor activity.

Mr NUGENT—It seems to me that one of the keys to the success of a lot of the ASEAN countries and ASEAN as a group is, obviously, strong individual leadership. But we are getting to the stage where some of those leaders are becoming ageing giants rather than current giants, in a sense. Could you perhaps give us your assessment of how you see the transition of power in some of those countries where personalities might be less important and governments might be taking over the transition of the next generation of leadership? For example, Mahathir and the senior minister in Singapore recently had a stoush—when I was in Singapore everybody was smiling from ear to ear about it. Perhaps it has some broader ramifications. Given that Lee Kwan Yew will be fading from the scene, Mahathir is not young, the leadership in Indonesia is not young, and so on, obviously those dominant personalities will be fading from the scene one way or the other in the foreseeable future. Could you give us your assessment of what that will do to ASEAN and perhaps our relationship with ASEAN?

Mr Milne—As you say, it is clear that the march of time will change the leadership, but I think the countries you have mentioned have established soundly based government machines which will enable their successors to continue on much the same lines. I do not think that any of those countries will suddenly collapse because a particular individual is no longer on the scene; indeed, I think the transition could be beneficial. A long period in office will perhaps cause the situation to become a little static in some countries, but I do not think the transition of leadership in itself will cause a problem for ASEAN—it may, indeed, create new energies.

CHAIR—Peter, we discussed this one before you came in. There will be a need in due course to have some closed sessions. That might be something that we could better do in less than open hearings. I think it would help us as a committee to understand the machinations behind the scenes, irrespective of what you just said, Frank, in terms of the general scene. I think that is one that we will earmark for some further discussions, but in closed session.

Mr NUGENT—On that vein one of the things we might want to talk a bit more about in closed session would be the democratic process, or lack of it, in a number of the countries and the human rights approach in some of those countries. Given our broad commitment in those areas and our public espousal on the international stage, quite clearly, because of the somewhat different approach followed by most if not all ASEAN countries, that presents Australia with some problems in its relationships. One would not want to be an opposition MP in Singapore these days. You could not afford it.

Mr BARRY JONES—There are a couple of human rights issues that I wanted to raise on page 14 of your submission. One of the issues that you did not raise was censorship and in particular the impact, or the likely impact, of censorship on the proliferation of the Internet and what is happening in the provision of terrestrial and satellite systems where material is likely to be beamed in directly that is objectionable to the government in power. You will see that, no doubt at its most extreme, when Burma is

admitted to ASEAN.

Take an issue like censorship, for example, which you have not referred to at all in your submission and take the country which is closest to us geographically—and perhaps in some other areas as well—Indonesia. I have had a long interest in the situation of Pramoedya Ananta Toer, the novelist. When I last had dealings with Indonesia on this, which was when I was wearing my UNESCO hat in Paris, it was literally true that not only was he under some confinement and forbidden to publish but in fact the possession of his books—I am not talking about the reading of them—was a penal offence. They would regularly raid bookshops and so on.

While recognising the sensitivity of censorship in other areas, is this an area that you really talk about? Is it ever on the agenda in the broader discussions with ASEAN or on a bilateral basis? Are they conscious that with technological and other changes it is going to be harder and harder to maintain the traditional barriers on censorship? Are they prepared to accommodate the transition that is very likely to come?

Mr Milne—I might just make a couple of points and then ask Mr Hooton to carry on. Basically, the issue of censorship is one that is certainly going to force itself upon people's attention because they simply will not be able to cope with the march of technology in many cases. In Indonesia, the suburbs of Jakarta already are covered with satellite dishes which are outside the government's control. I have not seen any indication that the government is proposing to ban those. The Chinese are indeed attempting to. But, obviously, as satellite dishes become more susceptible to miniaturisation you will be able to hide them in the roof, conceal them in a water tank or something, so it is going to be increasingly difficult to maintain that kind of censorship. The Internet, of course, is another form of breaking down censorship.

We have seen what happened in Burma where Mr Leo Nichols was jailed for three years for the hideous crime of possessing an unregistered fax machine. I hate to think what he would have got for having a computer with a modem. I do not think we have touched to any great degree, subject to what Peter might say, on the question of censorship in our bilateral discussions with ASEAN members or indeed with the group as a whole.

Mr BARRY JONES—The reason I draw it to the attention of the department, particularly those sophisticated readers of the *New Yorker*, of whom I am sure there are many, is that a recent long feature in the *New Yorker* pointed out that there is very real speculation that it is thought that this might be the turn of the East Pacific for a Nobel prize in literature and, that being the case, that Pramoedya Ananta Toer is seen as the prime candidate for the award of the Nobel prize. So it might be useful for the department to do a bit of preliminary reading up. When the announcement is made in November, it will be interesting to see whether it is greeted with a greater or lesser degree of enthusiasm than the award of the peace prize to Ramos Horta. At least you ought to get

your patter right because it will cause very real embarrassment within Indonesia and you will have to come up with some kind of reaction.

Mr Milne—Thank you. We will have to take note of that point.

Mr Quinn—I might just add a footnote to Mr Milne's comments on this subject. The whole question of the Internet and cultural heritage and preservation is quite a big issue for ASEAN. Of course, there is the censorship angle and the question of freedom of expression, which is one issue. The second issue is how those particular cultures protect themselves with the broadcasting deluge from overseas. The issue has come up in the context of the ASEAN Committee on Culture and Information in a very general way. Our response basically was that we felt that the strategy was really to develop one's own cultural strategy to deal with international broadcasting and other cultural influences, rather than stopping it on the basis that this technology is unstoppable. Therefore, the strategy should be to develop cultural structures internally to cope with that.

The response was very positive from our interlocutors on the ASEAN side. The discussion was rather general and quite brief, but I think it is an issue that will be on the agenda of the ASEAN Committee on Culture and Information. And, of course, we have our working group of the ASEAN-Australia Forum. So there is some scope to talk about these issues in a broader way, but the issues are quite complicated and there is this whole cultural heritage protection agenda, which is certainly a preoccupation, not just for ASEAN but for many countries in world—Australia too, of course—on how we look after our own culture in the face of major pressures.

We understand your point about freedom of expression, but there is also the other issue of cultural protection. We are having quite a useful dialogue with ASEAN COCI about how we develop our own cultural policy to deal with those sorts of pressures—the mixture of private and public sector funding, the role of the Australia Council as a body to promote Australian culture. That agenda is there. It is just being initiated. It is quite a complex area and I think we are very keen to sustain that dialogue in a constructive, sophisticated way.

Mr Hooton—Just a general point about the Internet and sensitivities to it which go beyond ASEAN. It was quite evident at the recent meeting of the Commission on Human Rights in Geneva that the G77 NAM countries were keen to put on the record their discomfort with aspects of the Internet, and I think this would be shared by many of the ASEAN states. It came up under very respectable agenda item headings such as rights of the child and the racism debate, the concerns there being the sorts of material that can find their way onto the Internet. Underlying that, one could assume that there was a general concern about the intrusiveness of the Internet and the difficulties of keeping information out on a very wide range of subjects.

CHAIR—Having just had two days of CROC hearings in the treaties committee, I

was hoping I would not hear the rights of the child mentioned today.

Mr Hooton—My apologies.

Mr NUGENT—I would like you to talk a little more about paragraphs 63 and 64 in your submission, the ones on HIV-AIDS. The situation may have changed a bit since I was in Northern Thailand and Indonesia looking at this specifically a couple of years ago. Are you able to elaborate and tell us about the figures and the activity that you are talking about. Is that a general feeling or is it based on some detailed research in terms of the numbers and the activity? My impression from talking to specialists in the field when I was there—I admit it was a couple of years ago, so it could be dated—was that the potential problem was much more significant than you are suggesting and the active way in which some governments are trying to deal with the problem was less than what one would have hoped. Are you able to throw any further light on that area?

Mr Milne—The figures that we have given here are based on official ASEAN statistics which, of course, may underestimate or understate the extent of the problem. I think it is a major problem, particularly for the countries we identified in the submission, but I do not have much further information to provide at this stage.

Mr NUGENT—The thing that worries me is that, when I was in Chieng-Mai and out in some of the hill villages looking at some of our aid projects working in this area, the sort of figure that was being quoted to me was that something like 20 per cent of the female population in that part of the country were infected. That is one heck of a figure and the potential that flows on from that is quite frightening. I do not know whether we have been able to substantiate the figures or what more current information we may have. Rather than taking a punt now, I would be happy for you to take that question on notice and perhaps come back to us if you can get some more information.

Mr Milne—That might be the best way, Mr Chairman.

Mr BARRY JONES—In my recent abortive visit to Rangoon, the UNDP people said that they thought that the rate of infection in Burma was extraordinarily high, possibly the highest in the region, and that the government was still in the stage of denial, saying, ‘It couldn’t happen here—nothing of the sort,’—an almost Reaganite state of saying, ‘No need to have a strategy to work out, because it is really not happening.’

Mr Milne—Or, ‘The problem is not there’.

Mr BARRY JONES—Yes.

Mr Milne—We will endeavour to provide additional information on this point.

CHAIR—Thank you. I want to finish this segment with two questions, one on the

ASEAN Regional Forum area in terms of strategic considerations and the other to come back to—I am reluctant to do so, but she is incessantly bouncing around in Queensland—the Hanson phenomenon. Is DFAT closely monitoring that situation? It is my gut feeling that domestically it is bouncing around. But having just come back, as I have, from North Asia, Korea and Japan, it is pretty clear, even in those areas, that what is happening here is not going unnoticed. What I am asking DFAT is: are you keeping that situation under active review?

Mr Milne—Certainly we have carried out an active program both to monitor what is being said in the region and to use our embassies and other means to combat this negative campaign. Our embassies in all the Asian capitals have ensured that the government's position is fully understood by opinion makers—letters to the editor, discussions with ministers and officials, briefings for media representatives, and so forth. They also keep us regularly informed, almost on a daily basis, of any further instances of the media picking up this issue overseas. I think it will be one of the matters that is also going to be discussed at the meeting of Asian heads of mission in Canberra later this week.

CHAIR—I assume that one of the emphases in that will be, 'Here is a person who is misinformed or uninformed in a lot of these areas.'

Mr Milne—Yes, very much so.

CHAIR—Could you outline the degree to which the ARF is playing its part and what you see as developing, particularly with Australia and ASEAN, quite apart from the bilateral relationships that Australia is continually strengthening?

Ms Greaves—On the ASEAN Regional Forum, we have to bear in mind that it is a very new organisation. It is only three years old; it will have its fourth ministerial level meeting this year. Despite that, it has made remarkable progress. You are talking about a region here that has no habit of multilateral dialogue on security issues. So we think the progress that we have made in three years has been very good.

We also have to be careful about what we see the role of this body as. I do not think any of the countries coming into the ASEAN Regional Forum had the idea that it was going to turn into a collective defence organisation like NATO. It was about cooperation with, not defence against. So it is very much developing cooperative practices amongst this very diverse group of countries.

We have made some pretty good progress on things like transparency measures. Confidence building measures are the first stage of the evolution of the ARF. In the 3½ years since its first meeting, we have seen, for example, a much larger number of countries in the region producing defence white papers, trying to set out their strategic approach and their defence acquisitions and plans. That is a good step forward.

There has been a lot more exchange of information between the countries of the ARF at the meetings on their defence policies. There has been a lot more impetus for cooperation between the countries of the region on things like military exchanges, high level military contacts and exercises—all of those sorts of things. There is an encouragement to do more of that sort of activity because of the transparency that that gives rise to.

The other important thing that has happened in the three years is the dialogue on regional security developments. At the beginning, countries were very cautious in talking about the security problems in the region. In three years we have come a long way. Now at the ministerial level and at the official level we are finding ways of talking about these very sensitive issues in a non-confrontational way and in a way in which all the countries around the table can accept, hear, listen and participate.

At the beginning, for example, there was a suggestion that there were certain subjects that should not be discussed. The way around that—we do not have a formal agenda—is any minister or any official is able to raise any issue that he or she thinks is important to raise. We are finding ways of doing that.

CHAIR—Would it be fair to say that we have been successful in putting the emphasis on a bilateral sense with the countries within ASEAN and beyond at the official level and at the military level rather than at the ministerial level and that it has opened up a lot of doors by having strong bilateral military to military relationships?

Ms Greaves—I think the two go hand in hand. Certainly amongst the South-East Asian countries there has been a very strong development of defence and security cooperation in recent years with the countries of ASEAN particularly. They are amongst our closest defence links. Across the broader region, some of those links are not as well established. I think the ASEAN Regional Forum, in bringing all of the countries in the east Asia-Pacific region together, provides an impetus to more bilateral activity, more subregional activity. You are not going to have exercises involving 20 countries. It is just too big. But you are talking about more activities at the bilateral and subregional level.

Certainly our bilateral security relationships, both our formal bilateral arrangements and the more informal bilateral security links are developing with ASEAN and right across the region, are a very important part of our strategic policy. What we do in the ARF complements those.

CHAIR—Thank you very much. I think we have run out of time. I thank you for your input today. It is a once over lightly. We expect to come back in the next few weeks and months, particularly to pick up some of those closed sessions on some of the more sensitive issues. We thank you for the submission and we thank you for your attendance.

[10.45 a.m.]

BAYLISS, Mr Roger, Executive General Manager, South-East Asia, Australian Trade Commission, R.G. Casey Building, Barton, Australian Capital Territory 2601

BUFFINTON, Ms Fiona Kathryn, National Manager, North-East Asia Office, Austrade, GPO Box 3286, Canberra, Australian Capital Territory 2600

RILEY, Mr Sean, Manager, South-East Asia Office, Australian Trade Commission, R.G. Casey Building, Barton, Australian Capital Territory 2601

CHAIR—Do you have anything to add?

Mr Bayliss—I am responsible for 11 offices operating in the South-East Asian region.

Mr Riley—I manage the South-East Asia Office here in Canberra. I am responsible mainly for government parliamentary liaison and working with clients in Australia.

Ms Buffinton—I look after matters relating to North-East Asia in Australia.

CHAIR—Welcome, Austrade representatives. Mr Bayliss, would you like to make an opening statement?

Mr Bayliss—Yes, I would, Mr Chairman, briefly. As the committee would be very well aware—it has been outlined in our submission—the countries of ASEAN represent increasingly vital markets for Australia, currently representing 15 per cent of our exports. We hear often of Australia being particularly well placed to access market opportunities in the region. That convergence, I believe, is increasing. Whilst it is commonly said that our proximity is a distinct advantage, our time zone and other advantages as time goes on are becoming increasingly important, particularly as just in time supply arrangements are very much on the move in the region.

Australians are exposed to a higher degree of information on South-East Asia through electronic and other media than any of our Western competitors, particularly the US and Europe. We are well informed. Our companies are well informed with current events. Our companies are increasingly at ease in the region. In the last year, for example, I would have attended several 20-year celebrations of Australian companies—for example, in Indonesia—so we are obviously not new boys on the block.

Much is written of Asian style, business culture and compatibility. South-East Asian business style is generally one that is based on pragmatism, focus on outcomes and one which I believe is strongly compatible with that of Australian business. Through the

countries that I am responsible for, there are clearly other cultural business differences. However, I believe these are the prime determinants of doing business with which Australians, as I said, are increasingly at ease and able to relate to.

One important recent development—when I say recent, I am really referring to the last five to perhaps seven years—is the development of very strong Australian business networks in the region. Twenty years ago they were highly fragmented; now there is a strong core of Australian business networks. There are formal ones such as business councils, of which the Indonesian one is very strong with some 600 members. There are informal groups. On the first Friday of the month in Jakarta the mining group gets together. They are extremely valuable networking groups. That is certainly a change from past years. So the support structure for Australian companies entering the market is very strong.

The depth of Australian service providers in the region has grown considerably. There is now perhaps not only in the major accounting and other management consultancy firms but also in the second-tier firms an increasing depth and breadth of experience of staff within those companies that have had three or four assignments in the region and therefore they are much more strongly based to advise their Australian clients.

