

3 September 2008



The Secretary
Senate Foreign Affairs, Defence and Trade Committee
PO Box 6100
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Dear Secretary

Please find enclosed the Australian Chamber of Commerce and Industry's submission into the Inquiry into the Main Economic and Security Challenges Facing Papua New Guinea and the Island States of the Southwest Pacific.

Yours sincerely



Greg Evans
Acting Chief Executive



SUBMISSION TO THE

**INQUIRY INTO THE MAIN
ECONOMIC AND SECURITY
CHALLENGES FACING
PAPUA NEW GUINEA AND
THE ISLAND STATES OF THE
SOUTHWEST PACIFIC**

**Australian Chamber of Commerce
& Industry**

3 September 2008



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ACCI - LEADING AUSTRALIAN BUSINESS

The Australian Chamber of Commerce & Industry (ACCI) has been the peak council of Australian business associations for 107 years and traces its heritage back to Australia's first chamber of commerce in 1826.

Our motto is "Leading Australian Business".

ACCI and its predecessor organisations have been at the forefront of the trade policy debate in Australia for over a century. We have consistently represented Australian business on tariff debates, the creation of the world trading system and during the negotiations of multilateral, regional and bilateral trading agreements. Moreover, through our State and Territory Chambers, we deliver practical support, advice and guidance to exporters. This includes, but is not limited to, the issuing of Australian Certificates of Origin and ATA Carnets, delivering exporter development programs, organizing and leading trade missions, and facilitating industry development programs aimed at capacity building to enhance Australia's competitiveness offshore.

We house the executives of the Australia ASEAN Business Council, Australia Arab Chamber of Commerce and Industry, Australia Japan Business Co-operation Committee, Australia Malaysia Business Council, Australia Russia Business Council and the Australia-Thailand Business Council. Our New South Wales Business Chamber houses the executive of the Australia India Business Council, Australia-Latin America Business Council and Austmine.

We are also the ongoing amalgamation of the nation's leading federal business organisations: Australian Chamber of Commerce; the Associated Chamber of Manufactures of Australia; the Australian Council of Employers Federations; and the Confederation of Australian Industry.

Membership of ACCI is made up of the State and Territory Chambers of Commerce and Industry together with the major national industry associations.

Through our membership, ACCI represents over 350,000 businesses nationwide, including over 280,000 enterprises employing less than 20 people, over 55,000 enterprises employing between 20 and 100 people and the top 100 companies.

ACCI is the largest and most representative business organisation in Australia with its members employing over 4 million people.

Our Activities

ACCI takes a leading role in representing the views of Australian business to government.

Our objective is to ensure that the voices of Australian businesses are heard, whether they are one of the top 100

Australian companies or a small sole trader.

Our specific activities include:

- Representation and advocacy to governments, parliaments, tribunals and policy makers both domestically and internationally;
- Business representation on a range of statutory and business boards, committees and other fora;
- Representing business in national and international fora including; the Australian Fair Pay Commission, Australian Industrial Relations Commission, Australian Safety and Compensation Council, the International Labour Organisation, the International Organisation of Employers, the International Chamber of Commerce, the Business and Industry Advisory Committee to the Organisation for Economic Co-operation and Development, the Confederation of Asia-Pacific Chambers of Commerce and Industry, and the Confederation of Asia-Pacific Employers;
- Research and policy development on issues concerning Australian business;
- The publication of leading business surveys and other information products; and
- Providing forums for collective discussion amongst businesses on matters of law and policy affecting commerce and industry.

Publications

A range of publications are available from ACCI, with details of our activities and policies including:

- The ACCI Policy Review – a regular analysis of major policy issues affecting the Australian economy and business;
- Issue papers commenting on business' views of contemporary policy issues;
- Policies of the Australian Chamber of Commerce and Industry – the annual bound compendium of ACCI's policy platforms;
- The Westpac-ACCI Survey of Industrial Trends - the longest, continuous running private sector survey in Australia. A leading barometer of economic activity and the most important survey of manufacturing industry in Australia;
- The ACCI Survey of Investor Confidence - which gives an analysis of the direction of investment by business in Australia.

- The Commonwealth Bank-ACCIBusiness Expectations Survey – which aggregates individual surveys by ACCI member organisations and covers firms of all sizes in all States and Territories;
- The ACCI Small Business Survey - which is a survey of small business derived from the Business Expectations Survey data;
- Workplace relations reports and discussion papers, including: Modern Workplace: Modern Future 2002-2010 Policy Blueprint; Functioning Federalism and the Case for a National Workplace Relations System; and The Economic Case for Workplace Relations Reform Position Papers;
- Occupational health and safety guides and updates, including the National OHS Strategy and the Modern Workplace: Safer Workplace Policy Blueprint;
- Trade reports and discussion papers including Riding the Indian Elephant and Riding the Chinese Dragon;
- Education and training reports and discussion papers;
- The ACCI Annual Report - providing a summary of major activities and achievements for the previous year;
- The ACCI Taxation Reform Blueprint: A Strategy for the Australian Taxation System 2004-2014; and
- The ACCI Manufacturing Sector Position Paper: The Future of Australia's Manufacturing Sector: A Blueprint for Success.

