



COMMONWEALTH OF AUSTRALIA

JOINT STANDING COMMITTEE

ON

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

Reference: Relations with ASEAN

PERTH

Monday, 15 September 1997

OFFICIAL HANSARD REPORT

CANBERRA

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

Members:

Mr Taylor (Chairman)

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

BEESON, Dr Mark Kingsley, Research Fellow, Asia Research Centre, Murdoch University, South Street, Murdoch, Western Australia 6150 . . .	420
COLLINS, Mr Peter John, Group Manager—Business Development, Clough Engineering Ltd, 251 St George’s Terrace, Perth, Western Australia 6000	396
HACKET, Associate Professor Jeanette Anne, Dean of International Programs, Curtin University of Technology, GPO Box U1987, Perth, Western Australia 6000	396
LONEY, Mr John, Acting Executive Director, Industry Development Division, Department of Commerce and Trade, 170 St Georges Terrace, Perth Western Australia 6000	378
MAY, Mr Philip John, Executive Director, Dome Coffees Australia Pty Ltd, 31 Carrington Street, Nedlands, Western Australia 6009	396
MILLER, Mr Rory David, Managing Director, Stagecraft Pty Ltd, 144 Lake Street, Northbridge, Western Australia 6003	396
MILTON-SMITH, Professor John, Deputy Vice-Chancellor, Curtin University of Technology, GPO Box U1987, Perth, Western Australia 6000	396
NIXON, Mr Philip, Chairman, International Trade Committee, Chamber of Commerce and Industry of Western Australia, 190 Hay Street, Perth, Western Australia 600	396
PRIDMORE, Dr Donald Francis, Managing Director, World Geoscience Corporation, 65 Brockway Avenue, Floreat Park, Western Australia 6014	396
SPENCER, Mrs Bente Francisca, Deputy Director, Asia Research Centre, Murdoch University, South Street, Murdoch, Western Australia 6150 . . .	420
TAN, Dr Eric, Senior Vice-President, The Western Australian Chinese Chamber of Commerce Inc., Level 43, Bankwest Tower, 108 St George’s Terrace, Perth, Western Australia 6000	396
WHITAKER, Mr Ian, Manager, International Trade Centre, Chamber of Commerce and Industry of Western Australia, 190 Hay Street, East Perth, Western Australia 6004	396
WILLIAMS, Mr Richard Scott, Marketing Manager, Oceanfast Marine Pty Ltd, 15 Egmont Road, Henderson, Western Australia 6166	396

YEUNG, Ms Ariel, Chief Executive Officer, The Western Australian Chinese Chamber of Commerce Inc., Level 43, Bankwest Tower, 108 St George's Terrace, Perth, Western Australia 6000 396

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

Relations with ASEAN

PERTH

Monday, 15 September 1997

Present

Mr Taylor (Chairman)

Senator Harradine

Dr Southcott

The subcommittee met at 9.04 a.m.

Mr Taylor took the chair.

LONEY, Mr John, Acting Executive Director, Industry Development Division, Department of Commerce and Trade, 170 St Georges Terrace, Perth Western Australia 6000

CHAIRMAN—I declare open this hearing of the Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade into the development of ASEAN. As we have indicated all around the country, it is appropriate that we should be considering ASEAN in its thirtieth year, particularly with the expansion of the grouping this year—there are still some question marks about Cambodia—and all the dimensions of that relationship between Australia and that grouping.

We have already taken evidence in Canberra, Sydney, Brisbane, Melbourne and Darwin. Today we are taking evidence in Perth from the Western Australian Department of Commerce and Trade, the Asia Research Centre and a range of business and business interest groups.

Welcome, Mr Loney. Do you have an opening statement?

Mr Loney—Yes, I do. Thank you for this opportunity and, if I may say so, welcome, everyone, to Western Australia. We provided our submission some time back. This morning I certainly do not intend to go through it in any detail, but I would like to bring forth a few key points which highlight the fact that Western Australia has a very close relationship with ASEAN. It is a very broadly based relationship, which I think is significant, and a very important one when we are talking about future trade development with that part of the world.

Perhaps I could just put some things in context. We certainly appreciate that we are a state government, and we are not trying to move beyond that realm; clearly, international trade policy issues are something for the Commonwealth government. But I must say in that context that we are very grateful for the opportunity to participate in the NTC, the national trade consultations, formerly known as the NTSCP, the national trade strategy consultative process. There are ministerial meetings and officials meetings, and we are active participants in that process. We believe it is an excellent opportunity to develop a nationwide strategic direction. All states participate, as do a large number of industry associations and unions. We are strongly supportive of the NTC and believe it is a good vehicle for developing national policy.

The first point I would like to make is that the Western Australian-ASEAN relationship stretches across a whole range of issues. It is a very broad based relationship. These days international trade is much more than simply putting something in a container and sending it offshore. It is now a very complex interrelationship of export, import, investment, training, technology transfer, services and management; and, as such, it needs a very firm foundation if trade is to flourish. I believe that we in Western Australia have that close relationship with the ASEAN countries.

I will mention a few examples which are mentioned in the submission. The first is on international students. Some 70 per cent of the overseas student body in Western Australia is from ASEAN; on a national basis that figure is 43 per cent. When we look at our figures, of the overseas students in Western Australia 25 per cent are from Singapore, 21 per cent are from Malaysia and 18 per cent are from Indonesia. We clearly have a long established relationship with those countries, and what is significant is that has been going on for some time, so that people who have been educated here we trust now think positively towards Western Australia.

A lot of those people are now in positions of influence and power. For example, at the moment there is the Thai-Australian Business Council meeting being held here in Perth, and the Thai minister for commerce is here. He studied economics at the University of Western Australia in the 1960s. We believe that sort of thing is much more important than bringing in students simply to fill up the numbers or as a revenue raiser. It is very important in the long term to develop those close links on a personal basis.

The second thing is tourism. After the UK, which we would expect to be the main supplier of international tourists to Western Australia, Singapore is second, Indonesia is third, Malaysia is sixth and Thailand is eighth, so very clearly we have close links with those countries. It is similar with outward tourism. I have not got the figures here, but Western Australians have long been having their holidays in that part of the world. On the east coast people tend to go to the Gold Coast, Fiji or the USA. Here they have been going to Bali and Singapore for a long, long time, but also to Thailand, Malaysia and other countries in that part of the world.

Similarly, on the investment side Singapore is the fourth largest investor in Western Australia in the 1990s—quite significant—and Malaysia the sixth largest. On the health side, Western Australia is a very popular destination for people coming down for major operations. Indonesia is the main country which supplies patients to Western Australia, and last year about 500 people came down for operations.

Finally, in the setting the context of Western Australia, this state provides 25 per cent of the nation's exports as a whole. You have probably heard that figure many times, and if you are here in Western Australia much longer I am sure people will push it down your throat a few more times. For ASEAN that figure is 24 per cent. We supply 24 per cent of the nation's exports to ASEAN.

What is significant perhaps is that this is without the big ticket items of iron ore and LNG, which dominate the trade to Korea and Japan. Admittedly, gold is a large figure. Without gold I do not know where we would be. That supplies about a third of the total exports to ASEAN.

Once you get below that, and below wheat and alumina, which are confidential items, there are a lot of smaller companies in ETMs, in the services sector, in fruit and

vegetables and in live cattle. There are also a lot of training opportunities and project management opportunities which do not always enter the statistics, and as such the ASEAN countries are important to us. They are important for the smaller companies here in Western Australia and the business that they have in ASEAN.

In looking at our specific recommendations, one of the key things is how we develop in ASEAN and with AFTA, specifically. There is a lot of discussion as to whether AFTA is a trading bloc or a preferential bloc or a regional trade grouping. Whichever way it is, I believe that to some extent it is certainly a trading bloc, and the nature of our relationship with AFTA is one of the keys to our broader relationship with ASEAN. As such, we would be very strongly supportive of closer links with AFTA CER which we have mentioned in our submission. I know there is a lot of work going on that, and I confirm that we would be very supportive of that.

Lots of companies here are now having to invest in Malaysia or Indonesia if they wish to develop their markets across ASEAN. Whilst we certainly do not discourage overseas investment, as the world is a global trading market, we would certainly like as much as possible to retain a lot of that work here in Western Australia.

Among the other issues we talked about was the ASEAN Regional Forum. Again, we have developed a close relationship with DFAT in work that we have done together on the Indian Ocean initiatives. Senator Evans, the then Minister for Foreign Affairs, and Premier Richard Court launched the Look West strategy here a few years back, so there certainly is the precedent for the state and the Commonwealth working closely together on initiatives that affect this one state in particular. We have been full partners in a lot of the Indian Ocean rim initiatives, and we would like to think that with the ASEAN Regional Forum there are certain things in the second track that could involve Western Australia more specifically. We have good universities here. We are doing a lot of work on the export of public sector skills and skills in things like disaster relief and search and rescue which we believe could contribute broadly to the ARF.

The final point, as I would like to bring my comments to a close, is that we have tried to develop a relationship with ASEAN across a number of levels. Just to give one example, we have a sister state relationship with East Java in Indonesia. It has been going now for about seven years. What we have tried to do there is to develop specific linkages at department to department level within government, at university to university level and at hospital to hospital level. The Western Australian chapter of the Australian Institute of Management, AIM, has a relationship with a counterpart organisation in East Java, and 'chambers of commerce have sister chambers.

We believe that these broad based linkages are what is required for trade to develop. We are all well aware that when you are developing trade in the Asian countries or the ASEAN countries people talk about it not being simply a question of sending a fax and if the price is right, going for it, as it is in some countries; it is very much a matter of

developing long-term trust and understanding. We believe the best way to do that is by developing these linkages across a whole range of issues. The example I gave you about our relationship with East Java is one that we would like to think could be carried out more broadly. We have put in our submission that maybe one vehicle could possibly be an ASEAN chamber of commerce and industry, if we are looking at doing it on an ASEAN wide basis, although I know that there are obviously lots of bilateral links.

That brings together my opening statement, and I thank you for the opportunity to present it.

CHAIRMAN—Thank you. There is one procedural matter: I forgot to mention to you that we have not asked you to give evidence on oath, but that these are proceedings of the parliament and therefore the evidence is treated accordingly.

Mr Loney—I understand.

CHAIRMAN—On the AFTA CER issue, how do you see that jelling in terms of the APEC relationship? And I have a second question. You talked in the submission quite extensively about non-tariff barriers. Can you give us some examples of the sorts of non-tariff barriers about which you were worried, and the potential proliferation of those barriers?

Mr Loney—Firstly, we would like to see AFTA CER broadened effectively so that there is overall linkage if at all possible, so that there may be some joint setting of tariff reductions, which is what we are all about, to have freer trade. So very broadly, if we can just model it on what is happening in APEC in the broadest possible sense. If we can bring in a grouping of AFTA CER, it would simply operate on a very similar level to APEC. I do not know whether there is any specific agenda running there in that sense. I would just see it running, in a broad sense, similar to the way that we are going with APEC.

CHAIRMAN—Just to interrupt there, the foreign minister has already indicated that the development of that AFTA CER is still in the early stages.

Mr Loney—So I guess the aim is that the broad based consensus of tariff reduction is what we are looking at. There is a whole range of non-tariff barriers. I have not got them at my fingertips. I would be quite pleased to send some more specific examples in, if I may. That is probably the best way around it. A lot of it is to do with distribution mechanisms. They are not formal tariff barriers often, but the distribution mechanisms and the customs harmonisation, and those sorts of things, are where the issues arise and where we have had difficulties in the past. If you are happy, Mr Chairman, I will send in some more specific information.

CHAIRMAN—Sure.

Senator HARRADINE—You mentioned a number of students who came from the area. I understand what you say about the impact of that in other areas and the links and so on. Has that plateaued in the last year or so?

Mr Loney—I do not believe it has.

Senator HARRADINE—The student numbers, I mean.

Mr Loney—Yes. What has happened is that Western Australia was very quick off the mark when the full fee paying overseas students were allowed in 1987, I think it was. We established offices in Hong Kong, KL and Singapore, which were student recruitment offices. So I think Western Australia had a disproportionate share, if you like, of the overseas student market. I think we are losing that share on an Australia wide basis. To some extent, the Western Australian growth numbers has plateaued out a little bit but the growth has been taken up by other states rather than plateauing off at a national level. I have not seen any overall evidence of a plateauing in student numbers.

Senator HARRADINE—And what sort of assistance does the Western Australia government give to attract secondary and tertiary students from the area?

Mr Loney—We do not provide financial assistance of any description. We have the offices that I mentioned, which are recruitment offices. So we work hand in hand with the federal government, IDP and student bodies. Down here, we work closely with several of the student welfare organisations. I would not go so far as to call it a counselling service, but we also have mechanisms, special bodies, set up in each university, coordinated by the state government to some extent to ensure that they are as happy as possible. We do not provide any financial assistance if that was the aim of the question.

Senator HARRADINE—I have a question on a related issue of the sister state, east Java, and the Western Australian education department, or the Western Australian government generally, and its encouragement to learn Javanese or even Bahasa.

Mr Loney—There is a very strong emphasis on learning Bahasa throughout Western Australian institutions. Premier Richard Court announced a policy about two years ago that all students would soon be introduced to a South-East Asian language, and that is under way. Indonesian is the most popular choice of students within that. So there is certainly no direction that Bahasa should be chosen above all others but, as it emerges, that has been the most popular choice.

Dr SOUTHCOTT—What are the most common languages that are being studied by students?

