

CHAPTER 10

AUSTRALIA AND APEC

Australia—not an isolated island

10.1 As a relatively small nation, Australia can best protect and promote its national interests by forming coalitions or partnerships with countries that have shared interests and common goals. To a large measure, APEC provides the ideal trading group in which Australia can pursue its economic objectives. APEC's driving principle of free and open trade complements Australia's goals. APEC embraces a trading community in which Australian businesses have already established strong links and which look to government to facilitate trade and investment. Finally, APEC also draws Australia together with like-minded economies under the one regional umbrella to advance common interests.

Australians doing business in APEC

10.2 In an era of globalisation, small and medium-sized economies, such as Australia, benefit from being part of a stable, non-discriminatory and open trading system. APEC gives Australian businesses a voice in the region and one that is helping to develop a trading network in which their businesses can grow.

10.3 In this report, the Committee has highlighted the contribution that APEC has made to the creation of a trading environment that encourages the free flow of goods, services and capital throughout the region as well as fostering a spirit of community. It has shown that APEC has an agenda and a master plan that should lead to lower tariffs; that it has implemented nuts and bolts reform in trade facilitation that are delivering real benefits to business; and that it has prepared the groundwork for further cooperative efforts in developing the regional economy.

10.4 APEC's efforts to create a free and open trading system holds great promise for Australia's economic future. The Research Institute for Asia and the Pacific argued:

APEC's steady and gradual progress in liberalising trade and facilitating investment in the region is fundamentally helping Australia improve its trade and cross-cultural relations with economies in the region. The APEC process is also strengthening Australia's economic integration into what is a dynamic growth area. The work that is currently in progress under APEC auspices will create commercial opportunities for Australia's business sector and will improve entrepreneurial skills within this culturally-diverse region.¹

1 Submission no. 17, p. 3.

10.5 A number of Australian businesses look upon APEC in particular as the most effective body able to facilitate free and open trade throughout the region. The MTIA asserted that APEC is the predominant Asia Pacific regional grouping and a major forum for advancing Australia's trade liberalisation agenda.² The Plastics and Chemicals Industries Association, looking at their specific sector, believed that 'APEC is the only game in town that allows us to get together, to discuss market liberalisation'. Mr Bryce went on to say:

If we did not have APEC...we would be still carrying on about market access, the chances of getting tariffs down and non-tariff barriers in the countries we are talking about would be negligible. This is a mechanism, and we must have it; we support it and have used it.³

10.6 Indeed, APEC is of direct and growing importance to Australia's business community. The APEC region is increasingly becoming the centre of Australian economic activity.⁴ The National Farmers Federation pointed out that APEC countries are the main destination for Australian agricultural exports but that there is much scope for future growth.⁵ Thus many of Australia's trading interests look to APEC to remove impediments to trade and investment in the region.

10.7 There also exists substantial complementarity in the economic structure and export products between North America and Australasia as one cluster, and the East Asian countries as the other. This complementarity produces a network of economic and trade links across the Pacific that are beneficial to both groups.⁶ Professor Jayasuriya pointed out:

Here is Asia basically hungry for resources and here is Australia well endowed with resources, and that underlying complementarity was always going to create a situation where our ties with Asia were going to be stronger.⁷

Australia is, of course, not just a source of raw materials but also a producer of elaborately transformed manufactures and a provider of sophisticated services in a wide range of fields.

2 MTIA, submission no. 28, p. 6.

3 *Committee Hansard*, 4 February 1998, p. 473.

4 Government of Victoria, submission no. 13, p. 1.

5 John Watson, National Farmers Federation, *Committee Hansard*, 2 February 1998, p. 330.

6 Tan Kong Yam, 'Regionalism in the Pacific Basin: ASEAN, APEC and Global Free Trade', *The Journal of Contemporary Issues in Business and Government*, vol. 2, no. 2 1996, p. 82.

7 *Committee Hansard*, 4 February 1998, p. 483.

APEC—beyond trade and investment

10.8 APEC is not only promoting the idea of free and open trade and putting in place practical measures to liberalise and facilitate trade but it also brings together diverse economies in a cooperative and consensus-building forum to discuss and work through issues of importance not only to the region but globally.

