

Consultancy), Manila, about opportunities for Australian firms eligible to bid for Asian Development Bank-funded projects. The Committee considers, however, that more needs to be done, in consultation with key business representatives such as the AABC, to communicate services trade opportunities to the services industries.

(c) Financial Services including Banking

3.109 The Foreign Affairs submission anticipated some 'scope for Australia to become a major regional banking, finance and insurance centre (although this will depend on policy decisions of the Government).'¹⁰⁹ Among the decisions already taken are the 'floating' of the Australian dollar, the deregulation of most restrictions on foreign exchange transactions, the issuing of additional foreign exchange dealer licences and the Treasurer's announcement of the Government's intention to issue a number of banking licences to foreign bank applicants willing and able to obtain 50% Australian equity in their operations or, short of that, able to offer compensating benefits. The way is opening therefore for Australia to provide some 'off-shore' finance services for the region; however whether Australia can join Singapore and Hong Kong as a regional finance centre is still highly uncertain.¹¹⁰ For this reason, and because this issue is not specific to ASEAN, the Committee concerned itself mainly with the questions of mutual foreign bank access in Australia and the ASEAN region and its implications for trade and investment flows.

3.110 One of the basic questions is whether Australian banks will be allowed by ASEAN Governments to participate more fully in their countries' banking systems, and vice versa. Treasury stated that 'all major Australian banks have branches in Singapore but representative offices (only) in one or two other ASEAN countries ... that would indicate that some ASEAN

countries do have similar policies towards bank entry as we do at the moment'.¹¹¹ The Committee was informed that some Australian and ASEAN banks are interested in gaining access, although some ASEAN banks might reconsider if strict Australian equity requirements were applied. The ASEAN-Australia Business Council - Australian Section (AABC) considered that Australian banks would be unlikely to gain fuller access to banking services within ASEAN until ASEAN banks could gain similar access. It suggested that mutual access be sought on a bilateral basis.¹¹²

3.111 It appeared likely to the AABC and to Trade and Treasury, that trade and investment flows would be encouraged if banks could provide their importer/exporter clients with full financial services in the foreign country.¹¹³ The AABC was more definite than Trade and stated that 'there is a great risk that this [bank finance for bilateral trade] will be done by third country banks' if Australian and ASEAN banks do not come to operate off-shore full bank services within the region.¹¹⁴

3.112 The Committee considers that expanded access for both ASEAN and Australian banks to provide more effective financial services to their exporting and investing nationals (and to local purchasers of Australian exports) would be a desirable adjunct to the expansion of Australia-ASEAN trade and investment which the Committee anticipates. Recognising that banking services, even in Singapore,¹¹⁵ have traditionally been highly protected sectors of the Australian and the ASEAN economies, because of legitimate national concerns about foreign influence in national finances it suggests that improved access be considered on a reciprocal basis by ASEAN and Australian Governments in close consultation with the banking industry.

4. Australian Direct Investment in ASEAN

3.113 The ambitious development strategies of ASEAN countries continue to require large amounts of foreign investment and the supplementary benefits of technology transfer. Joint manufacturing ventures have generally been encouraged, and these constitute about one half of Australian investment.¹¹⁶ There are reportedly ¹¹⁷ over 400 Australian firms with operating interests in ASEAN, concentrated in the manufacturing and light engineering fields but with numerous firms in primary (especially mining) and tertiary sectors, some operating in more than one country. Australian investment in ASEAN services sectors, especially in Singapore, has increased steadily to the point at which it represents about one third of Australia's investments in ASEAN and is displacing primary sector investments (except in Malaysia).¹¹⁸

3.114 Of the \$A301 million direct Australian investment accumulated in the ASEAN region as at 1983, about 13% of total Australian foreign investment, almost half (\$140 million) was placed in Singapore and about a quarter (\$75 million) in Indonesia.¹¹⁹ The other ASEAN countries have received less attention, although Australia is becoming one of the larger investors in Malaysia and Thailand. The AABC stated that the 'available official statistics considerably understate the size of the investments'.¹²⁰ This was confirmed by Trade, which explained that retained earnings are not included. Australia's investment contribution to ASEAN is, however, considerably less than for the major three foreign investors in ASEAN - Japan, US, and EC.¹²¹ Australian experts such as the AABC nevertheless expressed confidence that Australian investment was generally of significant benefit to both Australia and the ASEAN region.¹²² The Bureau of Industry Economics reported in 1983 that 'Australian investment in ASEAN has been growing rapidly in recent years and occupies quite an important position in certain industry sectors'.¹²³

3.115 There appears nevertheless to be considerable scope for expansion of Australian investments in ASEAN. Submissions from both ASEAN and Australian sources¹²⁴ anticipated joint venture opportunities in ASEAN Industrial Joint Venture scheme projects. Increased Australian investment would be welcomed in most ASEAN countries, where some disappointment has been expressed¹²⁵ with the low level of Australian investment relative to that from other developed country investors. The Treasury referred to the foreign exchange restrictions, recently lifted, which may have discouraged foreign investment in general. It confirmed that 'With the floating of the Australian dollar on 12 December 1983 a major part of the [exchange control] restrictions ... were abolished ...'¹²⁶ Witnesses generally expected the deregulatory measures to result in greater Australian investment in the region,¹²⁷ and that the ASEAN investment climate would continue to be generally attractive. The few regulatory problems in ASEAN countries referred to by the AABC, especially regulatory delays in the issue of operating and export licences, restrictions on Australian bank services, and policies towards localising ownership and employment (especially in Indonesia and Malaysia) did not significantly diminish the Council's enthusiasm for investment in the region.¹²⁸

3.116 The Australian domestic implications of expanded investment in ASEAN were addressed by the AABC:

'The Council's experience has shown that Australian joint venture operations in S.E. Asia have in fact boosted employment in Australia and have enabled a much stronger and diversified basis of local operations ..., have been extremely successful and boost our national image'.¹²⁹

These were reasons given by the Council against any imposition of a foreign tax credit system in Australia that might - according to it - be motivated in part by a fear of Australian jobs being 'exported'.¹³⁰ Both the AABC and Price Waterhouse argued that any such taxation proposal would 'seriously

prejudice substantial Australian business investments in SE Asia and elsewhere'.¹³¹ The Australian Council of Trade Unions responded in evidence that it was concerned that Australian jobs might be lost to overseas positions. Specific concern was expressed about 'some companies that have done well out of [Australian] protection and have ... invested those profits offshore [to] take ... advantage of low labour costs'.¹³²

3.117 The Committee recognises significant advantages to both ASEAN and Australia of Australian foreign investment in the ASEAN region. While mindful of possible shorter term disadvantages to Australian industry (largely beyond its terms of reference, however) the Committee queries whether, overall, Australia would suffer any losses that would not be compensated by improved business opportunities and repatriated profits benefitting the Australian economy. The Committee anticipates that, with the deregulation of Australian overseas investment, a generally encouraging investment climate in ASEAN and the comparative advantages for some businesses of operating within the highly competitive ASEAN market (rather than exporting to it), Australian direct investment in the region will enjoy increasing opportunities, which, on balance, will be beneficial to employment and economic activity in Australia. This should also enhance ASEAN economic development and recognition of Australia as an effective economic partner.