Mr Loney—I think Japanese is but I would not guarantee that. I would have to check on that; I would be more than happy to send that in.

Dr SOUTHCOTT—Certainly. As far as the Chamber of Commerce is concerned, how do you feel Australia's reputation in Asia has been affected over the last year by some perceptions of racial and cultural intolerance within Australia?

Mr Loney—Sure. We are the Department of Commerce and Trade, if I may just correct you. Our view, from talking to many companies exporting there and from people based in that part of the world, is that the effect is not as severe as one would believe from perhaps reading the paper or from other people in the region who, it has been suggested, may be manipulating it for their own internal political purposes. We have been keeping a close watch on the number of visitors coming in and that does not seem to have slowed down.

Senator Harradine asked earlier about students. Whilst the numbers may have been going down slightly, I tend to think that may be the other states doing better. We have talked to many people and there is a broad understanding that the issue you are referring to is not indicative of sentiment across Australia. People tend to use that for whatever purpose they may wish at the time and that is not, in general, as big a problem as we might think it is.

Dr SOUTHCOTT—To what extent are you finding that amongst South-East Asian elites there is a group that did receive their education in Australia?

Mr Loney—To a big extent; I would be very reluctant to put a figure on it. In terms of the elites in business and in government, whenever our minister goes on a trade mission, which he does quite regularly, we make a point of trying to contact people who have been educated here. We find that in business particularly there are a large number of people now in their forties, who came down in the early days under the Colombo Plan or more recently under the full fee paying arrangements. There is quite a degree of them.

In Western Australia we have about 12,000 overseas students at the moment—9,000 of those are at tertiary level. Over a number of years, it does add up to quite a number. Most of those who do come down here are in a position, obviously, where they can afford it. They will quite probably go towards the top in business as they come from a comparatively wealthy background. We are certainly seeing a skewed example with the people who are here. Those who are here do tend to end up towards the top of business or government or academia.

Dr SOUTHCOTT—You mentioned earlier how you have 500 patients coming from Indonesia to Western Australian hospitals. Are there two different groups there? There is one group that might be interesting cases that are unable to get that standard of health care from Indonesia and also perhaps other cases which are more the top end of the market, say, people at high levels of business or government who are coming here for a coronary artery bypass or whatever.

Mr Loney—I think there are those two groups and most of them are at that top end of the market in the second group that you talked about.

Senator HARRADINE—Just following up on sister city relationships: they are very often photo opportunity type things, aren't they?

Mr Loney—I agree entirely.

Senator HARRADINE—But no doubt the Western Australian and East Javanese one is not specifically that. Could you expand on what other substantive programs make this agreement worthwhile both ways?

Mr Loney—Certainly. We have three sister states. We have made a decision not to have any more because, if you are going to get the benefits out of them, you need to work them properly. We have one with Zhejiang Province in China, one with Hyogo Prefecture in Japan and the one with East Java.

The one with East Java is the most recent. It is now seven years old. At the beginning, we clearly defined that we wanted some commercial outcomes and that it was not simply an opportunity for people to travel up there and vice versa. So we put in place at the beginning a commitment that we would each put in a similar sum of money—just under \$100,000, which is quite significant for a provincial government in East Java—whereby we would have an established set of programs which would be signed off at the beginning of each year.

We would have about a dozen exchange programs in the field of agriculture, forestry, fisheries, land management and education whereby we would bring down from there, say, two bureaucrats who would learn about our system. A lot of it does not have a direct commercial outcome but we believe that, as good citizens, we have to do some work. For example, some people from the East Java education department came down and we told them how our school library system is managed. Then they went back and established a similar program in East Java.

Some of them, I would have to say, cannot always have a direct commercial outcome, but more and more we are now saying, 'We will fund it only if you believe you can identify a project, let us say in aquaculture, which has a reasonable chance of establishing some sort of ongoing funding, say from the Asian Development Bank or the World Bank.' That is one of the key criteria when we are determining whether we will fund something.

At the beginning of every year we have a specified set of exchange programs which are signed by both sides. Either the CEO of the department or a deputy minister from East Java will come here and we will agree. So we have a five-year program with a rolling series of exchange programs every year.

CHAIRMAN—With the recent expansion of ASEAN, particularly with the admission of Myanmar—bearing in mind our government’s policy of really not supporting trade, but at the same time not dissuading it—how is the Western Australian government, and Western Australia generally, tiptoeing in terms of those particular requirements?

Mr Loney—We do very little with Myanmar, to be quite truthful. On the occasions where companies have approached us for assistance, we have referred them to the STC in Bangkok which, I believe, has responsibility for Myanmar. We have stepped right back. We regularly check with the desk in Foreign Affairs and Trade to make sure the policy is still current and we do not move outside that.

From time to time, some companies have approached us and wished for more direct support, but we have indicated that we are not prepared to step outside the current rulings. It has not really been a big issue, to be quite truthful.

CHAIRMAN—I think you have said in your submission that in fact Myanmar is economically better placed in many ways than certainly Cambodia and even Vietnam and, most certainly, Laos. That is a difficult one to address, isn’t it?

Mr Loney—It is; that is quite right. The fundamentals within the economy would tend to suggest that it is better placed to be a good trading partner, but I think there are certain things which we also have to take into account.

CHAIRMAN—But until such time as the SLORC becomes more democratic then—

Mr Loney—Essentially, yes—we are not prepared to do anything. With regard to Vietnam, we have stepped back a lot, to be quite truthful. We were promoting it quite a lot a couple of years back, but several Western Australian companies got their fingers burnt with the lack of transparency in processes—

CHAIRMAN—In terms of joint venture arrangements?

Mr Loney—Yes, so we have stepped back. Western Australian companies tend to be quite small—with a few exceptions—and we do not want to be guilty of pushing them into foreign territory that is too difficult, and you need to be in Vietnam for a long term before you can make a profit. We have put Vietnam on our second row of priorities, quite simply.

CHAIRMAN—Let us just quickly go through your recommendations. I think we have covered the AFTA CER. The ARF—the regional forum aegis—again, in general terms I think we have covered it. What about your recommendation that the federal government cooperates with the Western Australia government to host second track ARF activities in WA universities?

Mr Loney—I mentioned that very briefly, admittedly. Again, based on our experience on the Indian Ocean rim initiatives, we believe that we have been considered a partner with the federal government to some extent in that initiative. The Western Australian universities have a long exposure to students from ASEAN. We tend to think that under a range of the ARF activities, principally because of Western Australia's location, there are opportunities for universities and other institutions—the Indian Ocean Centre in Western Australia, the Asia Research Centre—to develop a range of activities along the lines that we talked about very briefly in the broader ARF initiatives.

CHAIRMAN—With regard to the next recommendation—the possibility of the WA government participating in the ARF—how do you see that actually happening? Are you talking about minister to minister prior to the ARF or the government being an actual participant in the ARF?

Mr Loney—More along the lines of an actual participant. Again, it is based on our experience in the Indian Ocean rim initiatives. The first forum—IFIOR—was held in Perth in June 1995. The second track initiatives have been held in New Delhi and in Durban and we have been full participants. Similarly, there have been a range of meetings in Mauritius. We have been a member of the delegation headed by usually an FAS or a deputy secretary from DFAT and we have been considered a full member in those, so we have been involved in all the briefing programs beforehand. We have had the opportunity to develop the policy agenda and to comment on the various issues being discussed, and we believe that we have the opportunity to continue that.

The reason that it is particularly the Indian Ocean is that you may remember that, in the publication *India at the Midnight Hour*, Western Australia was identified as the gateway to that part of the world. That was not our suggestion but we were certainly very happy to pick up on it. We like to think we could perhaps ride in on that and be considered as a full partner.

CHAIRMAN—The next point is on the trade outcomes and objective statements. My recollection is that Minister Fisher's current statement picks that up quite strongly.

Mr Loney—I think it does. What we tried to do there was stress the fact that in the old days you would say that investment followed trade, and I do not think that necessarily is the case anymore.

CHAIRMAN—So the key word there is investment.

Mr Loney—Exactly, the concentration on investment rather than trade.

CHAIRMAN—The Chamber of Commerce and Industry one is straightforward, and I think most people would agree with that. The final one, which is an interesting one, is the Simons report. As you know, the government has not yet reacted formally to that

report. There is an ongoing debate within the coalition parties about that particular recommendation. Would you say a little more about the untying as against the tying and why WA has come down the way it has?

Mr Loney—We believe that untying will not necessarily increase the purity, if you like, of our aid program. I hope that is not a bad choice of word.

Senator HARRADINE—You mean with the focus on poverty—

Mr Loney—I think some of the concerns are that Australia's aid program is used as a business development mechanism as much as a poverty reduction mechanism. By insisting that Australian companies get a share of the business that is seen as a de facto business assistance rather than as an aid mechanism. One of the recommendations was to untie the aid. Our view is that that will not necessarily increase the purity. If we have it correctly focused on ensuring that the host country still has a very strong say in what is happening and what the program is in their country, there is no reason why Australian companies—in our case, Western Australian companies—still cannot deliver those goods. That is what I am getting at.

Our concern is that, if you throw it open to something in Indonesia, companies that may have a long established presence—which may initially have had Japanese aid help them get in there in the first place—are in a position of strength and will be able to capitalise on the opportunity that we as the Australian government would be providing. So we would like to see an element of tied aid still carry on.

CHAIRMAN—I agree with the WA government that it is—although, some of my colleagues would not—

Mr Loney—I agree it is a contentious issue.

CHAIRMAN—Yes, it is.

Mr Loney—It is how you view the overall aid program.

CHAIRMAN—But you have in the submission reinforced the basic premise of ODA and that is poverty alleviation.

Mr Loney—Absolutely. I stress that the initiative for what project gets developed should very much come from the host country, Indonesia or whatever. But there is no reason that Australian companies cannot still be involved in the delivery of that project.

Dr SOUTHCOTT—The Simons report estimated that by having tied aid it added about 15 per cent to the cost of the aid because you do not have a competitive tendering position. The other thing the report said is that with tied aid the aid almost becomes supply driven, that what is actually required in the community is not a factor, it is more

what the host country can provide.

Mr Loney—Indeed. I guess that was why I was trying to stress that the initiative for the project must come from the country that is receiving that aid. That is why the focus should always be on that sense. In terms of the costs, I guess I find it difficult to comment on that. I would like to think that Australian companies were as competitive as anybody but I guess if figures have been done—

Dr SOUTHCOTT—If they are, why do we need tied aid?

Mr Loney—There is still a perception that, sometimes, overseas is better. It is sad, but I think that there is still a reaction that an overseas supplier can sometimes do a better job than an Australian supplier can. Maybe it is a cringe that still exists to some extent. But I guess that in reality there may still be examples where Australian companies are not as competitive across the whole breadth of issues. If that is the case, I tend to think that we can still carry that, to an extent. If 15 per cent is what has been calculated, that is what has been calculated. But I find difficulty in believing that Australian companies are always 15 per cent more expensive. Particularly from long experience in dealing in Indonesia, very close to us, I do not understand that to be so. It may well be the case, say, in west Africa or some other countries; but certainly, with regard to PNG and Indonesia, I would find difficulty in understanding that we were 15 per cent more expensive than a UK, USA, French or German company.

Senator HARRADINE—I would like to go back to the question of NTBs. A number of countries—not only those countries, but many countries in the world—are past masters at NTBs and other non-transparent industry protection methods. Do you see an increase in the range of NTBs within the ASEAN group? I am asking this for a couple of reasons, one of which is the interest of all in reducing barriers of any kind and obtaining a level playing field at some stage. Is there concern? Obviously, I detect from your submission that there is concern within the ASEAN group about NTBs.

Mr Loney—I have not noticed, nor has it been pointed out to me, any increase in NTBs in terms of your original question. Our concern is that, with the commitment to lowering tariffs with the CPT arrangements within AFTA over the next 15 years or so, one option may be to convert the more transparent tariff barriers to the less transparent NTBs. That is why we were raising the matter at this stage. But I have not seen any particular evidence of an increase in those tariffs in recent times.

Senator HARRADINE—I noticed in the report on page 18 that member countries are committed to the reduction of NTBs.

Mr Loney—Indeed.

Senator HARRADINE—One of the reasons I am asking the question is the

statement you make below the graph that AFTA is a provincial trade agreement, in that tariff reductions apply only amongst members. Each member can set its own tariffs vis-à-vis other countries. You say, 'As such, foreign businesses will benefit from having a base within the tariff walls of the ASEAN region.' I think I read somewhere else in your submission that there would be opportunities for Western Australian businesses to do just that.

Mr Loney—Indeed. We are saying there that, as I mentioned earlier, there was concern that AFTA was developing as a block rather than on an open regionalism basis and that, if we were to develop our markets to their full extent within ASEAN, we might have to come to the situation where we have to invest in ASEAN. That was the reason for that earlier emphasis on investment, the concern being that, if the tariffs are only lowered within our AFTA across from one country to another—say, from Malaysia to Indonesia—we would be excluded and would be outside that 'tariff wall', the word we used there. Our recommendation was that, if one tried to get that closer AFTA CER arrangement so that we were not knocked out behind that tariff wall, alternatively we would have to invest within AFTA if we were to be able to develop the full ASEAN market—otherwise, as an Australian supplier, we would be excluded.

Senator HARRADINE—How, in the short term, does that fit within the government's employment policies within Australia and also its desire to see a truly level playing field?