10.9 The Australian APEC Study Centre argued that APEC is the only organisation that offers Australia an institutional linkage with other countries in the Asia Pacific region. It submitted that ‘In the long run, it is essential for Australia to have itself accepted as a partner country in the wider region’.⁸ It also pointed out that APEC provides a forum for discussion—that APEC has ‘provided a way for the smaller and medium sized powers within the region to talk to each other in a way that I do not think they had done before’. Professor McKay told the Committee that APEC:

...goes further than any other organisation that I know of to overcome the problem of domination by one or two leading players.⁹

10.10 Professor Elek agreed. He regarded APEC as a very important coalition through which Australia could project its interests much more effectively than it could by itself or in combination with New Zealand.¹⁰ He pointed out that, while APEC remains a consensus-based organisation, Australia can place its ideas or proposals on the agenda without them being swamped by three or four economic giants who would otherwise make all the decisions and set the agenda.¹¹

10.11 APEC not only gives Australia a voice in the region but it helps to promote a stable and secure climate of mutual cooperation among APEC members. According to Professor Drysdale, APEC fosters political cooperation among countries of the Asia Pacific region. He argued that APEC is an umbrella under which trade, and to a lesser extent, political tensions within the Asia Pacific region are managed; that it has special potential to help improve trans-Pacific relations.¹²

10.12 Professor Jayasuriya agreed that APEC has an important role in drawing together the diverse economies in the region. He stated that ‘APEC provides a mechanism where the US at least may feel that they have a foot in this camp as well, so that Asia is not seen as a competitor but more as a partner, even though there will always be some tensions...’¹³ Mr Bijit Bora observed, ‘you cannot ignore the fact that

8 Submission no. 12, p. 4.

9 *Committee Hansard*, 4 February 1998, p. 508.

10 *Committee Hansard*, 5 February 1998, p. 583.

11 *ibid.*, p. 589.

12 Peter Drysdale ‘APEC and the WTO: Complementary or Competing?’ Paper presented to ISEAS APEC Round-table 1997, 6 August 1997, in submission no. 29, p. 236.

13 *Committee Hansard*, 4 February 1998, p. 482.

you have got leaders meeting from the largest trading countries and much of what is discussed there is not necessarily focused specifically on APEC'.¹⁴

10.13 Rodney Maddock regarded APEC's ability to ease tensions between trading partners in the Asia Pacific area as of fundamental significance to Australia's interests. He observed that APEC creates a group that meets all of Australia's basic needs in terms of trade and perceived interest. According to him:

The formation of APEC is thus good politics for Australia. It ties us more closely to our major trading partners and also develops a framework to keep the three big powers of the region talking about reducing the barriers between them. If they continue to move cooperatively to closer economic integration, the chance of economic or military confrontation between them, which would be catastrophic for Australia, is lessened. The push for free trade by the year 2020 has metaphoric rather than practical interest. It is more a symbol of what the group stands for than an explicit goal.

The APEC strategy has the effect of deepening Australian relations with Japan and China, without necessarily creating political difficulties within Australia.¹⁵

10.14 The Department of Industry, Science and Tourism also appreciated the strategic value of APEC and contended that, without APEC, Australia could be left outside the regional forums. It stated:

APEC could also act as our insurance policy against the world turning into three or four trading blocs (eg American, European and Asian) from which Australia could be excluded. APEC is unique in the sense that it gives Australia a seat in a forum which brings together the leading economies (such as the USA and Japan) and the dynamic industrialising Asian economies (such as South Korea, the ASEANs, and the 'three Chinas'). APEC is also useful in ensuring that the US remains engaged in the region on economic and trade issues.¹⁶

10.15 Alan Oxley stated succinctly, 'APEC is the key institution which binds Australia to the Asia Pacific economy'.¹⁷ In summary, Australia's then representative

14 *Committee Hansard*, 6 February 1998, p. 605.

15 Rodney Maddock, 'Trade and Trade Blocs: NAFTA, APEC and the rest', *Arena* journal, no. 4, 1994/5, pp. 31-9.

16 Department of Industry, Science and Tourism, submission No. 41, p. 11. See also comments by the Government of Victoria which argued: that 'APEC can be viewed as an important mechanism to promote regional integration of markets, given its wide and diverse membership and is potentially a significant counterweight to any resurgent protectionism in other parts of the world. Together APEC countries account for approximately 55% of total world income and 46% of global trade.' Government of Victoria, submission no. 13, p. 1.

17 *Committee Hansard*, 4 February 1998, p. 505.

on ABAC, Dr Roche, declared that APEC is central to Australia's future regional trade policy and is pivotal to Australia's global trade policy'.¹⁸ She went on to say:

APEC warrants continued high priority in view of Australia's strong and enduring national interest in a stable and prosperous Asia-Pacific region.¹⁹

Australia relies on a stable non-discriminatory multilateral trading system

10.16 Clearly, APEC is of central importance to Australia's economic development. On the practical day-to-day business level, it seeks to remove impediments to trade and investment in a region of vital importance to Australian business. As a consensus-based organisation, APEC allows the smaller economies, such as Australia, to have a say in its future and the direction of trade and investment in the region. But APEC's influence extends beyond the region.

