

## CHAPTER 7

### TRADE AND INVESTMENT FACILITATION— CHALLENGES AHEAD FOR AUSTRALIA AND APEC

#### Introduction

7.1 In this chapter, the Committee looks at the challenges ahead for APEC's trade and investment facilitation agenda, including the need to produce early and tangible results and to manage an ambitious and wide-ranging program. It considers the relationship between government and business, especially in Australia, in setting APEC's agenda and in advancing the process of trade and investment facilitation. Finally, the Committee assesses Australia's past contribution to trade and investment facilitation in the Asia Pacific region and looks at its potential to drive the process forward.

7.2 Clearly, APEC members have committed themselves to a demanding program of trade and investment facilitation. In the view of the South Australian Government:

APEC has in many ways set itself a much broader challenge, through its trade and investment facilitation agenda, than that of an old-fashioned free trade area, which merely aims to eliminate tariffs, quantitative restrictions and other border measures. It is trying to reduce all kinds of impediments to trade and transaction costs, including by tackling at least some areas of divergence of domestic policy.<sup>1</sup>

#### *The need for immediate and tangible results*

7.3 Despite APEC's ambitious agenda, reform in sensitive areas, such as competition policy, services, rules of origin and dispute mediation, barely inches ahead. The gap between APEC rhetoric and action remains wide. Dr Andrew Elek recognised that economies would need help from each other later on to tackle these hard problems but he suggested the best way to do this was to 'build momentum on some of the easier ones first'.<sup>2</sup>

7.4 Indeed, APEC is very gradually acquiring a body of achievements which could sustain the APEC agenda and help carry it forward but, as noted by a number of witnesses, APEC needs to add to these achievements.

7.5 The Australian Chamber of Commerce and Industry (ACCI) praised the work produced by APEC work groups such as guidebooks, the work books and the CD-ROM materials, where basic information held by national governments has been collated and made public. It stated that, if nothing else, the availability of such

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1 Submission no. 51, p. 3.

2 *Committee Hansard*, 3 February 1998, p. 578.

information has been useful for business in making information accessible and transparent.<sup>3</sup> The ACCI, however, suggested that the time has arrived for APEC to move 'beyond that information, consolidation and investigation phase and now needs to...focus its attention on some real outcomes'.<sup>4</sup>

7.6 Mr Wright, Head of the Industry Policy Division of the Department of Industry, Science and Technology, submitted that the main danger for APEC lies in its failure to deliver trade and investment liberalisation and facilitation outcomes. He believed that in the short to medium term, APEC has the potential to make significant inroads in facilitation and he looked hopefully to areas such as infrastructure development, cooperation standards and conformance and deregulation to produce results.<sup>5</sup>

7.7 Along the same lines, Dr Gebbie, Acting First Assistant Secretary, Department of Primary Industries and Energy, pointed out that business concentrated on the much shorter-term achievements or benefits coming out of APEC rather than the distant goal of 2010. He explained:

It is important that we have some shorter term gains that will be understood quite directly by business and the public. This is precisely the reason for the attempts at early voluntary sectoral liberalisation...Without some gains in areas like that, it will be very difficult to maintain a positive focus on APEC by business and the public.<sup>6</sup>

7.8 It should be noted that the EVSL initiative endorsed at the Leaders Meeting in November 1997, included market opening and trade facilitation reform.<sup>7</sup> Mr Gebbie saw trade facilitation as a means to achieve visible and early results and told the Committee:

The idea there is to focus and get concrete results on very real impediments to doing business in the APEC region. The sorts of things that are going on in the facilitation area should not be forgotten. They will be quite important also to maintaining strong long-term business interest in what is going on there.<sup>8</sup>

7.9 That APEC needs to produce tangible results was made most forcibly by ACCI which asserted: 'To succeed, APEC must hold fast to its economic and commercial agenda, focusing on delivering outcomes which make it easier for business to conduct trade, commerce and investment around the dynamic Asia Pacific

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3 Mr Brent Davis, *Committee Hansard*, 29 September 1997, p. 31.

4 *ibid.*

5 *Committee Hansard*, 24 November 1997, p. 201.

6 *Committee Hansard*, 17 November 1997, p. 191.

7 See statement made in Summary Conclusions of the First APEC Senior Officials' Meeting for the Tenth Ministerial Meeting, 16–17 February 1998, Penang, para 27.