Mr Loney—Within the short term, one of the concerns is that overseas investment may lead to reduced employment within Australia, which is the core of what you are saying. Our view is that we can no longer ignore the fact that we have to trade with the entire world and we would like to be able to retain most manufacturing, most technology, within Australia. It is better to invest in a plant in Malaysia, which supplies ASEAN countries, than to be excluded completely by trying to retain it in Western Australia. Therefore, whilst we acknowledge that that could be seen as taking employment from Australia, our view is that sometimes it is better to have a reduced level of employment than none at all, which can be the case if you try to retain everything here—in our case, in Western Australia.

In the longer term, re your question about the level playing field, we would continue to push and would fully support approaches to develop the famous level playing field, whilst fully acknowledging that lots of countries will not be full players on the level playing field. It is difficult to say what is a government view here or what is my own view, in the sense that I sometimes—

Senator HARRADINE—Provided North Melbourne is not playing.

Mr Loney—Yes, I would rather North Melbourne were not playing; I would rather the Dockers were playing. There is no option other than to proceed with the fact and try to

get the level playing field as level as possible, whilst acknowledging that there are always going to be some bumps around the flanks, perhaps.

Senator HARRADINE—I suppose this is a dorothy dix question. I was going to ask whether you find your government trade offices' intelligence reports to the WA government of use. Could you also advise the committee how they interrelate with Austrade?

Mr Loney—We have quite an extensive network of our own government trading offices within the ASEAN region in Kuala Lumpur, and a smaller one in Singapore and Surabaya. They have always worked very closely with Austrade. In fact, one of the more recent examples is that we have established our own office within Austrade in Bangkok. We have decided it is a little expensive to maintain our own network completely and so we have come to an arrangement with Austrade where we give them a sum of money and they employ someone on our behalf, a Western Australian business development adviser. They are engaged wholly and solely on Western Australian issues but are situated within Austrade.

I tend to think that may be the way of the future more and more, so that the level of cooperation is certainly very high, both with Austrade and with the High Commission or embassy personnel, as the case may be. Whenever we have a trade mission or delegation, they always work hand in hand. I guess the reasons we have our offices is that Western Australian companies tend to be a little smaller than those on the east coast and they may need a little more extensive hand-holding, if you like. The other issue is that Austrade is charging more and more all the time, and a lot of companies find that a bit of an issue. But the main reason is that we want to work very closely with Western Australian companies.

McKinseys did a report a while back on the number of companies that are export capable, and I think they said that across Australia only 10 per cent of companies who can export do in fact export whereas, for Western Australia, they did not put a figure on it but they suggested that it was very much higher, perhaps double.

Senator HARRADINE—Why is that?

Mr Loney—I think it is because we are separated from Sydney—

Senator HARRADINE—You are closer.

Mr Loney—Yes, we are simply closer. It is as simple as that. The other issue is that you can get a week in Singapore for \$700 and you can get the various export assistance measures, et cetera. It costs you more to go to Sydney and, in some ways, dealing with an agent in Sydney or Melbourne is as confusing and complex as dealing with someone in Singapore is. Often Western Australian companies, when they outgrow

their local market, do not tend to think of Sydney or Melbourne as the next logical stage: they look to Singapore, KL or Jakarta. Very many companies here are selling to that part of the world and will not be selling to the east coast of Australia; whereas Sydney has a much larger local market, with Melbourne as the logical progression—and then perhaps they may look at establishing an offshore network. But here people tend to think ‘north’ before they think ‘east’, quite often.

Senator HARRADINE—Is it the view of the Western Australians that Austrade is effective in promoting trade to the region?

Mr Loney—Yes. The fact that we have our offices is in no way an indication that we are not happy with the support from Austrade or from DFAT, who also do a lot of work. It is just that we believe that our companies, because they are smaller and there are a lot of them trying to get overseas, might need some more specialised assistance. To be more realistic, we are also very parochial here, and a Western Australian company likes to think it is dealing with a rep from Western Australia.

Some of our concerns have been that Austrade people are not aware of the industry capability in Western Australia. If they have been based in Sydney, Melbourne or Brisbane, they are simply not aware of what can be done here. That is part of the rationale but only part. The main reason is that Western Australian companies like to think they are dealing with a local person to some extent. We are known as parochial, and I think it is true.

Dr SOUTHCOTT—In terms of person-to-person linkages between Western Australia and ASEAN, do you see that the Western Australian government has any role in promoting those linkages between groups that are outside of government and between professional organisations, the arts community and so on?

Mr Loney—We have adopted a strong facilitating role in that. For example, in the East Java relationship which Senator Harradine asked about a few moments ago, one of the exchange programs that I forgot to mention was in the arts community. We have a long established exchange there. Artists have gone up there and, similarly, others have come down here. That extends to performing artists but also to people in staging, lighting and those sorts of things. We have adopted a strong facilitating role in that.

Again, the aim is that we are the Department of Commerce and Trade, after all, and our ultimate aim is to get business going. The way we are broken up in our department is that we have a series of industry sector teams, and one of the industry sector teams concentrates on cultural industries, for want of a better word, specialising in things like the performing arts and painting. For example, our minister is going to China to celebrate the 10th anniversary of the sister state with China and he is taking up an Aboriginal painting which was selected and developed with our cultural industries team. There is a lot of work in that area. As I say, we are the Department of Commerce and

Trade and so we try ultimately to have some commercial outcomes in it all.

Dr SOUTHCOTT—In the area of services, it has been suggested that Australia has a comparative advantage in the delivery of some services. I note that in areas like tourism and education we certainly do quite a lot. In your opinion, is there the capacity to expand that? For example, recently some Australian law firms were given a licence to practise in China. Are there similar opportunities available for, say, law firms or Australian financial services to operate within ASEAN?

Mr Loney—Yes, indeed. Legal is one of the issues, and we have tended to think that in the services sector opportunities are more prominent in the ASEAN area in things like land use consultancies, agriculture consultancies, valuers and land management. For example, in Vietnam they have no land titling system and so DOLA, our Department of Land Administration, has been working there for about five or six years to develop a land titling system.

Obviously, Vietnam has simply had no concept of private ownership, so they have been working for some considerable time to get that system up and running. It is in areas that immediately spring to mind, such as land valuing, that there are lots of opportunities—and similarly in project management, resort development, marina development and those sorts of things. In Indonesia particularly, we are doing a lot of work in that regard.

Out of interest, with regard to legal, we are taking a smaller team to India to try to develop relationships in the legal area, because you need a common legal basis and India presents itself as an opportunity for that. I know that is outside this inquiry, but that is the sort of thing we are doing.

Senator HARRADINE—Coal to Newcastle and lawyers to India!

Mr Loney—There is lots of work between the two, and it is to develop relationships so that, if there is an Indian company seeking to invest here, for example, a company here will be well placed to take up their contract when they come here, by having developed links with key law firms. A lot of it is not literally going over there and doing work in India. It is developing a relationship with a counterpart in India so that, if a client wants work here, they are well placed here. It is more on a strategic alliance basis rather than literally seeking to go and hang out your shingle in New Delhi.

Dr SOUTHCOTT—With the grouping based around the Indian Ocean—I think it is the ARC—of 18 countries, at their last meeting in Mauritius they indicated that they might wish to adopt the APEC timetable of liberalised trade in developed countries by 2010 and in developing countries by 2020. What is your view? Do you believe that there would be benefits to Western Australia from liberalisation of trade within the Indian Ocean? Secondly, given that there are so few developed countries in that grouping, would

you be waiting until 2020 to see the benefits?

Mr Loney—I think we have taken the view that the benefits are very much long term. There are benefits but, as you accurately say, in the range of countries there the powerhouses are India and South Africa, on the west coast of the Indian Ocean. Other countries that are signatories amongst those 18 are Malaysia, Singapore and Indonesia—with whom we already have good relationships.

In terms of the opportunities, they would come from India itself, some Middle East countries and South Africa. We view that as quite long term, particularly for the other countries, as some of their economies are not in good shape at all: Madagascar, Tanzania or wherever. Yes, there are benefits; but we are not holding our breath that it is going to change the shape of the Western Australian economy in the next five years.

Senator HARRADINE—I was talking before about tariff barriers. Can I come back to that? We are really talking about a range of things, including import licensing, quantity restrictions, technical barriers and so on. Under AFTA, the members have committed themselves to reducing those barriers. From your submission, I could not quite see how the Western Australian government saw this occurring and under what time frame it might be likely to occur. Could you elaborate on that? It seems to me to have been quite an important area.

Mr Loney—It is a key part. I do not know whether we did list it in the submission itself—you are quite correct—in the sense that the straight tariffs were to be reduced by 2003. With a lot of the non-tariff stuff there was a broad agreement that it would be reduced but that to some extent, along the lines of the APEC arrangements, some countries could proceed at their own levels and there was not a binding specification which said, 'These barriers will be reduced by 2008 or 2010.' There was a broad agreement that they would be reduced, with the details to be discussed and confirmed and timetables to be confirmed. I do not know the specific timetables because I do not think they have been finalised.

Senator HARRADINE—Let me say this straight out: I am not critical at all of your submission.

Mr Loney—I was not taking it as that.

Senator HARRADINE—I found it very useful and enlightening. Could I ask a straight question. I do not know when you set it up but some time ago you set up the Locate to Western Australia campaign around South-East Asia for regional headquarters and such like. How successful was that and what were the reasons for its success?

Mr Loney—I would like to say it was our brilliant marketing that was the reason for success.

Senator HARRADINE—Or lower costs—lower real estate costs than Sydney or Melbourne, I suppose.

Mr Loney—That is a factor. There are a couple of reasons. One is that we have not tried to say that it is suitable for everybody. We have not said to any Tom, Dick and Harry, ‘Western Australia is the place for you.’ We have tried to say that in some sectors specifically it is more appropriate. One of those is the oil and gas services sector. Western Australia is now the biggest producer of petroleum products in Australia. People still think of Bass Strait but in fact the momentum has shifted completely to the north west rather than the south east.

In the oil and gas sector, in the last two years, 21 international companies have set up an operation in Western Australia. Some of those have had incentives from us and some have not. As an example there is a French company, Coflexip, which manufactures flexible undersea gas lines for use on the North West Shelf and other areas. They have established a \$55 million facility in Fremantle and they service the entire South-East Asian region out of Perth.

As I said, one of the reasons for the success is the targeting of the campaign. We have not said, ‘Whatever you do, Perth is the place for you,’ because clearly that is not the case. Secondly, we have produced a range of material which shows that Western Australia is a very cheap place to operate, compared both to Singapore, Kuala Lumpur and Jakarta and to Sydney and Melbourne. As you mentioned, there is real estate, but there are also issues like telephone calls.

If you are making a telephone call from Singapore to New York, for example, it is about three times as much as from Australia to New York. A lot of these things are not widely appreciated. Similarly with real estate, in terms of both commercial and residential. If you are relocating from France, as in the case of these people with Coflexip, they can rent a three-bedroom house with views of the ocean for about a quarter of what it costs to rent a sixth-floor apartment in Singapore. So we have prepared packages which simply demonstrate that and have gone out and aggressively marketed it.

CHAIRMAN—The important domestic dimension for Australia is tax reform. How important is that, in the Western Australia government’s view, for restoring some competitiveness to the whole process?

Mr Loney—This is just a response from a mere bureaucrat here—

CHAIRMAN—That is all right; that is what we are after. You do make some mention of it in the submission.

Mr Loney—Indeed—I am just being very careful here, that is all. The reality is that we would support moves towards tax reform. It is important. As I mentioned earlier,

we are a very trade exposed state; as a percentage of our GDP it is very, very high compared to other states. Significantly, with a lot of the stuff that we do export we are price takers not price makers, hence we have little control over the price that we do get and hence the cost of the inputs to those exports is significant. For that reason we would like to see some significant tax reform. The government is working very hard on microeconomic reform in terms of reform of the industrial relations system, efficiency of the ports, et cetera, but that has to go hand-in-hand with broader issues.

CHAIRMAN—What is the record with Fremantle in terms of turnover and throughput?

Mr Loney—Turnover and throughput are increasing very strongly. I have seen some figures—I cannot remember the details and I will have to forward them—which show that in terms of their cost per unit throughput they have come down a lot. They have rationalised a lot. They are among the cheaper ports in Australia—I would not like to say precisely where they stand—but they have a very good record both in terms of the volume of cargo and the per unit cost of that cargo. I would be happy to forward the statistics I have seen, if that was of interest.

CHAIRMAN—Okay. There are about half a dozen things that you have taken on notice, so if you could provide those to us in due course, but sooner rather than later.

Mr Loney—Yes, no problem.

CHAIRMAN—As there are no further questions, thank you very much for your time.

[10.17 a.m.]