There are clearly bumps ahead. After hearing some of the comments from the previous group, my colleagues from the Department of Foreign Affairs and Trade, there are bumps ahead in our commercial relationships in a number of the economies. Current events such as overheating in property markets and financial markets clearly are a cause for concern. However, our depth of engagement, particularly the entry of small companies into South-East Asian markets, is one that I believe we will continue to sustain. We will ride through many of those bumps. Clearly, we are in this business very much for the long haul.

Austrade has a very strong commercial role in getting companies established in the region quickly, helping companies expand their business, and identifying and transmitting opportunities quickly and effectively which are going to be attractive and achievable for Australian companies—these are our primary functions.

The recent ABS survey of Australian companies has shown a very strong contribution to export by small companies. Of the ABS survey, I think some \$8.2 billion of exports—a total of 15,000 companies were covered by that survey, which represented \$57 billion in exports—were accounted for by small companies with fewer than 20 employees. The same survey showed that 46 per cent of those companies were actively exporting in South-East Asia.

So, apart from New Zealand, South-East Asia is usually the initial point of entry for companies coming into export markets—often starting in Singapore-Malaysia as the perhaps more transparent of the five majors that I will be addressing today. Certainly that

is a very important gateway for new companies and one where Austrade's services are particularly geared to helping companies get started and understand where the opacity exists and trying to demystify that.

Our network in South-East Asia is well dispersed with 11 officers. The dispersion of a network is something that I believe, and as an organisation, is particularly important. We have the five mainline posts: Singapore, Bangkok, Kuala Lumpur, Manila and Jakarta. However, our smaller offices in Surabaya, Penang, Vientiane and Phnom Penh make a very important and very cost-effective contribution. Through some innovative alliances we will be expanding that network, and I will be happy to comment further on that to ensure that not only are we in the big city areas but we are very much covering the secondary locations, the subsidiary cities, particularly business centres.

We do have a strategy in terms of addressing the East Asian growth areas and the growth circles and other geometrical terms of triangles and so on, particularly for northern Australia. We recently appointed an experienced trade commissioner in Darwin to develop further and work with us as an extender operation to our overseas network to develop opportunities, particularly the BIMP-EAGA growth area and the AIDA, the Australia-Indonesia Development Area. I think members will all be aware that this is a long haul and a challenge that Australia and Australian companies have to take a long range view to. I believe it is imperative that we develop strategies now and that we are on the ground. Many of our state governments, of course, are active in this area as well.

There are a number of other initiatives in the region. One that I would mention is our trade commissioner based in Indonesia—a skilled Japanese expert based in Jakarta whose role is to work with about 1,000 Japanese companies based in Indonesia and to provide an interface with them. That has been a most successful initiative and one that has, in fact, been welcomed very much by the Japanese joint ventures; that is, someone who is skilled, speaks Japanese and is very familiar with the Tokyo head offices of many of these companies.

In conclusion, for those members who surf the Internet regularly, I would also say that in the Austrade World Direct Internet service our South-East Asia home pages, of which we are quite proud, were completed just last week. We now have a full set of home pages with links to other networking groups. It is recommended reading for new exporters and, as I said, for those of you who do surf the Internet regularly, may I suggest that—

Mr BOB BALDWIN—What is your Internet address?

Mr Bayliss—Our address is www.austrade.gov.au. In South-East Asia we do have every office now covered as of last Thursday. Thank you, Mr Chairman.

CHAIR—Thank you. I would like to start by asking a question in the organisational area. It seems, from the information being provided to us, that it is a little

incongruous to define that your responsibilities do not extend into Vietnam; that that operates out of Tokyo. Could you just talk about the management approach overseas, particularly the sort of flat management approach, and to what extent your non-responsibility for Vietnam—and we are dealing with ASEAN—constrains you as a senior manager in the area and whether Austrade might move that way?

Mr Bayliss—Thank you, Mr Chairman. I am very happy to address that question. Firstly, as you know, the amalgamation of our East Asia and Japan-Korea areas took place last year. It was decided to leave Vietnam with that area where it was previously resident rather than disturb the administrative, financial and other reporting arrangements at that time. Another factor is the extensive experience in Vietnam. My colleague Greg Dodds, executive general manager for the North-east Asia area, has extensive experience in Vietnam. Also, there is a market affinity, I suppose, with Vietnam. I may ask my colleague, who represents the North-East Asia region, to comment on this separately. There is a market affinity with Vietnam, which is a centrally planned economy moving in a similar fashion to China, for example, where there are market affinity factors.

Having made those comments, in terms of the organisational structure the composition of our regions is an area that is under constant review. We have in the past, as you know, made changes in Russia, the Middle East, the Indian Ocean and Europe area. So it is an area that is under review and can remain under review.

CHAIR—So would it be fair to say that it is just on the basis of the present incumbent, Greg Dodds—and I did meet him in Tokyo only last week—or is there some longevity to what you do?

Mr Bayliss—I think it is a combination of the factors that I mentioned. You also referred to my constraint as a manager in managing the region. In approximately the 18 months that I have been in the regional management job, having been previously based in Indonesia, when Australian companies or clients pose this question to me, I have usually asked them, 'Have you suffered any disadvantage by the region being managed in the past either from Hong Kong or now from Tokyo?' In a practical sense, as you know, our Austrade services are delivered on a somewhat bilateral basis; our services are not delivered on an ASEAN grouping basis. In a practical sense I have certainly not had a complaint. If clients were coming to us and saying, 'Look this is not working,' we would clearly be taking action. So, no, in a practical sense it has not raised any operational difficulties.

We do have links across regions from Singapore in particular into Vietnam, where there are initiatives, in the same way as we have cross linkages from, let us say, Singapore into New Delhi, into Bangladesh, into the South Asian region. Those operational linkages, apart from the management responsibilities, work in the same way as the Austrade network does across regions, and that works quite effectively.

CHAIR—Did you want to make some supplementary comments?

Ms Buffinton—I want to make a note about the market affinity and the reasoning for the moment of why Vietnam is with China. There is so much of what happened in China 10 years ago happening in Vietnam—admittedly it is a different market. The move from the centrally planned economy, the way of engagement of the government to government level, the types of companies that have been involved in China over the last 10 years are very similar to the Australian companies who are entering Vietnam. Quite recently one of the issues for China and Vietnam is attaining finance. We have run seminars around Australia on financing emerging centrally planned economies. They are unique compared with normal emerging markets. On the basis of affinity, I think that in the two years that Vietnam has been part of the former East Asia region—now North-East Asia region—it has worked well. I do not think there have been any problems, but there have been a lot of functional advantages in having them working together.

Mr BARRY JONES—How many states have trade offices in your area? I think that at one stage Western Australia had a regional office in Surabaya, and no doubt, Mr Chairman, when Queensland declares UDI, they will rapidly set up their own branch. What is the situation? Are many of the states directly involved and, if so, what is your working relationship with them? Does it constitute any interference?

Mr Bayliss—I am delighted to take that question, Mr Jones. Indonesia is the country which is host to the highest number of state government offices. Those offices are largely based on sister state and sister province relationships—as you said, Western Australia and Surabaya. Victoria has an office in Jakarta, South Australia has an office in Jakarta and Queensland is shortly to open an office in Jakarta. Indonesia does contain the highest number of state government offices. We work very closely with them. Our office in Surabaya and the WA office, for example, are located together in the same building. Running through the rest of the region, South Australia has an office in Singapore. Of course, I am not referring here to tourist offices, but to trade development and investment development offices. Western Australia has an office in Kuala Lumpur. There are none in the Philippines, in Manila.

I would like to refer to Bangkok separately. Only two weeks ago we negotiated an arrangement with the Western Australian government. The Western Australian government approached us to put a person, a resource, into our office with Western Australia function, but seamed in as an Austrade employee. That person being an Austrade employee, it means that the person is bound by the Austrade act. That does overcome potential conflict of interest problems. This is the first time that we have done something on this scale. Interviews are proceeding, as I speak, for that appointment in Bangkok. That is the first of what we describe as fairly innovative arrangements with the states to work very much from within to service specific state entrants whilst clearly maintaining a federal approach and an unbiased approach to Australian export development.

Jakarta is the area, though, which has the highest number, and where we as a federal agency need to keep—and we do—very close contact with the states. Some of the state government offices have a much stronger investment emphasis than export development—an inwards investment to Australia emphasis. That dovetails very neatly with our role in that area. We do work very closely with others. In conclusion, I think I could say that the degree of cooperation federal-state with offices in the region now—by way of preface, I first came into the region about 20 years ago—is working very well. Nothing is perfect, of course, but it is working very well.

Mr BARRY JONES—On reflection, of course—I do not want to lead you and put words in your mouth—I thought it was an odd omission that there was no reference to this in your submission. Do you think, perhaps, that on the basis of giving a more complete picture it might have been a good idea to have included some reference to the state representation?

Mr Bayliss—Yes, point taken. At the time the submission was prepared, the Western Australian arrangement was still in negotiation and germination. That would certainly have been mentioned, given that it was only signed about two weeks ago. Yes, I take your comment.

CHAIR—Can we just ask you, perhaps on notice, if we could have a supplementary note to cover Mr Jones's point.

Mr Bayliss—We are very happy to do that.

Senator CHILDS—Could I just ask a question on this Western Australian who was employed by Austrade and presumably touts for Western Australia.

Mr BARRY JONES—That is a strong word!

Senator CHILDS—How do you solve the problem of an officer who, in some way, I assume, has an obligation to just one of the states of the Commonwealth?

Mr Bayliss—The operating principles we have developed with the Western Australian government have, as the overriding principle, the fact that the person is an Austrade employee, as I mentioned, and is therefore governed by the conflict of interest provision and all the other provisions of the Austrade act. There are a number of specific Western Australian programs with which that person would be tasked, in the same way as we have dedicated staff, for example, in Jakarta who look after the environment and dedicated staff in Jakarta who look after the defence export sector.

Where a Western Australian company seeks a service which would require the expertise of the Austrade staff member who was, let us say, expert in railways, building materials or whatever, that person would essentially do the work. We would not have the

Western Australian person doing everything for every Western Australian company.

This has always been a barrier for us in the past when these arrangements have been raised—how can you partition these interests without other states being disadvantaged? The answer to that really is that the person is an Austrade employee and therefore that is the primary binding. I should say the position is paid for by the Western Australian Department of Commerce and Trade. It is fully funded by them. That person may be tasked, for example, by the Western Australian government, under a program agreed with us, for a specific Western Australian promotion and devoted to that.

If a Western Australian company comes to our office seeking any of our services—market research, partner matching—it will be done by the most appropriate person in the office. If it is done by the Western Australian person or they service a visiting Western Australian delegation or related interests in accordance with the Western Australian Department of Commerce and Trade's marketing programs, that is a specific issue that that government has paid for—it has paid for the resource—and does not conflict with any of our other activities. It is an extension of our activities.

If I may finish, in Tokyo we have an Australian business centre—I think many of you may be familiar with this—where the states are clustered around the Austrade office. In Jakarta, we do have a number of states, but unfortunately we are not clustered in a similar business centre. What the Bangkok situation provides, as Tokyo does, is the ability for a state government representative to tap into specialist expertise in Austrade rather than duplicate—and it is a big ask.

If you have one state government representative who covers everything from foodstuffs to railways, clearly they are not going to be expert in those areas. We work in a team structure where we do have a number of industry specialists, and that must remain to us paramount—that the best qualified person to deliver that service delivers it.

Senator CHILDS—Is this a new development, like a pilot?

Mr Bayliss—It is.

Senator CHILDS—Therefore, you will report on that, as to the experience of this particular officer, so we might be able to examine its effectiveness?

Mr Bayliss—Indeed. I suppose it is internally referred to as the Bangkok model. We did spend quite a bit of time—I personally spent a lot of time—thinking through what has been for 20 years always, 'Oh, gee, it is too hard'—thinking of ways we could do it to bring state and federal activities together more closely and avoid the duplication which is so often raised.

It is known as the Bangkok model. As I said, the person has not been appointed. If

for any reason it does not work, we will obviously not continue. There is a strong degree of will on our part and the Western Australian government's part in this instance to make it work. The options of course are for them to establish a separate office at a much higher cost and to, as I said, dilute and fragment their efforts and not be able to tap into the expertise. I am not sure I would use the word 'experimental', but it certainly has a trial element to it that has to be proven, and it is one we will be monitoring very closely.

Mr NUGENT—In your opening comments you said you would be happy to expand on your comments about your growing network, and perhaps I could ask you to do that. I would also like to ask you to comment on particularly the SME sector. I think you said there were 46 per cent or something of small companies involved overseas, or maybe I misheard you. My understanding from the trade opportunities document that the minister tabled a couple of months ago was that we have got about 4,500 in the SME sector which are exporting and there are something like three-quarters of a million SMEs in the country, so your statistics and my statistics may be slightly different. But it seems to me overall that large companies, of which there are relatively few in this country, are well equipped to go overseas if they have a mind to, but a lot of the small companies, for reasons of lack of knowledge, lack of resources, both human and capital, and so on, really are not going overseas in the numbers we need as a country. Whilst Australia obviously deals with that area to some extent, obviously there is a need for the private sector to do some as well. I wondered if you could talk about some of the areas that SMEs ought to be looking at in particular, industry sectors perhaps that are relevant in your area of responsibility in the ASEAN area in particular.

Mr Bayliss—I will deal with the second question first, on SMEs. The figures I have referred to come from a fairly recent ABS publication, *Portrait of Australian Business*. They are not incompatible with the figures that you mentioned quoted by our minister. They refer to an ABS survey which must be treated, as it is only the first year of this survey, with some circumspection or caution. Because it is one year, there is no basis for previous comparison. What the figures suggest and what our own estimates indicate is that we see an approximate increase of 20 per cent of companies coming into export in Australia, which suggests that over about a four-year period our exporting community will approximately double. As I mentioned, under the ABS survey small business has generated about \$8.6 billion worth of goods and services. The figures relate to 1994-95. I quote the document here:

. . . which is significant even when compared to the \$22 billion earned by businesses with 500 or more employees.

Large firms, however, accounted for over half the \$57.4 billion reported in export revenues in that survey.

The point to take from the study is that there is a relatively high rate of movement of companies into export. Most of that movement is coming from small companies, which

are making an increasingly significant contribution to export, both the born global small companies and those which are not. When we talk of total small business, there are many in that category which are clearly not export capable, but in South-East Asia some 40 per cent of our clients are small companies. That applies particularly to markets such as Singapore, Malaysia and increasingly Indonesia. We are very heavily servicing the small business end of the spectrum.

Your other point related to the areas that small companies need to be very aware of and careful of. I preface my response by talking about the degree of preparation. Companies coming to us now presenting themselves as new exporters, either new to that market or particularly new to export, walking through our doors—and I do walk the corridors talking to a lot of these people and our staff—are increasingly better prepared for export. This has been a significant change over the last 10 years. Austrade programs are one element of that, but it is a much wider, more community based realisation of the importance of exports to our economy to our jobs. It has been tertiary education and from schools; right across the board, I think, in export education and awareness.

We are certainly seeing better preparation for export for small companies. We are seeing the usual constraints, financial and otherwise, particularly the high cost of establishment overseas to which we are developing, not just ourselves but many other service organisations, ways in which companies can access markets without looking at ‘I have to have someone on the ground, therefore it costs me \$300,000’. There are other ways of doing it. Hot desk arrangements are often operated by service companies. Companies from Western Australia, for example, who are very close to Indonesia and who are up and down all the time can spend a lot of money on air tickets for the cost of actually basing someone on the ground. That is an important factor.

There is an increasing range of services available for small companies to establish a base in the market. We work closely with a number of management consulting and other service groups to steer companies to these solutions and to package our services for small companies. In that respect there are still high cost hurdles, there are transparency factors and strange business practices which have to be digested by small companies. As you know, it is not an easy run but our numbers suggest that we are doing pretty well.

Turning to your first question, the expansion of the network, the dispersion of our offices, as I mentioned, in South East Asia is something that I believe is critical to our future. We are clearly not in a position of doubling and wildly expanding budgets to become involved in a lot of bricks and mortar expansion. But what we are looking at increasingly are novel alliances with other organisations to provide Austrade representation.