10.17 A number of witnesses reminded the Committee that the smaller and medium-sized economies of the Asia Pacific region benefit from a global, rules-based non-discriminatory system which encourages free and open trade. Professor David Robertson noted that, as a medium-sized economy with dispersed trading concerns, Australia's interests rely on a stable system of multilateral trade agreements.²⁰ He warned that 'no regional institutional arrangement can really be a substitute for strengthening the structure of the Australian economy and maintaining its targets within the WTO'.²¹

10.18 In summing up Australia's position he stated:

Australia is being forced back on to its own resources. Unilateral liberalisation and deregulation, based on strengthening the WTO rules and disciplines, and pursuing multilateral negotiations still offers opportunities.²²

10.19 Professor Drysdale also saw Australia's economic well-being dependent on a healthy free and open world trading system.²³ MTIA agreed, it submitted:

Australia's trade policy must continue to pursue implementation of the GATT agreement through the World Trade Organisation (WTO) as a priority. Not only will failure to fully implement the Uruguay Round outcomes result in the non-materialisation of important potential gains to

18 *Committee Hansard*, 3 February 1998, p. 412.

19 *ibid.*, p. 414.

20 *Committee Hansard*, 6 March 1998, p. 741.

21 *ibid.*, p. 742.

22 Professor Robertson, 'Can the Mystery Last?', 2 February 1998, pp. 5–6. Paper received by the Committee.

23 Peter Drysdale, submission no. 29 and *Committee Hansard*, 6 March 1998, pp. 762–3.

Australia, it would effectively weaken the multilateral trading system making further liberalisation more difficult.²⁴

10.20 Professor Drysdale also recognised that Australia should ‘keep focused on the big game of protecting our interest in a multilateral system and to be active in the prosecution of a new round down the track, which will help to constrain those pressures, and not to be sidelined in that process’.²⁵ He emphasised that ‘our interest is to press through our role in APEC and through our positioning to develop a role in the ASEM dialogues and to develop those broader interests in those frameworks and as we can bilaterally’.²⁶

10.21 With the re-emergence of very large trans-Pacific imbalances, Professor Garnaut saw a strong WTO as Australia’s safeguard. He argued that there is a danger that power and not rules would come to dominate in allocating trade shares. He went on to say:

It is a time when medium sized economic powers like Australia need rules and principles. We need the WTO to hold together, and we need to be able to go to the WTO to use the dispute processes if an outcome of confrontation and then agreement between western Pacific economies and the United States results in discriminatory arrangements. It is a time when we need more than ever the regional as well as the multilateral cooperative framework.²⁷

APEC complements the WTO

10.22 APEC is important for Australia not only in promoting free and open trade in the Asia Pacific region, but also as a force in influencing the WTO agenda and in pushing and prodding it to reach agreements. APEC had a significant role in bringing the GATT Uruguay Round to a successful conclusion and in fostering the WTO Agreement on Information Technology. The WTO’s Agreement on Basic Telecommunications Services provides another example of APEC’s success in mustering support in the WTO. The agreement was concluded in February 1997. Sixty-nine countries, representing 90% of international telecommunications traffic, agreed on substantial liberalisation of markets to allow service providers and investors to operate across national borders. APEC Telecommunications Working Group activities helped to garner regional support for the agreement and current APEC work is monitoring implementation of the agreement in the region. This is particularly useful in involving non-WTO members (China and Taiwan) in the WTO agenda.²⁸

24 MTIA, submission no. 28, p. 5.

25 Professor Drysdale, *Committee Hansard*, 6 March 1998, p. 763.

26 *ibid.*

27 Professor Garnaut, *Committee Hansard*, 6 March 1998, p. 762. See also Professor David Robertson, *Committee Hansard*, 6 March 1998, p. 738.

28 Department of Communications and the Arts, submission no. 42, p. 6.

10.23 APEC played a pivotal role in the successful conclusion of the Uruguay Round of GATT talks that established the WTO and a new rules-based global trading system. Unfortunately, APEC has not played a similar role in preparing for a new WTO negotiating round of trade negotiations. The absence of a strong APEC lobby at the WTO Ministerial Meeting in Seattle in November 1999 made it more difficult to avert the inconclusive outcome of the meeting, which failed to agree on the launch of a new round.

Australian leadership in APEC

10.24 Australia took a prominent role in the establishment of APEC and in its development. As APEC's objectives largely mirrored those of Australia, Australia's significant contribution to APEC's development has in turn brought its own rewards for Australia. The Australian APEC Study Centre submitted that Australia's participation in APEC offers the best chance for Australia to help shape regional development and to share the benefits of economic growth.²⁹

10.25 Dr Rikki Kirsten felt it was important for Australia to build on its contribution to APEC's development. She told the Committee:

Australia can showcase its expertise in a lot of areas in APEC. It can be technology transfer, our expertise in services, intellectual property and IT. Our capacity to train, to make a contribution to human resources development is constantly highlighted and called upon in the APEC forum. APEC opens doors for Australia that policy makers ought to walk through and activate to the greatest extent possible. For all those reasons, Australia has to date been able to have a disproportionate influence in APEC as a middle power that is Asia literate.³⁰