Most of this information, as well as ACCI media releases, parliamentary submissions and reports, is available on our website - www.acci.asn.au.

INTRODUCTION

Australia has strong links with other Pacific nations despite obvious economic, governance related and institutional differences. Our common geographical remoteness from the major trading nations of the Northern Hemisphere and the powerhouse economies of our region has implications for the economic aspirations and structures we adopt and for the labour market arrangements we aspire to.

Parallel histories have grounded Australia as well as our Pacific neighbours with similarly sound legal and parliamentary structures and respect for the rule of law.

Common neighbours and the relationships between Pacific states also ensure that we are linked as states in the Pacific, trading with each other, migrating within the region, and trying to forge a place in an increasingly globalised world.

The links between Australia and other Pacific nations means that economic and security challenges facing Papua New Guinea and the Island States of the Southwest Pacific are matters of Australian interest.

The Australian Chamber of Commerce and Industry has a particular interest in the minimisation of barriers to trade, investment and overall economic growth in Pacific nations. To this end, the present submission first outlines the key challenges facing states in the Pacific and then recommends strategies for addressing these challenges.

CHALLENGES FOR THE PACIFIC

Globalisation

Globalisation has caused the world to shrink economically, politically and culturally. Trade, open markets, relative ease of movement in human and financial capital and information technology have imposed that reality upon us. It is an opportunity, but its impacts have been uneven especially for some smaller nations and economies with traditional or narrow bases.

Political Stability

It is well known that states in the Pacific region have had diverse experiences with political stability. A challenge for commerce in the region is ongoing stability and ensuring all laws, including laws governing labour and commerce, are made by politically stable elected representatives.

Industry and Investment

Economic development raises living standards and addresses poverty. Consequently, Pacific states need to attract industry and investment to further their economic goals. This may be difficult as some Pacific nations lack natural geographic advantages and substantial natural resources and may not have a substantial history of investment and growth.

Institutions

Another challenge is the creation of open, accountable, stable and effective regulatory institutions to support states in becoming centres of trading, manufacturing and employment. Institution building is particularly vital to ensure the free and efficient operation of trading and financial markets.

Corruption

The business community must guard against institutional corruption and seek to protect the principle of independence between the government and its regulatory institutions and those being regulated. Some Pacific states face the challenge of forging independent regulatory structures necessary to construct viable commerce and the conditions business needs to trade successfully and viably. Regulatory

integrity and independence appears particularly important as financial and commercial operations internationalise. Potential investors in the region need meaningful assurance that corruption is not endemic.

Migration

One challenge facing all Pacific states is that of retaining the labour force and not losing it to larger nations perceived to offer more opportunities and more excitement. The problem of an emigrating labour force is particularly noticeable amongst the emerging generations.

Engagement with Government

Governments need a viable business community to establish economic wealth and deliver living standards. Establishing mutually respected and beneficial dialogue with governments is an important challenge for employers, unions and community stakeholders.

STRATEGIES FOR ADDRESSING CHALLENGES IN THE PACIFIC

Institutions and Private Property

The quality of institutions is extremely important for economic growth. The most important institutions are those that protect private property. If private property cannot be protected, then investment will largely stop. Corruption, weak police and poor quality courts all stop the protection of private property.

The ownership of land is a subject of significant debate in Pacific countries. Collective ownership of property is important in many cultures, but the economic costs of joint ownership needs to be weighed against cultural benefits.

Private owners (whether individuals or communities) need to be confident of their land rights and tenure and should be protected from takeover without compensation.

Recommendation 1:

ACCI believes that private property should be protected by strong institutions to encourage investment.

Governments should ensure that the value of private property held as money is maintained by keeping inflation low.

Regulation

Excessive red tape and bureaucracy can strangle growth. Many developing countries put excessive controls on the

operation of business. These regulations are meant to protect the community, but often restrict the growth of business and thus help neither business nor the community. Excessive regulations also promote corruption because businesses have an incentive to use any means possible to bypass the unnecessary red tape.

Red tape is a particular problem in some Pacific countries. The World Bank's ease of doing business indicator places East Timor at 142nd out of 155 countries. AusAID has indicated that the average cost of recovering a debt in Pacific countries is equal to 86 per cent of the debt and takes more than 500 days¹, but Pacific governments have made commitments to reduce these costs substantially.