Within the South-East Asian region we have one consultant in Guam. It is a fairly small territory but in terms of the core South-East Asian areas both Medan and Davao in the southern Philippines would be the next two areas where we are currently under

negotiation to establish an Austrade presence but in one case in association with an Australian bank and in the other case in association with an Australian management consulting group. I would prefer not to go into more specific detail on those offices because they are subject to final legal agreement with head offices and so on. They are certainly at a fairly advanced stage.

Mr NUGENT—What were the names of the companies and the amounts involved!

Mr Bayliss—Medan is the No. 3 city in Indonesia. It is imperative that we have a presence in Sumatra. In the southern Philippines we have increasing business in the resources sector—in mining, in the cattle trade and the downstream and upstream areas in the meat business, which is an initiative we are running in the Philippines. We have a presence in the BIMP-EAGA growth area, the southern Philippines, which is one of the strongly driving growth areas.

Others on the drawing board would be increasing satellite representation in eastern Indonesia, centres such as Ujung Pandang and Balikpapan in Kalimantan in the resources industry. We are currently talking to several consultants in east Malaysia for the possibility of representation to provide services. Once again, these areas are relating to your second question on small companies. These regions can provide very good ingress points for small companies. Competition in Surabaya is not as intense as it is in Jalan Taman or Sediaman in Jakarta and similarly for the other regions that I have mentioned. The eastern seaboard of Thailand is the other area we are looking at as well.

It is an active program of dispersion, of not staying purely in the main line posts. It is an area where we clearly have to stretch the dollars through some innovative arrangements. We are determined to do it and the allies with whom we are talking and cooperating are very keen to work with us in this area. The Austrade brand, if you like, for those organisations is a strong one. There are cross-fertilisations involved. As we have done in India with the ANZ Grindlays Bank network, we have managed through that cooperative agreement to establish, without any conflicts whatsoever, three additional offices in Bangalore, Calcutta and Madras which we may not have been able to afford otherwise as stand-alone operations.

Mr BARRY JONES—Looking at page 7 of your submission, while I think the acronym 'SME' is better than the old term 'small business', most of your clients are what we would really think of in a practical terms medium rather than small?

Mr Bayliss—Yes.

Mr BARRY JONES—I wondered whether you had an approximate figure, either in your head or in your files, of the percentage of value of the total exports in the ASEAN area that would come from those SMEs with fewer than 100 people in them. Is that figure easy to get or hard?

Mr Bayliss—For the ABS survey—and this is where sometimes clearly SME terminology and figures can get a little confusing—‘SMEs’ were defined as companies with fewer than 20 employees. Under our trade display program where we provide an element of subsidy for SMEs, we define ‘SMEs’ as companies with less than \$5 million turnover. So there are some varying definitions used under various programs. I would be happy to provide you with a separate answer, just to blend some of the figures together.

Mr BARRY JONES—I am interested in the overall picture, but it is not clear from here to what extent you still have got a domination of trade by entities such as the ‘Big but diminishing Australian’—whether you simply have got a handful of companies which have perhaps got half and then the remainder have got half. From these papers I do not have a clear idea of what that breakup is and to what extent the big established firms are dominant there.

Mr Bayliss—What I would like to do, Mr Jones, is provide you with a draft paper for comment prepared by Austrade on Australia’s export community. This covers most of the questions that you have raised. There are a number of modifications we would like to make to that as a result of the ABS study. It is the first time, as I understand it, that a survey of this nature has been done that provides us all with a very clear and unequivocal answer to the questions that you are seeking answers to—what sort of punch and what sort of value.

There were 15,000 respondents to this ABS survey and they accounted for \$57 billion in export revenues. Small businesses with fewer than 20 employees generated over \$8.6 billion of those total exports, which I think is around about 15 per cent, if my mental arithmetic is okay. We would certainly be very happy to provide a more comprehensive answer because there are statistical definitions and this is where these figure do get confusing.

CHAIR—That is fine, thank you.

Mr BOB BALDWIN—With the development of AFTA in 1992 and the general direction of reducing tariffs and in light of the Japanese Prime Minister’s comments the night before that Australia should take heed about reducing tariffs and the effect that may have on local industries here from Japan’s point of view, what effect do you see that having through Austrade? If you are not aware of it, the Japanese Prime Minister served a fair warning to Australia about reducing tariffs and Japanese investment in Australia.

CHAIR—With particular reference to the automotive industry.

Mr Bayliss—Are you asking me to comment on that relative to Australian industry policy?

Mr BOB BALDWIN—No. You spoke earlier about Japan’s investment through

other countries, particularly in Malaysia. Given that we all seem to want this level playing field, we now have outside influences saying to Australia, 'Don't reduce your tariffs too far because of our investment in your country.' We have got certain countries wanting zero tariffs and other countries wanting high tariffs. How does that affect where we are going to go with Austrade and our exports into ASEAN nations?

Mr Bayliss—You would be aware of the government's trade outcomes and objective statement—and once again this is an area that is largely the province of my colleagues from the Department of Foreign Affairs and Trade in market access, tariff levels, bindings and other negotiations there. In providing practical assistance to Australian firms and in terms of investment in the area, we have seen quite a difference in those companies which may have previously jumped to invest in Malaysia, Indonesia or the Philippines to jump behind the tariff wall and stayed there to supply that domestic market.

The liberalisation of tariffs throughout as a result of AFTA means that Australia and Australian companies producing building materials in Malaysia are increasing supplying markets throughout the rest of ASEAN. That has been certainly a distinct change and one which was not there in the past. There were only occasional areas.

We have an active program for the automotive industry. Particular components of the Australian automotive industry are particularly interested in Indonesia, Malaysia and Thailand—those three markets—where there are Australian companies already active in automotive component exporting and investment. That will be an area of increased activity for us from the Australian automotive sector.

As for commenting on the effects on Australian industry, I think that is somewhat outside Austrade's purview—the impact on Australian industry of exports into Australia—other than to say that clearly reducing tariff levels in Australia and increasing the competitiveness of Australian industry, the automotive industry being one, are areas where we have become increasingly competitive. We get into some, I suppose, more complex ground with national car projects. In Indonesia there has been a very conducive atmosphere and encouragement, both on the part of the Indonesian government and others, of Australian automotive component and accessory suppliers to be involved in the automotive industry.

Mr BOB BALDWIN—Going on from there, I turn to overseas development and in particular BHP's investment through these countries. You would be aware that yesterday BHP announced it is shutting down the steelworks in Newcastle. One of the primary factors in that is the fact that it has gone ahead and developed and established plants in overseas countries which are now going to export steel back into Australia.

Where do you see that positioning in relative terms to how it will affect further Australian products? In other words, do you see, with your understanding of Australian trade throughout, any opportunities through the ASEAN nations to pick up any of the steel

from Australia, given that BHP has established a steel plant in Asia? The steel plant in Asia will now start to be a net exporter back to Australia. It will also be taking over its markets throughout the rest of Australia.

What opportunities are there for Australian mills now, given that BHP is no longer the sole supplier of steel, to go in and affect those markets, given the differences in trade tariffs from Australia into those countries as in other countries in ASEAN groups to take up that steel? Do you understand the point I am trying to make?

Mr Bayliss—Yes, Mr Baldwin. I, like all of us, I suppose, have been reading the announcements by BHP of the last 24 hours with a great deal of interest. As you know, BHP has been in the region for well over 20 years and has extensive transformation operations of roll forming and steel coating, particularly the zinc-alum lines and high technology lines.

BHP has significant investments. In Thailand, if I am not mistaken, its investment is some \$200 million to \$300 million in a plant currently under construction. There is an Indonesian plant as well. The Thailand plant is more basic with cold rolling and a coating mill rather than steel making. It is steel processing, but from a fairly basic stage.

Without being an expert in any way on the steel market, there are a number of changes taking place in the region which relate to availability. There are many electric arc furnaces throughout the region which have traditionally been fed with scrap. Scrap is in extremely short supply. The ability of Australian companies, particularly those in Western Australia and another project in South Australia, to provide hot briquetted iron into those projects—into the many electric arc furnaces in the domestic steel making operations in Indonesia and elsewhere throughout the region—throws another light onto it. To get back to the nub of your question, there is a complex degree of cross-trading, particularly in finished steel products.

Mr BOB BALDWIN—Let me try to make it easier. If you take steel produced in Thailand, you can export it to Korea with lower trade tariffs than if you take it from Australia to Korea. So an Australian company has gone over and established a plant which, in effect, is killing off its own plant because they are taking the cheaper option through trade tariffs by going from an Asian country to another Asian country instead of from Australia to that Asian country.

CHAIR—I would have thought it would be the same tariff.

Mr BOB BALDWIN—It is not the same tariff.

Ms Buffinton—The Department of Foreign Affairs and Trade are the experts on market access, but my understanding is that, as members of the World Trade Organisation, under most favoured nation, the Korea tariff wall would be the same for steel produced in

Thailand or Australia.

Mr BOB BALDWIN—It is not. That is the problem.

CHAIR—We are getting into the specifics of it. My understanding is that the steel making facility is in Korea.

Mr BOB BALDWIN—That is the actual steel making, but there are all the mini mills that are being set up and BHP is—

CHAIR—That is where the BHP replacement is—in Korea—I think.

Mr Bayliss—BHP's steel plants in South-East Asia or in ASEAN—there is one in Cilegon, outside Jakarta, one in Surabaya and one in Medang—are roll forming and coating plants. In Bangkok, the mill which is under construction starts from a more basic stage. It starts from a cold rolling stage, but not from a steel making stage, a blast furnace stage or a direct reduction—

Mr NUGENT—Mr Chairman, could we ask the secretary to write to DFAT, which are the experts in this area or have the information in this area, to ask those specific questions, so we can talk about fact so that we all understand, because we are all stabbing in the dark a bit.

Mr BOB BALDWIN—The specific question I am asking you is: what is Austrade doing to make sure the Australian steel industry has equal opportunity to compete over there? What are you providing for them to be able to gain market access and share there?

Mr Bayliss—Once again, Mr Baldwin, market access issues are questions that are more correctly directed to our Department of Foreign Affairs and Trade colleagues. In market access negotiations, we strongly support our colleagues in the embassies throughout the region with commercial input, but they have primary carriage for those negotiations.

CHAIR—I would like to come back to a question I asked—I do not think you were in the room when I asked the question of DFAT but I am interested in an Austrade perspective—and it is in relation to the East Asia Economic Caucus. As Austrade officers, particularly in your executive role, what is your reading? Is that having any impact and, if it is, what is the extent of that impact, even within ASEAN and outside ASEAN, or is it just an embryo thing that Mahathir has raised?

Mr Bayliss—Once again the area of the regional groupings and membership thereof is very clearly a responsibility of DFAT and one which Austrade is not directly involved in. However, in terms of the regional groupings and the support that we provide to Australian companies, for many of our major companies these are issues. Membership

of a number of the organisations and Australian accession to membership is generally something that we as an organisation would do, without specifically referring to the AEC but to other forums in the region where we believe Australian participation would be desirable. We will support our Foreign Affairs colleagues where that is appropriate and is a matter clearly for the minister's actions and government policy.

Mr NUGENT—Could you give us an indication of the most prospective areas in the ASEAN region for Australian businesses—health, education, food or whatever? Just give us a broad run-down on the most prospective areas and opportunities for us in those segments. Secondly, could you talk about some of the major, practical obstacles that either the companies themselves or government needs to overcome?

Thirdly, there are a number of organisations and structures set up between different ASEAN countries and us to help the process along. One that obviously has been contentious to a certain extent is the Singapore-Australia Business Forum, which I think is viewed as having not been as effective as was intended when it was set up. I think during the Prime Minister's recent visit there may have been an attempt to breathe some new life into that. Could you tell us why that may not have been as successful as we would all have hoped and what is being done to try to breathe some new life into it?

CHAIR—Could I add to that first question a specific reference to the Supermarket to Asia concept. Can you make some comments on where that is at and what specifically you are doing?

Mr Bayliss—The question of priority areas for the region is one we have wrestled with for some years, the difficulty with that being that there are so many areas that have jumped up as high priority and emerging areas. Three or four years ago we had a matrix of priority areas that just had so many priorities on it. It became just about commercially unmanageable.

One of the major prospective areas at the present time is the IT and telecommunications sector. In Indonesia we have gone from a very low base last year—say, \$6 million of exports of Telstra's equipment—to \$100 million this year. In Singapore this year—I think this was a figure we discussed during your visit to Singapore—I think we are talking about \$330 million of exports in this sector. They are quite significant increases. In Indonesia, for example, the Telstra joint venture in central Java has very successfully, as we had all hoped, drawn in and brought in in a multiplier effect other both small and large companies in a subcontract role.

The food and beverages sector is a traditional one for us and remains a high priority. It has much more of an investment flavour to it than it did in the past as companies try to get closer to their customers with much more innovative products. The aspect of investment back to Australia by groups such as the Camerlin Delham Group—it comprises five or six of the major industrial groups in the region looking to invest in the

Australian food industry—is another significant development. Whilst we still have a very strong export business in food and beverages, the linkages have become much more complex and investment related.

Perhaps I should talk about the Supermarket to Asia initiative whilst I am speaking of food and beverage. Mr Paul Bourke of the STA is in either Kuala Lumpur or Bangkok today. I know he is in one of our offices. We have spent quite a bit of time, particularly with the STA group and secretariat, running through the various programs we have in the region to essentially emphasise the very strong presence that Austrade and its predecessor organisations have had in this area for many years.

Austrade is making a very strong input to the STA initiative, particularly in our on-the-ground activity within the various regions. I think that is one that the council has recognised as where we have made a significant contribution in the past and are extremely well connected in those markets in terms of knowing who the local players are.

It is an initiative which we certainly very strongly support, particularly as it is very much taking one of our initiatives in the Philippines based on a value addition chain in the meat industry. So the STA initiative is one that we are strongly supporting and will continue to, particularly in the on-ground, in-market sense.

CHAIR—I know it is early times yet, but do you see the impetus for that coming from regional areas? In my area I am setting up a special group with the QCCI in Toowoomba in terms of supermarket closure. Do you see a lot of that coming directly from regional areas or through Paul Bourke? How do you see that working? Do you see the emphasis on a regional approach or do you see some sort of coordination in terms of access to overseas markets?

Mr Bayliss—I would certainly like to see a high degree of coordination. There are a number of specialty markets, particularly in the horticultural sector. There are niches in some countries which do not exist in others. But, yes, we certainly very strongly support a coordinated approach there.

As I said, it is an area that we have had a very long exposure in and one that we are very keen to see pull together. We have increasingly had a number of our staff from the region visiting northern Australian centres particularly, whether it is taking from the west, the Ord, and some of the specialised growers there across to Queensland as well as the Northern Territory. We have a number of programs that have been developed for market entry for smaller growers of more specialised product as well as processes.

In Singapore, for example, we have introduced a new product initiative which is designed for companies in this particular sector. We arrange for a relatively modest fee—I think of the order of \$500 each month—for a group of new Australian products that are in distribution in Australia to be presented to buying committees of the major supermarkets

for evaluation. We provide those comments back to the Australian exporter. We are looking at a number of what you would describe as low cost, high effective market entry plans such as this to support companies in this sort of sector.

If I may move on to other priority sectors, when you talk of infrastructure, naturally it becomes a very broad area. It is a term that is thrown around very loosely. Australia has a lot of skills to offer in areas ranging from water supply, energy to transportation and airport construction. The area of infrastructure—breaking it into those subgroups of transport, energy and water, water supply in particular—is a hot area for us in Indonesia, the Philippines and Thailand.

Another one is mining. As you would be aware from much recent publicity, the degree of interest by Australian mining companies in Indonesia and the Philippines has probably never been stronger. The number of Australian companies who are in the queue, if you like, or who have made applications for contracts of work in Indonesia is very strong. Whilst companies such as Bre-X have been in the news lately and obviously caused some concern in the Canadian markets, particularly Toronto, there is a very strong base of Australian mining companies in Indonesia. Both small and large companies are doing more and more base exploration. It is a very buoyant area. It is an area where Australian mining technology and accompanying services are very strong, as is the pull-in effect for the rest of the industry.