8 *Committee Hansard*, 17 November 1997, p. 192.

region'.<sup>9</sup> ACCI believed that APEC's value lay in what it can deliver in the trade facilitation and the trade liberalisation area.<sup>10</sup> In agreeing to a road map that will direct the future work of APEC to strengthen markets in the region, APEC Ministers urged member economies to intensify their efforts in trade facilitation with a focus on concrete outcomes for business.<sup>11</sup>

*In the shadow of trade liberalisation*

7.10 As shown above, a number of witnesses looked to trade facilitation to produce the concrete results needed to demonstrate that APEC is an effective body in achieving real benefits for business in the region. Some witnesses were concerned, however, that the interest shown in trade and investment liberalisation would draw attention away from the advances and potential gains to be made in facilitation. One commentator feared that the emphasis given to trade liberalisation, especially the setting of the 2010 and 2020 goals, means that 'other important benefits that it might generate may be lost as enthusiasm wanes in the face of implementation problems'.<sup>12</sup>

7.11 Dr Ravenhill agreed, arguing that one of the difficulties confronting the future of APEC is that the expected benefits of APEC have been oversold to the public. The excessive emphasis placed on liberalisation has overshadowed the work being pursued in facilitation and cooperation and development areas where progress is more likely to be realised.<sup>13</sup> He believed that the focus on trade liberalisation, has nowhere been more prevalent than in public discussions in Australia. In his opinion, this has 'led to unrealistic expectations of what APEC is likely to achieve in this sphere' and has 'obscured work within the other "two pillars" of the organization; trade facilitation and economic and technical cooperation'.<sup>14</sup>

7.12 Unfortunately, the nuts and bolts nature of trade facilitation activities to date makes dull reading. Thus, although Professor Snape felt that APEC would make significant headway in facilitation, he felt that its very drab low profile would weaken the successful promotion of APEC achievements especially with the Leaders Summit assuming such a prominent role in the APEC calendar. He argued:

The problem of having the economic leaders involved is that it raises the expectations of continued high profile success and if there is not a continuation of high profile success coming through the APEC process then

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9 ACCI, 'Challenges Ahead for APEC' *ACCI Review*, February 1997, in ACCI, submission no. 25.

10 *Committee Hansard*, 29 September 1997, p. 31.

11 APEC, Eleventh APEC Ministerial Meeting, Auckland, New Zealand, 9–10 September 1999. p. 3, <http://www1.apecsec.org.sg/virtualib/minismtg/mtgmin99.html> (20 September 1999).

12 See for example, Mark Beeson, APEC: nice theory shame about the practice; *Australian Quarterly*, vol. 68, no. 2, Winter, 1996, p. 35.

13 *Committee Hansard*, 2 February 1998, p. 293.

14 Submission no. 52, p. 1.

it is very easy to imagine that the economic leaders may, in fact, start to lose some of their enthusiasm for it; they do not get the headlines any more...

If that momentum drops down, one wonders whether the fairly important—but mundane and non-headline grabbing—trade facilitation, harmonisation of customs procedures and all those sorts of things can in fact be maintained if the high profile successes are also not being maintained.<sup>15</sup>

7.13 This situation assumes greater significance in light of the disappointment following the inability of APEC to proceed as planned with fast tracking its EVSL initiative. The failure of this highly publicised initiative to fulfil expectations raised at the Leaders' Meeting in 1997 drew attention away from much of the solid though slow work being achieved in areas such as trade and investment facilitation. Moreover, the failure exposed APEC to accusations of being ineffective.

7.14 Clearly, the Bogor Declaration of 2010 and 2020 has claimed centre stage and, as the showpiece of APEC's agenda, threatens to obscure the mundane but valuable advances made in areas such as customs and standards. As pointed out by the Chair of PECC:

The vision of an APEC community where goods, services and investments flow freely and where everybody benefits has yet to seize the imagination of our private sector—both business and the non-business sector including consumers.<sup>16</sup>

7.15 Aware that the work being undertaken in trade and investment facilitation held a low profile, Trade Ministers, in June 1999, emphasised the importance for APEC to communicate more effectively information about the advances being made in this area of facilitation.<sup>17</sup> The APEC Economic Committee added that 'deeper analyses on the trade facilitation would be timely, in particular in 1999'.<sup>18</sup>

7.16 APEC Ministers in Auckland in September 1999 acknowledged that trade facilitation work is not well known and future outreach efforts will be required to improve business and community understanding.<sup>19</sup> In amplifying this message, the

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15 *Committee Hansard*, 4 February 1998, p. 498.

16 Mr Roberto R. Romulo, Chairman PECC, Statement at the Meeting of APEC Ministers Responsible for Trade, Auckland, June 1999.

17 See Statement of the Chair, Meeting of APEC Ministers Responsible for Trade, Auckland, 29–30 June 1999.

18 APEC Economic Committee, *Assessing APEC Trade Liberalization and Facilitation—1999 Update*, September 1999, p. 1.

19 APEC, Eleventh APEC Ministerial Meeting, Auckland, New Zealand, 9–10 September 1999. p. 3, <http://www1.apecsec.org.sg/virtualib/minismtg/mtgmin99.html> (20 September 1999).