COLLINS, Mr Peter John, Group Manager—Business Development, Clough Engineering Ltd, 251 St George's Terrace, Perth, Western Australia 6000

HACKET, Associate Professor Jeanette Anne, Dean of International Programs, Curtin University of Technology, GPO Box U1987, Perth, Western Australia 6000

MAY, Mr Philip John, Executive Director, Dome Coffees Australia Pty Ltd, 31 Carrington Street, Nedlands, Western Australia 6009

MILLER, Mr Rory David, Managing Director, Stagecraft Pty Ltd, 144 Lake Street, Northbridge, Western Australia 6003

MILTON-SMITH, Professor John, Deputy Vice-Chancellor, Curtin University of Technology, GPO Box U1987, Perth, Western Australia 6000

NIXON, Mr Philip, Chairman, International Trade Committee, Chamber of Commerce and Industry of Western Australia, 190 Hay Street, Perth, Western Australia 600

PRIDMORE, Dr Donald Francis, Managing Director, World Geoscience Corporation, 65 Brockway Avenue, Floreat Park, Western Australia 6014

TAN, Dr Eric, Senior Vice-President, The Western Australian Chinese Chamber of Commerce Inc., Level 43, Bankwest Tower, 108 St George's Terrace, Perth, Western Australia 6000

WILLIAMS, Mr Richard Scott, Marketing Manager, Oceanfast Marine Pty Ltd, 15 Egmont Road, Henderson, Western Australia 6166

WHITAKER, Mr Ian, Manager, International Trade Centre, Chamber of Commerce and Industry of Western Australia, 190 Hay Street, East Perth, Western Australia 6004

YEUNG, Ms Ariel, Chief Executive Officer, The Western Australian Chinese Chamber of Commerce Inc., Level 43, Bankwest Tower, 108 St George's Terrace, Perth, Western Australia 6000

CHAIRMAN—Welcome. This particular inquiry is in its latter stages. We have had hearings all around the country and we are in the home straight in terms of preparing a report. What we found in Darwin a few weeks ago was, by having a round table discussion involving people from all walks of life involved in the relationship with ASEAN, that it was very beneficial. This morning it is up to you and up to us to make it

work. The whole idea is to have a dialogue on a wide range of issues involved in that important ASEAN relationship with Australia. The discussion was very successful in Darwin and I am sure that we will find the same here in Perth.

We will not be asking you to give evidence under oath, but if I could just point out to you that any discussions here this morning are the same as parliamentary proceedings and would be treated accordingly. The procedure varies a bit within the parliamentary committees. In fact, this afternoon in the same place I am chairing the treaties committee where we insist on the oath and the affirmation, so it depends on the individual committee.

Just to open the batting, could we have a 60-second statement from each of you, or maybe one from each group, on the importance of this relationship as you perceive it.

Mr Williams—We are in the shipbuilding industry. Obviously there is an enormous market to our north. That market has been successfully conquered in the ferry business by several companies but the ferry market is a very low margin, very basic product. Our company also builds a luxury product. There are emerging luxury consumers in the north and it is in our interest to sell those consumers our product rather than have them go to Europe.

Mr Miller—We at Stagecraft produce a range of theatrical machinery and equipment which is used in most sporting complexes, theatres, theme parks, et cetera through the South-East Asian area. We are fairly unique because there are only two or three companies in Australia doing it, and we have the geographical upper hand. Most equipment is generally sourced out of the UK or the States. We are in very close proximity and a huge market is developing rapidly.

CHAIRMAN—What about universities?

Mr Miller—I think it is well-known now that Australian universities have established a very, very strong relationship with the countries of ASEAN over the last decade—often called the export of education, though I think that is unwise and probably a misnomer. Certainly, it is a multi-billion dollar industry created within 10 years. What flows from that—and I am not talking about money; I am talking about the connections, the links, the networks and the flow-on activities—is incalculable benefit and should be built on.

Just a final point: I think that ASEAN is probably not going to be a really significant trade block in any sense. I am not confident about AFTA being of great significance. If you exclude Singapore, the countries of ASEAN do less than five or six per cent of their trade with each other. But I think symbolically and from the defence point of view, it is of critical importance.

Mr Collins—Clough has been overseas now for nigh on 25 years. We employ in the order of 4,000 people through Asia. We have pretty much worked in most countries of Asia. We currently have major operations in Indonesia and Thailand. We see the whole Asian area as a great opportunity for us as part of our growth into the world market. So we see today's discussions as quite important.

Dr Tan—The members of the Western Australian Chinese Chamber of Commerce have mostly come from ASEAN countries; many were born there and still have businesses there. They have a perspective about the relationship, which is based on very strong experience and strong confidence, that this relationship will grow in spite of whatever hiccup there may be and that it is one that should be handled very well in the interests of Australia. We believe that ASEAN is an area representing 300 million people and is still growing and will grow faster than any other region.

Mr May—Dome Coffees Australia are in the business of selling franchises into the region. We are a cafe operation and we sell lifestyle cafes from Perth. My partner and myself originated the business here. From 1992 to now we have got some 16 outlets in Singapore and Malaysia and are moving to other parts of South-East Asia, talking with people in Indonesia and Thailand and also in the Philippines. In fact, we will have a cafe opened in the Philippines on 23 November this year.

It is very important for us, coming from a small population base here in Perth, to work very strongly with our associates in South-East Asia. We see that there is an enormous rise in lifestyle expectation and brand recognition in the region. It is a very important part of retailing. It is a very important part of what we sell.

From being a coffee company originally, we now actually sell lifestyle cafes. We have been successful in the face of increasingly strong competition from other parts of the world, I might add. South-East Asia—Singapore, Malaysia and these places—have been recognised now as a target market for many companies of our type from other parts of the world. So far, so good; we are holding our own.

Mr Nixon—At the Chamber of Commerce and Industry of Western Australia, we represent the interests of many of our members who are very actively involved in the Asian region. The two-way business that exists between our members and that region and, more importantly, the balance of relations with those trading in the area are extremely important.

As I mentioned, it is two-way trade between many of the countries into Australia. The chamber enjoys close relations with all the chambers of commerce throughout the Asian region. It is something that we have aggressively pursued for a long time and we are pleased with what has been achieved. It is extremely important to all our membership to have the right balance and the right policies in place.

CHAIRMAN—Dr Pridmore, could you give us 50 seconds on the ASEAN dimension as you perceive it?

Dr Pridmore—Our business provides airborne geoscience services for the mineral, oil and environmental industries. We do approximately 30 per cent of our work in the ASEAN region of the world. We do about 20 per cent of our work in Australia. So the ASEAN part of the globe is very important in our business. We see it as an area of very significant expansion. We often sit in Perth and complain about what the Australian government does for companies such as ourselves. We were the Australian exporter of the year in the services section in 1993. We wanted the opportunity to put our point of view to the committee.

CHAIRMAN—Good. Let us start off then with the old boy concept—sorry, I did not want to be sexist; the old person is correct, I suppose. In terms of business at the micro and macro level, education, et cetera, what is happening? How important is that dimension to the relationship with the countries of ASEAN? We could just have a few minutes talking about that. Would anyone on the educational side like to make some comments? I am talking about the old boy basis of a follow-up to campus involvement and all that.

Prof. Milton-Smith—As I said earlier, it is absolutely critical. More and more, international trade and business will be based on networks, rather than formal treaty related activity. Having said that, education has done a great deal to change the image of Australia in many parts of Asia.

Historically, I do not think we have been seen as a particularly sophisticated or advanced country in many parts of the world. We are struggling with this problem in India at the moment. India does not see Australia as the logical place to get an education.

I think the fact that people in South-East Asia have come to choose Australian universities and schools over those in the UK and in the United States is very significant indeed. They have done it after a comparison, after a lot of reflection. Many of the people who study overseas make huge lifetime investments, so that has a flow-on effect.

The networks that flow from the fact that people undertake an Australian degree and go back home can be of great importance in terms of Australia's future trade and security links. But we do not capitalise on those very well. I would have said that one of the things that Australian governments need to do is think about the infrastructure that goes not so much with industry policy as such, but with facilitating networks, trade centres, exhibition centres, conference centres, the things that make Australia a hub and a focal point for certain types of activities.

CHAIRMAN—Both onshore and offshore?

Prof. Milton-Smith—Both onshore and offshore. We have suffered a great deal, for example, because we do not have the equivalent of the British Council. Australian universities have nevertheless survived that deficiency, but the British Council is a very important front for British culture and export of education.

CHAIRMAN—Who else may like to make comment about networks? What about the Chamber of Commerce and Industry?

Mr Nixon—I agree. I think it is extremely important to have that, and I agree that it has been under-utilised over the years. Lots of other countries practise this deliberate seeding or silent ambassador type approach, and it serves many countries' interests very well into the future. It is something that we really need to get a bit smarter at in any initiative that is going to contribute here.

CHAIRMAN—We just took evidence from the WA government and there was some talk about evidence in terms of people now in their 40s who have been to school or university here; but that is now in an era of increasing competition. Is Australia competing well in terms of maintaining that, or are we not?

Dr Tan—I agree with everything that Professor John Milton-Smith said, but I would like to add one point. The reason why it all comes is through education. At one time in Brunei I think 70 per cent or 80 per cent of the ministers or heads of department were Australian educated. The reason why people sent kids to Australia for education was the environment, and in the past I was myself one of these people. The environment was good, the people were very friendly and there was a lot of back-up support. I remember one Mrs Hodgkinson, who used to go around and play a mother hen's role to all the overseas students.

But as we become much more competitive in the various educational institutions, it becomes more a business. There is nothing wrong with that, but we then have a tendency to fall short on what I call pastoral care of the students here. Students are exposed to drugs, violence, discrimination and even some schools going bankrupt. These things are very damaging to our reputation as a safe environment to which to send what is essentially the most precious commodity a family can have, their kid, when the future of the kid depends on it.

I would like to see out of this some sort of discussion about how we best look after the students—and they now number tens of thousands here—not just for short-term gain but also for long-term relationship building; because if they have a bad experience then they can easily be an enemy across the table in 10 to 20 years time.

CHAIRMAN—I think perhaps Dr Mahathir is a good example of that.

Dr Tan—We in the chamber have tried to institute a mentorship scheme, and there

are other things that can be done, but it does need government support. Also, some sort of a safety net is essential for these students when they really run into serious problems.

Senator HARRADINE—What sort of government support?

Dr Tan—I think the government should look at this group of people as special clients of this country, in that they are not just buying a service. They actually should be treated almost like guests of this country and be given opportunities to expose themselves to the whole cultural spectrum of Australia. For example, I know of many students who have never been to an Australian home in the three years they have been here. They have never been to a footy match, and if they do go they get abused. These are regrettable things that can easily be addressed. There are organisations around that can pick this up, but they do need some support.

CHAIRMAN—I do not want to be too personal in terms of your circumstances, but let me go back. Are you an MD or an academic? What is your background?

Dr Tan—I am a surgeon.

CHAIRMAN—When did you come through university?

Dr Tan—1961.

CHAIRMAN—Did you go to university here or in the eastern states?

Dr Tan—Here at UWA.

CHAIRMAN—I guess at that stage that was under the Colombo Plan. A lot of what was going on then was under the Colombo Plan. How was the attitude then to people like yourself, and in particular, how has this so-called Hanson phenomenon affected it? I agree with you, I think it all starts at the education level. What are the vibes at the moment in terms of that so-called phenomenon?

Dr Tan—This time around we are doing better than we did in Western Australia about eight years ago when we had the Australian Nationalist Movement. They had posters up on lampposts and so on with 'Asians out' and all that. Nothing much was done about it for nearly four years. As we sat around tables and sent trade missions to Asia and invited people to come and invest here, it all rang very hollow indeed, because when they did come to visit they saw on every lamppost the posters saying 'Asians out'.

This time around, I am pleased to say that more business people and more politicians are standing up and saying, 'Hey, we're not like that—certainly not all of us.' It is encouraging from that point of view, and this time around there is much less overt harassment of students. Last time students were spat on and pushed around but this time,

certainly in WA, there is no evidence of that.

I think there has been a quantum leap in the way we handle these things, and I am personally very pleased about that. You can argue on the fringes about whether people should react quickly or not, but it should remind us that these things will happen again and again and again, and we ought to think of strategies to prevent them and to handle them.

Dr SOUTHCOTT—I have a question for Dr Tan and also the assistant vice chancellor. If you look at the best students within ASEAN countries in areas like government and law and commerce, say, is Australia attracting a reasonable proportion of those students? Do we need to look at something like a Colombo Plan or a scholarship system for the very best students? I do take the point that these person to person linkages are very important, and obviously it will be very important for Australia in 10 or 20 years to have a situation where most of the elites in ASEAN have had a favourable experience with Australia, perhaps in their education within Australia. What are your thoughts on that in terms of whether we are attracting the people who are likely to be the future elites in industry, government and politics?

Prof. Milton-Smith—We do need to have more scholarships, but we need more than scholarships. We also need to be able to present the option of world's best education. Singapore, for example—you have probably already discussed this—has made a strategic decision to become a global city and to see human resource development as its core competency. They will be setting up very vigorously in competition with us soon. They are planning to double their number of domestically educated graduates in three years, which is an enormous expansion, so I do think scholarships are needed. The universities themselves are moving this way, both for local and for overseas students.

The other point I would like to make is that as I move around Asia I think there is good news and bad news associated with the Hanson phenomenon. The first point is that I think racism has been vaguely factored in already. I do not think it will have a disastrous or long-term effect so long as it is firmly dealt with by Australian leaders and Australian leaders leave no question in the minds of people in Asia where the government stands. That is very important in Asia.

The other point is that because there has always been the sneaking suspicion amongst many people in Asia that the white Australia policy is still alive and well at a certain level, this is just confirming their fears or suspicions. There has been an effect but I do not think it will be long term or disastrous so long as we can reassure the people of Asia that Australia has truly become a multiracial society and that we are serious about engaging with Asia.

CHAIRMAN—Statistically, has it had a negative impact on campus?

Prof. Milton-Smith—It is too early to say, but there has been some effect. The forward visa applications indicate a dip in a number of countries, especially in Malaysia. Western Australia has been relatively unscathed perhaps because of proximity and because of networks and word of mouth, which is very important in decisions that families make about overseas education.