5. Australia-ASEAN Shipping Services

(a) Australia's shipping interests

3.118 The very high proportion (93% by value) of total trade carried by sea between Australia and ASEAN countries highlights the significance of economic, reliable and efficient shipping in the maintenance and development of our trading relationship with the ASEAN region. The Department of Transport considered that shipping services are 'economic, reliable and efficient',¹³³ but the economic aspect of this judgment was queried by the representative of Australian exporters, the Australian Shippers Council (ASC).¹³⁴

3.119 Shipping may be viewed both as a tradeable service, and as an important factor in the price and competitiveness of a country's merchandise exports. Not surprisingly, the ASC viewed shipping primarily as a cost factor in Australia's export effort, which it considered threatened by recent rises in freight rates imposed by the regional shipping conferences and, in turn, by wasteful over-tonnaging provided by conference lines. ANL considered that its services and those of other conference lines satisfied the interests of Australia and ASEAN exporters: that shipping services (if not freight rates) are competitive and that regularity of service, technical services and long-term stability are also important benefits.¹³⁵ ANL also addressed its prospects for an expanded involvement in regional trade as that trade itself expanded. A major interest of the Department of Trade was that Australia's continuing invisibles deficit with ASEAN countries 'largely reflects Australia's relatively unfavourable shipping (and airline) costs vis-a-vis the ASEAN countries and lack of opportunity to utilise Australian flag vessels' [as well as a substantial imbalance of outflowing Australian traveller expenditure].¹³⁶

3.120 While recognising the unfortunate size of the transportation deficit, the importance of efficient and reliable national shipping services, and the apparent desire of ANL to gain a greater share of ASEAN trade,¹³⁷ the Committee placed greater emphasis in its inquiry on the impact of freight rates on the competitiveness of Australian exports.

(b) Shipping costs and export competitiveness

3.121 The questions as to whether Australia's shipping costs are unfavourable on routes to the ASEAN countries relative to costs for foreign competitors, and whether, if they are, they impact adversely on the competitiveness of Australian trade with ASEAN are important but difficult questions to answer. The evidence given the Committee was not conclusive either way, due to differences of opinion between witnesses, to the technical complexity of the issues and to the general lack of transport costs data. For example, land-based factors¹³⁸ such as port handling charges and the costs of dock strikes, may constitute at least 40% of total transport costs. Yet another difficulty is to determine whether any lack of competitiveness of Australian exports is due to their basic (f.o.b.) cost or to their landed (c.i.f.) cost.¹³⁹ Some specific - but inconclusive - freight rate comparisons (between Australia/ and US/ ASEAN services) were prepared specially by the Department.

3.122 The ASC asserted that freight charges did represent a significant part of landed costs for Australian exports in South-East Asia - for example, between 10% and 20% for common exports like steel products, dried fruits, meat and dairy products. The ASC complained of the 7% increase in regional freight rates imposed by the regional conferences from 1 May 1984, after negotiations between the ASC and the conferences had broken down. Some ASC member organisations, notably meat exporters were reported to have indicated that 'the increase

would "severely disrupt" their export positions (mainly in the Singapore and Malaysian markets) and make new business uneconomic'.¹⁴⁰ However, when asked by the Committee whether any of its members would actually lose export orders, the ASC replied that it had not yet [as at 21 May 1984] been advised of any prospective losses. The Department of Transport had also not been so advised. It estimated that the 7% increase would increase the landed cost of Australian exports in ASEAN by only .06% on average (an estimate with which ASC expressed some difficulty).

3.123 The ASC further asserted that 'the competitiveness of Australian exports in the East Asia region was reduced' as a result of industrial action in 1983 by Australian maritime unions concerned to protect ANL (their major employer) from lower rates competition from non-Conference lines. The result of this industrial action was said to be agreements by the non-Conference lines with the major regional shipping conference ('ANSCON'), to limit their cargo market share and to reduce their rate discounting. 'The additional freight costs to exporters on the East Asia trade alone have been conservatively estimated at over \$16 million'.¹⁴¹

3.124 An even more serious problem according to ASC is the significant and costly shipping over-capacity offered on all East Asian routes, estimated [by ASC] at 17% in excess of the tonnage required for current trade volumes, and costing the lines some \$50 million per annum.¹⁴² Some of this cost was said to be passed on as increased freight rates: 'the operating costs of shipping lines are an important factor in the determination of freight rates'.¹⁴³ This latter assertion was queried by the Department:

'... it may well be that the very, very severe competition has shaken rates down to such a level that in fact it is the shipowners who are bearing the brunt of the overtonnaging rather than the people who are shipping their goods.'¹⁴⁴

The apparent implication is that should over-tonnaging continue when there is insufficient price competition among shipping lines (for example from non-conference operators), the over-tonnaging costs might be fully passed on to shippers.

3.125 Evidence from ANL and the Department on competition and rate levels was not fully consistent with that from the ASC. ANL, a member of the major regional conferences, commented

'Probably every day somebody rings us up and tells us he cannot sell his goods because of the freight rate. Then we investigate [rates available to third country exporters] ... nine times out of ten we come back to f.o.b. price being the principal factor ... generally speaking I cannot see that the Australian exporter is disadvantaged in the Asian area in any way'.¹⁴⁵

Similarly, the Department stated that it had received few complaints about shipping services between Australia and ASEAN and that the present level of freight rates reflects the reasonably high level of competition in the ASEAN trade.¹⁴⁶

3.126 Both the Department and ANL indicated that much of the competition came from non-conference operators whose rates were about 10% on average lower than Conference rates: these operators 'help to keep the trade fairly honest and at a competitive level' (ANL).¹⁴⁷ According to the Department, ANL's cost structure - widely assumed to be the highest of the Conference lines¹⁴⁸ - has not resulted in higher Conference rates, because of freight rate competition from non-Conference lines.¹⁴⁹ The Department's view underlines a point common to all shipping witnesses, namely the important competitive role played by non-conference lines, estimated officially to carry at least 30% of two-way trade with ASEAN countries.¹⁵⁰ In other words, external competition rather than internal shipping line costs is - presently at least - the major determinant of freight rate levels.¹⁵¹

3.127 This conclusion need not be inconsistent with ASC's assertion that shipping line costs are a significant part of exporters' landed costs. The evidence that operator costs form a major part of the Conferences' argumentation in freight rate negotiations tends to confirm that agreed freight rates levels will be a function of both costs and competition; costs becoming a more dominant factor if competition among operators decreases. The fact that ANL's ASEAN routes are profitable (its own evidence)¹⁵² raises some possibility that lower rates could be negotiated. The fact that there is considerable 'discounting' by Conference members below agreed rates is both advantageous for exporters, and a possible indication that rates are agreed at levels which allow Conferences a profit margin which can be cut if competition with non-conference operators requires.