Recommendation 2:

ACCI supports regulation that is written in such a way as to encourage the growth of business and avoid excessive red tape which can lead to corruption.

Aid

Using the measure of GDP per person, Australia ranks as the eighth wealthiest country in the world, ahead of France, Germany, Japan and the United Kingdom, but behind the United States.

Australia has used this wealth to provide assistance to many countries in the Pacific. The Australian Government provided 3.1 billion Australian dollars of aid in the last financial year, \$517 million to the Pacific, \$355 million to Papua New Guinea and \$72 million to East Timor. Australia separately contributes multilateral aid to bodies such as UN aid organisations, as well as substantial private sector aid, with 32 percent of Australians giving to overseas aid organisations.

In addition to aid, many Pacific countries also receive remittances from citizens who are temporarily working overseas. According to the World Bank, remittances are 14 percent of the economy in Samoa, 12 percent in Kiribati and 7 percent in Fiji. They are much lower in other Pacific countries.

While national governments and the international community have an important role in reducing poverty in developing countries, in the longer term, the best way out of poverty is through sustainable economic growth.

¹ AusAID (2006) Pacific 2020: Challenges and Opportunities For Growth, page 78

Recommendation 3:

Aid can be beneficial, but is not a guarantee of economic growth. Misdirected, aid can harm growth in some circumstances – for example, if it props up corrupt governments and keep exchange rates artificially high. ACCI believes that aid needs to be designed so these problems are avoided where possible.

Organisation for Economic Co-operation and Development (OECD)

Attracting and retaining Australia’s foreign direct investment is vital to the economic growth and development strategies of many Asia Pacific developing nations. The OECD’s Policy Framework for Investment is a good place for many developing countries to start when implementing policies and strategies for attracting and retaining much needed foreign direct investment. To help broaden the stock of Australia’s foreign direct investment, promote global supply chain participation in the Asia Pacific and further enhance economic growth in our immediate region, ACCI would support the Australian Government assisting developing countries in the Asia Pacific in undertaking the OECD Policy Framework for Investment.

Foreign direct investment is a major economic policy issue for developing countries in the Asia Pacific. In order to grow and prosper they need to attract and then retain much needed foreign direct investment in a fiercely competitive global market place. Foreign direct investment can be the engine for kick starting and then sustaining the development engine – providing a capital platform they could not otherwise create from their domestic savings base. And, for intermediate and somewhat more developed countries, foreign direct investment means augmenting the capital investment which the domestic economy can generate – and enhancing their technological capacities.

ACCI research has shown the factors of greatest importance in raising levels of inward foreign direct investment are: foreign investor control; cost of capital; corporate taxation; regional integration; protectionism; and, shareholders rights and responsibilities.

In short, ACCI believes foreign investors want security in their investment from expropriation; internationally competitive taxation systems; and, look for open economies that practice liberal, outward looking trade policies.

The OECD Policy Framework for Investment (PFI) addresses the challenging issue of what a prospective host country has to do to attract and retain foreign direct investment. Rather than attempting to quantify and establish some rankings based on the relative importance

of different factors, the PFI sets down a non-prescriptive checklist of issues – based on some 82 questions - for national governments looking to attract and retain foreign direct investment.

The Policy Framework usefully addresses policy issues and challenges across a range of core policy areas: namely competition, corporate and public governance, investment, taxation, and international trade. It provides potential host countries with a tool kit to benchmark their policy settings for investment against international accepted practices – and by implication against those of other countries.

One practical “behind the border” way Australia could help developing countries in our immediate region promote themselves as a foreign investment destination would be for Australia to partner them in undertaking a rigorous and transparent PFI self-assessment. The assessment could then be made public in Australia.

It would mean engaging substantially with domestic and foreign businesses in making the assessments across all of the benchmarks, and accepting criticism as constructive.

The benefit for Australia would be the potential broadening of the stock of our foreign investment away from OECD countries, increased participation of global supply chains in the Asia Pacific and enhanced economic growth in our immediate region.

Recommendation 4:

ACCI would support the Australian Government assisting developing countries in our region in undertaking the OECD Policy Framework for Investment.

Migration and Employment

ACCI recognises that ideally Pacific workers should be employed in their own country and directly add to the economic development of their own communities. However, taking advantage of employment opportunities abroad can also add to an employee’s local economy. For example, overseas workers often provide remittances home and return with a wider skills base thereby assisting regional economic development.