10.26 Mr Brent Davis, Head of International Affairs, ACCI, spoke of Australian initiative and of its involvement in APEC. He reminded the Committee that Australia is recognised as the founder of APEC:

I think we have probably got a greater responsibility to APEC than most other countries certainly than some of the smaller countries or some of the less central countries like Papua New Guinea or Chile who can see benefit in it, but they do not have our primary responsibility. I think our role in APEC is to make sure that it continues to go forward and that we show some leadership by example in some of the liberalisations.³¹

10.27 In looking to Australia's future role, Mr Matt Ngui suggested that Australia will 'increasingly have to redefine its role in APEC, because it is a major instrument in which we can express our own self-interests in the region, and also participate

29 Australian APEC Study Centre, submission no. 12, p. 3.

30 *Committee Hansard*, 6 March 1998, p. 704.

31 *Committee Hansard*, 29 September 1997, pp. 34-5.

actively in the development of the region so that we are not seen just as temporary residents of the area.³² He went on to explain:

There are lots of problems. We can see that a huge and diverse region like the Asia-Pacific obviously has very different needs and challenges, but I think we need to be there with them to actually help them resolve them. This is not only in their interest but also in our interest because we have expertise in terms of people, resources and technology which could be put at the disposal of people in the region.³³

Australia must have a clear vision

10.28 Looking at its own interests, Australia, if it is to take full advantage of its membership of APEC, must have a clear understanding of its own expectations and goals and of APEC's potential to further them. More broadly, for the mutual benefit of APEC and the nation, Australia must have a sound appreciation of, and effectively exercise, its ability to assist and to influence economies in the region.

10.29 As stated, in February 1998, by Mr Crouch, one of the Australian ABAC representatives, 'We cannot be an isolated island at the bottom of the world'.³⁴ He pointed out that the role of government of Australia is to look ahead and consider the nation's future. He told the Committee that, 'We now exist in this marketplace with 17 other nations in Asia and there will be more coming in. Therefore, for Australia to sustain a standard of living, it is necessary for us to try and identify the areas in which we are strong.' He went further:

Australia has a most wonderful manufacturing base. We have abundant energy. We have sulfur-fuel. We have a wonderful climate. We have a wonderful depth of resource in our middle management, far superior to Asian nations. We have land. We really have water. What if you said, what can government be doing to further the APEC process? The development of those individual plans for underdeveloped countries is 2020—that is 22 years away—and we should be trying to identify where this country is going over the next 20 years, regardless of who is leading it, what we can do and what resources we can give to the development of Australia to make Australia take its place as a leader in those current 18 nations.³⁵

10.30 Further underlining the argument that Australia must actively and deliberately decide upon its future place in APEC, Mr Ngui stressed the importance for Australia to establish a sharp understanding of its needs and objectives. He stated:

32 *Committee Hansard*, 3 February 1998, p. 399.

33 *ibid.*

34 *Committee Hansard*, 3 February 1998, p. 422.

35 *ibid.*, p. 423.

You cannot sit back and ask APEC what APEC can do for you...APEC is an organisation where you have to decide what you want to do and you have to get it through APEC...Whatever it is, we have to decide what we want out of the organisation before we can ask it to respond.³⁶

10.31 Highlighting this point even further, the National Farmers Federation argued that Australia needs coherent and consistent ideas but most of all leadership to keep its trade policy on track. It stated that, ‘Government policy needs to be supported by a domestic consensus and then by an international consensus for good policy to be implemented.’³⁷

10.32 Professor Elek agreed with this view that Australia cannot afford to be inconsistent or indecisive. He stated, ‘We are a small player in these games that it is only by having a clear headed view of what our real interests are, rather than responding to pressures, that we are going to have any credibility at all’.³⁸ With the same force as Mr Ngui and almost in the same words, he added:

We cannot just sit back and watch, otherwise we will be ignored. We are too small to just sit and watch, we need to be proactive and try to think about where APEC is going to be in four or five years time.³⁹

Dr Bora stressed that Australia ‘need not be dominant, but it certainly needs to be effective’.⁴⁰

10.33 The overriding message presented by witnesses was that APEC offers Australia great opportunities for future expansion and that Australia has an important leadership role in APEC. It warned, however, that Australia needs to identify, clearly and definitely, its own needs and priorities and to set them within the overarching framework of APEC’s agenda.

PBEC and PECC—the second track

10.34 If Australians are to make sound and wise decisions about what APEC can do for them and for the nation, such decisions must be well informed and well considered. Comprehensive and substantial research is fundamental to obtaining a better understanding of APEC and the potential that this forum has to advance Australia’s interests and long term goals. Such knowledge is also vital in assessing the ways in which Australia can promote economic cooperation among APEC members. Without doubt, the Australian Government and business must make decisions based on a full and comprehensive understanding of Australia’s interests and of APEC’s

36 *ibid.*, p. 403.