Economic Leaders in Auckland noted especially the importance ‘to better communicate the value of APEC’s trade facilitation role’.<sup>20</sup>

7.17 The Committee accepts that much of the preliminary work in APEC requires research, the collation of material and dissemination of information, but equally, it is mindful of the need for APEC to be seen to be making steady progress and delivering real benefits to business in the region. The Committee recognises both the achievements and likely benefits of APEC trade facilitation initiatives. It considers that the interest in trade liberalisation should not detract from the body of work already built up in trade facilitation—that, indeed, the achievements in facilitation should be brought out from behind the shadow of trade liberalisation.

### **Recommendation**

**The Committee recommends that a publication on trade facilitation and economic and technical cooperation be produced as a companion to the publication *Trade Liberalisation: Opportunities for Australia*.**

**The Committee further recommends that this publication cover not only the achievements in the area of trade facilitation but also the difficulties in identifying and removing the non-tariff barriers.**

7.18 In this way, it may further open up debate about trade practices in the region and encourage businesses to come forward and advise government on their particular experiences in getting products into other economies.

### *Keeping focus*

7.19 Another challenge facing the APEC trade facilitation program is in managing and coordinating the numerous and wide-ranging projects being undertaken by the working and experts groups and the various committees. The very effectiveness of the working groups is threatened by having to stretch their resources across a number of projects. The possible effect on the work of the various APEC groups has particular significance for APEC’s agenda because of the need to produce early and tangible benefits.

7.20 Professor Ravenhill acknowledged that APEC has the opportunity to achieve results in facilitation but suggested that it needed to establish a clear sense of priorities which, he argued, was lacking. He maintained that APEC has ‘spawned a proliferation of working groups and projects in various issue areas’. Although he agreed that these activities have produced positive, although modest, gains in helping to reduce the transaction costs of business among APEC members, he saw possible problems. In

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20 APEC, Leaders’ Declaration, ‘The Auckland Challenge, APEC Economic Leaders’ Declaration, 13 September 1999, <http://www1.apecsec.org.sg/virtualib/econlead/nz.html> (20 September 1999).

particular, he could foresee that an increase in projects may lead to a dissipation of energies with APEC having no clear sense of priorities.<sup>21</sup>

7.21 The ACCI also expressed concern about the number of projects, which in 1997 were estimated to have been over 300. It believed that APEC must 'discard some of the dead wood' and get back to about 40 good projects with priority areas and that a degree of self-discipline must be exercised in formulating programs.<sup>22</sup> Mr Alan Oxley emphasised the need for closer, tighter, and more focused management of projects. He wrote recently:

A quick review of the work programs endorsed by Ministers...reveals that the desire to do something is stronger [than] the capacity of officials to identify concrete work targets. There are a large number of programs which repeat work done elsewhere; are not coordinated with related work in other APEC working groups and other organisations; and have nebulous purposes.<sup>23</sup>

7.22 The number of projects also has implications for Australian Government departments and agencies trying to meet the demands set by the APEC agenda. The Committee on Trade and Investment acknowledged that the proliferation of meetings is increasingly taxing economies' resources.<sup>24</sup> In turning specifically to the activities of the APEC Transportation Working Group, Mr Bowdler, whose department is involved with this group, acknowledged in October 1997 that the number of projects was a worry. He told the Committee that the Group had spent its recent meetings considering how to manage its agenda and how to retire projects that had been completed, 'rather than keep them dribbling on in some way'.

We would not like to see this work program grow much more. We would find it hard to keep up our own input... APEC can be a little unwieldy because our working group meets only every six months. It is important to try and keep some momentum going between those meetings. So management of the APEC load is a significant one.<sup>25</sup>

7.23 The Australian Customs Service was aware that, in spreading its resources too thinly, its efficiency could suffer. To help manage its workload and to hold its focus, the Customs Service developed an action plan which contained 12 items. The Service sought advice from the private sector on its plan. Mr Holloway from the Customs Service told the Committee that the general feedback was positive and business was able to identify items that should be a priority. Arising from these consultations, the

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21 Submission no. 52, p. 5.

22 *Committee Hansard*, 29 September 1997, p. 31.

23 Alan Oxley, *APEC—the next 10 years*, Australian APEC Study Centre Paper 16, Australian APEC Study Centre, 1999, <http://www.arts.monash.edu.Australia/ausapec/iss16.htm> (5 August 1999).

24 APEC, 1999 CTI Annual Reports to Ministers, 1999, p. 212.

25 *Committee Hansard*, 27 October 1997, p. 143.

Australian Customs Service identified a number of key items likely to reap benefits for business.<sup>26</sup>

7.24 This difficulty in managing the number and range of projects has been complicated by the extra demands placed on APEC resources by the financial crisis. This problem in managing and coordinating APEC projects applies also to the liberalisation pillar but more so to the Ecotech pillar of APEC's agenda.