ACCI is supportive of the Horticulture Industry Pacific Seasonal Worker Pilot Scheme recently announced by the Minister for Foreign Affairs, the Hon Stephen Smith MP. The 2,500 guest workers will gain income, experience and skills from work in Australia which will be of significant benefit to their own communities in Kiribati, Tonga, Vanuatu and Papua New Guinea.

Recommendation 5:

ACCI supports the Horticulture Industry Pacific Seasonal Worker Pilot Scheme proposed by the Federal Government.

Asia Pacific Economic Cooperation (APEC)

APEC presents an important forum for us to engage with Papua New Guinea. ACCI believes APEC, with its focus on trade liberalisation and constructive work program on trade facilitation, must remain an integral part of Australia's trade policies and priorities. Australia needs to continue to drive the APEC work agenda to ensure it continues to serve our commercial and trade policy interests in the future. Because of its heterogeneity and its consensus based decision-making, Australia's policy priorities for APEC need to remain realistic, focused and targeted.

Australia must continue to use APEC as a trade liberalisation forum. Its focus should be on advocating for multilateral trade liberalisation in the WTO and bringing order to the energetic pursuit of bilateral or regional free trade agreements by most APEC members. ACCI is of the strong opinion that APEC's trade liberalisation agenda should include a concerted effort to harmonise the core provisions of the various free trade agreements to which APEC members are party. ACCI believes this would be the most effective means to move towards a Free Trade Area of the Asia Pacific.

APEC has made substantial progress and useful contributions in the area of trade facilitation. That is, tackling the administrative and regulatory impediments to international trade and commerce. This work needs to continue. ACCI suggests that the low-key and largely technical nature of much of APEC's work on the trade facilitation agenda be given the attention and priority it properly deserves by regional Governments.

Australia must ensure APEC continues to provide Australia with a 'seat at the table', where leaders and ministers can discuss issues of global and regional significance. Without a Leaders meeting, there would be general concern of what the future for APEC holds.

Recommendation 6:

ACCI believes Australia must continue to drive the APEC agenda. This agenda should focus on the following key priorities:

1. a strong commitment to trade liberalisation, including the harmonisation of the core provisions of the various free trade

agreements to which APEC members are party;

2. a substantial and ambitious trade facilitation agenda; and
 3. ensuring the Leaders Meeting remains the pre-eminent gathering of Leaders in the region.
-

Building Collective Business Organisations

The strengthening of the economic base of nations in our near region is assisted by an effective and co-ordinated voice amongst private sector business interests in those countries. While in Australia we take for granted the work of collective organisations and the role they have in public policy development, this cannot be assumed in developing countries. ACCI is actively committed to working with key stakeholders in developing and maturing the structure of chambers of commerce and industry and employers' organisations in these nations. Such work is also complementary with the development of free trade union voices.

The key stakeholders ACCI is working with are the International Organisation of Employers, the Confederation of Asia-Pacific Employers, the Confederation of Asian Chambers of Commerce and Industry, the International Labour Organisation, the ACTU, the Australian government and our colleagues in Business New Zealand. Workshops have been held by ACCI and Business New Zealand with employer and business bodies from these nations in 2005 (Melbourne), 2006 (Auckland) and 2007 (Sydney).

These are also matters which are subject to consultation between ACCI, the ACTU and the Australian government through the International Labour Advisory Committee (a subcommittee of the National Workplace Relations Consultative Council). They were also the subject of discussion with the ILO Regional Director Sachiko Yamamoto and her delegation on her visit to Australia in August 2008. Attached to this submission is a paper issued by ACCI (and associated press statement) at that time which highlights a number of issues emerging for our near Pacific business organisations.

Recommendation 7:

That Australia work in a tri-partite manner to assist in the building of greater capacity amongst collective organisations in PNG and the Pacific, as a step forward in strengthening dialogue between governments, the business community and workforces on economic matters and industry policy.

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MEDIA RELEASE

Friday, 15 August 2008

Skills, Climate Change and Decent Work on Agenda in Union and Business Meetings with ILO

Australia's responsibility in guiding a sustainable economic future for fragile Pacific island states has been discussed in meetings with the International Labour Organisation's most senior ranking regional official today.

ACTU President Sharan Burrow and ACCI Chief Executive, Peter Anderson, who are both members of the Governing Body of the ILO, discussed a wide range of issues with organisation's regional director for Asia and the Pacific, Sachiko Yamamoto, during her first visit to Australia.

Ms Yamamoto's visit follows the historic endorsement of the Declaration on Social Justice for a Fair Globalisation at the most recent International Labour Conference in Geneva in June.

Ms Burrow and Mr Anderson said the ILO was a vital tripartite forum for governments, business and unions to promote economic growth while ensuring decent work and fairness in the rapidly evolving global economy.