3.128 However, as with much of the evidence which might connect costs, competition, rates and export competitiveness, firm conclusions are impossible without the benefit of better data. The Committee was presented with some freight rate comparisons, extracted by the Department of Transport, for a small range of items for shipment to ASEAN from Australia and the US West Coast respectively.¹⁵³ No overall pattern of benefit to either American or Australian exporters was apparent, although rates for meat and fruit exports appeared to favour Australia.

3.129 While the Committee considers it unlikely, on the basis of the evidence given to it, that the present level of freight rates is harmful to the competitive position of Australian exporters to the ASEAN region, it considers that better data is needed before definite conclusions can be reached. The Committee notes that the results of research into Australia-ASEAN shipping services, being conducted by the ASEAN-Australia Research Project, are expected to be published later this year; also that the Australian Government is continuing its own investigations of shore-based components of shipping costs, such as stevedoring and container handling charges, which have been estimated to comprise

up to about 40% of total shipping costs.¹⁵⁴ The Committee recommends that the Australian Government, on the basis of this research and any further independent investigation that may be necessary, seek to isolate the significance of shipping and related transport costs for Australian exporters and to develop and implement transport-related measures designed to improve the competitiveness of Australian exports, especially in Asian markets.

3.130 One of three possible options suggested by Trade to improve Australia's invisibles account was 'increasing usage of Australian shipping in our trade with ASEAN, which would require an improvement in our relative shipping costs',¹⁵⁵ an important qualification also for the Department of Transport.¹⁵⁶ The Government's research mentioned above should also question whether any expansion of ANL's services would significantly reduce Australia's invisibles deficit, and whether any such reduction would be desirable overall taking into account any effect which such expansion might have on freight rates and the competitiveness of Australian exports.

3.131 For a highly competitive market like that for ASEAN imports, cost reductions along the entire export chain are desirable. The Committee is pleased that the ANL is pursuing cost reduction policies as stated in its evidence.¹⁵⁷ It also notes that the Government is presently studying the significant land-based components of shipping costs.¹⁵⁸ For the sake of Australia's export performance in the region, it is important that ANL and other conference lines seek to maximise their efficiency, and that the Australian and ASEAN Governments facilitate circumstances conducive to price competition and efficiency in their shipping industries.

3.132 Assuming the extensive over-tonnaging on ASEAN routes is resulting, or could result, in higher freight charges and the shipping industry continues to be unable or unwilling to rationalise its services accordingly,¹⁵⁹ the Australian Government should consider consulting with ASEAN Governments with a view to persuading shipping lines (including governmental lines) to reduce their tonnage on Australia-ASEAN routes. While the Committee recognises that the over-tonnaging problem is not confined to ASEAN routes, and that shipping demand - especially on those routes - is expected to increase steadily, the Committee is mindful that ASEAN government line services are also likely to expand in accordance with ASEAN country policies.

(c) ASEAN shipping policies

3.133 Pursuant to the United Nations Code of Conduct for Liner Conferences (the 'U.N. Liner Code'), to which all original ASEAN members except Singapore have acceded or will be acceding, the importing and exporting country on any bilateral sector are each entitled to carry up to 40% of outward liner trade in its flag ships; [cross-traders, some of which would be non-conference operators, would be limited to 20%]. If this were to occur, and if the government operated component of national fleets were greatly expanded, it could be difficult - asserted the ASC - to maintain competition and freight rates at levels necessary for the export trade. This was qualified by the Department of Transport, which summarised current policies of ASEAN countries as follows:

'The main thrust of most ASEAN members' shipping policies is directed towards the development of larger national fleets and gaining a greater share of the cargoes their country generates. At the same time, this has generally been tempered by an acceptance of commercial realities and a desire not to overly disrupt trade by excessive governmental interference.¹⁶⁰

3.134 The Committee notes that the Malaysian Prime Minister mentioned, in a recent address on future economic projects in the region, the need 'to avoid excess shipping tonnage between Australia, Japan and ASEAN'.¹⁶¹ Both the Department and the ANL considered that ASEAN cargo reservation objectives would not necessarily result in less efficient, more costly services, because ASEAN exporters and countries recognised the importance of competitively-priced services. The ASC was more pessimistic:

'ultimately ... with the possible exception of Singapore, the other ASEAN governments will increasingly move to demand shares of the trade in a way which will have the effect of inflating freight costs.'¹⁶²

It even suggested Australian legislation might be needed to 'safeguard the free flow of shipping' which could be endangered if foreign shipping interests threatened to take a greater share of the market contrary to Australian Government policy.¹⁶³ The Committee considers that the foreign policy implications of any such Australian reaction could be significant and would warrant close assessment beforehand.

3.135 The longer term possibilities of expanded ASEAN national fleets and reduced participation by non-national flag carriers in regional shipping warrant the Australian Government's close attention. There could be cause for concern to Australia's export competitiveness if over-tonnaging was thereby to worsen or if a commercially competitive transport environment were threatened. These concerns should be considered carefully by the Government in its deliberations on whether to accede to the U.N. Liner Code and in consulting with ASEAN Governments on future shipping developments in the region.

6. Market Access and Trade Barriers

(a) Australian Market Access: an issue for ASEAN

3.136 ASEAN criticism of protectionism by industrialised nations against imports from developing countries especially their labour-intensive manufactures, has been a central, on-going feature of ASEAN economic philosophy and trade negotiations. A typical recent statement is that included in the Joint Press Release of the Sixteenth ASEAN Economic Ministers Meeting, May 1984:

'The Ministers reviewed the progress of ASEAN cooperation with its dialogue partners and expressed concern over the continuing trade imbalance and protectionist measures practised by dialogue partners which have impeded ASEAN exports from gaining greater access to their market. The Ministers urged the dialogue partners to display concretely their commitment to the stand-still and roll-back of protectionist measures made on several occasions, including the last Economic Summit at Williamsburg.'