### **Trade and investment facilitation—a partnership between government and business**

#### *Public and private sector input: Business perspective*

7.25 Business has a vested interest in APEC's agenda to improve market access and trade facilitation. APEC's credibility rests on its ability to clear away obstacles to trade and investment in the region. In 1995, the then United States Secretary of State, Mr Christopher Warren, highlighted this point when he stated:

...the real test of APEC's success will be whether its work has practical relevance to the business community. The private sector remains the catalyst of this region's dynamism. That is why APEC's job is to remove impediments that unnecessarily restrict business activity...APEC should permit our businesses to function effectively across a dozen time zones and languages. We can only achieve that goal by considering business views closely.<sup>27</sup>

7.26 The view that business has a vital place in ensuring APEC's success was strongly supported by ABAC. It noted:

Business has a crucial role to play in the achievement of APEC's vision. It is the principal constituency in APEC's quest for freer and more open trade and investment...It is also the main generator of cross-border flows of goods, services, capital and information. The freeing of these flows, and the broadening and deepening of transactional linkages in strategic sectors such as finance, transportation, telecommunications and infrastructure, will be the main gauges of APEC's success in the 'real world' of business.<sup>28</sup>

7.27 A dominant theme running through APEC Leaders' and Ministers' meetings has been the potential for the private sector to contribute to the APEC decision-making process and in its activities. At the Vancouver summit, Leaders remarked on the increase in business participation in APEC activities but nevertheless stressed the

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26 *Committee Hansard*, 27 October 1997, p. 117.

27 USIA, 'Three C's Key to Successful APEC Action Agenda', US Statement at the Seventh APEC Ministerial, 16 November 1995.

28 ABAC, *APEC Means Business: Building Prosperity for our Community*, ABAC Report to APEC Leaders, 1996, <http://www.apecsec.org.sg/abacrp/ExecSummary.html> (12 June 1998).

importance for APEC to broaden its outreach to the business sector.<sup>29</sup> In June 1999, Trade Ministers referred to the need to increase support from business for APEC in achieving free and open trade. They noted especially the role of the private sector in shaping APEC's agenda on e-commerce.<sup>30</sup>

7.28 Australian business also recognised the value in establishing a partnership between government and the private sector to clear the path for trade. The Federation of Automotive Products Manufacturers saw APEC as a forum that allows Australia at an industry level to address many of the non-tariff trade barriers that impede free trade. It argued, for example, that the work being done on investment, banking and business law is fundamental to developing Australian trading relationship within the region. It stated: 'Our own industry has worked closely with the Australian government to drive towards uniform standards on cars and parts, a measure that will not only save us an enormous amount of money but one that will ultimately open many trade doors blocked by obscure or meaningless regulation'.<sup>31</sup>

7.29 MTIA argued that government and business should join forces in advancing the work of APEC to benefit Australia's trading interests. It stated that MTIA had the responsibility to report government policies to its members; to influence government policies in response to its members' concerns; and to make sure that their members' interests were represented. In MTIA's view, facilitating trade was 'very much a two-way activity' between government and business.<sup>32</sup> Clearly for MTIA, the collaborative efforts of government and business were required if the obstacles faced by Australian traders were to be removed. Ms Vivienne Filling, Principal Adviser, MTIA, told the Committee:

If the government were to bow out of the process, certainly businesses could work together in identifying non-tariff measures, tariff measures and investment barriers that they would want to have eliminated. When it comes down to it, you need, first of all, the support of the government for the actual elimination of those barriers and the leadership to keep its government departments and businesses striving for this objective of trade and investment liberalisation.

7.30 She believed that APEC would not achieve the Bogor goals if governments were to step back.<sup>33</sup>

7.31 ACCI also underlined the need to have business involved in the consultation and decision-making process of developing trade facilitation strategies. It maintained

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29 APEC, APEC Leaders Declaration, 25 November 1997, Vancouver, <http://www.apec97.gc.ca/news/1125b.html> (7 October 1999).

30 See Statement of the Chair, Meeting of APEC Ministers Responsible for Trade, Auckland, 29–30 June 1999.

31 *Committee Hansard*, 23 March 1998, pp. 782–3.

32 *Committee Hansard*, 17 November 1997, p. 155.

33 *ibid.*, p. 161.



that Australian diplomats and trade negotiators can only take the APEC initiative so far—‘they can set up processes, frameworks and mechanisms, they can build the engine and the chassis of the car’. Nonetheless, ACCI argued that APEC’s ‘continuing momentum must come from effective involvement by the private sector; business must put the petrol in the car if it is to go forward...’<sup>34</sup> ACCI further elaborated:

The potentially more important, and much more challenging, game is to identify and then attack the growing number of non-tariff barriers—the insidious rules, regulations and practices which are more often than not designed to frustrate international trade and commerce.