Discussions today included responding to the challenges of skills development, climate change, the transition from manufacturing to service economies, and the extension of decent working standards throughout the region, particularly with an expansion to other countries of the Better Work program that has lifted wages and conditions in Cambodian factories.

Ms Burrow welcomed the Rudd Government's commitment to greater engagement with the ILO.

"There's nothing more important than knowing our region is economically viable, it's secure through employment and social security protections, and that the people here have the skills and opportunities to make a life for themselves that create a stable region," she said.

"As employers and unions we have a responsibility as partners through the ILO to our neighbours in trying to create a sustainable future."

Mr Anderson said Australia had the capacity to offer leadership in the region to advance economic and social progress.

"Our region has not turned itself inwardly, it has looked outwardly to globalisation but we have a range of fragile economies and we also have economies like Australia which have done very well out of global forces," he said.

"We need a good understanding of our region and the opportunities that globalisation presents both for workers and businesses so that our economies can be competitive. The challenge of addressing economic change and social change needs to occur in a cohesive way."

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‘REFLECTIONS ON REPRESENTING PACIFIC EMPLOYERS IN 2008 AND BEYOND’

**A Background Paper for the ILO Regional
Office on the occasion of the visit of the
Regional Director to Australia**

August 2008

Peter Anderson

Chief Executive, Australian Chamber of Commerce and
Industry (ACCI)

Australian Representative, International Organisation of Employers
Member, Governing Body, International Labour Organisation

Introduction

In recent years, collaborative initiatives led by ACCI and Business New Zealand, with the assistance of the International Labour Organisation and the International Organisation of Employers, supported by the Confederation of Asia-Pacific Employers, have been directed towards capacity building and information exchange amongst Pacific and South-east Asian employer bodies.

A number of factors have brought about this heightened sense of dialogue and collaboration:

- An awareness of the differing impacts of globalisation in our region;
- An understanding of the vulnerability of fragile economies in our region;
- Instances of political and social instability amongst states or communities in our region;
- Natural catastrophes in our region, such as the Asian tsunami and the Solomon's tsunami;
- The need for follow-up from the Asian Regional Conference (Busan, 2006), the ILO South-east Asia and Pacific subregional forums and other tri-partite and bi-partite events;
- The existence of social dialogue in the region.

Workshops of employer organisations were held in August 2007 (Sydney), which built on an earlier and highly successful employer workshop held in Auckland in 2006. These followed dialogue amongst employer bodies during the tri-partite sub regional meeting in Melbourne in 2005.

This paper briefly reflects on some characteristics of our unique Pacific region, some of the challenges facing various countries throughout the region and the role employer associations could aspire to play in the development of life in the Pacific during the next decade.

The paper then briefly reflects on the Australian experience in relation to a number of key topics.

It is appropriate to highlight what we share in the Pacific – notwithstanding the obvious diversity between developed and developing states, and between each of our nations. Three things in particular we share:

Geography: Obviously we share substantial geographic remoteness from the major trading nations not only of the Northern Hemisphere, but also from the powerhouse economies of our region. This has implications for the economic aspirations and structures we adopt and for the labour market arrangements we aspire to.

History: This is not the place for us to compare notes on the legacy of our post colonial heritage – but what we have inherited is an innate history of sound legal and parliamentary structures, and respect for the rule of law. This is a substantial asset to build on.

Neighbours: We also share of course our relationships with our neighbour states. Notwithstanding the dual engagement of many countries, including my own with Asia, we are and will remain linked as states in the Pacific, trading with each other, migrating within the region, and trying to forge a place in an increasingly globalised world.

Challenges for the Pacific

So what are some of the key challenges facing countries in the Pacific?

Globalisation: The reality of globalisation is with us. Our world shrinks, economically, politically and even culturally. Trade, open markets, relative ease of movement in human and financial capital and information technology have imposed that reality upon us. It is

an opportunity, but its impacts have been uneven especially for some smaller nations or economies with traditional or narrow bases. Some of us have gained, but others have not to the same degree.

Political Stability: It is well known that states in the region have had a diverse experience with political stability. A challenge for commerce in the region, and thereby for those of us who champion it, is ongoing stability and ensuring our laws, including laws governing labour and commerce, are made by politically stable elected representatives.

Economic Development: Another challenge is that of development, and of continuing and improving on the initial phase of post-colonial development. States in the region need to make sure they can join their counterparts in other parts of the world on the ongoing path towards improved living standards that economic development provides. In large measure, this means attracting industry and investment to states which lack natural geographic advantages, often lack natural resources and may not have a substantial history of investment and growth.