Dr Tan—The most important thing about Australian education in the future is to maintain academic leadership. We are not into the bulk business; we are into the quality business. If you have good quality universities, they will keep coming. There are emerging countries like Vietnam, the Philippines, India and Indonesia where they will need an increased number of scholarships. The problem with that is that our AusAID program is operated sometimes almost independent of every other consideration, and this is an ideological argument that is best conducted by Senator Harradine.

There is a capacity for us to do something but it is, as usual, a matter of coordination. The Colombo Plan served an enormously useful purpose. There are some countries which will benefit by way of some sort of Colombo Plan but certainly I would not give too many scholarships to Singaporeans, for example, who are trying to be a rival in the provision of educational services. I do know that because of our immigration restriction, many Chinese students are now going to Singapore for education.

CHAIRMAN—From Hong Kong?

Dr Tan—From Malaysia.

CHAIRMAN—You have seen the overseas dimension of the problem too and you would have had some difficulties, without being too specific on the record, in terms of Malaysia.

Dr Tan—The people to people relationship between Australia and Malaysia is excellent. I like to encourage that and I have brought with me a paper by Rafidah Aziz who came here and talked about the problems recently.

CHAIRMAN—Would you like to table those?

Dr Tan—Yes. She is now the honorary adviser to the WA Chinese Chamber of Commerce.

CHAIRMAN—Is she an Australian graduate?

Dr Tan—No, she was not. George Yeo, a cabinet minister from Singapore, also gave a fairly important paper on the relationship. Both these papers are worth going through to extract some of the useful contents from them. They are two fairly important indicators of the direction of the relationship.

CHAIRMAN—Do you want to formally table those now? Would you read into the *Hansard* record what they are and they will be accepted as exhibits.

Dr Tan—I have a copy of the speech by Brigadier General George Yeo delivered in Perth on 27 August with regard to the Australia-Singapore Hyper-Link and a tape recording of a speech by Minister Rafidah Aziz from Malaysia about the aspects of Malaysia-Australia trade links.

CHAIRMAN—Just those two?

Dr Tan—Yes.

CHAIRMAN—Is there anything more on the networking? Any other comments?

Dr SOUTHCOTT—Can I ask another question on a different area? One of the features of trade within east Asia has been the linkages at small and medium enterprise levels between the overseas Chinese. In Australia with a higher percentage now of Australians who were born in Asia, especially from ASEAN countries, are we witnessing this sort of linkage between the overseas Asian communities as a factor in trade between Australia and ASEAN?

Dr Tan—I think the trade situation certainly with Japan is very stable, except I believe that Japan will have to reorganise its economy and try to get rid of some of its industry. It is already doing that. You see evidence of that in Vietnam with relocation of Japanese industry there. In relation to China, there is some move towards that but, again, China is undergoing reorganisation of the way it is going to conduct business in the world. I think you will see evidence of that coming in the next few months.

But business is conducted by people. Relationships, such as family relationships, that go back a long time will help but relationships per se is not enough. There is the point, as our good friend over there keeps reminding us, that there must be some basically good reason to conduct business. Because Australia is only one of several western countries operating in the region, if we are smart and use these relationships it will help us to open doors and help us to get things done more quickly than otherwise. Asia is a very strange region for Europeans, although they are coming in a very heavy way. For example, in Vietnam in November all the French-speaking countries are coming to Vietnam to try and keep open the door. Whilst we are working away at these things we should not forget that we are only one of several competitors for favours in the region.

I believe that, if we organise ourselves well, with things like the chamber of commerce having good working relationships, we can maintain that competitive edge and I think that is very important.

CHAIRMAN—Is there general agreement then that we do need to have a

scholarship approach, but that that scholarship should be targeted to the most disadvantaged? Would that be a general summation?

Prof. Milton-Smith—That would be my view. I think that quality is the critical thing if we are to get the top students and the high flyers who were referred to earlier. I think there is a place for scholarships but I think at the end of the day the best students will tend to make their judgments on the reputation and the perceived added value that the degree will give them later in life. They see it as a life investment. I just want to make a quick point on networking before you drop it. I think the really critical issue for us is to educate young Australians to understand the importance of networking and the skills that go with it. Dr Kemp has talked about, in recent times, the problems of literacy. I think there is profound illiteracy in Australia about how to do business internationally and the importance of networking is perhaps the number one competency in doing business in Asia.

We teach conflict resolution. We teach negotiation. We teach communication. We teach all sorts of things in schools and universities, but we take networking for granted. I think it is a big weakness and I think it needs to be recognised and addressed.

CHAIRMAN—In terms of any sort of scholarship, would you see it based on the old Colombo Plan principles? Are they still sound or is it something that needs to be developed?

Prof. Milton-Smith—I think it worked very well at that time. I think the good thing about the Colombo Plan system is that it involved sponsors. My father sponsored many students who came to Australia under that scheme and gave the students pastoral care. They were really extended members of our family, and that was the ingredient I think Dr Tan was talking about which is missing now.

CHAIRMAN—Just before we move on, I was in Seoul the weekend before last, chairing a meeting with Nakasone and a number of others from the Asia-Pacific region. The interesting thing at a breakfast I hosted on the Monday morning was that the discussion around the table, of very senior people, was about the Hanson phenomenon. But I agree with Dr Tan: we have to address the problem here and get people very heavily involved, and maybe then the media will concentrate on the positives rather than the negatives. Do you generally agree with that?

Dr Tan—Yes. At one stage we earmarked something like \$10 million to try and change community attitudes. My suggestion was that we could save the \$10 million, have all the political leaders join hands and march down a street in Canberra and say, 'We, all the parties in parliament, and the independents, stand together on this.' We should have this type of image on CNN and things like that. That would do wonders for Australia's reputation overseas.

Prof. Milton-Smith—People do look to the leaders for authoritative statements and I think the problem in this case is not that we have got the odd racist. That marvellous speech that George Yeo gave, and which Dr Tan referred to, is light-years ahead of any political speech I have heard in Australia on the same issue. He said that the only surprising thing about the Hanson phenomenon was that it had not happened earlier and that this was an issue which all governments had to address and to regard as a continuing first priority challenge—in other words the management of harmony and civilised behaviour in multiracial societies.

CHAIRMAN—Sure.

Dr Pridmore—I would like to make one more point about the scholarship scheme, which we definitely support. I point out that that is an important opportunity in itself for business linkages. Our business has supported scholarship schemes on a much smaller scale than the Colombo Plan and has had very good results when those graduates have gone back into their communities in Asia. I would urge the committee's recommendation to embrace the concept of scholarship schemes, but with industry support. I think that is very important, rather than just being from a family to an academic institution.

CHAIRMAN—Yes. I think it is certainly a dimension of our overseas development assistance—pre-ADA programs—and of course it gets into all the sorts of areas that the Simons review very recently explored. The government has not yet formed a public view on some of those issues, but we will take that on board. What about the effectiveness or otherwise of some of our agencies in ASEAN, in particular Austrade and AusAID?

Mr May—I would like to make some comments about Austrade. Our company has had a strong association with Austrade for a number of years now. At one stage we were Western Australia's new export of the year and we figured prominently in the finals nationally; I think we came third. Last week I needed some information about the Middle East, so I rang the relevant office in Dubai and I got the information back within 24 hours. I just spoke to somebody at the other end of the phone.

I have developed a tremendous relationship with all of the Austrade people at different times. I think that it seems a shame that we are now downgrading and pulling back from utilising that resource, because those people who are working in Austrade are generally people who have had hands-on experience at a business level and they have some nous. I was in Hong Kong last year and I found that the Austrade people there have their feet on the ground. They are going out knocking on doors and trying to create business. They have a lot of networking contacts that we are able to use and they are generally the first people I call when I go somewhere.

We have had great results with Austrade in Singapore. A number of local people there have been really wonderful with us. In Malaysia, of course, we have some

tremendous contacts also through the local department of trade and commerce here. Austrade performs an extremely valuable function and can provide a better function, given the right sort of support and direction. I think that is the key.

All of our business, by the way, is being driven by networking, using people such as Austrade and other business connections that we make, rather than going and standing in trade fairs handing out leaflets. It really has never been an option for us to stand behind a desk for three or four days saying, 'Please buy my products, sir.'

We have always worked in other directions and generally found that it has worked very well. People have come to us. We have actually used Austrade's resources at different times—and paid for them, I might add—to conduct due diligence on various people that approach us and look for franchises internationally. It has been a very strong and positive process for us.

CHAIRMAN—What has been your experience with Asian crafts and clubs? It would be fair to say that the evidence that we have taken is a mixed reaction to Australia.

Mr Collins—I would agree with a lot of that. I suppose the size of the organisation that we are now puts a different sort of emphasis on Austrade for us. In a lot of cases we are already there. We are probably the only Australian company in the place. Austrade coming along and then telling the rest of Australia is a negative. Before we could have it all boxed up to ourselves. But that is taking a very selfish attitude. Overall we do use Austrade. I think they have a role, but where we are so well established in a lot of countries now, we do not really utilise their services that much.

CHAIRMAN—You have a quantum leap with your technology, haven't you?

Mr Williams—I would agree that Austrade is a fabulous resource for us to have. It is a very unfiltered sort of service. We are well-known to them and so we receive a lot of inquiries coming back to us in a very unfiltered manner. But it is a matter of better have them than not. It is good to know that there are people out there all around the world who know about you, who are dropping your name when it is appropriate and you are receiving the inquiry to follow up. It is a very much hit and miss thing, but it is better to have the inquiries rolling along constantly. You never know if one of them will come up every now and then.

CHAIRMAN—So it is an effective organisation, but like anything else, we can do better. Is that what you are saying?

Mr Williams—Yes.

Mr May—Absolutely. I also look at the people who are working on the ground in the various parts of the world. Their constant cry is, 'We could do a lot more if we were

given a few more resources.' I do not necessarily mean the resource to throw trade party junkets and that sort of stuff, but just that when I come to town they can line up some very important appointments for me and save me a couple of days. And they do it.

Senator HARRADINE—And what about the Western Australian government trade officers?

Mr May—Tremendous. I have had a great relationship with Hendy Cowan. Hendy works very hard in Malaysia and I know him very well. I have been involved in Western Australian week in Kuala Lumpur in Malaysia at different times with a number of other small business people in this town. We have had some strong results.

We have a wonderful relationship with our master franchisee in Malaysia—a company called Melium. They are growing at a very strong rate and we are very close to them—so much so, their principal has now taken the master franchise for Philippines. It has all been a networking process; it has been very strong.

Mr Whitaker—I am very pleased that Phil has an excellent relationship with Austrade. I am certainly aware many other companies do have and have had over the years. They do tend to be the larger companies rather than the small ones. Judging from many of the comments and the feedback that I receive from our members—we represent small and large businesses—there is still a problem in terms of access to Austrade services, particularly from the smaller and newer or would-be or first time exporters.

I think the gateway into Austrade has been very much curtailed at the domestic level. It has always been Austrade's policy to encourage first time clients to access Austrade's services through a domestic gateway before they go straight to the Dubai or KL post. That is difficult. Most people in Perth do not like ringing a hot line, especially when they find out that the person they are talking to is in Melbourne. It is a rather mechanical and impersonal way of getting through into the Austrade service, particularly for exporters from the more remote states.

It was good to see that the federal government did not cut back the resources of the overseas posts because exporters, certainly experienced exporters, regard the Austrade overseas posts around the world as the crown jewels of the Austrade organisation or the trade commissioner service. But the problem with the severe cutbacks on the domestic front has really made the gateway for newer exporters into the Austrade service arena very narrow and difficult indeed.

The Austrade office here in Perth has effectively got three or four people in it now. They used to have more like 20 or 30, going back to 10 years ago—and I am not counting the EMDG staff, who are a discrete unit. Those staff who are there to assist exporters or, more importantly, would-be or potential exporters into exports are very, very thin on the ground indeed. So, more and more, you see the smaller companies turning to other

agencies. I have lost count of the number of times small companies have said to me that they get far greater help out of the WA government state offices overseas, in Mumbai or Shanghai or Kuala Lumpur, than they could ever possibly hope to get out of Austrade. So there are some things that the government really needs to ask themselves about Austrade and about how they might better make the Austrade services available, particularly to the smaller companies and the potential exporters.

CHAIRMAN—You are reflecting the mixed reaction that I referred to that is not only coming to this committee but also in general briefings to the joint committee in Canberra. On that matter, is the fee for service not an inhibitor?

Mr Whitaker—That certainly has caused problems over the past few years. I do not think it is so much that there has been a fee for service policy; it has been more a problem of how the Austrade staff handle that policy. Austrade staff have not been well known for diplomatically dealing with that with the client. It has tended to be a habit for them to hit the client over the head with the charge, to say, ‘Yes, we will help you, but it is going to cost you X dollars.’ That has tended to create some negative feelings at the very outset with Austrade’s clients. But I do not think that is the problem. It is more just access to Austrade services.

When you consider that the WA state government offices are delivering those very highly praised services generally with one A-based officer and one or maybe two locally engaged assistants, then, dollar for dollar, it seems to me that the WA state government offices are far more cost-effective than the Austrade offices. They do not seem to be hidebound with the same bureaucracy.

CHAIRMAN—The Queensland government and the Territory government, as you know, have similar arrangements, although the latest Queensland one in Indonesia actually picked up or is part of the DFAT organisation.

Dr SOUTHCOTT—I want to ask the small to medium enterprises around the table how they are finding the developing of person-to-person linkages in ASEAN countries. Are we developing those linkages? Are you doing it by yourselves or with the assistance of the trade offices or Austrade?