3.137 This critical philosophy has been applied regularly by ASEAN countries, both individually and as a group, to Australian market access and import restrictions. Australian trade barriers on textiles, clothing, footwear (TCF) and timber products, including 'handicrafts', have received particular criticism. A major ASEAN campaign was mounted between 1976 and 1979. While the protection issue has not since had such a high profile, the Committee was warned that economic developments in ASEAN indicate that it may resurface as the dominant negative issue in Australia's economic relationship with the ASEAN region.¹⁶⁴ (The other major economic issue is the bilateral trade surpluses enjoyed by Australia).

3.138 A vigorous example of ASEAN criticism of Australian market access is the reference in the submission from the Centre for Strategic and International Studies, Jakarta, to 'rising Australian protectionism' being the most important negative aspect of economic relations between Australia and ASEAN:

'It is difficult to imagine how the ASEAN countries can proceed in their industrialisation if the markets such as the Australian one are practically closed to their manufactured exports'.¹⁶⁵

A prominent Malaysian economist [Professor Ariff] confirmed to the Committee that

'The question of protectionism in Australia has been one of the thorniest issues with ASEAN. In spite of the fact that Australia brought about a major tariff revision in the 1970s, Australia has one of the highest protectionist profiles among developed countries. In fact it is much worse than the EC and much worse than the United States, but ASEAN has been a little more tolerant with that in the 1970s because Australia's economic performance was not too good'.¹⁶⁶

3.139 While the Department of Trade and the AABC pointed to Australia's continued progress towards lower overall levels of industry protection (e.g. Exhibit 5), there was some recognition among Australian witnesses that Australian trade barriers in the TCF sector are high by world standards, and that ASEAN concerns - at least in part - are well-founded.

The Treasury commented:

'... the tariffs and quotas that are imposed on their [ASEAN country] imports tend to be higher on average than the average level of protection that is provided for Australian manufacturing, so in that sense ... ASEAN countries see it as a reason for grievance that the goods that are of particular importance to them are subject to higher tariffs and quotas than exports from other countries'.¹⁶⁷

Dr Hill made a similar point and also commented that

ASEAN countries are moving increasingly into this [TCF] field, and pressures for market access ... from ASEAN are likely to intensify'.¹⁶⁸

3.140 At the same time, Australian witnesses emphasised that Australian quotas are not intended to discriminate against ASEAN exporters,¹⁶⁹ and that their low market share [only 5% of TCF imports - para. 3.145] is due to lack of competitiveness (vis a vis other Asian exporters) and market awareness.¹⁷⁰

In some areas, say, in the textile, clothing and footwear regime, importers have a choice on source ... There are no country-based quotas. When they have a free choice as to where they use up their quota, they are using only modest amounts in ASEAN'.¹⁷¹

3.141 The Trade Department described the 7 year program of gradually reducing protection for Australia's TCF industries as 'designed to encourage a predictable and gradual change in local production of TCF products', and 'deliberately aim[ed] at improving trading opportunities especially for developing countries who receive preferences on most TCF items' [Exhibit 5]. Another Australian response to ASEAN criticism is that expanding ASEAN exporters have over-estimated the size of the Australian market, which has led to their disappointment. Australian efforts to increase ASEAN exporters' market awareness are seen therefore as important. Australian witnesses, including the AABC and the ACTU emphasised the relatively transparent, highly visible, nature of Australia's tariffs and quotas; and contrasted the numerous non-tariff restrictions on imports into ASEAN countries.¹⁷²

3.142 Is the actual impact of Australian manufacturing protection policy on ASEAN exports as serious as claimed by the numerous and critical ASEAN participants in the inquiry? The Australian System of Tariff Preferences for Developing Countries (ASTP) was introduced in 1966 to assist developing countries

(DC) to overcome their disadvantages in competing with [developed] third countries in the Australian market, not, it was emphasised to the Committee, to reduce general levels of protection for Australian industry. Until amended in 1981, the ASTP did not extend to clothing and footwear imports from developing countries, because those imports were regarded as already competitive (as well as injurious to Australian industry). This TCF exclusion from the ASTP margins of preference for developing countries, generally 10 to 15 percent below the General Tariff Rate, was very contentious with ASEAN countries, as were the quota restrictions on TCF imports from all sources (non-discriminatory). For example ASEAN, in a formal group memorandum to Australia in November 1978, asserted that

'... The ASTP has not really contributed towards any substantial increase in exports of the ASEAN member countries to Australia, the main reason being, among others, the limited product coverage, the low level of tariff reductions, the existence of a quota system and the stringent definition of handicrafts pursuant to Item 36 of Schedule 2.'¹⁷³

3.143 The extension of the ASTP to the TCF sector in 1981, albeit with lower preference margins of 5%, has not stifled criticism of Australian market access by ASEAN countries which want further increases in the scope of ASTP and in preference margins.¹⁷⁴ The continuing quota system is also seen as unsatisfactory, although Trade notes that in 1982 only 2.2% of ASEAN imports were subject to quota type controls and that, under the 7 year program of (declining) assistance to the Australian TCF sectors, there will be annual increases to the worldwide import quota.¹⁷⁵ Trade's other responses to these criticisms are that tariff rates and margins of preference are regularly reviewed in public Australian industry assistance inquiries - of which ASEAN countries are given special notice under the 'Early Warning System' (a special concession extended only to ASEAN countries and India); and that

'Only 9.6% of imports from ASEAN are subject to duty at other than developing country rates. Ninety per cent enter at developing country [DC] preferential rates or are free of duty at other than DC rates'.¹⁷⁶

3.144 Trade warned that further liberalisation is limited without undermining the levels of assistance determined by the Government for a particular industry'.¹⁷⁷ The A C T U drew the Committee's attention to the 7 year program (commenced in 1982) for phased reduction of assistance to the Australian TCF sector, and argued generally that 'neither current nor foreseeable future economic conditions justify a reduction in protection levels'.¹⁷⁸

3.145 The Industries Assistance Commission (IAC) commented to the Committee that many cases of low ASEAN shares of the Australian import market were due to lack of competitiveness with other Asian exporters, and that ASEAN countries in fact benefit considerably from ASTP preferences:

'In 1982, the latest year for which details are available only 2.3 per cent of Australia's imports from ASEAN were subject to quantitative type restraint measures. This compares with 6.2 per cent from all countries and 7.5 per cent from all developing countries. Further, despite the existence of restraint measures, principally on certain textiles, clothing and footwear items, total imports of items subject to restraint from ASEAN have increased from \$16.8m. in 1978 to \$40.1m. in 1982. However, ASEAN supplies only about 5 per cent of the total TCF import market, a clear indication that their own marketing and competitiveness vis a vis other suppliers are important factors in explaining their market share.