The form such barriers can take seems to be limited only by human ingenuity: peculiar customs requirements, odd quarantine rules, strange requests for information and paperwork; unusual procedures, bizarre licensing obligations; and the list goes on.

In many respects, these practices are often only known to business and do not show up on government lists of trade requirements or when they do, what seems reasonable enough can be implemented in a most unreasonable and obstructionist way for trade and commerce.

It is these practices which business can, and must, bring to the attention of our trade negotiators who will then have an obligation to follow through to flush out into the open such nefarious practices and win substantive commitments from the miscreant governments to not just wind them back but to abolish them.

It is this team play which the Australian Chamber of Commerce and Industry has in mind when we talk of a co-operative effort between business and government on APEC matters where each brings to the table for the national benefit their respective comparative advantages and expertise.<sup>35</sup>

7.32 In summary, ACCI argued that business identifies the problems and our trade negotiators go into bat to remedy them.<sup>36</sup> It concluded:

Government will continue to be the prime player in APEC, for the foreseeable future...government will be, if you like, the bridge that holds the whole facility together. That is not to say that government should be the source of the agenda, but it certainly will be the architecture that keeps the process going.<sup>37</sup>

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34 ACCI, ‘Business and the APEC Process’ presented by ACCI to DFAT, Seminar Series on ‘Business and APEC’, Brisbane, Melbourne, Sydney, June 1995, p. 7 in ACCI, submission no. 25, p. 3.

35 *ibid.*, pp. 7–8.

36 *ibid.*, p. 8.

37 *Committee Hansard*, 29 September 1997, pp. 36–37. See also comments by Mr McAllen from the Plastics and Chemicals Industries Association, *Committee Hansard*, 5 February 1998, p. 560.

7.33 Again, on this practical level of removing obstacles to trade, the ATIA highlighted how crucial it was for industry to be involved in trade negotiations. It pointed out that industry must advise government representatives on the particular markets to which they are seeking improved access. Put simply by ATIA:

Government representatives cannot be expected to understand which economies are of most importance to industry, and which ones currently cause the most difficulty in market access (in terms of non-tariff barriers, such as testing arrangements) without adequate consultation and active involvement with industry.<sup>38</sup>

The Association made the point that ‘industry representatives who are actively participating in APEC working groups should be seen as valuable resources to the Australian Government as they provide tangible evidence of how action on non-tariff barriers are proceeding’.<sup>39</sup>

*Public and private sector input: government’s perspective*

7.34 DFAT maintained that it was government policy to involve the private sector in APEC processes. It acknowledged that collaboration between business and relevant government bodies on issues related to APEC activities was needed if government were effectively to dismantle trade barriers. In October 1997, Mr Peter Grey, then Australia’s Ambassador to APEC, told the Committee that there is an almost endless stream of potentially non-tariff barriers. He explained that DFAT sought to go out and consult with industry and industry associations and kept a reasonably up-to-date list of all non-tariff measures.<sup>40</sup> As an example, he pointed out that governments need to be involved in developing mutual recognition arrangements between economies. He suggested:

The ideal situation is to have mutual recognition arrangements which work so well that once governments have signed them they may update them from time to time, but there will be no need for other ongoing involvement.<sup>41</sup>

7.35 On a more specific level, the Australian Customs Service pointed out that traders in the private sector would be the immediate beneficiaries of the SCCP program to harmonise and simplify customs procedures. It emphasised the importance in having business people active in charting the direction to be taken by the SCCP. To encourage such participation, the Australian Customs Service put in place mechanisms to facilitate dialogue with the private sector on APEC customs issues,

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38 Submission no. 21, p. 25. See also statement by the Plastics and Chemicals Industries Association which told the Committee ‘We want the government to understand our industry, to know what the ramifications are for employment, current account deficit and all the rest of it. We want a government that is pro-active in supporting us...’, *Committee Hansard*, 4 February, 1998, p. 465.

39 Submission no. 21, p. 26.

40 Mr Peter Grey, DFAT, *Committee Hansard*, 20 October 1997, pp. 82–3.

41 *ibid.*, p. 65.

including regular reports on the outcomes of all SCCP meetings and face to face meetings between Australian Customs and industry representatives prior to each SCCP meeting.<sup>42</sup> In October 1997, Mr Holloway, Acting National Manager, Executive Support Branch, Australian Customs Service, explained to the Committee that knowledge about APEC varies significantly among their clients. He stated:

A group of our clients has a very good knowledge of what is going on...There is probably a much larger element of companies exporting into the region that do not choose to have that understanding.<sup>43</sup>

7.36 He stated further that at a recent meeting, intended to provide an opportunity for their clients to discuss their concerns about customs issues in the region, only 20 out of an invited 350 attended. He noted 'So there is a certain amount of frustration from our part in getting that interest from business'.<sup>44</sup>