Mr May—We are doing it by ourselves. There are simply not the resources there for Austrade to help us in any great degree. In the past it has happened; when we were new chums in the region we did have assistance to a degree from the department. But, essentially, the business that we have done has been developed through our own efforts. It is that simple. We have been very fortunate to have been there now since 1992. It is a long hard process because, firstly, you have to understand the region and the people and they have to understand you. There has to be that relationship building and it just takes time to do business.

It is sometimes funny when you see new Aussies come into the region: they are going to be out of here in 10 minutes and they are going to fix it all up! It does not work that way. It is really a process of cementing and building relationships, and of growing new ones too. For me it has been a wonderful experience. I have had a great time in the past five to six years working in that fashion, but it is something that everyone has to be mindful of when they go in there. As a small business person, I think there is nothing that beats going and doing it yourself and not relying too much on other people. But if the help is there, take it and use it, by all means.

CHAIRMAN—Perhaps we can move on in a moment to AusAID and in particular the tying or untying of aid, which has been raised in the Simons report. Before we do that can I ask for a reaction about the impact of the DIFF decision and about EMDG and the development of EMDG? Does anybody want to comment on the DIFF decision? Was that a bad move, a good move, an indifferent move?

Mr May—A mixed move?

CHAIRMAN—Or a mixed move?

Mr May—I think some of those decisions are pretty hard to cop when they happen. You think, ‘What have they done now? Why are they doing this to us?’ From my experience, there has got to be perhaps more filtering of the people who are going to be successful. It is very difficult to defend funding coming into your business. It is not easy to refuse it. But at some stage there has to be a process where you have to stand on your own two feet and do your own thing. It is nice to have somebody there to help. So I have mixed feelings about that whole process.

CHAIRMAN—What about EMDG?

Mr Nixon—The EMDG seems to go through an evolutionary process, which is an essential thing, so it needs to have checks and balances in it. This latest round of changes seems to have been greeted reasonably well by business generally. However, just in the last couple of weeks we have had a number of issues raised with the chamber and various industry bodies about an anomaly which has crept in. That is that with the use of overseas marketing agents and resources where there is a limit there is a discrimination that has crept in, as part of the changes, which actually discourages the use of long-term relationships with overseas marketing agents in other markets. But it does not apply to Austrade. The fees that Austrade levels are seen to be putting at odds the private sector that are providers of that type of service into those markets as well, so there is an anomaly that has developed there.

Quite a bit of work is being done by various industry bodies to challenge that issue and to see if there is a ruling on it. There is not much credence given to the merits of long-term relationships when, as we all seem to be saying here today, at the end of the

day business is only done between people and the relationships that follow from that. Where people have been providing market research or market development services and so forth and then have to stop that and change to another entity after six months, which seems to be the magical figure which is being applied, the continuity which goes with developing markets is not going to be there. Whether that has been a deliberate exercise to favour the support of Austrade services overseas or not is too early to call, but it is an issue. That seems to be the only issue which has come out of the recent round of changes.

Senator HARRADINE—Before we get off that linkage, could I ask how important are the sister state relationships that have been established between Western Australia and other places, for example, East Java? They are more than political photo opportunities, aren't they?

Mr Whitaker—Perhaps I can comment briefly and then Eric might like to comment specifically. Western Australia currently has three sister state relationships: Hyogo, East Java and Zheijang. I think they have been rather mixed. I think the East Java relationship has been very productive in terms of flow-on commercial benefits. It is fair to say that Western Australia has a very strong bilateral relationship with East Java. With Hyogo, it has been rather less successful, I think, in terms of flow-on commercial benefits. The WA-Zheijang relationship is somewhere in between those two. Eric might like to comment more specifically on that one in particular.

Dr Tan—I think basically what you said is right. The WA-Zheijang relationship will soon be celebrating its 10th anniversary and it has taken about eight years to start to have an economic return on that relationship. There has, of course, been a lot of cultural and educational links as a result of that. I think that when both sides go into that sort of relationship, with the expectation that it is going to result in an economic boom, invariably they will be disappointed because you have to look at the intangible benefits that come from that.

I think these relationships are very useful for people to develop skills in dealing with different commercial cultures and for awareness raising in respective communities. The economic opportunities will come from there. We have about half-a-dozen good joint ventures with the Zheijang relationship now and the number is growing fast. I think that in another five years what looked to be a very shaky beginning will become quite a fruitful exercise.

Senator HARRADINE—On Friday night in Sydney I heard Les Collings say that there is an increasing interest in the ASEAN countries in Australian art, and obviously there is an interest vice versa. Is that confirmed?

Dr Tan—That is certainly so in Singapore because Singapore is trying to make life a bit more colourful!

CHAIRMAN—That was very tactful.

Dr Tan—Renaissance is the word they use. They are very keen but I am not so sure that they want to import a lot of our Western culture which is, in some ways, linked to decadence and other aspects. Cultural contamination is one of those things that they drag up from time to time. I think the management system of cultural heritage will be of immense interest because they are now beginning to appreciate conservation heritage, the running of museums, the taking care of precious objects of art and things like that. I think there is great potential for Australia in that area.

CHAIRMAN—Moving on to links with, and effectiveness of, AusAID and the tying or untying of aid, would somebody like to make some comments about that?

Dr Tan—I would like to make one short point about Austrade tending to be located within embassy compounds. In some jurisdictions in Vietnam, and other places, to go into a foreign embassy compound is a distinct deterrent because you do not know what security cameras are around. That makes business contacts and first approaches a little inhibiting. Perhaps Austrade could consider having some sort of a shopfront.

CHAIRMAN—Outside the embassy precincts?

Dr Tan—Yes.

CHAIRMAN—Would anyone like to make a comment on AusAID and tying and untying aid?

Dr Pridmore—I would say initially that our background was an \$18 million DIFF project to find ground water in the state of Orissa in India. The experiences we have had there have been shared by a number of recipients of AusAID grants and projects. The essential problem is that the success of the project is measured by what you might call the uptake of the technology in the recipient country or some other measure of the effectiveness. In our case, the measure of the effectiveness was the amount of ground water we found. The structure of our project, and I say again that this is not uncommon, was such that its success was measured by the uptake of the technology by the Indians and the success of the project in terms of drilling water.

In our project both those things were structured to be effectively done by the Indians. The Indians had to say, 'Yes, we want to be trained. We want to come to Australia and receive training.' The Indians were responsible for drilling the holes to locate the ground water. It has proved to be very difficult for us to run across all the internal agendas of the state of Orissa. For example, are the right people coming to Australia for training in terms of the ground water drilling program, and do the Indians themselves have the infrastructure to drill sufficient holes? In this particular case the answer was no. As a result, our own company, at its own cost, drilled these water holes.

We need to go right back to the fundamentals of what we want 'aid money' to achieve, what is really the best way of achieving it, and how we measure success in a framework where the recipient nation, for whatever reason, may not be able to take on board what the aid project is designed to deliver. We have no solutions to this dilemma, but we do know it is very common amongst the companies that get these aid projects.

CHAIRMAN—All of those issues are explored in the Simons review. The Western Australian government this morning was very supportive of the bottom line, which is poverty alleviation. Also, there is a big question about whether aid should be tied or untied. It gets down, I guess, to the exact point you are making: should part of that aid package be a prerequisite for Australian industry involvement or should it be left open and the Indians, in this case, take it on the ground?

Dr Pridmore—I might take a little more of your time and comment on this tied versus untied aid matter. I mentioned earlier that we do about 20 per cent of our business in Australia. We operate in 20 to 25 countries every 12-month period. Our company was awarded aid projects from the United States of America after being in business in that country for one year, whereas we had been in business in Australia for some 15-odd years before we were awarded a similar aid project.

In the international marketplace, the global village, it is very difficult to think in terms of what is an Australian company. For instance, if we are going to have tied aid, how do you define an Australian company? By most measures, we would be an Australian company. We are listed on the Australian exchange and most of the shareholders are Australian and yet we can go overseas and buy the appropriate corporate structure and mimic, for instance, an American company as, indeed, an American company can mimic an Australian company in terms of qualifying for Australian aid projects.

CHAIRMAN—Does the chamber have a view on tying or untying?

Mr Nixon—Yes. Membership generally has got quite mixed views about this, but I think the one that seems to come through most is that it is all very well having the rather ideological view that, once a problem has been identified, an aid program, irrespective of where its funding is going to come from, will satisfy that problem. Not a lot of examples out there in the international marketplace practise the untied aid successfully.

Provided the science of actually getting the issues right that Don is talking about there, about identifying the real need and trying to make sure that the local authorities in the country are the recipients of this and are all on the same wavelength as to what is going to be achieved, irrespective of whether water is or is not found—and I understand on that point that if water is not found the project is deemed potentially to be unsuccessful—it makes a lot more sense, I think, from a mercenary or from an Australian business point of view to have the tied aid program.

I know that flies in the face of lots of ideological views around the world, but lots of other countries aggressively practise tied aid, and they get due kudos for the whole exercise. We have a limited aid program and a limited aid budget to spend, and I think we should be trying to attract as much benefit in as sensible and proper terms as possible for Australian business and commerce.

CHAIRMAN—Yes. The official line is that they would not like to see the aid untied—and it is my personal view too, but I am only one member of the committee. I think Andrew has a slightly different view.

Mr Whitaker—I think that would be the general view of our membership as well.

Dr Tan—I am building a hospital in Hanoi, so I come across many of the medical problems. I operate the interface. I think, when we talk about tied aid and untied aid, the first thing we must make clear is the difference between business arising from aid programs and the giving of aid in various forms.

Let me explain. Getting contracts under an aid program is a business that must be judged on a business basis but, when we give aid, we can give aid not just in money but also in kind. We can do a lot of poverty alleviation by sending an Australian company to go and teach farmers how to farm land or put down wells, so it does not always have to be in cash. So that will solve this ideological problem about whether it is in cash and therefore not tied or tied.

I believe that the money needs to be spent better. At the moment the decision making seems to be centred around the requirements and the priority setting process of the recipient countries. In the case of Vietnam, the Vietnamese MPI say, 'We want this, we want that.' When Australian companies in Vietnam get confronted with requests—as we do—to provide training in medical laboratory management, for example, we go to AusAID and say, 'This is an appropriate place for Australia to divert some aid,' but they say, 'We have got no money; we have given all the money away and this is not something that is part of priority.'

To be able to read the laboratory result in a hospital to say you have or you have not got that disease is very important, but the credibility or integrity of a medical science system or the technology system in the hospital is very poor, and we are now having to try and do something about that. It would be great if industry, companies like us who know what is needed, can make an approach to AusAID and say, 'Please help them in this area because we think this is critical—critical for Vietnamese medicine, but also useful for us because we do not end up having to do tests for lots of other hospitals.'

So I would like to see the question of tying and untying separated from business through aid, and I would like to see companies operating on the ground having some sort of input into the program. That does not necessarily mean that we want the business, but it

means that it will save us having to fork out all this money.

Prof. Hacket—I wonder if I could make a comment about AusAID.

CHAIRMAN—Sure.

Prof. Hacket—Not particularly in relation to the tied and untied, but about the intersection with the university provision of education. There is a certain ground swell of dissatisfaction with the administration of AusAID over the last year. There has been a change in how scholarships are allocated, and the result of that, I think, will be that you will find quite a number of Australian universities may well drop out of providing scholarships for AusAID students because the administrative process has become so difficult. I think it would be unfortunate for Australia if that were the case. So, firstly, as to the administrative devolution of scholarships, there are some difficulties there. The other thing which I think is of concern—

CHAIRMAN—Sorry to interrupt you, but could we have a little more on the infrastructure?

Prof. Hacket—What has happened is that it has moved on to a more commercial manner of delivery and, in particular, AusAID required each Australian university to tender competitively to obtain students. It came down to dollar-to-dollar tendering, so the university that put in the cheapest quote theoretically would win the students. And that, of course, is not necessarily satisfactory because what we do want to do is ensure that students go to the universities that have the best quality program for their particular academic and human resource development needs.

CHAIRMAN—Could you give us a little note on that?

Prof. Hacket—Certainly.

CHAIRMAN—I think we would be interested to have that.

Prof. Hacket—So that is the first issue. And perhaps, as part of that change, one of the changes now has been that governments who are putting forward students for AusAID scholarships no longer come through a central AusAID office in the states, but a student would nominate a university directly. There is a potential difficulty there, again because of a mismatch between perceived quality institutions—at least the perceptions of the students—and institutions that might in fact be well qualified to provide the appropriate training or education for that student. So certainly I can give you some more notes.

The other issue is the effectiveness of the investment and the extent to which AusAID has put in place some systematic long-term study of what value returns to the

country. I think we are seeing some evidence of change. For instance, we are moving away potentially from PhDs for AusAID scholars to perhaps more short course, in-country delivery, which is probably seen to give better value, both for the Australian investment and also for the foreign government.

But, in respect of courses which are delivered in country, and also where students come to Australia, there is some concern about whether or not we are getting good value, or whether the foreign government is getting good value out of the investment in their education. Our follow-up studies do not appear to be comparable with some of the follow-up studies which are being done by other providers of aid for education. So I think we would like to see more evidence of longitudinal studies in that regard.

CHAIRMAN—Brian, have you got anything on that?

Senator HARRADINE—I am trying to look at the overall effect of trade from Western Australia. The big items, of course, in exports are minerals, petroleum and the like—even your organisation—so I guess it is largely in the resources area. What are the major opportunities available to industry in Western Australia, apart from those industries that I have just mentioned? Where are the growth areas?