37 Mr John Watson, *Committee Hansard*, 2 February 1998, p. 331.

38 *Committee Hansard*, 5 February 1998, p. 582.

39 *ibid.*, p. 589.

40 *Committee Hansard*, 6 February 1998, p. 632.

potential as a regional forum. Two of the most important institutions with an established reputation for producing high quality research are the Pacific Basin Economic Council (PBEC) and the Pacific Economic Cooperation Council (PECC).

10.35 Australia is a member of both PBEC (the PBEC Australian Committee) and PECC (AUSPECC). Four years ago AUSPECC and the PBEC Australian Committee formed a strategic alliance when the secretariats of the two bodies co-located within the Australian National University. PBEC sees itself as the ‘voice of business in the Pacific’ and ‘stands ready to work with APEC and its individual member economies, both directly and with the APEC Business Advisory Council, to ensure that the APEC process is focused on achieving results of tangible benefit to business and all peoples of the region’.⁴¹ It is an association of senior business leaders from throughout the Pacific Basin determined to expand trade and investment through the promotion of open markets. Australia was a founding member of PBEC and is an active participant on its working committees. PBEC Australia currently has fifty members.

10.36 PECC is a tripartite organisation of academics, officials and business people. It greatly influenced the establishment and development of APEC and continues to offer substantial support. All APEC economies are members of PECC and it has observer status in APEC. PECC provides an important link through which the academic and business community feed their ideas into APEC and now forms what is termed a process of ‘second track diplomacy’. It assists APEC to establish priorities and to find answers to many of the challenges facing the Asia Pacific region. For example, in 1997, one of the ABAC subcommittees, which was working on an assessment of the Manila Action Plan (MAPA), came to PECC for assistance. PECC prepared a series of briefing notes based on their analysis on MAPA contained in a book, *Perspectives on the Manila Action Plan for APEC*.

10.37 In 1995, PECC produced a comprehensive study of the liberalisation process in APEC economies and a thorough survey of impediments to trade and investment in the APEC region.⁴² In May 1998, at the APEC Finance Ministers Meeting in Canada, Ministers had constructive discussions with PECC on measures to encourage the resumption of private capital flows to countries experiencing financial difficulties in the APEC region.⁴³ During 1999, PECC completed a set of Competition Principles for the APEC region and updated its 1995 survey of impediments to trade and investment

41 Pacific Basin Economic Council, Policy Statement, ‘APEC: Sharpening the Focus, Sustaining the Momentum’, 1997, <http://www.pbec.org/policy/1997/endorse2.htm> (15 October 1999).

42 PECC, Bookstore I, II and III for list of publications, http://www.PECC.net/bookstore_i.htm (15 October 1999); PECC, *Milestones in APEC liberalisation: A Map of Market Opening Measures by APEC Economies*, A Report by the Pacific Economic Cooperation Council for APEC, Singapore, 1995; PECC, *Survey of Impediments to Trade and Investment in the APEC Region*, A Report by the Pacific Economic Cooperation Council for APEC, Singapore, 1995.

43 APEC, Fifth APEC Finance Ministers Meeting, 23–24 May 1998, Kananaskis, Canada.

in the APEC region. PECC also holds a number of seminars and workshops throughout the year directly connected to APEC activities.⁴⁴

10.38 In 1998, Dr Elek pointed out that PECC provides a relatively risk free venue in which to test, refine and promote ideas. He cited the following examples:

...on aviation, which is a very hard one to crack yet, very detailed discussions are going on in PECC, because we know that a much more intelligent international aviation system has to come, spelling out the nuts and bolts of it, and at least when it is politically ready we will have the framework there. Similarly with the investment agreement which was designed in the PECC, because that enabled it to have a draft to work from which did not come from any particular country.⁴⁵

10.39 Of more direct interest to the Committee is AUSPECC, because it operates under the terms of reference provided by the Australian Minister for Foreign Affairs and receives funding from DFAT. AUSPECC has an important role in supporting the work of PECC and ensuring that Australian ideas and views are taken into account. Within Australia, AUSPECC provides a valuable service in producing research material and in holding conferences. It is particularly important in bringing together representatives from business, government and academia to collaborate in research programs. Despite its reputation as a valued research organisation, AUSPECC's 1996-97 budget projections were severely reduced in the level of grant funds provided by DFAT. During 1997, AUSPECC lost its annual recurrent funding grant, which has posed a major challenge to the organisation.