In the Philippines, where a new mining act was introduced last year, we have very strong interests. For the Philippines mining display and conference in July of this year I think we would have had a record sign-up. Over 80 companies signed up in the first couple of weeks of opening applications. So mining in the Philippines, whilst it is still early days with new legislation, is a very high priority area for us.

In regard to building and construction there is a fairly broad area of construction technologies and building materials. There are investments by companies such as CSR, Boral and Pioneer in the region, some of it for a long time, other investment new. Building and construction is an area of real convergence of needs and convergence of what Australia has to offer.

When knocking on the door of a developer in South East Asia 20 years ago, as I have done, to try to market Australian building technology and products the usual answer was: 'We have lots of cheap labour. Why do we need plasterboard? We have plasterers who cost us \$1 a day. We do not need these fancy technologies and materials. We do not need to save time.'

That equation has completely changed. Developers and constructors in the region do require high quality finish. In particular, they require speed and reliability of construction and completion dates. So we have seen a significant investment by major Australian companies in the building materials sector.

It goes much further than just manufacturing—concrete, concrete products, plasterboard. It is a building system which these companies are offering, drawing in contractors as well—not just taking the plasterboard but also providing the adhesives, the fixatives, everything else, and the sealants that go with that. It is a complete building system, an area of very strong growth for us, notwithstanding the fact that we are looking at property turn-downs in many of these markets.

There are many other priority areas I could discuss. I have mentioned automotive, transportation, and the railways sectors where we have strong interests. I have a number of charts that I am very happy to provide separately on the more specific areas. In marine craft we have a regional initiative for a high speed ferry concept to provide fast freight particularly from northern Australia into the region but also to market high speed freight vessels for the high traffic overnight routes between ports such as Singapore and Jakarta, where there is a lot of traffic, to move the 35- and 40-knot catamaran type high speed freight carrying vessels. These are areas where Australia clearly has a lot to offer. That is another priority area we are putting a lot of effort into.

I could talk for another half an hour on other priority areas from defence exports to health care. Health care is another strongly emerging area. Education I have not touched on at all, which is a terribly important export for us.

CHAIR—I agree with you in terms of the building industry. In north Asia it is interesting—to digress slightly—that even in a place like Tokyo we are in the process of building 400 houses. These are new markets that we have not yet tapped. So I would agree with you.

Mr NUGENT—Without detracting from anything you have said, because I agree with you, we had a bit of a slip-up with a Singapore residence, but we will not go into that—the High Commissioner's residence. That was a bit of a disaster, but it is a different issue.

CHAIR—I have to go to the South African Embassy, so I formally hand over to Barry Jones. I apologise to AG's. I will not be here. I am sure Barry and Peter Nugent will handle that segment. But thank you very much for coming along.

ACTING CHAIR (Mr Barry Jones)—One other question has occurred to me. In the region, do the Europeans have direct representation in the trade area or is it collective? Does Germany have its own trade office, does France have its own trade office and do the Netherlands have their own trade office or do they tend to operate collectively?

Mr Bayliss—The tendency is to operate separately—separate trade offices. A Europe-Asia foundation was recently formed, based in Singapore. So there are a number of EU groupings. As for the hard core of export and investment promotion that we are involved in, it is largely a separate activity.

As you know, Mr Jones, some of the European countries' chambers are constituted a little different from Australia, so a lot of that trade representation may be undertaken not only by the government but in terms of the practical services which Austrade delivers by chambers of industry and other organisations which have grown up in the European traditions. The quick answer to your question is yes—separately.

As a follow-on to that, I would say that—and it appears in our submission—European and American small and medium companies are increasingly active in the area. For Australia, it is an area where we cannot be complacent in terms of our market share. In the past years, the smaller European companies—I am not talking about the Siemens and the Phillips and the large ones; I am talking about the smaller companies new to export or new to market—would come to Singapore. For example, and see Singapore as the Switzerland of South-East Asia, if you like, and use that as a base and intermediaries in Singapore to distribute their products whereas Australian companies had moved past that stage. They are wearing our shoe leather in Kalimantan, Sumatra and so on. That is changing for European and American companies. We are seeing them more and more in the back blocks, and that is a competitive threat we should be aware of.

Mr NUGENT—I asked two questions and am waiting for the answers. One was on obstacles and the other was on things like SABAF.

Mr Bayliss—I am sorry, Mr Nugent.

Mr NUGENT—That is all right. It was not your fault. I might add, having just come back from China, that the Germans were very active in the back blocks of China as well. It was very noticeable.

Mr Bayliss—Yes, there is an increasing threat to our market share. SABAF—the Singapore-Australia Business Alliance Forum—was created several years ago. I think it was in 1992, if I am not mistaken, at a meeting between Prime Minister Keating and Prime Minister Goh Chok Tong. The forum was designed to provide third country opportunities for Australian and Singaporean companies to develop together. As Mr Nugent said, there have been relatively few tangible outcomes in terms of dollars and projects.

Mr NUGENT—I understood that we had had trouble getting Australian companies to even come to the meetings.

Mr Bayliss—I am not sure I would totally agree. There was one particular meeting where it was not an unwillingness of Australian companies to come to the meeting but an unfortunate clash of schedules and availability of people. The last meeting in Singapore was well attended on the Australian side. The meeting, which took place in Singapore recently, had some very positive outcomes, certainly in terms of directions for the future.

I would make the comment, as I have made to you separately, that when we speak to our colleagues from other missions—the third country trilaterals such as this—none of them are easy. It is not an easy thing to make work. It does not naturally fall into place. Both Singaporean companies and many of our companies have competitive areas that they may or may not wish to share. So we have to really work hard at finding those areas of commonality.

Mr NUGENT—Given the shortage of dollars in the Austrade area and the foreign affairs area generally, why are we putting resources into those areas if they are really not going to work?

Mr Bayliss—It is, as you know, largely private sector driven organisation on both sides. Certainly the resources involved on our side are not substantial in budgetary or people terms. I certainly put some intellectual effort into the last meeting in respect of areas where we can develop more commonality. Perhaps some areas in the Philippines were identified as potential areas for development. In the past we looked at a potential joint trade mission to Vietnam. The Philippines may appear to be a more prospective area.

I just summarise by saying that the last meeting of SABAF at the time of the Prime Minister's recent visit was getting us, I believe, on to a much more solid track in terms of getting some directions and a clearer focus on the goals than perhaps was the case in the past.

Mr NUGENT—On that, and before you move on to the last part of my question, which was the obstacles—and we probably are not going to be tabling our report for some months yet—could I perhaps ask you to give us an update, say, six months after the Prime Minister's visit and this upgrading or the new emphasis on or new effort into SABAF, on what it has done, say, in the subsequent six months.

Mr Bayliss—We would be very happy to. I think I have a meeting later this week with Malcolm Kinnaird, the chairman on the Australian side. So I would expect that there are some developments relating to the next range of projects which will become clear or clearer in terms of where we are going over the next one to two months. So the answer to your question is that we would be very happy to provide that.

Mr NUGENT—Although I have asked specifically about SABAF, my understanding is that, with other similar sorts of arrangements in Malaysia and Australia, business groups and so on all are struggling in terms of performing in that sort of sense—and that is my concern.

Mr Bayliss—Some of the trilateral third market activity takes place naturally. There is one particular transaction of which I am aware involving an Australian-Singaporean company for two other investments in the region. It did not take place under the auspices of SABAF; it took place because of strong commercial pressures.

When you have a forum to be able to identify and bring projects to the table, which is what is required in a group such as that, we as a government agency can and do suggest a number of projects for potential cooperation. Ports in India, for example, is one. Redevelopment of the Jakarta waterfront is another that we have worked in, looking for potential complementarities between Australia and Singapore. As I said, the hit rate, when you look at getting the affinity right between what Singapore has, what we have and the projects, is not as easy as it first appears. Turning to obstacles, were you referring specifically to obstacles for small companies or obstacles generally?

Mr NUGENT—Obstacles generally, but SME as a sector is interesting because that is one area we have to sort out.

Mr Bayliss—Recently we funded a relatively small study which was undertaken by Austrade in association with the British Overseas Trade Board to determine the factors for export success. This is a bit of the converse of your question, but identifying the successful factors identifies the obstacles.

The first thing that companies come to us about as an obstacle is just plain information. Our answer to that is, that it's getting better. It is getting better because of Internet and a whole lot of other reasons. But expensive good information is becoming more expensive. So that is an obstacle. It is an area which can be accessed through the Internet. Here we have to be careful, because we do not want to broadcast on the Internet valuable information which we as an agency gather about how to do business in any of these regions for the free access of our competitor countries.

We regularly access a lot of the material of the US government and USDC—the US Department of Commerce—because it is publicly posted. I understand that there is a legislative requirement in the US that it be so. We are putting onto our Internet sites a number of business briefs, or will be in the future, which will be starters to helping companies get started in the market, as well as our series of market profiles which are starter documents of how to get started in a different market. So information is certainly an obstacle.

The next one is: who do I talk to; how do I meet a partner? This area is one of Austrade's absolutely core businesses. We talk to some companies who do not deal through us and say, 'Well, how did you find your partners?' The answer can be, 'I met someone in an airport lounge,' or 'I asked a guy I play golf with,' and so on. Sometimes that works. I am not saying that there is necessarily anything wrong with that. Sometimes you get a hit. Analytically, I guess, and logically it is not the most appropriate way to work. I believe that, for this region and for small companies, our programs, which are heavily subsidised for business matching, are one of the most valuable services we offer. We can bring a company into the market and put them in front of buyers who have been qualified and who have assessed the Australian company's products and, when they start talking, they are starting from a base of having expressed interest.

To me, this is a terribly logical case; but, as I said, companies will tend to go in tangential ways and find contacts through indirect means. There is nothing inherently wrong with that. However, when we work in a remedial marketing sense we do say to companies, 'Look, for a relatively small fee we can plan you a program in Bangkok or Jakarta and make sure the appointments are in order so you are not wasting hours in the traffic, and that when you go in to see Mr Suntoso or whoever he knows who your company is, what it does and what your products are, and has a basic expression of interest.'

The other obstacles I mentioned earlier relate to the high costs of establishment. Here is where we have a strong role to find alternatives—and there are alternatives. The second and third tier accounting and Australian management consulting companies increasingly active in the region are providing relatively low cost alternatives for small companies through sharing arrangements. In the past, when a company may have gone for advice on business formation or when Austrade had taken them as far as we could and they needed more professional advice there were increasingly competitive packages available from some of the second tier firms—rather than, if you like, the larger accounting firms, whose fees may be more expensive—to get them established in the market.

I have not addressed market access obstacles because that is clearly the area—

Mr NUGENT—You also have not mentioned things like corruption problems, nepotism problems, bureaucracy problems or lack of transparency. Perhaps these occur less in Singapore but, certainly, if you go to China they are major problems, as I understand it.

Mr Bayliss—My standard slide on obstacles has all of the areas that I have just mentioned plus one other, which is confusion with foreign business practices. I think that wraps up a number of the areas that you mentioned. We do, particularly in counselling companies, try to—and we can in many instances—help them avoid the pitfalls of the some of the areas you mentioned: the danger areas and where to be very careful. In the less transparent markets—particularly in markets such as Indonesia, to a certain extent Thailand and those markets in Indochina—the more time spent in assessing that partnership and that deal is going to be time well spent. Divorces are a very painful and costly business in these markets. So we do a lot of counselling in this area.

It is an obstacle. As tariffs drop and as patronage and monopoly deals in many of these markets reduce—as they have—the field is becoming more open and more transparent. But our strong role is to try to demystify some of that and lighten that opacity in markets. Sometimes our advice can be quite firm. We say to companies, 'If you don't have the resources to make another seven trips this year and do this that and the other, just be aware that there are some danger signals and red lights flashing.' Because of the nature of the particular tender or the other market settings, we would very strongly

counsel companies to think otherwise and, perhaps, look at another market or another opportunity. I think we have a very strong and important role in what you describe as unusual or unfamiliar foreign business practices: in clarifying them, explaining them and ensuring that Australian companies do not fall into pitfalls.

ACTING CHAIR—Thank you very much for appearing before the subcommittee today.

[12.06 p.m.]

JENNINGS, Mr Mark Brandon, Acting Assistant Secretary, International Branch, Attorney-General's Department, Robert Garran Offices, National Circuit, Barton, Australian Capital Territory 2600

MORGAN, Mr Richard John, Senior Government Counsel, Family Law Branch, Attorney-General's Department, Robert Garran Offices, National Circuit, Barton, Australian Capital Territory 2600

WILLING, Ms Annette Maree, Senior Government Lawyer, International Branch, Criminal Law Division, Attorney-General's Department, Robert Garran Offices, National Circuit, Barton, Australian Capital Territory 2600

ACTING CHAIR—On behalf of the subcommittee, I welcome representatives from the Attorney-General's Department. The subcommittee prefers that all evidence be given in public, but should you at any time wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Do you want to give us an overview of the submission?

Mr Morgan—I might just open very briefly in relation to the family law and civil law issues. International child abduction is the main focus of our written submission to this committee. What we set out in that submission were our endeavours to get some arrangements set in place with ASEAN and other Pacific Rim countries. These are very important initiatives in the sense that, no matter where in the world you come from, child abduction seems to be an increasing tendency amongst parents who are dissatisfied with their lot and want to move and in the process punish the other person.

We therefore think it is very important to try to get countries in our immediate area involved in cooperative arrangements. We have been trying to do so now for the past five years. Whilst a number of ASEAN countries have shown some interest in joining the Hague conference on international child abduction, none have yet actually taken the plunge and acceded to that particular convention.

I am unable today to give you statistics about the number of abductions by Australians to ASEAN or Middle East countries, nor am I able to give you any statistics of movements the other way, mainly because our department has never considered keeping statistics of the inquiries that are made in respect of abductions from these areas. I can say that, apart from the celebrated Gillespie case in Malaysia a few years ago, there are regular inquiries about how to get a child out of a particular country it has been taken to or how to get a child back from Australia to a particular country. Unfortunately, the processes that they have to resort to are not a convenient abduction convention process but in fact a very costly and time consuming civil litigation in either Australia or the overseas country.

I think that the countries with which we have made contact recognise the benefits that the more helpful processes of the Hague convention would provide to them but they have their own differing reasons as to why they are not embracing the convention with a great deal of enthusiasm. Some of those are religious; some of them relate to other domestic issues. I think at this stage all we can really say about our progress in this area is that we will continue to try and generate a significant interest such that one of the countries will eventually join the convention. Once we get a breakthrough with one country, we may find that others are susceptible or agreeable to also putting their names down for signing up. I was in the Philippines a couple of years ago coming back from a Hague conference and that country was showing some interest in the Hague abduction convention but, although it is three years ago, they have not yet taken any positive action to become a party.

ACTING CHAIR—Perhaps we should have the other presentation and then we could have a general discussion.

Mr Jennings—I should explain that International Branch's interest here relates to the money laundering component of this brief and the submission that was put forward. I do not want to elaborate on it—I think it is quite well set out there—except to note that in relation to paragraph 26 of our written submission there is a reference there to work that was being undertaken to create a regional group with the purpose of taking forward anti money laundering initiatives in a cooperative regional manner and that at the Bangkok symposium earlier this year an effort was going to be made to establish the group. I might say that that effort succeeded and in fact an Asia-Pacific anti money laundering group was established at that meeting. I might note that in terms of the initial membership of the group some ASEAN countries involved are the Philippines, Singapore, Thailand—and Singapore itself is a member of the Financial Action Task Force which is the premier anti money laundering body in the world. Other Asian members include Japan, Australia and New Zealand.

ACTING CHAIR—Mr Morgan, if I can just go back to the situation with Malaysia, which of course is infinitely better known than the other cases—there are actually two questions I want to ask. The first one is: what about accession to CROC? How many of the ASEAN countries have acceded to CROC?

Mr Morgan—Most of the ASEAN countries have acceded to CROC. My latest information is that there are only three countries in the world which have not yet acceded to it or ratified it. I do not think any of those are ASEAN countries but certainly the United States is one that has not, as I understand it.