'... imports under preferential arrangements grew from 16 per cent of total imports from ASEAN in 1978-79 to 30 per cent in 1980-81. On average, imports from ASEAN included a higher proportion of preferential imports than was the case for imports from all Developing Countries as a group ... In 1977-78 the preferential share of imports from ASEAN countries ranged from 2 per cent for

Indonesia to 38 per cent for the Philippines. In 1980-81 the range was from 11 per cent for Indonesia to 63 per cent for Thailand.¹⁷⁹

3.146 The ACTU also noted that 'the major beneficiaries of the [ASTP] system were the most advanced among the developing countries including the ASEAN nations', and that 'it [is] important [that] preferential treatment be directed to those least developed countries who will benefit most'.¹⁸⁰ The Committee notes that similar concerns have been put by some areas of Australian industry to the Government's current major review of the ASTP. The AABC stated its understanding that the Australian Government 'is considering the adoption of a mechanism that will facilitate the identification of genuine developing country status'.¹⁸¹ The Trade Department was more cautious in its evidence. 'Clearly if a formula approach, along the lines that industry is interested in, was introduced that would result in removing preferences from quite a number of ASEAN countries. That would be a matter of very considerable concern to those countries.'¹⁸²

3.147 It appears that the ASTP preferences are generally helpful to ASEAN countries. However, while ASEAN's exports of labour-intensive manufactures have improved despite quotas and relatively low ASTP preferences, largely it seems because Australian products are suffering reductions in market share, this improvement has not matched the strong performance of competitive products from East Asian industrialising countries.¹⁸³ Trade commented as follows:

'... if there were an easing of some of the present quantitative restrictions that apply to a limited range of products affecting ASEAN, the countries that would benefit most would not be the ASEAN countries - they would be China [with 9% share of TCF imports], Hong Kong [12%], the Province of Taiwan [12%] and the Republic of Korea [6%].¹⁸⁴

The Committee notes that, at least until 1980-81 (the latest figures available to it), Taiwan, Hong Kong and Korea collectively benefitted more from ASTP concessions than the ASEAN countries, and that only one ASEAN beneficiary - Singapore - benefitted more than any one of the East Asian developing countries.¹⁸⁵ Also in this regard, the Committee notes the ACTU's call for the regular review of developing country preferences 'to ensure that products in which particular ASEAN nations have attained world standards of production efficiency are not assisted at the expense of poorer countries.'¹⁸⁶ The Committee also notes that the general ASTP scheme is presently being reviewed by Government.

3.148 However, it is reasonable to assume that ASEAN exporters, initially in the labour-intensive sectors but increasingly in ASEAN developing manufacturing sectors¹⁸⁷, will be increasingly attracted to, and competitive in, the Australian market. A second factor, recognised by a number of witnesses including Dr Hill, Dr Edwards, Professor Ariff and Price Waterhouse, is an ASEAN expectation that Australian economic conditions and markets will improve. Price Waterhouse added that 'It is only in comparatively recent times that ASEAN countries have begun to recognise Australia as a small but valuable export market.'¹⁸⁸ A third factor, noted by Dr Hill, is that 'there is substantial [trade] liberalisation occurring in the [ASEAN] region, ... Australia will benefit from it but ... there will be pressure on Australia to liberalise concomitantly.'¹⁸⁹

3.149 The Committee noted with approval Australia's present policies - explained by Trade¹⁹⁰ - to assist ASEAN countries to promote their exports to Australia. In addition to the ASTP preferences there is the Trade and Investment Promotion Program (TIPP), originally (in 1981) a 3 year \$4 million program funded by ADAB under the ASEAN-Australia Economic Co-operation Program to assist ASEAN exporters to ascertain the commercial

acceptability of their products in the Australian market. TIPP projects include Australian assistance to organise trade displays, missions and the training of government officials. The TIPP has been extended beyond 30 June 1984 for another three years and with a \$3 million budget.

3.150 The Committee also notes with approval the need, emphasised especially by Price Waterhouse, for greater Australian efforts to promote ASEAN awareness of the Australian market:

'Enhanced ASEAN knowledge of the Australian market is we suggest a fundamental issue in ASEAN/Australian economic relations and is of fundamental importance in the context of ASEAN desire for enhanced "market access"

'... if ASEAN exporters were better informed of the Australian market, their selling efforts could be more effectively targetted ... This in turn would have a positive impact on trade balances ... and could contribute to reduced pressures on Australian-ASEAN relations...'191

The issue of ASEAN awareness of the Australian market underlines the importance the Committee places on fostering more informed and accurate perceptions between Australia and ASEAN. In this regard, the Committee notes the AABC's comment that 'a lot of Australian government policies are not understood and there is a perception that we are very protectionist ... we ought to do something about getting the good policies recognised.'192

3.151 In the longer term, however, it seems likely that present Australian restrictions will meet increasing ASEAN opposition as ASEAN competitiveness and import prospects are enhanced - and as the restrictions offer increasingly less economic protection for Australia. In this context, the following comment from Professor Ariff is notable:

'... ASEAN manufacturers are fairly competitive in the Australian market and have been able to penetrate ... in spite of the high protection that you do have ... as a study by ... the ANU has

shown, even if you reduce, ... your tariffs by 10 per cent, it is not going to have much of an impact upon imports from ASEAN. If tariff reduction is not going to matter, why do you not then reduce the tariff? That is the kind of argument that you will get from the ASEAN side.¹⁹³

As already noted, however, a significant tariff reduction would be expected - in present conditions - to lead to a significant increase in imports from East Asian countries. The Committee notes Dr Edwards' comment that, as for ASEAN and our ASEAN relations, little would be gained on balance by lowering TCF protection, taking into account the consequences for Australian industry.¹⁹⁴

(b) Lower Australian trade barriers?

3.152 The economic - and political - advantages of lower Australian (and ASEAN) trade barriers, and the relatively low protection offered by existing high barriers, were emphasised by numerous Australian and ASEAN witnesses and commentators. According to Senator Button, Minister for Industry and Commerce,

'... tariff protection, while it has undoubtedly saved some jobs, has not prevented significant erosion of employment. The proportion in manufacturing has fallen about 6 percentage points since 1974. Even highly protected industries such as textiles and motor vehicles have contracted.'