7.37 Dr Imelda Roche, then an Australian ABAC representative, also touched on the apparent reluctance of some sections of the private sector to engage in the mutual exchange of information on APEC activities. She informed the Committee that the annual APEC Business Forum, convened by the Deputy Prime Minister, had met twice in Sydney with an average attendance in excess of 150. The APEC Business Forum provides the opportunity for business and government to work collaboratively in addressing regional trade issues and in establishing Australia's priorities for APEC. The forum is part of the government's endeavour to keep business well informed on APEC and also acts as a conduit to keep government in touch with the views of business.<sup>45</sup> Dr Roche conceded that, although the attendance at the Forum is 'pretty good', there is room for improvement. She observed, 'there is still...a degree of apathy in terms of people responding'.<sup>46</sup>

#### *Information—a two way street*

7.38 Evidence placed before the Committee emphatically underlined the value in having business and government work jointly to identify the barriers to trade and to formulate strategies to open markets. Despite the importance accorded by both government and some business people to the role of the private sector in advising government, a number of witnesses drew attention to the problems in establishing and maintaining close links between the public and private sectors. The Customs Service and Ms Roche spoke of apathy on the part of business. A number of witnesses felt there was also a problem on the side of government.

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42 Australian Customs Service, submission no. 39, p. 5.

43 *Committee Hansard*, 27 October 1997, p. 120.

44 *ibid.*

45 For information on the APEC business forum see DFAT, *Committee Hansard*, 30 March 1998, p. 832.

46 *Committee Hansard*, 3 February 1998, p. 417.

7.39 Mr Matt Ngui from Wollongong University suggested that APEC and Australia's participation in APEC were still seen 'very much as a government business and that in the private sector, although it has interests and organisations that are involved in APEC, the actual linkages between business organisations and the organisations within APEC are still fairly vague and unstructured'. He raised concern that business had 'not yet seen or is able to see, or maybe government has not yet explained to business, what the real benefits are for business...from participation in APEC'.<sup>47</sup> He proposed that 'one obvious thing is that Australian governments need to initiate some program of information sharing with business people in relevant industries'.<sup>48</sup> In particular, he noted the difficulty for small business in obtaining information about regional trade initiatives and in conveying their views to government about APEC.

7.40 Dr Rikki Kersten, Director, Research Institute for Asia and the Pacific, University of Sydney, added her voice to the concerns about public and private sector collaboration. She stated: 'In Australia, business looks upon APEC as a thing of government, not something that really relates to them and the way they do business, let alone as a way to maximise their opportunities in the region'.<sup>49</sup>

7.41 The South Australian Government readily acknowledged the encouraging progress made in the area of trade facilitation but maintained that there was a problem with the dissemination of information about developments within APEC. It argued that 'information on the trade and investment facilitation agenda, which can most directly affect in the short term business opportunities in overseas markets...is particularly scarce'. Put succinctly, it noted that both business and State Governments know too little about the achievements of APEC's facilitation program and its ongoing priorities. To remedy this situation, the South Australian Government highlighted the value in having a mechanism in place whereby the relevant Australian Government departments would make this sort of information readily available.<sup>50</sup>

7.42 On the other hand, MTIA praised DFAT for doing a very good job in terms of informing peak bodies about the implications of APEC. Ms Filling told the Committee, 'they consulted with us in great detail, for example, on the information technology agreement. We are represented on the business advisory forum on APEC and we have an opportunity to discuss those issues'.<sup>51</sup>

7.43 The Committee acknowledges that DFAT engages the large peak bodies in its APEC communication network but took note of evidence suggesting that some businesses refrain from active and direct involvement with government in developing

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47 *Committee Hansard*, 3 February 1998, pp. 398–9 and 403.

48 *ibid.*, p. 405

49 *Committee Hansard*, 6 March 1998, p. 705.

50 Submission no. 51, pp. 6 and 9.

51 *Committee Hansard*, 17 November 1997, p. 155.

trading strategies within the region. It also accepted that information about APEC was not filtering through to all sections of the Australian business community nor were all businesses encouraged to take an active role in APEC matters.

7.44 This problem in Australia concerning weak or defective networks of communication between government and business about APEC's work in facilitating trade and investment and its achievements mirrors a larger problem throughout the APEC region as mentioned earlier in this chapter. Australia also faces the same difficulty that APEC as an organisation confronts in effectively conveying to business, indeed to consumers, not only information about APEC but also more importantly the positive messages about APEC's work. Clearly, the imagination of the Australian business and non-business sector is yet to be fired by 'the vision of an APEC community where goods, services and investment flow freely'.<sup>52</sup>

7.45 The Committee considers that a more determined and concerted effort should be taken by the government and government agencies to ensure that business and government do form a constructive partnership to improve the trading environment in the APEC region. It recognises a need for the Australian Government to more effectively engage business and indeed, the community, in the debate about free and open trade and investment in the region.