ACTING CHAIR—The suggested objection is a religious inconsistency with the laws of Islam. Does that just mean that they are concerned that with families where there are mixed marriages there is less chance that the Islamic faith would be propagated if children were removed to an environment like Australia? Is that the core of the objection

or is there more to it than that?

Mr Morgan—If we take the Malaysian type situation, I think the concern is to do with Australian courts, although the convention sets out mandatory requirements for children to be returned in certain circumstances and has very limited exception to the return, if the request is made within 12 months of them leaving.

I think the concern from overseas is that an Australian court brought up with Anglo-Saxon attitudes in fact might look and say, ‘Well, this particular matter is going to be dealt with, say, in Malaysia and it is not going to be dealt with in the courts over there as we know them but within their religious courts. The consequences of that are that some issues that are not relevant in an Australian consideration of parenting arrangements might become really relevant over there. Therefore, we would be reticent to send children back under those circumstances.’

I do not think that is necessarily a proper approach for them to take. I think our courts do provide a proper understanding. Going to the Gillespie case itself, at first instance the judge, who has since died, made an order which said that, although we were not then party to the Hague convention—we had in fact ratified it, but it had not yet commenced—the children should be sent back to be dealt with in that country, giving effect to the principles that Australia had adopted in saying it would ratify the Hague convention arrangements.

As it turned out, that particular decision was appealed and the children did not return. There were grounds for the decision being overturned on appeal, but the thing is that I think there are, within the court structure, views which say that you do give effect to the arrangements in the convention and you do not look at extraneous issues. That case was an example of where it could have happened, irrespective of the different religious views and the different way in which it would have been dealt with in Malaysia.

ACTING CHAIR—Correct me if I am wrong, but the relevant courts in Malaysia are not national courts but regional courts.

Mr Morgan—Yes.

Mr NUGENT—You have talked specifically about child abduction and money laundering. It would seem to me that there are also other areas that A-G’s is concerned about in terms of our relationships with ASEAN. Are you briefed to talk about things other than those two subjects?

Mr Morgan—I can fill you in on another few issues that are applicable in our area. As I said, I am in charge of the family law branch, but that family law branch has an international civil area which deals with a range of issues.

Mr NUGENT—Before you go on, the sorts of areas I wanted to explore are: Australia's contribution in terms of offering legal services or education services in the legal field to ASEAN countries and what form those might take—training programs, exchanges and so on. In the human rights areas, can you talk about some of the treaty arrangements and some of our activities?

Mr Morgan—I do not have a brief on that. The human rights branch is in the same division as I am in, but I do not have a brief from them on this particular matter. If you were to indicate the range of interest, I could perhaps ask them to—

Mr NUGENT—I would like to indicate a range of interest. I think it would be interesting to look at human rights not only in its own right, if you like, in terms of our interest and the country's interest in terms of human rights standards, operations and so on. It is also a major factor in terms of the broader relationship with a number of ASEAN countries. That is what this inquiry is all about, and the conflict between how hard you push human rights versus trade, and so on. Therefore, I think it is important that we understand in our deliberations where human rights actually stands in a formal as well as a political sense.

Mr Morgan—I could respond to that by saying that, although human rights is part of our portfolio concerns, in fact where you push the conflict between human rights adherence and trade issues is a matter for two other departments, primarily DFAT and Prime Minister and Cabinet.

Mr NUGENT—I agree, but I would like to know whether A-G's actually does have any formal exchanges with other governments, whether it does any training, whether it does any education, what sorts of programs may be in place, what is the involvement, if any, with some of the regional arrangements that are in place—those sorts of questions.

Mr Morgan—We will take those on notice and get some material back to you.

Mr SINCLAIR—I will not canvass the ground that is in your submission but, like Peter, there is an area that is not here that I am interested in. Some years ago this committee did a report on Indonesia. When we were in Indonesia we were told that there had been discussions with the equivalent of our A-G's department and the government of Indonesia regarding updating particularly their commercial and business law and that we were providing some assistance to them. I understand that we have also offered assistance to a number of other countries in ASEAN. Are you aware of the state of play as far as that assistance is concerned? Was it substantive? Where are we now?

Mr Morgan—No, Mr Sinclair, I cannot tell you. I do know that, as you say, there were some initiatives being undertaken at that time. At the time the Business Law Division of our department was very much involved in those initiatives. That division has subsequently moved to the Department of the Treasury and they are continuing the

initiatives through that particular area. It may be something that the secretary of the committee ought to write to Treasury about and ask them for information.

Mr SINCLAIR—We might do that. There was quite a bit of dialogue and I am not too sure which countries, but I know Indonesia was one of them and Vietnam was another.

Mr Morgan—I thought the Philippines was another.

Mr SINCLAIR—It means that we have been involved and I think it is something we might pursue.

ACTING CHAIR—I want to ask a question about money laundering. Does the Financial Action Task Force consist of all the members of the OECD irrespective of whether they are in the region or not?

Mr Jennings—The core of the membership of FATF is OECD based. Singapore and Hong Kong, which I did not mention earlier, are members. But it is predominantly an OECD based organisation. So the bulk of the members are going to be European countries in addition to the US, Canada, ourselves, New Zealand and others. The FATF membership has been fairly stable for a long period of time. Its approach to its relations with non-member states and non-member countries has been certainly to encourage them to adopt anti money laundering measures. Work has been done in the Caribbean to that effect and also there have been Asian initiatives in which Australia has played a leading role in the context of regional symposiums and the like.

In addition, this issue of money laundering is being dealt with in a wide range of international organisations. The UN drug control program has a very significant money laundering program under way. The Commonwealth also has taken a significant role in terms of adopting a declaration at the heads of government level and also working with members in terms of adoption of anti money laundering measures which are effectively the recommendations of the Financial Action Task Force.

ACTING CHAIR—Could you tell us something about how it is structured? It is not a treaty organisation. To what extent is it an informal operation? Who represents Australia on it? Is it represented by A-G's? Where is it represented? The famous 40 recommendations is a bit like the 10-point plan on Wik. Where is the text? What are the actual recommendations? How far do they go?

Mr Jennings—Not a problem. We can give you—

ACTING CHAIR—The 10-point plan on Wik?

Mr Jennings—No—the 40 recommendations. Mr Acting Chairman, you rightly

point out that FATF is not a treaty based organisation. It was created at the initiative of the G7 countries in the late 1980s. The G7 identified this as a significant issue and realised that this is one way of attacking organised crime, in relation not only to drug trafficking but to all its other activities. It must do something with the profits of its illegal activities.

At that time, it was decided to establish this group. It is not treaty based. In that sense, it is unlike most other international organisations which have some basis in a treaty. The organisation has quite a small secretariat which is co-located with the OECD secretariat in Paris, so it has tended to have its home in the OECD. There was a review of it by the members a couple of years ago, and a decision was taken that its life should be extended until the end of the century. Its principal early work was the drafting of these 40 recommendations. Australia has been a member since the early days and was very actively involved in the drafting of these recommendations.

Essentially, those recommendations provide for a range of measures—in the financial, legal and investigative areas—which are designed to combat money laundering. These recommendations are now accepted as the ‘best practice’, if you want to call it that, in the world, in the context of how you should go about dealing with money laundering. As I said before, the recommendations have been picked up by the Commonwealth, and they are also dealt with or addressed in other forums as being an appropriate way of dealing with money laundering.

We can provide a copy of the 40 recommendations to the secretary of the committee. They were also reviewed in the very recent past, and there have been some changes to ensure that they are, as much as possible, state of the art in dealing with money laundering. There are issues like no secret bank accounts, a know your customer rule and reporting of transactions. We are not the technical experts on that. There is an agency called AUSTRAC in Australia which is the agency responsible for overseeing the anti money laundering measures in Australia.

ACTING CHAIR—Is that part of your empire?

Mr Jennings—In the context of the portfolio, yes. But in the context of where we stand in terms of representation at FATF meetings, our submission refers to a FATF coordination group which has been established for a number of years now at the Commonwealth level. It involves all the significant players in the process.

ACTING CHAIR—Does that include banks?

Mr Jennings—No. This is a government body. AUSTRAC has very close contact with the banks, for obvious reasons. It is critical that they have a good working relationship with the banks. But, in the context of this FATF coordination group, we, as a department, are represented. The National Crime Authority, AUSTRAC and the Australian

Federal Police are represented. DFAT and Treasury have recently come on board. The Reserve Bank is represented, and so on. A list is provided in the submission. This group meets to coordinate and to look at what is going on in FATF—the Asian initiative and so on. At FATF meetings, it depends on the meeting. Some of them are quite technical typologies type meetings where you need experts in the detection of money laundering. That is generally taken care of by AUSTRAC. In the past, the Attorney-General's Department has participated, but at the moment the main load is being carried by the National Crime Authority. John Broome is the chair there, and Elizabeth Montano, who chairs this coordination group, is the head of AUSTRAC.

Mr SINCLAIR—What happens in prosecutions? I remember there was an instance where a Malaysian minister had very significant sums of money—which he took out—beyond that which he disclosed. I gather we reported his behaviour to the Malaysian Prime Minister. But the offence could be said to have occurred here. Whether that was money laundering or what, I have not heard. Firstly, what is the status of that case and, secondly, do you prosecute people within this jurisdiction or do you refer it to one of the ASEAN jurisdictions as in this instance with the Malaysian minister?

Mr Jennings—I am not in a position to comment on that case because I am not directly involved in it. But, in the context of the offence of money laundering in Australia, there are two relevant acts. There is the Financial Transaction Reports Act, which is the AUSTRAC side of the equation, and the Proceeds of Crime Act, which deals with the offence of money laundering. These two pieces of legislation are generally what Australia relies on to meet—

Mr SINCLAIR—If the offence occurs here we do not have a capacity to prosecute extraterritorial—

Mr Jennings—There is the requirement that you need to declare money that you might be carrying above a certain amount. If you were intercepted at an airport bringing a large amount of cash into the country, for example, and you have not declared it, then obviously a prosecution could occur in that circumstance. But I am not an expert on all those areas. Essentially, what I can say is that, where you are dealing with money laundering, you are often dealing with multijurisdictional activity. Our branch, the International Branch, is responsible for developing Australia's cooperative arrangements with other countries in the investigation and prosecution of offences under the Mutual Assistance in Criminal Matters Act and various multilateral treaties—for example, the 1988 UN drugs convention.

It is these cooperative arrangements which can be used—and, indeed have to be used—when you are dealing with matters which do not simply involve someone trying to bring \$50,000 in cash into the country without declaring it, but money that is being switched from country to country in an exercise to try to launder it. These cooperative arrangements are necessary so that you can secure the evidence. Obviously, where the

prosecution takes place will depend on the circumstances, but we would rely on those sorts of arrangements to assist, for example, with prosecution in Australia which might require evidence being brought from or obtained in a number of other countries.

Mr SINCLAIR—Do we have extradition clauses in our extradition treaty which would relate to these types of offences?

Mr Jennings—Yes. Generally, our extradition relationship with non-Commonwealth countries is based on a basic requirement relating to the severity of the penalty involved. So, if it is an offence in both countries punishable by, I think, a maximum of at least one year gaol, then this issue of dual criminality is involved. Certainly FATF and other international bodies stress the importance of having an effective extradition and mutual assistance relationship in place, because we are dealing with multijurisdictional activity and it is essential to have those international links in place.

Mr SINCLAIR—One other field that you have not touched on is piracy. There has been quite a deal of piracy in the South China Sea and in the waters adjacent to the countries of ASEAN—the Gulf of Tonkin, amongst others. It is an offence that occurs outside our jurisdiction. I think a number of Australian vessels have been involved. What is the state of play on that?

Mr Jennings—That issue is not one that our branch is responsible for. Could we take a question on notice about that?

Mr SINCLAIR—Would you mind doing so?

ACTING CHAIR—Which branch would it be?

Mr Jennings—I suspect it may be the office of international law. There could be some involvement from DFAT as well, and perhaps some law enforcement involvement. But it is not clear to me exactly where that would be appropriate.

Mr NUGENT—Whilst you are taking that on board, there is another related piracy type issue. Could you tell us who in A-G's looks at the issues of copyright, property rights and piracy—those sorts of areas? That has obviously been a commercial problem for this country.

Mr Jennings—That, I think, would be the newly created Information and Security Law Division.

Mr NUGENT—If you could take that on notice as well we would be grateful.

Mr Jennings—Do you have a specific issue? I am trying to get a specific issue. Do you just want a general briefing?

Mr NUGENT—I would like to get a briefing. The specific question—

Mr Jennings—Okay. I just want to clarify that.

ACTING CHAIR—We would like to know what the current state of play in that area is.

Mr Jennings—Okay.

Mr SINCLAIR—The same thing applies with piracy. Obviously if it occurs aboard an Australian ship there is a situation which gives us the capacity to prosecute, but I do not know how we go about it. Do we wait until the ship returns to Australian shores and you have got no chance of doing anything? I would be interested to know where we are on that.

Mr Jennings—Okay.

Mr SINCLAIR—The piracy of intellectual property is something that there has been some discussion about within APEC, as I understand—

Mr Jennings—That is right.

Mr SINCLAIR—and certainly within the WTO context.

ACTING CHAIR—Since you are here, do you want to give us some famous last words on the Gillespie case? What is the latest state of play?

Mr Morgan—As far as I know, the latest state of play is the initiative, taken by the Prime Minister earlier this year, to raise the matter again, and there has been nothing since then. I want to show you the difficulties with this. I will upgrade the figures that are in paragraph 9 of our submission. From 1 July 1996 until this morning, first thing, we have had 45 abductions into Australia and 52 out of Australia. It is a major concern, and these are only matters that we can actually process because they are convention countries that are making the claims. There are a large number over and above that which we cannot get to. The sorts of initiatives to try to get the ASEAN countries to become part of this convention demonstrate the need for that to be fulfilled.

ACTING CHAIR—You said earlier that there was some difficulty, that you did not keep the records broken up as to nationalities. Perhaps I misunderstood it.

Mr Morgan—I said that we know anecdotally that there are some inquiries from ASEAN countries about child abductions to Australia and from Australia to these countries. But we have never consciously kept the records of the inquiries. They do not become a formal application to us. Therefore, the only statistics we have are the formal

applications.

ACTING CHAIR—I do not want to hold you to it—you are not on oath—but is it your impression that the bulk of the cases are from South-East Asia?

Mr Morgan—No, but there are a number and that is all I can say about it. I was talking to my people this morning and I said that one thing that is deficient is we cannot answer this very question of how many have come from ASEAN countries and that we ought to be keeping proper records, better records, of inquiries that are made to us so that we can come to you and say, ‘In the last four years there have been X number of inquiries, and wouldn’t it be great if we had a convention.’

ACTING CHAIR—But the public perception probably would be that they are overwhelmingly from that region.

Mr Morgan—I think the public perception about abductions would be more into Europe still and the Middle East.

ACTING CHAIR—Really!

Mr NUGENT—If you do not keep statistics, why not? Will you keep them in future?

Mr Morgan—Yes, I said this morning to my people that we will start to keep statistics.

Mr SINCLAIR—Some of these issues obviously involve a dialogue with countries in that region. While there is within the Asian Regional Forum discussions in which the foreign minister and sometimes the Prime Minister are involved, there really has been only bilateral discussions by the Attorney, both in this government and the former government.

Mr Morgan—They have been very limited, Mr Sinclair.

Mr SINCLAIR—Very limited. There is no real regional forum. I know you have some dialogue through Interpol, and through the National Crime Authority and the AFP we have some contacts, but at the other side of the law—whether it is an abduction—

Mr Morgan—They are not the right organisations to be dealing with the civil area. You are right—we do not have those mechanisms in place. Our approach to these ASEAN countries is through our diplomatic posts.

Mr SINCLAIR—And we really do not have lawyers as lawyers employed in our diplomatic posts, other than perhaps an odd exception. Most times you have people who might well be lawyers but they are not there as lawyers.

Mr Morgan—There is no departmental presence in the post.