Dr Tan—I think, if I may start there, there will be substantial growth in the food industry. I think Australia is seen to be a clean environment to get food and vegetables and grain. I think, with the growing population in Asia, that the food industry must be ranked as one of the most prospective industries for us.

There are areas where there are not the most high tech but efficient medium technology products—they do not have to be the most high tech products—where they can learn from that technology and modify it. There is a whole range of software. I could even include the fast ferries, although they probably say they are the most high tech things. Those sorts of things are useful for the everyday lives of people.

The third area is construction: infrastructural work, design and construction. China has earmarked \$70 billion of construction. Vietnam has got earmarked some phenomenal numbers. With that must come management. They need three million managers in Asia between now and the year 2010, according to an article in the *Far Eastern Economic Review*.

There are a lot of skill based and brain power things that we can exploit as a result of development in the region. There is a shortage of skills everywhere which we can provide either through the education system or in companies. I think environment solutions are another area that could do very well.

Mr Williams—We have an excellent reputation in Australia as providers of skills, services, engineering and raw materials. Australia has done very well with the export of

fast ferries. They are a commodity, a base product item, a carrier of people and are bought on a very competitive basis.

If you look at the market we are in with luxury yachts, which are a consumer item for a wealthy elite, we are trying to link the name Oceanfast as an exclusive title. The wealthy elite in Asia are discerning buyers, consumers of the top brand items. The challenge for us now is to say to those consumers, 'We are competitive with anyone else in the world. We are the Cartier of boats.' That is an area where we fall behind because we are perceived as very much a builder and provider of services country. Attracting the ultimate symbol of quality to our products is the next step, because we have done that successfully in Europe and the United States.

Mr Whitaker—That has manifested in the fact that, if you asked an Asian or a European to name one major Australian brand name, they probably could not name one. We are not an exporter of brand name products. I think it is starting to develop but—

Mr Williams—Then that money goes to Europe or America looking for the BMW. We do have products in Australia that are world best quality, but the consumer in the ASEAN market is not switched on to us as an alternative.

Mr Whitaker—To go back to Senator Harradine's question, in Western Australia most of the export opportunities—as Dr Tan said—really are a flow-on effect from the fact that we are basically a mining and farming resource based economy. Most of the newer exporters in Western Australia are exporting good equipment or services or skills or technology that have been developed and perfected to often world best or leading edge technology on the basis of the Western Australian mining or agricultural experience.

We have many companies like Clough—perhaps I should not name names—who are now exporting those technologies, those skills, those equipments to Asia and around the world as providers of leading edge, world best technology. Our strength is minerals and agricultural resources and everything that goes with them.

Prof. Milton-Smith—I think we could add to that that there are opportunities, certainly for Perth, and also for some of the tourism destinations beyond, to become a particular kind of hub within that larger region. It has already almost happened by default without anyone here conceptualising it that way. Look at the possibilities associated with, say, travel with a purpose. We should establish Perth as a major international conference centre, and connect that with the need for higher education and technical skills in ASEAN. I think there is a huge potential for that because many people in the ASEAN region like to come to Perth for recreation purposes. Most of them complain that there is not enough for them to do when they get here. Again, I think that is because we tend to have a producer perspective rather than a marketing perspective.

I completely agree with the point about brands. In my international marketing

courses overseas, one of the icebreakers is to get a small group to list 100 brands in about 10 minutes, and they all can, but they never mention an Australian brand. I think once or twice Qantas has popped out because an expat Australian has been in Singapore or Jakarta. I think the ability to connect recreation, tourism, conferences and education is with us right now but, again, we do not have that wider perception.

One of the more sophisticated local politicians recently said that we have a problem in Perth: we have four universities and we have one too many. In Boston they have 42 colleges and universities and, increasingly, Boston is conceptualising itself as the Athens not just of North America but of the world. I think we could be the Boston of Asia or certainly of South-East Asia if we saw our potential to do that as a country which spans eastern and western cultures and which is proximate to a number of these countries. We are closer to Jakarta and Singapore, I guess, than we are to the eastern cities.

CHAIRMAN—In terms of the expansion of ASEAN to include Laos and Myanmar, or Burma, whatever you want to call it, is there potential, in terms of Laos, for Western Australia specifically?

Mr May—I think there is always potential because we are so close to the jolly place. I take the view that Singapore is closer than Sydney because we are in the same time zone. The flights go up there in the morning, and I can be there by two o'clock in the afternoon doing business. We have been in the region for five years and that is our backyard. We are selling a brand name and we have sold a brand name. We are very well recognised in Singapore and in Perth. That is where we have been strong and we will continue to grow in that area.

CHAIRMAN—On the other side, what about the political negative of Myanmar?

Mr May—There is a political negative everywhere, is there not? I guess you have to evaluate whether that political negative is insurmountable and whether it is a lineball decision where you walk away and leave it for a time. We take the view that we work strongly in Singapore and Malaysia. We are looking at the Philippines, and Thailand is a bit iffy, in some respects. I guess it is very hard to make a decision about whether you will go to the region until such time as you network, and find the right partners to be in business with you as a master franchisee, for example. Until you examine the circumstances, it is very difficult to do that.

I think one of the flexibilities that small business has is that it is able to make those decisions, and make a move and do it. Conversely, it is very difficult for us to go to the other side of the world—to the USA, for example. I was over there earlier in the year but, while it is a very strong sophisticated market, from our perspective we are a long way from the US so why bother? Why not stay in our backyard?

CHAIRMAN—What you are saying is that so far as your organisation is

concerned, it is not destroying your commercial ambition if you do not have a coffee shop for the SLORC or something like that. Is that what you are saying? You move slowly.

Mr May—Yes, you move slowly with haste. We now have 16 outlets in the region, and we will grow to 25, I think, in the next two years in the region. But it is an expectation of lifestyle and a recognition of brand name that continues to make us grow.

Dr Tan—I was going to suggest that the negative political perception is a western phenomenon. Obviously, the Asian countries—

CHAIRMAN—That is in relation to Myanmar and Cambodia?

Dr Tan—Yes. They do not have any negative perception of the merger; otherwise they would not have gone ahead. In studying and analysing the situation, one has to take that into consideration because what we see, or what we see through western eyes, is not necessarily the prevailing situation.

There are many imperatives why Myanmar should join ASEAN. Certainly, the ASEAN leaders are aware of these imperatives, not the least being the very strong links between Myanmar and China which, because of the cross-border trade, for political and security reasons, they want better to have in the fold. For that reason I think ASEAN leaders feel that in trying to stabilise a corner of this region they have been clobbered, and clobbered in an unfair way. Some have even suggested that the raid on the currencies was almost like a token punishment.

So the perception in the region, and perception from the West, of the political and economic situation can be very different. It behoves Australian decision makers to try and dig deeper. That is where Australia should develop some sort of a think tank situation—to be not just confined to a small group of old campaigners, but also to listen to fresh views, and especially to listen to people from the region about what is really happening, because we run the risk of being too set in our ways and too narrow in our vision.

CHAIRMAN—At the Asia-Pacific executive meeting that I went to in Seoul the weekend before last, there was a strong push for some discussion in January, at the next plenary of this particular group, of Myanmar, even though there are certain sensitivities and some opposition even within ASEAN. I agree with you that they have made that decision and we have got to accommodate it, but at the same time we have a policy in terms of Myanmar and it is just a question of sitting on the barbed wire fence until such time as things develop. That is basically what you are saying.

Thank you very much indeed. I hope you found it productive—we certainly have—and we thank you for that. It has worked out much the same as what happened with us in Darwin. It is much better that we have this two-way dialogue, rather unstructured in many ways. Thank you very much.

[11.50 a.m.]

BEESON, Dr Mark Kingsley, Research Fellow, Asia Research Centre, Murdoch University, South Street, Murdoch, Western Australia 6150

SPENCER, Mrs Bente Francisca, Deputy Director, Asia Research Centre, Murdoch University, South Street, Murdoch, Western Australia 6150

CHAIRMAN—Welcome. We have received your publication list from the centre with a series of articles and issues. Mrs Spencer, I understand that besides being deputy director you are largely in charge of the commercial research of the centre. Did you want to make a short opening statement?

Mrs Spencer—Yes, I will. We were set up in 1990 as a special research centre by the Australian Research Council, and we are the only special research centre that is at all focused on Asia. In fact, we are the only non-scientific and technical one. The centre was awarded to Murdoch University because there was a concentration of Asian expertise, understandably, but also because our proposed research focus was contemporary South-East Asia and what that means for Australia, particularly looking at the middle classes, and the impact of their industrialisation on Australia. We moved away from traditional Asian studies: languages, literature, social issues and history and so on. It was the relevance to Australia that was the particular focus that we had, and have kept.

CHAIRMAN—Your funding is provided by the ARC, by the university and by outside income. Is that right?

Mrs Spencer—Yes.

CHAIRMAN—In general terms, have you got some views about ASEAN membership, about the expanding membership, about question marks over Cambodia, and about what pressures those developments are generating within ASEAN and perhaps in relation to the bilateral with Australia?

Mrs Spencer—On the question of expansion of ASEAN, I think we can see that ASEAN is going to be less cohesive as a result of the increased size, as we have seen also with the European Union, but it is also going to increase in clout. The fact that Cambodia did not join was a surprise, but Myanmar is not a surprise. The western view that the human rights situation would make it difficult for the other ASEAN governments to accept Myanmar is, I think, utterly outweighed by the strategic consideration.

President Suharto told our director recently at an Australia-Indonesia Institute board meeting that you cannot let China take over Burma, and that this was really the overriding reason. That is understandable. I think Dr Tan referred earlier to the fact that the human rights issue is a problem for them, but it is not such a big problem that it outweighs that strategic consideration.

CHAIRMAN—So despite what they say publicly, the expansion is all about containment of the PRC?

Mrs Spencer—I would not really call efforts at containment by a mouse of an elephant ‘containment’, but I think it is finding some safety in numbers, yes.

Senator HARRADINE—How does your institute differ from other research institutes with a similar focus?

Dr Beeson—One of the strengths of the Asia Research Centre is that it is interested in the political economy of the region. By implication, that is an attempt to link both the politics and the economics of the region. Perhaps I can illustrate some of my particular research interests by picking up on some of the points that were made by one of the speakers in the earlier session. I have done some work on the fast ferry industry in the region, which is one of the major potential exporters from Western Australia—

Senator HARRADINE—And elsewhere.

Dr Beeson—And elsewhere, obviously. Yes, quite so: Tasmania. One of the interesting things that a political economy focus gives is that it enables you to understand the complex dynamics that are facing potential exporters. As has been pointed out, even though this industry is very efficient by world standards it faces a whole range of invisible barriers and difficulties in exporting into the region which are not apparent from a purely economic analysis.

Senator HARRADINE—Like NTBs, for example.

Dr Beeson—Yes.

Senator HARRADINE—Could I just follow this up? There has been an understanding between AFTA members that there would be attempts to reduce their non-tariff barriers. How do you see that? Is it progressing, or—

Dr Beeson—There may be some progress on it, but I think the key thing to realise about the AFTA set-up is that it advantages those countries that are actually part of it and inside it. One way that expansion might occur in the fast ferry industry, for example, might be that it could be easier for the manufacturers to set up inside the AFTA region than it would be to export from outside, because they would then have a clear competitive advantage in doing so. That is one of those sorts of problems.

The other aspect that is worth thinking about in the context of South-East Asia is the impact of domestic industry policies on the region. It is a debate that is obviously becoming more important in the Australian context, but unless we recognise the significance and impact of industry policies that are being undertaken by other countries in

the region, and take account of them, it will be quite difficult to design appropriate policies in Australia.

Mrs Spencer—I would like to add a comment on the NTBs. I think the expansion of ASEAN is going to make the rules of consensus harder to maintain than they have been hitherto, and I think there are going to be a number of cosy deals and little sweetheart arrangements when it comes to the development of AFTA which are going to affect NTBs. You have already seen it with agricultural products as far as Indonesia and the Philippines are concerned. They have navigated their way around the 2003 deadline. I think we are going to find that on NTBs, which are a much more serious barrier to trade and investment than the actual tariffs, they will be doing sweetheart deals among themselves which will allow them to reduce NTBs in a formal sense but which are going to have, at least short-term, some quite seriously damaging effects on us as external traders and investors.

One of the speakers in the previous session mentioned Australian management and engineering expertise. One of the NTBs that we face is the problem of licensing and having to have an Indonesian partner and all that. If we look at the sweetheart deals that are going to be coming in as a result of these deals, it is going to be easier for a Malaysian lawyer or engineer or environmental consultant to work in Indonesia, say, and harder for us to do it short-term, until maybe WTO becomes a bit stronger than it is. So I do feel that in terms of economic potential for Australian business AFTA, at least short-term, is actually going to be quite problematic unless we are inside—not as a member, but as an investor.

CHAIRMAN—But what about the CER AFTA relationship?

Mrs Spencer—It is very limited at the moment. It is looking at things like customs standardisation and rules for customs. It is not, at this stage at least, looking at a sufficiently close relationship for us to have the same access as members of ASEAN. I know there has been some talk of it, and the Thais and others have been keen on it, but it has not happened yet and it is a long way from happening.

Senator HARRADINE—In the white paper there seems to be only one paragraph on AFTA CER. What is your perception of the priority given by the Department of Foreign Affairs and Trade to this development?