*The communication network between government departments*

7.46 The AEEMA expressed concerns not only about the communication network between business and government departments but also between government departments themselves. Mr Gosman from AEEMA spoke to the Committee about the confusion that can result from a lack of liaison between agencies involved in APEC activities. He said:

...the Department of Foreign Affairs and Trade will pick up some of the broader trade liberalisation negotiations, the industry department picks up some of the standards issues, the department of communications picks up telecommunications, the department of energy picks up energy, and we have been to one or two meetings where it is obvious that some of these departments have not been speaking to each other. We have known more about what their colleagues are doing than they do.<sup>53</sup>

7.47 Despite his criticism, Mr Gosman did note in October 1997, however, that over the previous 18 months, DFAT had increased their specialisation in the industry area with the appointment of a trade negotiator for automotives and a specific trade negotiator with the Supermarket to Asia program. He was hopeful that further initiatives would be put in place to improve interaction between industry and DFAT.<sup>54</sup>

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52 This statement was made by the Chair of PECC in relation to APEC as a whole but equally applies to Australia. Statement of the Chair, Meeting of APEC Ministers Responsible for Trade, Auckland, 29-30 June 1999. See para 1.14.

53 *Committee Hansard*, 27 October 1997, p. 100.

54 *ibid.*, pp. 103-4.

He was less confident about DIST's efforts to improve their communication links with industry. On that matter, he supposed 'the jury is still out on whether they have remedied that weakness'.<sup>55</sup>

7.48 Customs stated that it did not have a communication difficulty with DFAT. It did nonetheless state that the customs expert group forms part of a specific subcommittee that 'has a very strong sense of identity and consensus within the group'. Mr Chapman told the Committee that the Customs Service, in close consultation with DFAT, is able to manage its own agenda. He acknowledged that they were fortunate that their area was specific and technical and the group was not policy driven.<sup>56</sup>

7.49 At the time this evidence was taken, it appeared that communication among government agencies and between them and the business community was not as effective as it might have been. With the effluxion of time, the level and effectiveness of communication among these parties would obviously have changed. Inevitably, with an organisation as intricate and complicated as that of APEC, maintaining full communication among the many government, business, academic and other interested parties is a difficult task. Nevertheless, such communication is vital in ensuring that Australia continues to make a significant contribution to APEC's attainment of its long-term goals.

7.50 The Australian Government should from time to time review the APEC communication network between government agencies and the business community in Australia in order to strengthen these links and, in particular, to encourage greater participation by Australian companies.

### **Australia's role in trade facilitation**

7.51 DFAT in general terms thought that Australia as a small to medium-sized player in the system could have a brokering or supportive role in APEC. Mr Peter Grey, then Australian Ambassador to APEC, stated:

I would like to think that at least we would be able to continue to provide, in a sense, the drive, and the policy innovation which will keep us as a major player in the APEC context. In a range of organisations we have shown an ability to punch above our weight, and that has largely been because of focus, activity and trying to be innovative.

...

Australia's role in APEC is still well recognised and still well regarded...We continue to put forward initiatives and to take the lead on

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55 *ibid.*, pp. 104–5.

56 Mr Timothy Chapman, Australian Customs Service, *ibid.*, p. 121.

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certain issues. We are still recognised and appreciated for taking a major constructive role in APEC.<sup>57</sup>

7.52 Evidence presented to the Committee shows this assessment to be sound particularly in relation to the APEC trade and investment facilitation agenda where Australia has taken the lead in a number of areas, but most notably in the science and technology sectors and more recently in the financial services sector.

7.53 CSIRO had detected ‘a great deal more respect from the sophisticated manufacturing nations now towards Australian science and Australian technology than perhaps was the case 10 or 15 years ago’. It maintained ‘there is a view around the region that Australian science is powerful, it is well targeted, we do not try to do everything, but the things we do we do well.’ Dr Adam asserted that CSIRO is viewed by other APEC economies as a ‘very worthwhile first port of call in the region for help, for advice’.<sup>58</sup>

7.54 The National Association of Testing Authorities (NATA) agreed, stating that Australia ‘is very well placed in terms of the sophistication of our technical infrastructure to demonstrate that our testing and conformity assessment activities are at world’s best practice’. Mr Anthony Russell from NATA told the Committee:

Our standards, our legal metrology fraternity and our national measurement system are well respected in the region. We are currently selling our technology, and sometimes giving it through the APEC support initiatives, to the region but we believe the benefits of that will be that the more our regional partners mirror our arrangements and our standards of conformance, the more simply our manufacturers and exporters will be able to add confidence to their products et cetera, with certification and test data coming from Australia.<sup>59</sup>

7.55 Establishing standards and conformance procedures calls on highly technical skills and APEC relies on existing specialist bodies to guide their work in this area. Indeed, the CSIRO pointed out that APEC is ‘building on, and can build on, very longstanding and very strong scientific collaborations in the area’.<sup>60</sup> According to CSIRO, the move toward agreements was happening before the establishment of APEC but APEC has given impetus to the move and made it easier.<sup>61</sup> CSIRO suggested that APEC has accelerated measures to reach regional agreement on standards which in turn has sparked the move for a global agreement.