Mr SINCLAIR—It might be something that we ought to have a look at, Barry—the extent to which we can set up some type of opportunity for discussion on these problems. Do we still have Commonwealth-state discussions in which New Zealand is involved?

Mr Morgan—Yes.

Mr SINCLAIR—And PNG sometimes.

Mr Morgan—Yes.

Mr SINCLAIR—What about the South Pacific?

Mr Morgan—There are some facilities. There is an organisation called PILOM, which is the Pacific Islands, and I think it goes wider than the Pacific Islands. There might be one or two ASEAN type countries in it. But it is very limited. There are some negotiations or discussions around the Pacific Rim in not formalised processes. I am unaware that there are any formal mechanisms where we can make a real input other than through our posts.

ACTING CHAIR—Thank you very much. It was extremely useful. If there are some other matters or we have some afterthoughts, we will write to you. You will be sent a copy of the transcript of your evidence, to which you can make limited corrections of grammar and fact.

Luncheon adjournment

[2.00 p.m.]

BUTTERWORTH, Mr Robert George, First Assistant Secretary, Environmental Priorities and Coordination Group, Environment Australia, Department of the Environment, Sport and Territories, Tobruk House, 15 Moore St, Canberra City, Australian Capital Territory 2601

COLLS, Mr Keith, Supervising Meteorologist, Policy and Secretariat Section, Executive and International Affairs Branch, Bureau of Meteorology, Department of the Environment, Sport and Territories, PO Box 787, Canberra City, Australian Capital Territory 2601

CRUISE, Mr Leo, Director, International Unit, Environment Australia, Department of the Environment, Sport and Territories, Tobruk House, 15 Moore St, Canberra City, Australian Capital Territory 2601

JONES, Mr Donald Francis, Manager, Policy and International, Australian Sports Commission, Department of the Environment, Sport and Territories, PO Box 176, Belconnen, Australian Capital Territory 2617

MENDOZA, Mr John, General Manager, Sports Services, Australian Sports Drug Agency, Department of the Environment, Sport and Territories, PO Box 345, Deakin, Australian Capital Territory 2600

ROWE, Mr Arthur William, Director, National Office of Sport and Recreation Policy, Department of the Environment, Sport and Territories, GPO Box 787, Canberra, Australian Capital Territory 2601

SMITH, Ms Kerry Jayne, Director, Environment Technology and Industry Section, Environment Australia, Department of the Environment, Sport and Territories, 40 Blackall St, Barton, Australian Capital Territory 2600

CHAIR—I welcome witnesses from the Department of the Environment, Sport and Territories. Would you like to make an opening statement or opening statements? Do you have one statement covering the lot, or do you want to make a couple of statements?

Mr Butterworth—I do not know whether my colleagues have anything they would like to say, but we are content to rest with the submission we have made.

Senator CHILDS—What is the assistance given to Singapore? Why is a country claiming a GDP higher than Australia getting \$49,000? Could you indicate what the proposal was for Singapore? Amounts are referred to in your submission under Singapore, but could you explain it?

Mr Butterworth—Could I have the page reference? Is that page 17?

Senator CHILDS—Yes. On page 17 Singapore is referred to. Could you explain why we are helping Singapore? That is the question.

Mr Butterworth—Kerry Smith might take that question.

Ms Smith—This is under the environmental cooperation with Asia program. That program is designed to do a couple of things. Primarily, it is designed to assist Australian environment management industry to gain a foothold in countries in our region through setting up linkages with those countries. Under that program, we have funded a range of activities such as demonstration projects workshops, feasibility studies, et cetera. The aim, as I say, is to facilitate linkages on a commercial basis between the Australian industry and those countries.

Singapore, as you rightly say, is fairly rich in its own right, but the intent is that the Australian industry can get some export markets in those countries. That is why we funded a couple of projects aimed at showing what Australia has to offer to those countries so that they can gain a commercial outcome.

Senator CHILDS—So there is not a priority in terms of the disadvantage of the countries or the level of development of the countries? I am now looking at the pie chart on page 10. One can see that Cambodia, Laos and others have relatively low amounts of money or half the amount of money that Singapore has achieved.

Ms Smith—Yes. We have priority countries under the program. Can I say at the outset that the program is no longer a grants program because funding has been reduced. We have a steering committee that runs the program. Under the grants that we have given over the last few years, each year that steering committee would look at countries in our region and determine priorities for funding under the program. It was only a small program. It was only half a million dollars per annum from the environment portfolio over a four-year period initially. AusAID also put in \$500,000 in total over those four years.

Our determination of priority countries was based on a range of factors. From AusAID's perspective, obviously with their funds, they looked at poverty alleviation kinds of issues. We still have to remember that the program was set up to facilitate commercial linkages. To do some activities in some countries which are very poor and which are not doing environmental work as yet did not make sense.

One of the criteria was whether the country concerned was actively looking at environmental issues and doing something of its own volition. Another criterion was whether we had an MOU with that country. We have a range of environment MOUs on a bilateral basis with different countries in the region. With the ASEAN countries, we have

a general multilateral arrangement on environment issues. Another criterion was whether the industry in Australia was interested and perceived that country to be a good market. A range of factors was looked at. From AusAID's perspective, one of those was poverty alleviation. Primarily, when you are setting up commercial linkages, you are looking at a whole range of other factors.

CHAIR—Are the existing seven members all members of the environment working group with ASEAN?

Ms Smith—Which environment working group?

CHAIR—The ASEAN-Australia environment working group.

Ms Smith—Are you talking about our general linkages with the ASEAN group under environment?

CHAIR—Yes.

Ms Smith—My colleagues might want to comment on this issue a little further.

CHAIR—Are all seven countries involved in that working group? Do some participate more than others? If Cambodia, Laos and Burma were to be admitted by the end of this year, are there indications as to whether or not they would be active participants in the environment area?

Mr Cruise—I think I have to make a presumption that they do all participate. I have not read the record of the last meeting. I was not in the department at the time when it took place, but one would assume that all current members participate.

CHAIR—On how many occasions has that working group met, and how regularly does it meet?

Mr Cruise—The last meeting was in Brunei, and that was the 17th meeting.

CHAIR—When was it established?

Mr Butterworth—We will take that question on notice.

CHAIR—Fine. What about some judgmental stuff in terms of the three potential additional members of ASEAN?

Mr Butterworth—It is difficult for us to judge that.

CHAIR—Is there no information generally available to indicate one way or the

other as to whether they would become participants?

Mr Butterworth—Not at this point, no.

Mr BARRY JONES—I think we were very much at fault, as you tactfully pointed out, in not including environment under the first dot point. It certainly should have been there. I have to declare an interest in this, because it is something that comes from my previous life. How many ASEAN countries and prospective ASEAN countries are signatories to the 1972 world heritage convention?

It occurred to me that one area in which we can usefully collaborate, providing you do not tread on sensitive toes, is that of places of great heritage value internationally where it is worth while pushing for world heritage listing. We could provide some advice or practical assistance to help a country run things. On the other hand, there is some sensitivity about whether monitoring involves pointy-headed characters from other countries whizzing in and telling countries what to do, as they would be very sensitive about that. How many of the seven countries and the prospective three additional countries in the heritage system have heritage projects?

I know from when I was in Burma in the last couple of weeks that Burma is definitely not in, and it ought to be in. It is one of those areas where you have got some really wonderful places which really could be on the list. It is one of those things that can have quite an important impact on the way in which nations think about the outside world if they are held up as saying, 'Look, you have got something here of absolutely unique significance.' Are any of you in a position to say anything about that?

Mr Butterworth—I do not think my colleagues are, but we will take that on notice and give you an answer to that question.

Mr BARRY JONES—Thank you.

Mr SINCLAIR—I have not noted whether you have referred to the Arafura Games and to the associations that—this is while wearing your territories hat—have really expanded into quite a significant regional event. I wonder whether there are other events of that character, other than perhaps on an occasional bilateral basis. Is there any other regional type sporting contest in any sport? There is in Super 12s and things of that sort, but they are not really specifically ASEAN. I wonder if you could just tell us a little about the Arafura Games; how you see them; and whether there are other ways by which we might be able to draw from that base to extend links with the countries in that region.

Mr Jones—The Arafura Games are a territory responsibility although the Australian Sports Commission does sponsor the event in a small way. Yes, they are growing; they are a big event now in the region and there are many from the Asian countries that actually travel to Darwin to participate, and that event will happen next

week in fact. So there is a growing interest within the region. The Northern Territory is very happy to provide services from Darwin to the region and is developing relations with many of those countries for that purpose.

Mr SINCLAIR—Do they only have the Arafura Games in Darwin, or do they have them in other centres in the region?

Mr Jones—They are an Australian based competition, but only centred in Darwin. There is no reciprocal event that happens in any other country. There is another event that happens at the youth level called the Arafura Youth Games, not to be confused with the new nomenclature of Arafura Games—they were called the Arafura Sports Festival previously. The Arafura Youth Games are a reciprocal event that happens in Indonesia, for example.

CHAIR—To take Mr Sinclair's question further, what about our overtures in terms of the Asian Games or the South-East Asian Games? Has Australia made approaches along those lines, or haven't we been prepared to do that at this stage?

Mr Jones—The South-East Asian Games are a smaller event than the Asian Games. The Asian Games include China, Japan and Korea so Australia would probably have little interest in participating in the South-East Asian Games except for the potential of trade and so on. It would not be seen as an event that would surpass, for example, the standards of the Commonwealth Games, whereas the Asian Games might be of a standard that in comparison might be similar to the Commonwealth Games.

CHAIR—How often are they held?

Mr Jones—The Asian Games are held every four years.

CHAIR—Four years, and in the same years as the Olympics? Or are they two years out or whatever?

Mr Jones—I think they are held in even years so 1998 is the next.

Mr Rowe—There have been some suggestions in the past that Australia might look to participate in the Asian Games but the invitation has yet to arrive, and it is now seen as an issue that is not worth pursuing at this point in time.

CHAIR—Are the overtures going to come from the other side rather than Australia?

Mr Rowe—Yes, we really have to be invited to attend. I understand there may be some suggestion on the part of some of the participants in the Asian Games that they would not want Australia to dominate, as they think that they might in a number of events

in those games.

CHAIR—Was there any particular country that seemed to be sponsoring—that is probably not the right word—Australia's participation?

Mr SINCLAIR—What sports are impeded in the Arafura Games? If you do not know, you could let us now.

Mr Jones—There are some sports, yes. There are some Asian sports such as sepaktakra which is an indigenous sport of the South-East Asian region. It is a game very similar to volleyball but played with a small rattan ball using the feet. Typically, they are Commonwealth sports with the inclusion of some like Australian Rules football and rugby union.

Mr SINCLAIR—Could you provide us with a list of the games? That would help us.

Mr Jones—Yes.

Mr SINCLAIR—I had an idea too on a visit that I made somewhere in the south, and I had noticed some contact about sporting links, because they were talking about the Arafura Games. I thought they were looking at something quite apart from the Arafura Games, but you say there is no other ongoing sporting link between any of those countries and Australia other than perhaps on an occasional team visit basis.

Mr Jones—That is right, yes. Certainly not in a major event issue. There was a fair bit of activity being generated right throughout the region with exchange programs, consultancies, educational activities and so on, but not in the form of a major event like the Arafura Games.

Mr SINCLAIR—I will move from sport back to another area—the environment. Again, I do not know whether this has already been asked, but obviously one of the big concerns in our region is deforestation and the extent to which there is, particularly by the Malaysians but by others, a tendency to go in and rape and pillage and generally destroy the forest reserves in order to generate profits for a few. Is there any regional move to approach management of forests to look at where we might be able to talk about how you could contain some of those untoward actions of not only Malaysian businessmen but others in the area? I do not know whether anybody can help me on that.

Mr Butterworth—We can follow that through for you. We have not been made aware of any particular forest agenda within ASEAN. Clearly it is an issue in the wider international community.

Mr SINCLAIR—But has Australia tried to say to the Malaysians, 'Hang on there.'

I know they have tried to do it in the Philippines and then, I think, in PNG. I was just curious as to whether there was any move by Australia to try to either help them towards developing their own timber resources or to do something about it. I know internationally there has been some general discussion, but have we done anything?

Mr Butterworth—There are specific bilateral projects focused on the forest issue. The first one listed in attachment B is a forest rehabilitation project in Indonesia, which you will find in the submission on page 15. I can follow through with our forest people whether there have been any other discussions with ASEAN countries on our forest reform process. Our forest people have certainly been engaged in those international forums in explaining Australia's approach to forest management, but it is something that I can follow through for you.

Mr BARRY JONES—This really is analogous to the issue of the environment generally, and that is oceanography. Is oceanography in your bag or not?

Mr Colls—The Bureau of Meteorology is interested in oceanography.

Mr BARRY JONES—It is indirectly, but which department takes the big global view about oceanography? There is the odd ocean on Australia's perimeter.

Mr Colls—It is certainly the responsibility of the department. On at least two scores, the Bureau of Meteorology is involved in scientific endeavour. Of course, our ocean people are obviously interested in this subject.

Mr BARRY JONES—I am glad to hear it. The reason is that there is nothing here about oceanography either, and it seems to me that it is something that we have to have a good deal of interest in. Other than meteorology, what relationship do you have with the ASEAN countries on issues? Some of them are climate related issues and some of them are broader than that.

There is something else that I am interested in your reaction on or whether it is something you canvassed with the ASEAN people. I think I know what the answer is. There is some proposition now for the IOC to be moved from Paris, which is not a great ocean town, to Lisbon, which is the likeliest contender. It is a proposition which is not likely to be greeted in Jakarta with enormous enthusiasm.

There is a counter proposal which you may be aware of. I think this is coming from the Western Australian government. It has been suggested that Perth could be offered—presumably, the Western Australian government would provide the facilities—as a prospective alternative headquarters for the IOC if it moves from Paris, which it is very likely to do. Are you across this issue? If not, why not? To what extent do you talk about oceanographic issues with the ASEAN countries?

Mr Butterworth—I think my colleague from the Bureau of Meteorology might provide the best answer there. They have most of the scientific contact with other countries.

Mr Colls—There is a proposal at the moment—it is in our submission—to set up a South-East Asian centre for atmospheric and marine prediction. That mainly deals with ocean science and the air-sea interaction. That is the area it is looking at. At this stage it is still going through the ASEAN approval process. It would be expected to have that established in 1998.

The Bureau of Meteorology would expect to be involved in exchanging products and expertise because Melbourne is one of the oceanographic centres of the world. We have a strong interest in it working because it will provide us with some extremely useful climate information and extremely useful ocean information, which we can then use in our models.

As to your question about the IOC's possible move to Perth—

Mr BARRY JONES—Or Lisbon.

Mr Colls—I cannot answer that.

Mr BARRY JONES—Will you find out?

Mr Colls—We can find out.

Senator CHILDS—Can I follow up Mr Barry Jones's question. On pages 4 and 5 of your submission you refer to the ASEAN senior officials on environment and the six working parties. I find it difficult to understand, in view of you 'throwing the answer into the air' meteorology, when you have a working group there. On page 5 you say that multilateral issues are discussed at other venues. I am not quite clear where that working group on sea and marine environment fits in when it is specifically mentioned in your submission.

Mr Butterworth—There is some further detail on page 12 of the involvement of our oceans people. Unfortunately, they are not able to be with us today. If you would like some more detail on their involvement, I can follow that up. There are also other areas that touch on oceans—things like the transport of hazardous waste, followed through in the context of the Basel convention.

CHAIR—I will just go back to Mr Jones's question, which you have said you will take on notice. Off the top of my head, I am not sure whether the Department of Defence and the department of science are the lead departments in terms of oceanography.

Mr Butterworth—It is one of those issues where a lot of people have an interest.

Mr SINCLAIR—CSIRO has an interest.

CHAIR—I would have thought Science would have a fairly major involvement, but I would have thought there would have been a lead department.

Mr Butterworth—The CSIRO has a division of oceanography, I understand.

Mr BARRY JONES—But it is not a department; it is a division.

Mr Butterworth—No.