10.40 Dr Findlay explained to the Committee the nature of government funding and the impact that its withdrawal will have on the organisation:

At its inception there was a grant of money which came from Foreign Affairs and Trade to support the secretariat functions and to provide a bit of support for, in particular, participants who could not easily organise their own funding to attend meetings. So we were operating on a budget of about \$100,000-plus a year for those purposes. That covered office infrastructure, staff time, travel and participation in the key PECC management meetings, and the contribution to what is called the PECC central fund which PECC itself uses to support its regional activities...as from next year there is going to be no funding at all for the AUSPECC secretariat.⁴⁶

He pointed out that DFAT would welcome proposals from AUSPECC for particular projects for which DFAT would consider funding. According to Dr Findlay, however, in the process of shifting to this alternative funding formula, it would be difficult for

44 See Pacific Economic Cooperation Council, PECC Statement to the APEC SOM II, 6-7 May 1999, Christchurch, New Zealand.

45 *Committee Hansard*, 5 February 1998, p. 600.

46 *Committee Hansard*, 6 February 1998, p. 607.

AUSPECC to maintain the overall infrastructure, and ‘that is a real struggle for us at the moment’.⁴⁷

10.41 In explaining the new financial arrangements, DFAT pointed out that the reduction in funding for AUSPECC was simply part of cutbacks taken in a general budgetary context. Mr Sparkes, Assistant Secretary, APEC Branch, DFAT conceded that members of AUSPECC were not happy about the reduced funding but added:

The point is that it has survived that withdrawal of funds and is continuing to operate, as far as we know, successfully...

In terms of a threat to its ongoing work of relevance and importance to APEC, this is a very active group of academics and a very active network, and they keep coming and talking to us about particular projects they are interested in. Where we can, we support those individual projects and, as far as we are aware, there is no immediate threat of that useful activity declining as a result of our decision to remove funding of the AUSPECC secretariat.⁴⁸

10.42 This view is not held by people directly involved in the work of AUSPECC. Dr Elek pointed out that its work was being constrained by the lack of funding. He argued that it was ‘very badly funded’ and deserved more support than it currently got.⁴⁹ According to AUSPECC’s Executive Director, ‘Our changed circumstances necessitated abruptly curtailing several activities, not because they were viewed as unimportant for our role and objectives, but simply because funding was unavailable’. In 1997, Mr Peter Jollie, the Chairman of AUSPECC, noted:

During the year, AUSPECC moved even closer in its relations with the Australian Committee of the all-business organisation PBEC. Although close relations have already existed, the vacuum left by the government’s withdrawal of funding will have serious ramifications for AUSPECC’s continued existence as an independent body.⁵⁰

10.43 Dr Findlay pointed out that the cut to funding was sending an extraordinary signal out to the region about Australia’s degree of interest in regional economic cooperation. He pointed out that the loss of core government funding makes it difficult for AUSPECC to enlist the help of the private sector:

Without that component of funding from the government, and thereby an indication of the significance to the process that we are involved in, it makes it very difficult to be credible when you go to the private sector and ask for support because the officials’ response is to say ‘Well if it’s that important

47 *ibid.*, p. 608.

48 *Committee Hansard*, 30 March 1998, p. 835.

49 *Committee Hansard*, 5 February 1998, p. 600.

50 Executive Director’s Report, Australian Pacific Economic Cooperation Committee, 10th Annual Report, 1997 Annual Report, p. 3.

the private sector will fund it.’...but they need some indication that this is a significant channel for influence and advice, and we are not getting that through this withdrawal of funding.⁵¹

10.44 Witnesses before the Committee held the view that Australia must have a clear idea of what it wants to achieve through APEC if it is to realise its ambitions in the region. To do so, government must be able to tap into high quality research which relates directly to Australia’s needs and goals in the region. At a time when there are many challenges facing the region and when Australians are uncertain and uneasy about the country’s economic future, governments and business should be able to draw on comprehensive and reliable research in mapping out strategies that will help them move ahead in the region. Government support of institutions such as AUSPECC would seem to be both an economical and wise way to produce the type of research needed for sound decision-making about Australia’s future in the region. The Committee agrees with Dr Findlay that the funding cuts to AUSPECC may discourage the involvement of business in joint research activities with PECC and that it depletes the pool of research available to government and business.

10.45 Australia has made a valuable contribution to creating a free and open trading environment in the region. Australian authorities and organisations have been able to play a prominent and important role in APEC because over the years they have built up an understanding of regional developments and of the interests of economies in the region as well as the region as a whole. Australia’s leadership role in the birth of APEC stands as a testament to the creative and constructive part Australia has taken in laying the foundations for a healthy and cooperative economic and trading system in the region.

10.46 In light of Australia’s role in APEC, and of the potential that exists for Australia to continue that role, the Committee makes a number of recommendations concerned with placing Australian decision makers in the best possible position to make informed and constructive decisions that will be of benefit to Australia and to its partners in APEC.

Recommendation

The Committee endorses the APEC Study Centre’s recommendation that ‘the Australian Parliament give priority to promoting research and international exchange activities in the academic sector to improve understanding of APEC issues’.