'we cannot, in general, increase our protective walls. That will lead to stagnation and withdrawal ... There are sound international imperatives why we should become more closely integrated with the region, not insulate ourselves from it.'¹⁹⁵

3.153 A different perspective was given by the ACTU which, while appreciating that 'Australian industry must change to allow long run growth to be maximised', asserted that 'neither current nor foreseeable future economic conditions justify a reduction in protection levels'.¹⁹⁶ The ACTU's view was that restructuring should depend on gradual adjustments including

orderly schemes for creating new jobs and retraining for occupants of existing positions. It emphasised, for example, that there was in place already a 7 year scheme for adjusting the TCF sector to import competition.

3.154 The Committee notes the more positive views of the Minister for Foreign Affairs:

'Mr Hayden has publicly suggested ... that while structural change will not be easy or painless it is going to happen. The real question is to what extent it will be foisted upon us, and to what extent we can shape it to maximize benefits and minimize negative aspects. We can seek to delay change but only at the cost of a decline in Australia's living standards, relative to those countries which adjust more rapidly'.¹⁹⁷

The Committee also notes the following submissions indicating ASEAN's concerns with Australian market access:

- 'ASEAN does not expect Australia to sacrifice its own economic stability by opening its gates to unrestricted imports from ASEAN, ... Australia's economic stability and a resurgence of its economic growth are in the interests of ASEAN. But what we do hope for is easier market access in those fields where ASEAN countries can contribute to Australia's growth in a competitive manner by encouraging Australia to enhance the efficiency of its own productive capacities'.¹⁹⁸
- 'Any relaxation in Australia's industrial protection will contribute to a more efficient division of labour in the industrial sector and, thereby, to the intra-industry trade between Australia and ASEAN countries. It will give concrete substance to the ASEAN-Australia dialogue, which so far has been limited to issues of minor importance such as joint research projects'.¹⁹⁹
- 'So far, the ASEAN-Australian consultative machinery, Australian aid and trade assistance and Australian diplomacy in the North-South dialogue have been sufficient to contain ASEAN hostility, despite incompatibilities between Australian trade policies and those sought by

ASEAN. These measures will continue to be useful to enable Australia to pursue trade policies appropriate to Australian needs while attempting to preserve effective co-operation with ASEAN in economic and other matters but they are not in themselves likely to prove sufficient if not supplemented by some trade concessions to assist in the further economic development of the ASEAN region.²⁰⁰

3.155 It is beyond the scope of this Committee's inquiry to reach firm conclusions or recommendations about the structural problems of Australian industry. The Committee does emphasise, however, that from the perspective of Australia's political and economic relations with ASEAN countries, mutual benefits will result from freer two-way trade flows. Australian manufacturing industry must become more technology- and capital- intensive and more export-oriented if it is to be revived to its proper potential. In respect of protection for the Australian TCF sector, the Committee considers that any increase in access for foreign importers - additional to the scheme included in the current seven year plan - would not at present be justified, at least in the context of Australian relations with ASEAN countries given that they would not likely be among the significant overseas beneficiaries.

(c) ASEAN Trade Barriers

3.156 While barriers to Australia-ASEAN trade are often assumed to be mainly Australian tariffs and quotas, the Committee received evidence of significant non-tariff restrictions employed by most ASEAN countries. For example, the ACTU contrasted Australia's 'highly visible and easily quantifiable' tariffs and quotas with a wide range of Singaporean non-tariff protective devices, especially taxation concessions for Singapore companies.²⁰¹ The ACTU concluded that 'in any comparison of national protection levels, Australia will appear relatively more protected than is actually the case'.²⁰² The Department of Industrial Development, Western Australia, reported 'instances of local companies (W.A.)

protesting about what they believe to be excessive tariff levels in the ASEAN countries',²⁰³ and considered that the Australian Government should monitor ASEAN tariffs; but it gave no examples.

3.157 The services, especially finance, sector of ASEAN economies receives significant protection throughout the ASEAN region, to foster the development of local services. 'Even such a highly export-oriented service ... economy as Singapore is no exception', with foreign bank and insurance company licencing requirements.²⁰⁴ Areas of restrictions in the region include foreign exchange dealings by foreign banks; Indonesian limits on the extent to which foreign banks can finance imports; Malaysian limits on the number of nationals who can be employed in foreign banks; and Thai prohibition on more than one foreign bank branch in Bangkok and limits on foreign equity holdings in local banks.²⁰⁵ Other restrictions, in other than the finance industry, include Indonesian requirements that foreign engineering and insurance firms enter into joint ventures; national reservation of insurance business (Thailand) and for local shipping in relation to government cargoes (Philippines); and preferential tax treatment for local companies.

3.158 Reference is made in Section 2, Part B of this chapter to the opinion of numerous ASEAN-based commentators that the import-substitution policies and self-reliance objectives of many ASEAN Governments maintain local industry protection at substantial levels; and that this has been a major limitation on the development of trade and services among ASEAN countries. It was also noted there that effective tariff levels among ASEAN countries had not reduced substantially despite many attempts at increased intra-ASEAN economic co-operation.

7. Trade Performances and Prospects

(a) Australian Export Performance

3.159 The Foreign Affairs submission aptly summarised, in broad terms, Australia's export performance and prospects, which was an important focus of the Committee's economic inquiry:

'While Australian exports to the ASEAN countries have increased significantly in the last decade, Australia's performance relative to others such as the US, Japan, NZ, the EEC and Canada has been disappointing ... the heat generated by trade issues [such as ASEAN criticism of its access to the Australian market] ... does point to the need for forward looking policies, ... for the countries of the region including Australia to determine more precisely just what they can do competitively and to rationalise their activities'.²⁰⁶

The Committee would not limit any 'comparative advantage' approach to an unimaginative fatalistic assessment of Australia's opportunities in the ASEAN region; otherwise, Australia's main economic role in the region might be seen as very much limited to that of efficient primary producer and raw material supplier.

3.160 The Committee notes that the Minister for Trade and his Department are responding to Australia's relatively poor export performance by reviewing and redirecting their trade promotion efforts towards better targetted objectives, with higher priority to Australia's trade partners in Southeast (and East) Asia and to non-traditional sectors such as services. These initiatives, and suggestions by other witnesses, will be considered in this section, together with the opportunities - and challenges - in a region likely to remain among the world's economically dynamic groups of countries.