Institutions: Another challenge is the creation of open, accountable, stable and effective regulatory institutions to support states in becoming centres of trading, manufacturing and employment. This extends well beyond the regulation of work – where many would argue less rather than more institutions are needed. Institution building is particularly vital to ensure the free and efficient operation of trading and financial markets.

Corruption: Our business communities must guard against institutional corruption and seek to protect the principle of independence between the government / regulatory institutions and those being regulated. Many countries outside of the region encounter this problem, and we would be mistaken if we thought the problem did not exist closer to home. As was the case with the emergence of the Australian states / the former British colonies in Australia in the late 19th century – some Pacific states face the challenge of forging independent regulatory structures necessary to construct viable commerce and the conditions business needs to trade successfully and viably. Regulatory integrity and independence appears particularly important as financial and commercial

operations internationalise. Potential investors in the region need meaningful assurance that corruption is not endemic.

Migration: All of us share the challenge of holding onto our labour force and not having them leave us for other bigger countries perceived to offer more opportunities and more excitement. Just as people in various Pacific states may migrate to New Zealand, New Zealanders migrate to Australia, Australia also faces the prospect of a brain drain of our talented young people into central and north Asia, the US and Europe. Each of the states face a shared challenge of maintaining their labour force and in particular the talents and intellect of emerging generations.

Engagement with Government: Governments need a viable business community to establish economic wealth and deliver living standards. Yet all too often governments fail to engage or engage meaningfully with employers and their collective employer bodies. Establishing mutually respected and beneficial dialogue with governments is an important challenge – indeed not just with governments but also other regulatory institutions, and union and community stakeholders.

HIV: A pressing challenge for a number of the Pacific states is that of HIV/AIDS. As some of you will be very well aware, HIV can very quickly escalate well beyond a health challenge into a wider social and economic crisis.

It can be seen from this list that some of the challenges facing our region are traditional industrial relations matters, including those often discussed by employer and union representatives. However challenges for the Pacific extend well beyond this, to issues of governance, economic structures and institutions, and also social issues.

There are also some substantial opportunities and advantages in the Pacific, including a common language heritage, reasonable education and health care systems in many countries, and social stability in many countries. And of course – our great climate, easier pace of life and friendliness!

What role should employer organisations play?

A key question is the role employer representatives can play in meeting these challenges, and in ensuring Pacific societies develop, prosper and grow.

Ultimately, the implementation of policies to address these and other challenges depends upon broad support from the government, business and the wider community. Employer organisations play a vital role in ensuring two things: the right policies are implemented, and the community supports the implementation of the policies.

Indeed employer representatives and employers' organisations are uniquely placed to become leaders in the emergence of sound and successful Pacific societies, and to be change agents in the operation of Pacific economies and labour markets, and to play a key role in delivering greater stability, transparency, and sustainability.

In each and every country of the world those who represent business are uniquely placed. We inherently understand and have a feel for commerce, for trade and for what it takes to operate a business. Our members provide an understanding of practical economics and the conditions necessary for national building and stability.

We are the conduit for the views of commerce on how the economy should properly operate, and the institutions which will best protect the operation of markets and commerce.

It is equally important that we do not over-state what employer representatives can achieve. We can at best be part of wider forces for change – however I believe we do have a role to play and in the Pacific in particular are uniquely placed to provide policy leadership, and insight.

This is also not an easy task. It is always simpler to identify an opportunity than it is to seize on it. Any employer representative in any part of the world needs substantial tools and capacities to be able to fulfil their role in transforming their society – particularly in cases where there is a history of societal instability / entrenched vested interests.

The IOE, the ILO Employers Bureau, CAPE and organisations such as ACCI our colleagues such as Business New Zealand have been keen to offer the employer representatives of the Pacific the type of capacity building and experience sharing employer bodies in smaller countries need to take up your role in transforming societies, and to realising the long overdue capacity of Pacific states to provide stable and secure work, and improve living standards.

Economic Challenges

Australia is a fairly wealthy country. Yet even in Australia, and our region more generally, we are seeing in 2008 the evidence of slowing economies arising from slower world growth and uncertainty in markets.

One of the best measures of wealth is GDP per person. On this measure, Australia ranks as the eighth wealthiest country in the world, ahead of France, Germany, Japan and the United Kingdom, but behind the United States.

Australia has used this wealth to provide assistance to many countries in the Pacific. The Australian Government will provide over 3 billion Australian dollars of aid in this financial year, with about \$517 million going to the Pacific, \$355 million to Papua New Guinea and \$72 million to East Timor. This doesn't include multilateral aid, such as Australia's contributions to UN aid organisations.

There is also substantial private sector aid, with 32 percent of Australians giving to overseas aid organisations, but we don't have the data to say how much goes to the Pacific.