Senator CHILDS—I am not quite clear on the answer that I am getting about senior officials. I assumed that they would be your senior officials that you are referring to as the ASEAN senior officials on environment participating in the six working committees. I am trying to work out where your senior officials are. Are you saying that they are not represented here so they cannot answer?

Mr Butterworth—When putting together a delegation to go to one of these meetings, we would be guided by the issues on the agenda. We would make a judgment about whether we would take someone from the subject matter area if there was a particular focus on that or whether we as a coordinating group within the department would carry a brief on that area to the meeting. We cannot take huge delegations to these things so we form a judgment on the sorts of issues that are around and the stage they are at.

If there were to be a particular focus on the oceans or an oceanography issue of some other nature, we would make a judgment about whether that was something for our oceans people to participate in. For instance, if it were scientific input into research into the atmosphere we would decide whether it was a scientific based discussion or whether it was a policy based discussion and we would form our delegation on that basis.

Senator CHILDS—How much would discussion under the heading ‘marine environment’ get down to fish farming and a whole range of coastal fisheries or waters?

Mr Butterworth—Fisheries are obviously very important matters of concern to all countries. Clearly an important focus of our oceans policy and the oceans policy of many of our neighbours is in and around fishing, either as a focus for an industry assessment or as an important indicator of environmental quality. It may have biodiversity issues associated with it or it may be more of a commercial nature, depending on the issue.

Senator CHILDS—Could you give us some more information about what occurs under seas and marine environment and elaborate on your answer?

Mr Butterworth—Yes, certainly.

Mr SINCLAIR—I am still trying to come to grips with who is doing what in this whole field. You have mentioned a number of the discussions that you have had with various groups. For example, you say on page 8:

The Australian Sports Drug Agency is involved with sporting cooperation with three ASEAN countries but not with ASEAN as a group.

How does this arise? You have mentioned the presentation and the meetings. How do you begin these contacts? Are you the initiators or do they approach us and say that they have a concern in the outcome of the Atlanta Olympics or whatever it might be? How do you initiate in sport, for example, dialogue with countries in ASEAN? Who does it and in what way?

Mr Mendoza—I guess it is a mixed bag. The Indonesian presentation that we were invited to give on doping issues was a regional conference organised by the Jakarta health services. It was a government sponsored forum looking at a range of health issues, including the area of doping in sport.

I think Australia has established a fairly high profile in the area of doping control worldwide and our work with the Chinese was known by the Indonesian group. They had already had some involvement, which I think they initiated with our Australian sports services lab. That is an AGAL business run out of Sydney. So AGAL had already been working with them in establishing a sports drug testing facility in Jakarta and they initiated the contact with us.

In relation to Singapore, we initiated the dialogue there—likewise with Malaysia. We saw the opportunity to meet with various delegates from those countries. By and large, I would have to say that, in the area of doping control in sport, the interests of South-East Asian countries has been fairly minimal to date. I think that is partly a cultural issue but also reflects the point which their elite sport is at. They are not at the point where doping has emerged as an issue.

I think it is fair to say that we have had a fair deal more interaction with northern Asian countries like China, Japan and Korea. It reflects the much greater investment from a government level and also the greater achievement on the world sporting stage, if you like, by those countries' athletes.

Mr SINCLAIR—Do we have many associations through the Commonwealth?

Mr Mendoza—Not to date. Given that the Commonwealth Games were in Kuala Lumpur in 1988, we saw that as an opportunity to work with the Malaysians and provide consulting services to them in the establishment of doping control programs. They did not

see it quite that way. They wanted to basically forge ahead on their own.

Similarly, they have not been working with the Sydney laboratory; they have been working with one of the European based laboratories, notably the Cologne laboratory. So we have not had exactly an open door with Malaysia on this issue. They are the points I would make in regard to South-East Asian countries.

Mr SINCLAIR—The reason I raise it was that on page 5 and 6 you say:

Australia accords a high priority to the growth of environmental, meteorological and sport cooperation in the Asian region generally and with ASEAN countries in particular.

Are we doing enough? Are there other ways by which we could improve those contacts? With regard to doping in sport, it seems to me that we do have a particular capability and it is a particular problem. Enhancement drugs of various characters are now seemingly used far more widely. Right across the spectrum I am really endeavouring to see whether there are things that perhaps we should do and are not doing in order to promote dialogue not in sport alone but right across the field.

CHAIR—As an extension of that can I refer you to page 8 of your submission in which you talk about the generation of \$600 million per year in export income as a result of appropriate marketing strategies. I wonder if you could cover that at the same time and give us an idea as to what the present level of export income is and what percentage, if you are able to do this, of that \$600 million might very well flow into ASEAN countries rather than into Asia generally.

Mr Rowe—As to the last part of your question, I cannot answer that. I do not have the information. I could try to find that out, but I would be doubtful that I could get that information for you.

As to the part of your question before that, I estimate at the present time that it is somewhere around \$200 million. I might add that the latest ABS statistics that we have available for 1993-94 place it somewhere around \$130 to \$160 million. The reason for the difference between those two figures is that the higher figure of \$200 million was gained through a consultancy commissioned by the Asian Export Task Force. Those figures were gained as a result of interviews with a number of businesses and companies which were exporting at the time.

CHAIR—We would like to know what sorts of initiatives are involved in that. If you cannot give it this afternoon, it is probably better to take it on notice and give us a supplementary answer.

Mr Rowe—I can advise that last year Minister Fischer and Minister Smith established a Sport Export Advisory Council. The secretariat for that is provided by

Austrade. That is a council chaired by David Morgan, the Chair of Ford Australia, and has business people, some bureaucrats and some sports people on it. Its task is to advise both ministers on export opportunities.

It is probably best that you seek further information from Austrade directly on the operations of that particular advisory council and where it is up to at the present time. Suffice it to say that I understand it has identified a number of priorities which it is about to enter some additional work on.

CHAIR—I am sorry to interrupt you yet again, but it seems as though it might raise a few questions. If you accept that it is going to increase by over 100 per cent, by 200 per cent, what percentage of that is related directly to the upcoming 2000 Olympic Games, whether it is a one-off or whether it is something that would continue on in terms of export income? You are saying that Austrade is more appropriate to answer that sort of question.

Mr Rowe—On the operations of SEAC, I can leave with the committee, if you haven't already got a copy, a study that was done on expanding Australia's sporting and recreational links which was referred to in the submission. I must admit I thought it was attached to the submission, but it is our fault if it was not.

It was from that consultancy report, which was done by Price Waterhouse Urwick, that the figure was arrived at. It is an estimate based on their consultations with exporters and their estimations of the likely potential for increase. That is why I say it will be very difficult to track that to actual ASEAN countries. If I could—

Mr SINCLAIR—Yes, come back to my question.

Mr Rowe—Yes, I am trying to work my way back through them, and forgive me if I miss some along the way. In relation to the contacts with ASEAN countries and indeed other Asian countries, it is not just drugs and sport related. I might ask my colleague Don Jones, from the Sports Commission, to comment here, because the Australian Sports Commission has developed a number of bilateral arrangements with its counterparts in these countries, and there are some details in one of the attachments—I think, attachment C—to the submission.

Mr Jones—There is an increased recognition from the Australian sports industry in its broadest context that Australia does have expertise to offer for a commercial return in the future. So this area is really a fledgling enterprise in terms of access to South-East Asian countries. But Australia has enormous capability. It is being recognised increasingly as a leader in the field of both high performance sport and participation, certainly in specialty areas like the Sports Drug Agency. So Australia certainly does have the capability.

Mr SINCLAIR—I am not too sure how proactive we are but, if we do have a fairly strong commitment, I would have thought, either in association with DFAT or in some way, you would be trying to look at not just what is now on the agenda—and you are explaining you are doing it in sport—but there are a whole lot of other areas where I would think your particular departmental area has a lot to offer the countries in ASEAN. But how you get it through to them—I understand what you have done, and you have identified a few of those things here. Have you got any program or thoughts about how you might further advance this cooperation with ASEAN in the future?

Mr Jones—We are endeavouring to come up with some market strategies for that purpose. We are to speak with our colleagues in AusAID and Austrade. We have a lot of activity with DFAT and services. Many of our bilateral agreements through funds come through that department, so we are quite active in the field in offering benevolent services through those funds into those developing countries in the sport area.

Mr SINCLAIR—For example, do we offer scholarships in environment, in meteorology or in sport with the Australian Institute of Sport or the Bureau of Meteorology? How many ASEAN scholarships are there a year? Do you have exchange officers from ASEAN countries?

Mr Colls—Yes, we have an exchange program. There is an MOU we have with Indonesia. We do training. I guess that is the main one. We bring their meteorologists down to Melbourne and run them through the training school. We have also been assisting them in setting up their own training programs and providing training material.

Mr SINCLAIR—What about the Institute of Sport? Have we got any—

Mr Jones—One of our problems is that in the criteria used for the official development assistance programs, under which many of the scholarships are registered, sport does not qualify. It does not fulfil the criteria, as environment and others would. So there is an enormous capacity to offer expertise in education and training for a variety of activities associated with the sport development area, but sport does not fulfil the criteria that are used. Therefore, we do not have access—

Mr SINCLAIR—Which criteria, specifically?

Mr Jones—Specifically AusAID.

Mr SINCLAIR—What are AusAID's criteria for scholarship based on? I am trying to tease out what the criteria are that they do not meet.

Mr Jones—It is called the official development assistance.

Mr SINCLAIR—What is the criterion under official development assistance? Is it

academic excellence? What is it?

Mr Jones—I am not sure what the precise criterion is, but we don't fulfil it in terms of what sport represents.

CHAIR—Just leaving the sporting area and just quickly skimming attachment D, it varies a bit between MOUs entered into on a bilateral basis. The emphasis is clearly on bilateral, which you would expect. Some of them are with and between sports commissions. Some of them—for example, Malaysia—are government to government. So it varies a bit.

Mr Jones—Yes, that is right, it does.

CHAIR—I guess some of that answers what Mr Sinclair is getting at in terms of sport, but it does not cover some of the other areas.

Mr Butterworth—Could I just add, in relation to the environment, through APEC and the United Nations, the coordinating body on the seas of East Asia, we share expertise and best practice continually with the countries in the region through the regular meetings of those bodies explaining to other people what we are doing and why we are doing it and offering to develop bilateral arrangements with them on particular issues where we both have something to contribute or gain from those exchanges. I guess it is a feature of our contact with ASEAN that a lot of our more productive connections are done on a bilateral basis or through some of these larger bodies.

Would it help the committee to identify some of those issues we are pursuing through those bodies? Would that be helpful?

Mr SINCLAIR—It would be helpful. We are just trying to assess where we are with the ASEAN group, both individually and collectively. If there are particular industries, I think it would be helpful.

Mr Butterworth—I will certainly do that in relation to the marine area, which I think is a matter of particular interest, and more broadly.

CHAIR—You could take that on notice and that would be very helpful.

Ms Smith—Just in terms of environmental cooperation, we certainly think that Australia does have a lot to offer ASEAN countries and countries in the region generally. Under the ECAP program, we have since 1992 run a series of workshops in different countries in the region, mostly in ASEAN countries—Indonesia in particular, but in Thailand and Vietnam as well—on a range of environmental issues where Australia has something to offer both in terms of technologies and in terms of expertise. They are both capacity building workshops as well as demonstrations of Australian capability. We are

continuing those into the future.

CHAIR—Thank you very much. Unfortunately, we have run out of time. This is, as I have said to a number of groups this morning, a once over lightly. We thank you, firstly, for your submission and, secondly, for taking on notice some of the questions. As a result of that, we are very likely to get you back for further discussions. We are about to move out into the provinces and discuss some of these things with others. We thank you for your evidence.

[2.45 p.m.]

KEARNS, Dr Graham, Assistant Secretary, Regional Engagement Policy and Programs, Department of Defence, Russell Offices, Canberra

MERCHANT, Mr Stephen, Assistant Secretary, Strategic Policy and Planning, Department of Defence, Russell Offices, Canberra

CHAIR—We never want to hurry Defence through but I would like to finish this by 3.20 p.m. if possible. This gives us 35 minutes. Do you want to make a short opening statement?

Mr Merchant—It might be useful if we elaborated on a couple of points in our submission. I will try and keep this short. One of the points that we tried to emphasise was that ASEAN, as an institution, is undergoing a pretty difficult and challenging transition. The extent to which it is going to make that transition—the extent to which it is successful—is going to have a quite significant impact, at least on the way security issues in our region are handled. It is a transition we are not indifferent to.

If we look back on ASEAN and its original strategic role, although it has been very much conscious of the need to style itself as a political and economic cooperation forum and not a forum for security cooperation, it has always had a significant underlying strategic importance. I think its original strategic significance was very much in providing a framework for political dialogue amongst its member countries which allowed them to manage and defuse, if not eliminate, potential differences and disputes between them. As the confidence of those member countries grew in that framework over the 1970s, it really did enable them to focus very much on their internal economic and social development issues, with the quite spectacular results we have seen over the last 10 or 15 years in terms of the economic growth rates in South-East Asia. The net result of this was of course to secure the non-communist administrations in South-East Asia and remove their vulnerability to potential threat from their neighbours in Indochina. The challenges, as we see them, for ASEAN now are very much a product of its own success.

I think there are two interrelated strategies that we see ASEAN undertaking at the moment, in terms of trying to establish its relevance in the 21st century and maintain its influence. The first of those is that it is trying to add very much to its political, economic and strategic weight in the region through expanding its membership, incorporating the countries of Indochina. It has already had Vietnam as a member for the last two years and this year we expect to see Cambodia, Laos, and perhaps Burma as well, added. That is very significant.

It is not that we see ASEAN forming into a bloc that is going to be in opposition to any particular country or any particular group of countries, but there is certainly an effort on the part of the ASEANS to ensure that as a grouping their views and their ability

to control issues in South-East Asia is recognised by others. They cannot be ignored in this process. But of course that expansion comes at a potential price of jeopardising some of the very close cohesion that has characterised ASEAN on major security issues for much of the 1970s and 1980s. Frankly I think it is too early at this stage to predict exactly how all that will play out.

The second strain of ASEAN strategy is to take on a more explicit role in security issues, principally through the formation of the ASEAN Regional Forum, the 21-member association for regional security dialogue, of which, of course, Australia is an important member. The ASEAN Regional Forum has made probably more progress than we would have predicted, say three or four years ago. Certainly the annual meeting of foreign ministers is now well established as a permanent feature in the security architecture of the region. The ASEAN Regional Forum has also made good, albeit reasonably modest, progress to date in progressing a range of practical, confidence building measures: such things as the tabling of annual defence policy statements and encouraging production of Defence white papers as a measure towards transparency.

It is now starting to push up against some more difficult confidence building measures, such as prior notification of exercises, observers at major exercises and maritime security issues. There was a difficult meeting of an intersessional group in Beijing in March this year which failed really to progress that agenda very far—largely, as we see it, due to China's intransigence.

Despite those problems, I think we see good reasons to continue to work actively with ASEAN to push that multilateral agenda. But we do see it very much as a complement and a supplement to, certainly not a replacement for, our bilateral relationships with each of the ASEAN countries, and particularly the original members of ASEAN. We do see those and our older multilateral linkages in the FPDA as really continuing to be the primary focus by which we will progress defence cooperation with ASEAN countries, at least in the immediate through to the medium term.

CHAIR—I am glad you have mentioned ARF and bilateralism, because that was going to be my first question. I suppose it is fair to say that, in fact, the Department of Defence really was a ground-breaking department in the area of official bilateral relationships. Under the previous government, as I recall, that was started with great emphasis on official to official, uniformed and civilian to uniformed and civilian at a lower level than the ministerial. You have covered ARF, you have covered ministerial and you have covered the official levels. Do you feel that that official level—whether it be in terms of defence, civilian or service or uniformed, or a combination of both—is perhaps more important than the others, or are they all of equal importance and interrelated?

Mr Merchant—They certainly interrelate, and I would be the last to suggest that official level is more important than ministerial level. But I think there are a couple of issues meshed in there. I might say, just by way of explanation, my branch is responsible

in defence for the multilateral regional security issues; Dr Kearns's branch handles the bilaterals. So you will get this sort of thinking between us.