3.161 At least four major witnesses - Trade, Foreign Affairs, Treasury and Dr Edwards - remarked that while Australia-ASEAN trade has increased significantly each year for at least the

past decade [e.g. 13% in current value terms between 1977/78 and 1982/83,²⁰⁷ these increases were due to growth in ASEAN demand alone and not to any corresponding increase in Australian export competitiveness and performance. All witnesses agreed that Australian exports comprise a decreasing share of total ASEAN merchandise imports (about 2.8% in 1982, down from 4.3% in 1970),²⁰⁸ a share which has been declining against many of Australia's export competitors.

3.162 All witnesses agreed that the decline in Australia's share of ASEAN imports was due largely to a much higher proportion (by value) of higher priced petroleum imports:

'The dramatic rise in the price of oil [between 1970 and 1980] meant that the proportion of ASEAN's imports accounted for by minerals and oil almost doubled, whilst other sectors of the ASEAN import market declined in relative importance'.²⁰⁹

Trade emphasised that the ASEAN market shares of even the EC, Japan and the US declined and that 'the only major supplier to increase its share of these markets across the board was Saudi Arabia the reason being, quite simply, exports of oil'.²¹⁰

3.163 Oil alone is not, however, the sole explanation of Australia's relatively poor export performance in the ASEAN region. First, Australia's share in all its overseas markets has been declining in the past decade.²¹¹ Second, some of Australia's competitors - for example, the US, EC, Canada and New Zealand-have lost less ground relative to Australia and, in fact, have increased market shares in some individual ASEAN countries or sectors. Third, Australia's poorer performance is despite what is often assumed are relative Australian advantages in proximity (freight costs) and economic complementarity. Fourth, even after discounting the petroleum factor from Australia's market share, two Australian export sectors have not fared well - foodstuffs and machinery. Trade commented that with the petroleum factor taken out, Australia had about maintained its overall ASEAN market share. Edwards, however, estimated that

'if there had been no change in the commodity composition of [ASEAN] imports ... Australia's share ... would have decline(d) ... by 7% [between 1970 and 1980].²¹²

3.164 The reasons for what the Committee views as a disappointing export performance are apparent from export sector analyses given by Dr Edwards and by Trade. These show that 'Australia's exports to the ASEAN countries were concentrated in commodity categories [e.g. wheat, meat, sugar, tin] where, in value terms, growth in import demand ... in the 1970s was low relative to that of total imports'.²¹³ They also show 'a change in the pattern of ASEAN imports and the fact that the goods Australia supplies have not been the most rapidly growing in the ASEAN import market'.²¹⁴

3.165 In short, Australia's traditional exports are no longer as well matched to the developing pattern of ASEAN imports; economic complementarity between Australia and ASEAN may not be as high as often assumed. After discounting the petroleum factor from ASEAN imports, Trade estimated²¹⁵ that between 1970 and 1980, ASEAN imports in each of the following five sectors increased [in current value terms] as follows:

. mineral-intensive(including oil)	15-1/2 times(1550% increase)
. technology-intensive	10 times
. human-capital intensive(eg paints, motor vehicles, watches)	7 times
. agricultural and resource-intensive	5-1/2 times
. labour-intensive	45%

Neither of the two fastest-growing categories (mineral- and technology-intensive sectors) account for much of Australia's export value to the region. Australia has not begun to export coal and iron ore to ASEAN in significant quantities (tin has been the major export - mainly to Malaysia). In the secondary sector, which includes jet and car engines, computers, agricultural machinery and telecommunications equipment, there is relatively little Australian manufacture.²¹⁶ In the

agricultural and human-capital (including machinery not involving high technology) sectors, areas in which Australia would be expected to do well, these sectors declined in ASEAN's import mix and Australian market shares within each sector have fallen.²¹⁷

3.166 Trade estimates Australia's agricultural market share fell between 1970 and 1980 by only 1% (from 10% to 9%),²¹⁸ but Edwards claims a more significant fall in the latter five years.²¹⁹ Trade was concerned that wheat exports to Indonesia, Malaysia, Singapore and Thailand had reduced market shares, especially a reduction in Indonesia from 70% to 25% between 1977/78 and 1982/3 attributed to lower priced soft wheats from EC and Canada.²²⁰ Dairy and sugar exports experienced significant declines, due in part to EC, Thai and New Zealand competition. Despite Dr Edwards' prediction that meat, sugar and cereals should henceforth maintain market shares, and Trade's optimism for future wheat exports to Indonesia, overall 'it is probable that the contribution of food products to Australia's share of imports by ... ASEAN ... will slip further'. This is because the share by value of foodstuffs in total ASEAN imports will tend to decline, because food prices increase more slowly than other merchandise prices.²²¹

3.167 The 'human-capital-intensive' sector - mainly lower technology manufactures including some machinery - is the worst performed area for Australian exports; in which market share was halved [from 4% to 2% of total ASEAN imports in this sector between 1970 and 1980].²²² The ASEAN-Australia Business Council assumed that Australian machinery (and technology) would be well-suited to ASEAN development needs because of similar scale and level of technology,²²³ but Dr Edwards concluded that 'the facts do not bear out these arguments' and that the reasons should be researched.²²⁴ Certainly, competition from Japan, US, EC, Korea and Taiwan is considerable. Research presently being undertaken by the Bureau of Industry Economics may show that foreign competitors' mixed credit schemes are a major factor especially in the heavy engineering area where

Australia's recent record is not good. Given the present low proportion of Australian manufactured exports to ASEAN, any continuation of present trends will not - at least in a negative sense - make much difference to Australia's overall performance. However, this would be rather too negative an approach, at least without market research into specific ASEAN needs: machinery 'is not only the fastest growing area of imports into the ASEAN countries, aside from oil, it is their most important import'.²²⁵ So, while the export challenge is considerable, so too are the potential opportunities.

3.168 To summarise, despite steady increases in the value (and often the volume) of Australian exports to the ASEAN region, Australia's shares of that market for most export types have steadily declined. Implicit in the problem areas discussed above are most of the reasons why Australia's export performance in the ASEAN region needs improvement. First, Australia's export pattern - dominated by agricultural commodities - has not been well matched to the changing sectors of greatest ASEAN demand (and export prices) namely, petroleum and technology-intensive; Australia's sophisticated and heavy machinery have not performed well in this very fast growing ASEAN import sector.