In addition to aid, many Pacific countries also receive remittances from citizens who are temporarily working overseas. According to the World Bank, remittances are 14 percent of the economy in Samoa, 12 percent in Kiribati and 7 percent in Fiji. They are much lower in other Pacific countries.

The importance of economic growth is obvious. It will lead to reduced poverty and higher standards of living. The clear question is why

some developing countries are successful in growing faster than others – what have the success stories done right? This is a complex issue.

However, there are some broad lessons:

- Aid can be beneficial, but is not a guarantee of economic growth. Misdirected, aid can harm growth in some circumstances – for example, if it props up corrupt governments and keep exchange rates artificially high. Aid needs to be designed so these problems are avoided where possible.
- The quality of institutions is extremely important for growth. The most important institutions are those that protect private property. If private property cannot be protected, then investment will largely stop. Corruption, weak police and poor quality courts all stop the protection of private property. Several types of private property deserves special mention:
 - The ownership of land is a subject of significant debate in Pacific countries. Collective ownership of property is important in many cultures, but the economic costs of joint ownership needs to be weighed against cultural benefits. Aside from this issue, private owners (whether individuals or communities) need to be confident of their land rights and tenure and should be protected from takeover without compensation.
 - Money: Governments have a particular role in ensuring that the value of private property held as money is maintained. The way they can ensure this is by keeping inflation low.
- Excessive red tape and bureaucracy can strangle growth. Many developing countries put excessive controls on the operation of business. These regulations are meant to protect the community, but often end up helping neither business nor the community because they restrict the growth of businesses. Excessive regulations also promote corruption because businesses have an incentive to use any means to bypass the unnecessary red tape.
 - Red tape is a particular problem in some Pacific countries. The World Bank's ease of doing business indicator places East Timor at 142nd out of 155 countries. AusAID has indicated that the average cost of recovering a debt in Pacific countries is

equal to 86 per cent of the debt and takes more than 500 days¹, but Pacific governments have made commitments to reduce these costs substantially.

Poverty is a related challenge. While national governments and the international community have an important role in reducing poverty in developing countries, in the longer term, the best way out of poverty is through sustainable economic growth – as discussed above.

Many Pacific countries are also facing challenges relating to the environment, and over time this may have important economic and social impacts.

The emergence of community, business and government awareness about the impact of greenhouse gases on our societies and economies, and the search for global and national solutions is a great economic and social challenge for our nations and economic structures. Post the signing of the Kyoto protocol by Australia in early 2008, there is a real need for multilateral solutions to be found, starting from the Copenhagen follow-up in late 2009.

The collapse of the Doha round of trade talks in Geneva in July 2008 is a particular concern on two fronts. Not only does it weaken global economic activity and press bilateral rather than multilateral outcomes, it acts as a barrier to lifting communities from poverty through wealth creation and entrepreneurship.

It also sends very poor signals about the capacity of global agreements in the short term on greenhouse issues.

Another challenge is high population growth in some (but not all) countries. This is not a bad thing, but presents challenges in terms of having adequate infrastructure for the growing population – they need more roads, hospitals, schools and phones. It can also be hard to build houses fast enough.

- Australia has actually been facing a similar problem with our population growing quickly for a developed country, mainly due to immigration. Governments have been too slow at allowing houses

to be built for these new Australians, as a result house prices have gone up quite quickly in some areas.

Australian experiences

All IOE member organisations are trying to secure more members, greater influence and better infrastructure for trade and commerce.

It may be relevant to outline some experiences from Australia, and some of the lessons we have learned during the past two decades.

In doing so, I note the substantial differences between the situation in Australia and that facing many other employer organisations.

Governance

Australia has for many years had substantial requirements for sound financial and democratic governance of employer associations, through the requirements of our industrial relations and association laws. So – there are substantial pressures for sound governance of employer associations in our country.

If there is anything to be taken from the Australian experience however – it is that sound and transparent governance makes for the most effective employer representation. The respect with which employer organisations are viewed, and the extent to which we can influence government and policy making is a direct function of the respect with which we are held in the community.

Linked to this is the importance of unity. Australia's employers speak most strongly on any issue when a single or united view is being articulated.

Policy makers of all complexions find it hard to resist exploiting any differences between employer bodies when these exist.

Another ongoing consideration for any employer body is the division of responsibility between the paid and elected representatives of employers. There are varying approaches to this in Australia and

again no single model stands out – but consistency and unity again appears very important.

Revenue Building

Employer organisations are for the most part significantly under resourced bodies, rarely able to do all that they want to do in any country. Employer representatives throughout the world have learned to make do – indeed better than make do – with scant financial resources. We will continue to punch above our weight.