CHAIR—Is that post-McIntosh or pre-McIntosh or in between McIntosh? Sorry, I am being cynical.

Mr Merchant—Pre and in between McIntosh at least, I think. So I might address it first in terms of the ARF and perhaps then Graham might pick up on the bilaterals.

In terms of the ARF, I think we do see potential to progress further with defence participation in the ASEAN Regional Forum and its intersessional groupings. I mentioned that the ASEAN Regional Forum is starting to address some more complex and difficult confidence building measures. We have a significant stake in those, as indeed do our allies. We are keen to see more defence practitioners involved in it from around the region.

It is not a problem from our point of view, because I think we work quite closely with our Department of Foreign Affairs and Trade on these types of issues. But that is not always the case with the other members of the ASEAN Regional Forum. We are quite supportive of efforts, as have been taking place this year, such as a meeting of senior defence officials to take place at the same time as the ARF senior officials meeting in Kuala Lumpur this year.

CHAIR—That is within and outside ASEAN, or were you talking about just within ASEAN? I am thinking, for example, of Admiral Barrie's task in the next few months in terms of the PLA and Beijing.

Mr Merchant—One of the great benefits of the ASEAN Regional Forum is, of course, that it is a very inclusive grouping—21 members. That is all the members of ASEAN, plus the prospective members, all its dialogue partners, including Australia, United States, Japan, South Korea, China, Russia. It really does provide a forum to get across a broader range of contacts than has previously been possible on a bilateral basis for us.

Mr SINCLAIR—Let me just follow through first the question of these ARF meetings. Within ARF are you focusing on defence of the members of ASEAN against external aggression? Do you focus on, for example, the implications of China's movements against Vietnam in the Spratlys, or do you perhaps look at the possible results of a conflict between North Korea and South Korea, or do you look at internal strengths of armed capability? What are you looking at?

Mr Merchant—I think within the ASEAN Regional Forum, what we are looking at is really progressing a range of region-wide transparency and confidence building measures. Certainly, the ASEAN Regional Forum sees itself progressing, I think, through

a three-stage process where those transparency and confidence building measures are the first stage, then moving to a second stage of preventive diplomacy, and perhaps a final third stage of conflict resolution. I think we are a long way short of the third stage, and I think that we are even at the very early stages of the second stage.

Within the first stage, there is much more work to be done yet to progress a range of confidence and transparency measures which will have a significant impact on removing the longer term possibilities and potentials for conflict in the Asia-Pacific region. That is why I was keen to emphasise at the start that we very much see the ASEAN Regional Forum as at an early stage of development and as a very useful and potentially valuable complement to bilateral alliances, bilateral relationships and national defence capabilities.

Mr SINCLAIR—I do not disagree with any of that. But obviously one of the perceived problems—and it depends who is perceiving it—is the escalation of military capability within each of the members of the ASEAN group as well as the members of the ASEAN Regional Forum in a wider embrace. Are there discussions about the role and purpose of military acquisition? Is there a discussion about what that is being acquired for? Is there some focus on the nature of the defence task? I know we are helping them prepare white papers, and all this sort of thing, but there is a little bit more to it than that.

Mr Merchant—There is a bit more to it than that, but that is a pretty good sort of first step towards it. That is certainly I think the rationale behind encouraging members of the ARF to publish regularly white papers and, as part of the ARF meetings themselves, table an annual statement of defence policy, which includes some rationale for their military acquisitions.

The ASEAN Regional Forum, given its size and given the sorts of rules of the road that it follows, very much follows the ASEAN style of consensus. Everything is voluntary; nothing is compulsory in this. It is still at a pretty early stage, even in encouraging discussion of that sort of rationale. But if you were to ask me whether it is better to have that than not to have it, I would certainly say—

Mr SINCLAIR—That is not the question. There are a number of major defence implications that it is better to have what there is. But there used to be quite significant dialogue at a uniform level and at a ministerial level between the countries of ASEAN and Australia—and that was really out of the defence cooperation program. Then, of course, we have the five-power defence arrangements, which we have to come to at some stage—and I do not know whether we will have time this afternoon.

But the ASEAN Regional Forum has been given a much greater role really since Foreign Affairs started to take a greater interest in Asia, and particularly in the ASEAN group. I am just not sure at this stage how and to what degree within our defence department you see the ASEAN Regional Forum contributing towards an understanding of

defence capability, defence intention and strategic matters ahead of the dialogue that exists in those other ways.

Mr Merchant—I certainly would not argue that we have much more substantive dialogue on a bilateral basis with the countries of ASEAN than we do through the ASEAN Regional Forum. As I see the utility of the ASEAN Regional Forum, it is taking that dialogue to a wider audience.

Mr SINCLAIR—But, because it is a wider audience, you do not talk about it in the same depth, I guess you are saying.

Mr Merchant—There are more inhibitions, yes.

CHAIR—You use the term ‘transparency’. Not enough people use that term, simply because a lot of people do not understand what it really means. But I think it is fundamental to the whole bilateral and multilateral process. But we are committed in strategic terms to transparency. How committed—and specifically ASEAN and also FPDA, to pick up Ian Sinclair’s point—are the nations to that context of transparency, as a result of your experience in the bilaterals?

Dr Kearns—The answer is a variable one. I think it would be fair to say that the principle of transparency is adhered to in some measure across the range of countries we are looking at in ASEAN. But there is an issue of comfort zones in terms of what degrees of candour countries feel that it is strategically prudent for them to practise at this point, bearing in mind their strategic situations, of course, are rather different from our own. I think it is fair to say, in terms of comfort zones, that ours are rather larger than you will find mostly in the neighbourhood. It is certainly fair to say, in the bilateral relationships—picking up Mr Sinclair’s point earlier that the bilateral dialogue is a much easier dialogue on things like what are our force structure intentions for the next 10 years or more—that that is still the main venue in which you can have the easier dialogue on this sort of matter. But if you compare the 1990s to the 1980s, I think it would be fair to say that there is now more comfort with discussing these things in a multilateral setting than there was in the previous decade. In that gross sense, we see a broad trend.

Senator CHILDS—In Defence’s view, what are the major issues that are likely to be included in an expanded Asian regional forum? Will this include discussion on matters related to a comprehensive security cooperation as proposed by the People’s Republic of China during the third ARF meeting?

Mr Merchant—I think that the agenda for the ASEAN Regional Forum will be to progress what I would refer to as the second stage of confidence building measures in the region. I think that they still revolve around issues such as the prior notification of military exercises, procedures for the invitation of observers from member countries to those exercises, the possibility of some cooperation on maritime security issues, freedom

of navigation, safety of shipping, possibly reciprocal naval ship visits and, as well as that, I think continuing to consolidate some of the earlier achievements in terms of what I have referred to before—the early stages of transparency through annual defence policy statements.

I think the sort of intersessional track will continue down that path and it will be complemented by a number of continuing technical type meetings on search and rescue and disaster relief—and peacekeeping is a possibility: we have had a couple of meetings on peacekeeping already within the ARF and there may well be some further work to be done on that. It is very much continuing that sort of dialogue at the softer end of the security spectrum, if you like, while progressing, as far as we can and as best we can, some of these more substantive confidence building measures. I do not think that any one country will be able to determine the agenda for the ARF, be it China, be it the United States. I think that the agreed agenda and the agreed way forward will revolve around the sets of issues I have outlined.

CHAIR—I should have made this point in opening your segment. This morning we raised the issue and we agreed with DFAT—today is a once over lightly, as I indicated, particularly when it comes to DFAT and Defence—that there may be a need, and I can see more and more a need just listening to you, for a series of closed sessions rather than just these open sessions. DFAT agreed with that. There are a number of things that cannot be talked about in open sessions like this. I assume Defence has no objection to that sort of approach. If we do that, we would want both the civilian and the military element to be involved in the closed session initial hearing in due course. Do you have any basic problem with that?

Mr Merchant—We have no basic problem with that at all. It might even be beneficial to have a joint foreign affairs and Defence hearing, the two departments together, given that we are both pretty closely involved in these issues.

CHAIR—Yes, exactly—it may well be, yes.

Senator CHILDS—You referred to the meeting in China and to Chinese intransigence. Could you explain what you are referring to?

Mr Merchant—To give you an example, one of the issues, as I have mentioned, is discussion of the possibility of prior notification of exercises and invitations to observers. The Chinese position on that, basically, is that the only exercises that would need such notification or such procedures applied to them would be exercises that take place out of a member country's national borders. Of course, that would mean that all US exercises would need to follow those procedures while almost no Chinese exercises would need to follow those sorts of procedures. They stuck pretty rigidly to that position, in spite of a number of countries seeing that as a real stumbling block to any progress on this issue.

CHAIR—Barry?

Mr BARRY JONES—I think my question is more appropriately something which we might deal with in private session.

Mr SINCLAIR—I have got a couple of questions on defence cooperation. I would like some opening comments on each of the subjects, because I know there is a lot to ask about the ASEAN Regional Forum. Defence cooperation has changed its emphasis. The main aim of the forum in the past was to try to encourage the countries of the region to start thinking of defence against an external aggressor rather than an internal aggressor. What progress has there been in defence cooperation generally? You are still providing more training than physical aid. You are obviously providing help against cyclones and natural disasters. What are the programs in the ASEAN countries? Perhaps you could take that on notice and give us what is public knowledge of the general basis of the defence cooperation program in each of the countries of Asia. Could we have a bit of a survey of what we are doing at the moment with that?

Dr Kearns—You certainly can. We do set out quite an amount of detail on that in appendix 7 of the portfolio budget statement. I think it gives you a breakdown by country of the DC programs and all the recipients. In the broad, the main forms of programs would be, as you mentioned, training programs—that is the largest program, particularly in South-East Asia. There are some small projects in South-East Asia. The exercise program is, in the main, not funded by Defence Cooperation, although we provide some small forms of input. Some of the dialogue process more at the policy level is also supported by the Defence Cooperation funds. They are some of the major things that are covered by the programs.

You are right in saying that there has been a considerable evolution in DC. The focus is very much on supporting the conventional defence capabilities which are evolving within the ASEAN countries, and supporting the process of contact between the defence organisations of the countries: not just on the capability agenda, but talking about what is happening in the region to develop information flows and familiarity with the key players. The movement has included a trend towards greater cost sharing by some of the other countries. They are, after all, in the great economic dynamo of the globe, and so their capacity to pay for a lot of the cooperative activities that they do has grown considerably. They are some of the major evolutions that we have seen occurring over the last few years—and they will continue.

Mr SINCLAIR—Presumably if those details are available in the budget papers we could get those anyway.

CHAIR—Perhaps it would be best to wait until after the budget—they might vary a little bit.

Dr Kearns—We are very happy to add to that if you—

Mr SINCLAIR—After the budget is presented we will have a look at them and see what we get from them. I think that is something we might need to pursue further. The other area that I really do want to spend some time on is the five-power defence arrangement. If you like, in the interests of time, we could leave that until we next meet. I really want to go through where we are up to in the FPDA. I think it is a very significant part of our arrangements in this part of the world. Obviously there have been dialogues with people who are not parties as well as with people like Indonesia, for example. I think we need to see we are going to.

There is another field that you have not talked about, as far as I know. We have had observers and participants from Indonesia in a number of exercises in Australia—the Kangaroo exercise, for example. Have we thought of inviting other members of ASEAN to participate in those exercises? What is the state of play on that?

CHAIR—Could we have a couple of minutes on FPDA? Just give us your general reaction and then cover Mr Sinclair's second question.

Dr Kearns—It is a good opportunity to make a couple of comments given that we have just had the ministerial meeting earlier this month. This meeting was a reaffirmation by all the countries that FPDA matters to all of the participants and it really codified and blessed the program of growing the practical defence activities that occur within the FPDA umbrella. FPDA is a reasonably unique thing in the sense that it is a multilateral organisation which has a very substantial program of concrete military activities in the form, particularly, of exercises and planning activities—especially for air defence.

There is a real interest among the members of FPDA to continue to grow the quality of the exercise program in FPDA. You will see in the public statements that were made immediately after that meeting that that has been occurring already and we are keen to see it continue to occur. FPDA continues to account for a very significant part of our exercise effort if you measure it by steaming time or aircraft hours in our total exercise effort in South-East Asia. We are very focused on growing the sophistication of those exercises to get the mutual benefit given that the other players—Singapore and Malaysia—are developing their own conventional defence capabilities as part of their modernisation. The program which was reflected at the ministerial meeting is a good one. It reaffirmed support and had that commitment to the future growth of the activities under FPDA.

In terms of the wider regional perspective on FPDA, I think it sits very comfortably in South-East Asia. Folklore would say that it has not always been as comfortable in terms of perceptions of some others in the area but I do not believe that there is a problem of that nature. It continues to be vigorous in the sense that we do a lot. It is growing and it does not have a cascade of any kinds of other bilateral perception problems that flow out of that.

CHAIR—Mr Sinclair and I heard some direct comment in the last couple of weeks

when we were up in North Asia. I would like to make just one point and that is in relation to the real commitment by the British in relation to that. We have heard a lot of rhetoric. Are you happy at this stage that that rhetoric is going to be replaced by some substance? I am thinking of post 1 July in particular.

Dr Kearns—If you look at the profile of the UK exercise contribution over the last couple of years it has been quite big. It has been larger than it had been in previous years. They certainly made it very clear, as I understand, at the ministerial meeting that that was something that was going to continue. Obviously from our point of view and with our interest in the quality of the exercise program, the complex evolutions are attractive to us. If we have the UK participation with significant force units there that is good for the practical programs of activities under FPDA.

Mr SINCLAIR—Whereabouts are you conducting your on-land exercises? The maritime and air exercises are understandable. I understand that there were up to 12,000 British service personnel engaged in the current program.

Dr Kearns—I am not sure. That land component is not the main component in the five-power participation. I do not have the answer. I will check.

Mr SINCLAIR—I do not know of any. That is why I asked. I know there are naval exercises. I was quite amazed; I saw some figures about 12,000 British service personnel, which is an enormous number to be involved.

CHAIR—Some of this may be appropriate for the closed session.

Mr SINCLAIR—This was all in the paper.

Dr Kearns—Certainly, you are right. Air and naval have been the great focus of FPDA. The future evolutions might involve, as we look to more complex scenarios that we can play, land as well. But that is not where it has been to date.

Mr SINCLAIR—Because it, again, can easily be on the public record, is there any move to expand the membership of the five-power defence arrangement beyond five powers?

Dr Kearns—There is nothing on the table at this stage. It has been around, as you know. It is not something that, to my knowledge, has been discussed recently. I am not expecting it to be discussed in the near future and, beyond that, it is hard to be too prescriptive.

You asked about observers and participants in exercise programs. In the case of Kangaroo 95, Indonesia participated on the ground with an actual field component, so they were involved in the ground exercise. There was a war game command post exercise type

of activity with Singapore and Malaysia. That is something that we have done and it is in our interests to continue that kind of activity.

The other activity I would like to draw your attention to is the Fleet Concentration Period Kakadu, held every two years and again later this year. There was a multinational participation from South-East Asia in the last one and we are planning a larger number of players—more country participants—in this iteration of Kakadu, which is essentially a naval, with some air, exercise. That is something we are very pleased about because the major South-East Asian players will be playing in that exercise.

Mr SINCLAIR—That is a big advance because, for a long while, there was some reluctance to participate.

Dr Kearns—It is a great opportunity because it is a work-up: it goes from simple stuff to complicated stuff so you can integrate other countries' participation in whatever ways people are comfortable with. It has been a great advance.

Mr SINCLAIR—Are the Americans involved?

Dr Kearns—No, they are not involved in Kakadu.

Mr SINCLAIR—I didn't think so.

CHAIR—Unfortunately we have run out of time and we have a lot of questions still to ask. I thank you for coming along and running over some of the major issues, albeit perhaps not in as much depth as we will want in due course. If you would take that one issue up, particularly with DFAT. I think it is appropriate, in due course, that we do have at least a closed session and it would be in everybody's interests if that were done on a joint basis.

Subcommittee adjourned at 3.17 p.m.