Recommendation

The Committee recommends that Government review the funding arrangement for AUSPECC to ensure its viability as a dynamic research organisation with an extensive network reaching into both the academic and business community and

51 *Committee Hansard*, 6 February 1998, p. 608.

to maintain and further enhance its status as a leading research body in the region.

Public education

10.47 Public education is a vital part of this overall strategy to both gather and disseminate knowledge about APEC and our region. Clearly, any decision about Australia's role in APEC should be based on a solid understanding of the community's views on and attitudes toward APEC. To formulate policy and work out strategic plans for Australia's economic future, government and business, including small business, should be able to draw on the broader community support. But as this report has shown, particularly in the section dealing with trade facilitation, knowledge about APEC varies widely throughout the country. Indeed, it would seem that many Australians are poorly informed about APEC, its objectives and how its activities are likely to affect the nation.⁵² Mr Ngui stated:

...there is not...a whole of government approach to the whole issue of educating, informing and sharing ideas about APEC, its organisations and its issues with the general public right across the spectrum. Foreign Affairs has its own responsibilities, DEETYA, has its own and Primary Industries has its own. They are all split up...

Somebody has to coordinate a program in which we can use whatever existing resources we have to get the information, to get the knowledge out a bit further than we have today.⁵³

10.48 Ms Ranald from the Public Sector Research Centre, University of New South Wales, stressed that Australia needed to accept that the WTO and APEC processes have moved beyond tariff reductions into areas of policy such as privatisation of infrastructure, investment and regulation and financial services liberalisation, and that 'these have major policy implications which largely have not been publicly debated or scrutinised before governments make commitments'.⁵⁴

10.49 Dr Roche, then an Australian representative on ABAC, believed that the general public were not interested in APEC. She maintained:

...we do not address our trade issues and our export-import issues anywhere near effectively enough in our education system. Maybe we do with those few who may make a detailed study of economics but, as a general principle, we do not do so. We need to consider a way in which we can

52 In addition to the witnesses referred to directly in this report also see comments by the following submitters indicating that APEC is poorly understood in Australia: Mr A. T. Kenos, Managing Director, Australia House Consultancy Training, submission no. 1, p. 3; Ms M. J. Doble, submission no. 10, p. 4.

53 *Committee Hansard*, 3 February 1998, p. 407.

54 *ibid.*, p. 357

integrate an understanding of Australia's place in the world, vis-à-vis our need to trade...

Much as we try, I really do not think, unless we do something outrageous, that we are attractive enough to the press to want to write regularly about APEC or about the people who represent APEC. In some ways it is a challenge to be able to find a lever to make us interesting enough for the press to write about.⁵⁵

10.50 In October 1997, DFAT conceded that it was difficult explaining an organisation like APEC to people. Ms Fayle informed the Committee that DFAT had produced and distributed widely a brochure that 'fairly simply explains the positive benefits of trade liberalisation'.⁵⁶ This brochure forms only one part of a government communication strategy. Nevertheless, Mr Peter Grey, then Australia's Ambassador to APEC, appreciated the task ahead:

There is an ongoing effort, and probably an expanding effort, to try to get out into the broader community the message about what APEC means and why it is important for Australia's future and the future of all Australians, right down to the level of schoolchildren. It is a difficult task, but quite a lot of effort is being made.⁵⁷

10.51 In 1997, the Australian APEC Study Centre⁵⁸ produced a CD-ROM teacher resource kit that was commercially marketed by RMIT Publishing. According to the Centre, they sought 'to provide accessible material which tries to explain APEC in plain language to a plain language reader'. Mr Alan Oxley, Chairman of the APEC Study Centre, pointed out that this production was only just the beginning. He went on to state that 'the community at large, despite all the high level publicity, really do not quite know what APEC is'.⁵⁹

10.52 In turning more particularly to the issue of tariffs and employment, Mr Oxley expressed concern about the confusion in the public mind over the impact of trade liberalisation on Australian jobs. He argued that the debate about tariffs and the automobile industry was something of a public policy deception; that there was a lot of nostalgia in the debate. In his view, there 'is now fair ground to suspect that the job losses were actually caused by technology rather than tariffs cuts, and if we had not had the tariff cuts to the same extent we probably would still have had the same

55 *ibid.*, p. 422.

56 Ms Pamela Fayle, *Committee Hansard*, 20 October 1997, p. 66.

57 *Committee Hansard*, 20 October 1997, p. 65.

58 The Australian APEC Study Centre is funded by the Australian Government, through the Department of Employment, Education, Training and Youth Affairs, and Monash University. APEC Leaders, at their first Meeting in 1993, adopted the Leaders' Education Initiative which aimed to create links between government, academic, private sector and broader community activity to promote awareness of the significance of APEC. APEC study centres have been established in most APEC economies.