However pacing employer bodies on at least a sound and sustainable financial footing is fundamental to being able to be effective and provide real services to members. It is also fundamental to you being able to play the transformational and leadership role I outlined in my introduction.

In Australia, building revenues has been a key focus in the transformation of employer bodies and in changing the mix of services they offer. There appear to be a set of trends amongst Australian employer bodies:

- Some organisations have moved away from very high fees which provided for a full range of services where an employer may have experienced a claim, stoppage or dispute. Instead, they have shifted to slightly lower fee structures above which specific additional fees are payable for specific services.
- This “fee for service” model allows employer bodies to leverage additional revenue from the services members actually use. Some organisations also contract with service providers, rather than providing services through association staff (e.g. contracting specialised trainers).
- However, it also arguably emphasises the competition between employer associations and any competing providers, such as lawyers, accountants etc, who may charge on an hourly fee basis.

There is no single approach – various models have served various Australian bodies well. One thing we can say with confidence is that Australia’s employer representatives are increasingly exposed to

competition and have increasingly needed to reconsider how they structure their membership fees and service charges.

Membership Management

Intrinsically linked to revenue is membership – securing and retaining members is of course a fundamental challenge for all employer organisations. Members deliver not only also additional revenue, but additional voice, influence and legitimacy.

Australian employer associations have experienced pressure on membership during the past two decades, but not to the degree of the trade union movement. The causes of this are subject to conjecture, but they are, at least in part, a function of wider changes in our industrial relations system and changes in our society.

Australian employer organisations have had significant success in stopping the membership drain, and reversing these trends. Much of this success has been a function of broadening services and becoming not just employer organisations, but business organisations.

Lobbying

Lobbying can be by far the most interesting and rewarding part of representing employers – and potentially the most frustrating when decision makers refuse to listen. Under the label of “lobbying”, I include one-to-one relationship building, behind the scenes meetings, making a public case for against changing policy, preparing publications, and making media and public comments.

Lobbying is of course the advantage employer organisations enjoy over lawyers, accountants, consultants and even governments and NGOs. Only we as employer representatives can articulate the collective views of employers. Only we are recognised by the ILO and our international peers with that institutional status.

Recognition of the lobbying status of employer bodies is part of the social dialogue that underpins the re-statement of ILO principles in the June 2008 International Labour Conference Declaration on Social Justice for a Fair Globalisation.

Lobbying is an area in which we as employer organisations can more than any other punch above our weight. One intelligent person, with access to a word processor, and the internet can produce analyses which can determine regulation affecting many thousands of businesses and the employment of tens of thousands of persons.

In Australia we have found the internet in particular absolutely invaluable in enriching our capacity to make a public case in favour of employers.

Overall Reflection

Employer organisations throughout the world face a mismatch between what they would like to achieve and the expectations of their members on the one hand – and their resources on the other. Throughout the world there are never enough resources to do what we want, never enough time, and always too much to do. The amazing thing is that across national systems, across regions and language groups – we all find a way, we all punch above our weight.

This includes the employer organisations of the Pacific.

No longer can employer organisations rely on the good nature of employers or a sense of social obligation or collective identity to encourage membership or engagement. Just like our union counterparts – members will not just come to us automatically anymore. Like all parts of the business world, it is increasingly vital for employer organisations to provide a value proposition to their potential members – and to provide services which are of commercial benefit to their members.

An important option for employer organisations is to become more broadly based and to engage the wider spread of government policy and regulation beyond industrial relations and the regulation of work. Some employer associations have successfully transformed themselves into business organisations, representing business on an increasingly wide range of issues.

Another option which has emerged in Australia is combining formerly competing organisations into larger bodies, able to offer a greater range of services and to assert greater representation in lobbying and influence. Some of Australia's unions and employer associations have benefited from amalgamations and economies of scale during the past two decades, although it is not for everyone.

A key challenge for all organisations is the mix of direct, revenue generating services and more collective, non-revenue generating policy and representation services, including lobbying. Too much of an emphasis on policy may render an organisation less able to sign up members, however too much of an emphasis on micro level services may render an employer association indistinguishable from the services offered by lawyers, accounts, governments etc.

One of the key lessons from Australia and from the dozens of major employer associations we deal with, is that there is no one way to navigate these challenges – there is no one model or panacea.

We should not presume the developed world, or countries such as Australia pass on some generic way of operating an employer organisation.

In countries like Australia, employer representatives have made some excellent progress but there are some areas which need further development. Employer bodies compete amongst each other, and each has to make out a business case for its existence.

There are substantial differences in how employer associations are run - even within Australia.

We also have lessons to learn from international experience. On that basis dialogue with the ILO Regional office and sub regional offices, together with a responsive field structure, is vital.