Dr Beeson—Because a lot of it hinges on fairly technical issues, it might be hard to lay down a definitive blueprint for how it might occur. One of the interesting things about it is that it may be worth pursuing despite the technical difficulties, because obviously one of the perceptions of Australia in the region is that it is less than committed to some of the political aspects of engagement. This could be one way, perhaps, of showing a degree of enthusiasm despite some possible technical limitations to the process.

I think anything that Australia can do to show enthusiasm about joining those kind of agreements is worthwhile in itself.

Dr SOUTHCOTT—Do you think AFTA has the potential to undermine liberalisation in APEC and multilateral liberalisation efforts within the World Trade Organisations?

Mrs Spencer—Short term, possibly, yes; but long term, they are committed to be GATT consistent. Even though intra-ASEAN trade has increased quite a lot recently, from a fairly low base, their major markets are still elsewhere—in Japan and the United States—and therefore they cannot afford to become GATT inconsistent. But short term, as they settle in and as they try and accommodate the new members and the lagging of, say, the Indonesians or the Cambodians or whatever, I think it will be problematic.

Dr SOUTHCOTT—How much trade diversion is there going to be because of AFTA? Rather than creating new trade, how much of it is going to be trade diversion?

Dr Beeson—It is quite a problem really because one of the things important to recognise is the way that production is organised across the region. It does not just happen within one country. Major investors like the Japanese transnationals, for example, invest across a whole series of countries. Part of the strategy of having an AFTA grouping is to take advantage of that transnational logic.

If you can persuade a major investor like Toyota to set up a series of plants across the AFTA grouping, that captures that investment and effectively excludes other countries like Australia, who will be seen as being fairly peripheral and fairly marginal. It is interesting that, even though Toyota has reinvested in Australia recently, there is not much doubt that they would not have done that unless they had been given particular incentives and had very significant sunk costs in Australia in the first place. In an open environment, they would much prefer probably to sink more investment into that AFTA region and take advantage of those pre-existing and very tightly integrated production structures within the region.

Mrs Spencer—Another comment worth making is that there is a bit of a mismatch between ourselves as a commodities exporter and what is happening in AFTA, in that they are based on manufacturing. When it comes to possible trade diversion or integration, it involves the very big industries like cars, that Mark has just mentioned, or telecommunications. We are not in that game except for telecommunications. If we were to invest in a big way in ASEAN to meet the entire market—I know Telstra is already quite big in some countries but not all of them—there would be advantages to be reaped. But take the big manufacturers, such as General Electric, which is based in Thailand for the entire region, Toyota and others, and Kelloggs, for instance, which is manufacturing in Thailand for the entire ASEAN. We are not in that game. Telecommunications is the exception to that rule.

Dr Beeson—The other thing that is worth thinking about in the region is that in certain industries there may only be room for one major presence of a manufacturing process. I was thinking about the influence of the proposed multimedia corridor in Malaysia. If this gets off the ground, it may effectively attract all the potential investment for the region to that area.

Other countries that do not have the same kind of presence already or are not capable of attracting investment could miss out because there just would not be sufficient need for investment around the region in excess of that. I believe they have already signed up agreements with companies like Microsoft. It is hard to imagine them having a plant in Malaysia and another one somewhere in Australia. The point I am trying to make is that we need to take account of the strategies other countries are putting in place to try and attract investment when trying to design strategies within Australia.

CHAIR—Two other issues—you probably heard the previous discussion, I do not think you were here prior to that—are the short-, medium- and long-term impact of the Hanson phenomenon and the tying or untying of ODA in terms of the Simons Report.

Mrs Spencer—I have just spent the last month in Indonesia and was in Indonesia at the time of the change of government and Pauline Hanson's first speech as well. Unfortunately, we have given the South-East Asians a weapon to hit us over the head with, although they are sophisticated enough to know that this is a minority point of view, that it is not necessarily anti-Asian but reflects the uncertainties of our economy and unemployment problems and so on. However, knowing that, they nevertheless choose to pretend in their media and in the way in which they speak publicly to Australians that the White Australia policy has come back by the back door. I have heard the business community here complain to Alexander Downer that they spend an awful lot of their time in damage control mode.

Universities can see that their recruitment numbers are falling. There may be other reasons for this. Student numbers, except from Indonesia and Vietnam, are falling. They reckon that the Pauline Hanson phenomenon is a part of that. We really have tried to run a race which is to the swift with a couple of extra kilos of lead on our necks.

CHAIR—What about tying and untying?

Mrs Spencer—I think our aid program is so small in comparison with the multilateral aid, the ADB and the IBRD money that is going to the ASEAN countries and also with the other major donors—Japan, in particular—that it is not going to really make that much difference overall. Our actual aid to the ASEAN countries is declining even in Indonesia which is the biggest and politically the most important and also possibly the most needy. I do not think it is going to really make that much difference in practical terms in-country. It makes a big difference with the business community here but I doubt otherwise. I think also the politics of tying aid is so well known. The Japanese are famous

for it and, indeed, are trying to open it up to other contractors. I think, in some ways, we are perhaps regarded as being unnecessarily pure.

CHAIRMAN—Are you saying that the status quo should continue or are you in favour of untying it?

Mrs Spencer—No, I am not in favour of untying.

Senator HARRADINE—Excuse me, I have just got this. Your research has covered a pretty broad field and also a book called *The Political Economy of South-East Asia*. There have been studies on the politics of Asian engagement. What about studies on the so-called concept of Asian values versus human rights?

Mrs Spencer—We tend to be rather sceptical of whether the idea of Asian values actually has any content. It is like water; you can pour it into any shape bowl that you like and call it ‘Asian values bowl’ but it is the water that is shapeless. We see Asian values as being a convenient way for authoritarian regimes to maintain obedience and filial piety among their populations. Those same authoritarian regimes, whether we are talking about Mahathir or Lee Kwan Yew, were the ones talking about universal human rights when it came to decolonisation. You can go back and look at the quotes from Lee Kwan Yew in the early 1960s and they are radically opposite to what he is saying now and much closer to what we would regard as being universalist human rights.

We think that internally in Australia there are a lot of people who find Australians bolshy, stropky, undisciplined, with no work ethic and all the usual sort of stuff. The Asian values debate has a certain resonance among people who would like Australians to be more like Singaporeans. It is not an east versus west but it is a conservative versus liberals ideology which is to be equally found here and there. That is what I mean when I said it is water that you can pour into any shape bowl that you like.

Dr SOUTHCOTT—In terms of an issue like Australia’s engagement with Asia, where do you see Australia being along that path? What difficulties do you see? That could be a book of its own. What sort of difficulties do you think Australia is going to face over the next 10 or 15 years as we engage with especially the ASEAN region?

Dr Beeson—Quite a number. I think one of perception is obviously the most important one at the moment because Australia has, over the last 18 months or so, developed something of an image problem. I think some of that has been brought upon ourselves by our own actions like scrapping the DIFF scheme and things that were important. I think it has often been the case of actions speaking somewhat louder than words because some of the tangible things that have been done are sending some fairly mixed messages.

In that regard, it is quite noticeable that the only portfolio that has escaped budget

cuts, as far as I am aware, is the defence portfolio. This does not necessarily send a really strong message of feeling at ease and secure within the region. At the same time, suggesting that we should beef up relations with the US is not only harking back to the sorts of policies that were the hallmark of the 1950s and 1960s but, again, it is not really sending a strong message about being enthusiastic about really engaging seriously with the region. I think it is very much a question of sending the right kinds of signals. Over the last year or so I think a lot of the signals have been fairly unfortunate and of dubious value.

Mrs Spencer—We need to look at something that is not necessarily terribly tangible, which is the growth of Asian assertiveness and nationalism. We have forgotten the word ‘decolonising’ too quickly. Some of them are still proving themselves in the way that an adolescent does, and that is going to take expression in certain anti-Western sentiments that we can already see. I think that is going to get stronger as their economies get stronger, as Asia generally—I am talking not only about ASEAN, but China and Japan—becomes stronger; and a very easy way of showing how big and strong you are is to bash the people who were on top of the heap earlier.

That anti-Western sentiment is going to get stronger. I am not talking only about Mahathir and Lee Kwan Yew but more broadly. We have researchers who have been going back to China over the past five years. Each time, they have come back and reported the growth in nationalism—and I am not talking about Beijing here, nor about high level politics: I am talking about people out in the street in the provinces. Australia is going to be in a difficult position because we are a convenient, relatively weak and very close member of the region and we are going to be the butt of a certain amount of bashing, which is going to be difficult to overcome.

The United States is far away, it is big and important, and it is an important market, so that kind of anti-Western feeling is not necessarily going to be directed towards the Americans or Western Europeans, but there is a very convenient, nice soft target close by, and we will have to be fairly robust over the next 20 years not to get too hammered by the kind of bolshiness that I am sure is going to be apparent in the next 20 years.

Senator HARRADINE—Do they perceive Australians as being a colonialist power?

Mrs Spencer—No; but we are white.

Dr Beeson—I think there is a perception that Australia, if push comes to shove, would perhaps side with America first, over East Asia, and that that is where their true feelings lie. It is an easy thing for certain other leaders around the region to take advantage of, Mahathir being the most obvious one. The whole move to generate an East Asian economic caucus is quite a good indication of how little some people in the region regard Australia as being a genuine member of the East Asian community, and that seems

to me to be something that really needs to be addressed. How you go about that is not an easy thing to say, but I think there is quite a deep-seated perception, which can be manipulated and used to serve certain ends, that Australia is still not really a genuine member of the regional community, if you like.

CHAIRMAN—But I think the EAEC argument is primarily a unilateral one on the part of Malaysia. It does not have support, even within ASEAN.

Mrs Spencer—No, it does not.

Dr Beeson—I do not know: I would not dismiss it out of hand actually. It is acutely embarrassing for the Japanese, and their position on this will be critical because the Malaysians want them to join in an unambiguous way, but there has been a series of informal meetings, and dialogue has been taking place. There has been some support from the Japanese business community about the wisdom of potentially having an East Asian economic grouping, so it is certainly not an idea that has gone away yet or that can be completely dismissed.

CHAIRMAN—Okay, but would you agree it is very much a small subset, if that is the right word, under the APEC umbrella?

Dr Beeson—It is not that small, and it could be more significant. I would not want to make too much of it but I certainly would not dismiss it out of hand, because the interesting thing about EAEC is that it is a much more natural, if you like, grouping than APEC is. One of the great shortcomings of APEC is that it tries to span at least two separate regions, and there is no obvious way of determining who should be members or what the sort of boundaries of APEC should be. But there is a much more organic feel, if you like, to the EAEC grouping.

In the event of there being some major turbulence in the world economy—and there has been recently in South-East Asia—and of those problems becoming more serious than they already are, there is a possibility of people using that kind of East Asian solidarity as a buffer to what they may see as excessive deregulation and neo-liberal ideas being imported from Australia or America; and a whole raft of things could be bundled together, to Australia's disadvantage. As I say, I am not trying to be alarmist about this, but it is something to be aware of.

CHAIRMAN—As far as this committee is concerned, in our discussions—albeit private discussions with ASEAN heads of mission—it is certainly something which is very much on the backburner except with Malaysia, of course, when Mahathir wants to use it to beat us around the ears.

Dr SOUTHCOTT—What impact do you think the \$1.3 billion currency swap with Thailand has had on Australia's standing in the region?

Dr Beeson—I think it was a very good move because, again, it is that thing about deeds and words. It was a very tangible expression of Australia's commitment to the region with sincerity: actually putting their hands in their pocket and doing something rather than just talking about it. That will go down very well. It was certainly a very sensible move.

CHAIRMAN—Internationally it was sensible, but it has had some negatives domestically in some people's perception.

Mrs Spencer—Yes, those negatives were certainly expressed that we should keep the money at home, and all that, but a 30 per cent devaluation has a very serious impact on a country's capacity to import—and to import Australian goods, for that matter—particularly as our currency is relatively strong at the moment. Not even in the long term but in the medium term, those countries are all going to see economic downturns, even if their currencies stabilise, and the capacity to have some recourse to a rescue package means that their current account deficits are not going to be so severe that they have to impose import controls of the sort that could be quite damaging to us.

CHAIRMAN—If you go back to the Hanson apologists again, they see it as some sort of on-budget item—which, of course, it is not. They do not initially say that it is a currency exchange. They say it is a budgetary issue—which, of course, it is not. It is a matter of domestic perceptions and international perceptions, and balancing the two.

Mrs Spencer—Could I make one final point? It is the question of what our longer-term economic advantages might be in relation to ASEAN. Looking at their education budgets, savings rates and capital formation rates, the advantages that we have now, in terms of a higher technological base, more R&D and a better education system, are short term. They are going to be able to do it all themselves.

The previous witnesses were talking about engineering, management and environmental skills. All these people are now going to be educated there and they are going to have their own people to do all this work within the next 20 years. The opportunities that we have now to provide technical and management skills and, indeed, to provide an educational base for them to do it are not going to be around for 20 years.

Our investment in education is about the same as Vietnam's as a percentage of GDP, which is about 14 per cent. The Malaysians and even the Indonesians—and especially the Thais and the Singaporeans—have had an investment consistently above 20 per cent of GDP for the past five or 10 years.

CHAIRMAN—As there are no further questions, we thank you both very much for your evidence.

Resolved:

That, pursuant to the power conferred by section 2(2) of the Parliamentary Papers Act 1908, this committee authorises publication of the evidence given before it at public hearing this day.

Committee adjourned at 12.18 p.m.