59 *Committee Hansard*, 4 February 1998, p. 515.

degree of job losses in manufacturing because it is a world wide trend'. He went on to state:

...it does make you wonder why we are where we are with the public debate. Given the fact it is basically all in the past and I think it is about insecurity rather than unemployment, we will do what we can within our resources to try and sell to the community what APEC is about and all the processes of it, but frankly there is also a bit of a job for national leadership right now.⁶⁰

10.53 In further explaining public perceptions about APEC, Professor McKay from the APEC Study Centre suggested that there was a danger that the APEC message had been oversold, and that the 'cruder economic rationalists almost see the process as a win/win process in which everybody gains'. He maintained that the message being promoted was that there must be some short-term pain in terms of job losses, but this would eventually result in more jobs. He argued that, within the time frame relevant to most people, this was not the case. He observed bluntly:

There are winners and there are losers.

One of the things I have been trying to do in the regular meetings of the APEC centres is to put forward the idea of a regional wide project on winners and losers, and a little bit more detail about how these processes operate, who did win and who did lose and how, and what were the interactions between tariffs and technology and all those more complex kinds of things...so that we had some firm basis on which to talk to people about exactly how all this happened and some basis on which to design some sensible policies for the transitions that you mentioned: if people lose their job, what do we do about it? At the moment we do not have the firm evidence on all of that and there is a very important research job that we have to do there.⁶¹

10.54 Mr Davis, ACCI, endorsed this view about employment and trade liberalisation. However, he wanted business to be active in conveying to people the benefits and burdens of liberalisation. He told the Committee:

I think it is well recognised that the message most people want to hear is about jobs. Trade liberalisation is about winners and losers. It is about that balance and the time frame. They are difficult arguments, but I think it does behove business and governments—and I do say business first—to start to explain those. Governments can communicate to people through the media and when they go on to the stump, so to speak. But business has these people in their workplace every day of the week. They are not a captive audience, but it is a good opportunity to get out there and speak to them.⁶²

60 *ibid.*, p. 517.

61 *ibid.*, p. 518.

62 *Committee Hansard*, 29 September 1997, p. 46.

10.55 Mr Darby Higgs, Deputy Director of the Australian APEC Study Centre, suggested that the current mood in Australia is a threat to its long-term relations with APEC and the region. He argued that there was a strong inclination to put up barriers to things foreign—to halt tariff reductions, to slow migration. He stated:

The community is plainly very uneasy about its economic future and security. Political leaders in all quarters are responding to this unease by seeking to empathise with those concerns to win political advantage by doing this, rather than offering Australians a vision of a bright future which is within our grasp.

No one has questioned our full-blooded participation in APEC. But we are acting in a way which compromises our interests in APEC. APEC symbolises our future. It envisages merging Australia's market with those in the region—this means freer movement of goods and people, not less—and it envisages even closer relations with our Asian neighbours as well as the United States.

Our political leaders need to accept the challenge [and] explain to Australians why that is where our future lies, not to pander to darker fears that Australians currently harbour about the future.⁶³

In a similar vein, but looking at the broader issue of globalisation, Ms Randal spoke of people feeling disempowered and alienated by what they perceive as their inability to have any voice in decisions taken by international structures.⁶⁴

10.56 Clearly, public education about APEC in Australia is wanting. Few Australians have a sound appreciation of APEC, its activities and how such activities impact on the country. The Committee welcomes the work being done by the Australian APEC Study Centre but realises that a greater effort must be made by those involved in APEC work to convey to the Australian people the significance of APEC and its importance to Australia's future.

10.57 The Committee is further sensitive to the uncertainty that exists in the broader community about the impact of trade liberalisation and employment. Again, it urges those involved in APEC to address those fears through open and public debate and through education programs based on sound and comprehensive research. It endorses the Centre's recommendation that 'Further resources are needed to inform the broader community about the benefits of Australia's engagement with Asia...A broader information program is needed which emphasises the central role of APEC in that relationship'.⁶⁵

63 Submission no. 12, pp. 8–9.

64 *Committee Hansard*, 3 February 1998, p. 370.

65 Submission no.12, p. 12.

10.58 In October 1997, the Australian Minister for Foreign Affairs, Mr Alexander Downer, clearly stated that Australia is committed to the Asia Pacific for the long haul, and the highest priority in Australia's foreign policy 'is to make a lasting contribution to the region'.⁶⁶

10.59 In this report, the Committee has established that Australia, through its initiative, drive and expertise has on numerous occasions provided APEC with strong leadership that has carried the region closer to the goal of free and open trade and investment. Australia's continued leadership and active and constructive engagement in APEC is central to the future development of the Australian economy.

John Hogg
Chairman

66 Alexander Downer, 'Australia's Asia Pacific endeavour: speech to the Asia Society, New York, 1 October 1997.