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57 *Committee Hansard*, 20 October 1997, p. 82.

58 *Committee Hansard*, 2 February 1998, pp. 326–7.

59 *Committee Hansard*, 3 February 1998, p. 430.

60 *Committee Hansard*, 2 February 1998, p. 319.

61 *ibid.*, p. 326.

7.56 Australia is taking a prominent role in this area and its contribution can be seen through its involvement in the Asia Pacific Legal Metrology Forum and the Asia Pacific Laboratory Accreditation Cooperation. Both bodies are making a valuable contribution to the work of the SCSC.<sup>62</sup>

7.57 According to NATA, Australia currently enjoys the status of operating the world's most comprehensive and experienced national program for laboratory accreditation. To capitalise on that resource in the APEC context, NATA explained that it seeks to maintain a close working relationship with both the Australian business community and governments. This is to ensure that its technical relationships with its counterparts in APEC continue to develop positively and to reflect the broader Australian needs and policies for trade facilitation.<sup>63</sup>

7.58 NATA underlined the point:

If Australian leadership can be maintained in this area, it is an assurance that the mechanisms developed by our trading partners for assessing the competence of their laboratories, will reflect Australian arrangements, rather than Australia having to adjust our infrastructure to other modes.<sup>64</sup>

7.59 Australia is taking the lead not only in the areas of science and technology. As noted in the previous chapter, it has shown initiative, drive and leadership in introducing the APEC Business Travel Card, in chairing the APEC Database Taskforce and in its capacity as lead shepherd in a number of projects such as the Road Transport Harmonisation Project and the model MRA on automotive product. Mr Crouch, the Australian ABAC representative, observed pointedly that Australia has a valued role in the APEC process and is highly regarded. He was sure:

Australia will continue to adopt a leading role in bringing together a mechanism and a process whereby trade within the APEC countries can be simplified.<sup>65</sup>

7.60 The Committee shares Mr Couch's view and takes particular note of the observation made by CSIRO that Australian science is powerful, well targeted—that it does not try to do everything, but the things it does it does well. The Committee suggests that this approach should go beyond Australian science to other fields of endeavour in APEC. This strategic approach to facilitating trade takes on greater significance in light of the sheer scope of projects and programs embraced by the APEC agenda.

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62 See appendix 6 for more information on the work of both these organisations.

63 Submission no. 23, p. 8.

64 *ibid.*

65 *Committee Hansard*, 3 February 1998, p. 416.



## Recommendation

**The Committee recommends that the Australian Government actively encourage business, institutions and associations, such as National Association of Testing Authorities, to continue their efforts to identify specific areas where Australia can best contribute to facilitating trade and investment in the APEC region and to support them in their efforts to carry forward their ideas and initiatives.**

### Trade facilitation—building a sense of community

7.61 Trade and investment liberalisation and trade and investment facilitation are important processes for APEC but, as Dr Hadi Soesastro pointed out, APEC should not be seen simply in the context of opening markets. He suggested that APEC should always be seen ‘as part of the larger context and broader objective of building the community’.<sup>66</sup> He goes on to state that most people have come to recognise that APEC’s agenda needs this balance of trade liberalisation, trade and investment facilitation as well as economic and technical cooperation. He argued that facilitation such as harmonising rules and regulations is ‘the most natural way to bring economies together’.<sup>67</sup>

7.62 As seen in work being done in the SCSC and the SCCP, in the various working groups and in Asia Pacific Legal Metrology Forum and Asia Pacific Laboratory Accreditation Cooperation, trade facilitation can nurture a sense of community. Dr Elek told the Committee:

You cannot build a community of interest just simply by talking about trade and investment. You need to start talking about all sorts of other things that nations can cooperate on—sensible things like communication, about harmonising customs procedures, getting better visa procedures to make business travel easier and exchanging information about policy experience.<sup>68</sup>

7.63 The APEC trade and investment facilitation agenda can help business on a practical level—it is outcome oriented and has been able to produce concrete results. But the agenda also has the potential to lay very firm foundations on which to build economic and technical cooperation.

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66 *Committee Hansard*, 2 February 1997, p. 282.

67 *ibid.*, pp. 289–290.

68 *Committee Hansard*, 5 February 1998, p. 576.