3.169 Second, Australian exports - in all sectors - have experienced increasing price competition from foreign exporters anxious to consolidate their places in one of the world's fastest growing markets. With wheat and sugar, EC government subsidised exports show no sign of letting up; and both EC and Canadian soft wheat has made large inroads into Australian hard wheat exports, especially in Indonesia. New Zealand dairy products have also been doing well, but Australian fruit and meat are holding their own. In supplying sophisticated manufactures and machinery to the development project sector, Australian exporters have faced intense competition recently from Japanese and EC country mixed credit schemes.²²⁶ Historically, Japan, EC and the US have established very strong positions in the market and it is difficult for other countries to make inroads.

3.170 A third reason is what some witnesses saw as a lack of export orientation within (secondary) Australian industry, which has enjoyed high tariff barriers over many years. For example, the Australia-Philippines Business Co-operation Committee commented that - 'We are less international traders than the people in ASEAN. We have had less experience at it and as a general rule we stay at home rather than go overseas to do business'.²²⁷

3.171 Fourth, AABC was 'firmly of the view that insufficient attention has been given to the promotion of Australia in ASEAN. This is reflected ... particularly [in] ... the general lack of understanding of Australia',²²⁸ including its industry and trading policies and export opportunities. This view was confirmed by Trade.²²⁹

(b) Current Export Promotion Efforts, including mixed credit schemes

3.172 The AABC stated that it was

'... firmly of the view that insufficient attention has been directed to the promotion of Australia in ASEAN. This is reflected in many ways, but particularly would account for the frequent misconceptions held by ASEAN about Australia and the general lack of understanding of Australia and its significant role in the region.'²³⁰

'Such ASEAN misconceptions ... about Australia have related to Australian Government policies, particularly in the area of industry protection, foreign investment, banking, trade balances etc.'²³¹

The AABC also emphasised the need for greater business awareness of opportunities in the region. The education aspects of this issue are addressed in Chapter IV. The Committee also noted with interest the Council's suggestion that an information service be provided for smaller businesses lacking their own market

research capacity: reference was made to a 'one stop shop' which could provide full statistical and other current information services.²³²

3.173 The Department of Trade commented that

'The Minister for Trade certainly wants to increase the marketing effort world-wide. He is not satisfied with the level of marketing effort that is being put in at present. In terms of trade commissioner resources in the region ... we are currently looking at proposals to increase the strength of trade commissioner representation in the region ... The 17 trade commissioners that we have in the area are a very modest share of Australia's total representation in the region ... and it will remain so even if all our proposals are accepted.'²³³

3.174 The Committee is pleased to note that more Trade Commissioners, with greater specialisation, are now being appointed in the ASEAN region. New positions include a special Trade Consultant on Fruit and Vegetables and a Trade Commissioner (Agriculture) stationed in Singapore and with region-wide responsibilities. In 1981 a specialist Trade Commissioner (Projects and Consultancy) was appointed in Manila to assist Australian bidders obtain Asia Development Bank and other internationally-financed contracts. The Committee also notes that greater and more professional efforts are being attempted to survey and promote particular ASEAN markets. One such survey is of the effects of income increases on consumption patterns in Singapore. As another aspect of this more targetted official approach, Trade has re-organised its structure for a more effective export-orientation, including a special division to promote and support export of services. Australian consultancy services are being encouraged by the Consulting Services Feasibility Study Fund.²³⁴

3.175 The provision of credit and investment insurance and concessional loan facilities by the Export Finance and Insurance Corporation is an important government-backed service for

Australian exporters which might not otherwise have access to such (affordable) services.²³⁵ EFIC emphasised that these facilities were helpful to Australian suppliers even within the development sector (to which the DIFF and other mixed credit schemes are limited by OECD guidelines):

'Australians are still winning contracts with the ordinary EFIC-OECD-type support. In those cases where they are competitive, where the goods are what are wanted, business is still going ahead ... without DIFF.'²³⁶

Mixed Credit Schemes

3.176 'Mixed credit' schemes for financing capital goods purchases by developing nations, have become much more important in recent years for OECD country exporters, in their efforts to become more competitive in tendering for ASEAN development projects. Australia's own scheme - the Development Import Finance Facility (DIFF)²³⁷ was introduced specifically for exports to ASEAN countries in 1980 and is administered by ADAB; it has since been extended to all recipients of Australian aid. Mixed credits are normally characterised by extremely long loan repayment periods of up to 25 years, often incorporating a substantial grace period before repayment commences, and very low rates of interest (2-3%). The DIFF scheme provides for aid grants to be used in conjunction with an EFIC concessional loan, to go some way towards matching mixed credits provided by competitors. Guidelines for the use of the DIFF scheme include:

- . the contract must meet EFIC's guidelines for the provision of a concessional loan;
- . the scheme applies only to machinery, capital equipment or services related to development projects;

- . the proposal must demonstrably contribute to the recipient government's economic and social development objectives and should be accorded priority in the recipient's development plans;
- . proposals should be broadly consistent with Australia's development assistance objectives in the recipient country.

Between DIFF's inception and early 1984, 30 offers had been made in connection with tenders in ASEAN. The intensity of competition for these orders can be gauged by the fact that as at April 1984 only three tenders backed by DIFF have been successful, involving aid funds of \$4.6 million. From the 1983/84 budgetary allocation of \$15 million for DIFF expenditure, only \$936 000 was actually spent.²³⁸

3.177 Most evidence received by the Committee concerned the trade-related issue of the impact of foreign mixed credit schemes on Australia's export competitiveness. The issue of how Australia should be seeking to maintain competitiveness in the face of foreign mixed credit schemes raises special and difficult questions of both trade and aid policy, addressed also in the 'Jackson Report'.²³⁹

3.178 The dilemma whether Australia's aid policies should be oriented more towards its commercial advantage is raised in Part D of this chapter. One example is whether mixed credit schemes unduly favour donor rather than recipient country interests. A trade-related concern is the possibility that Australian equipment for ASEAN development projects - otherwise competitive - cannot be supplied as cheaply as that from rival exporters in Japan, Europe or the US because of the large aid fund component provided by their governments and used to reduce tender bid prices. Australia's export performance in ASEAN machinery and equipment markets was assessed as poor,²⁴⁰ and this may be due

in part to Australia's low rate of winning development projects, on which rival European, Japanese and American mixed credit schemes are targetted.

3.179 While this manufactured sector represents about 35% of Australia's exports to ASEAN, it is a sector in which Australia ought to be doing better: because Australian secondary industry (and technology) is thought to be at an appropriate level and scale for ASEAN development requirements; because co-operation with ASEAN in such projects is politically valuable (especially in Indonesia where many proposed industrialisation projects are located); because the currently depressed Australian metals industry relies significantly on Asian exports and would benefit from increased ASEAN export orders; and finally, because the sophisticated manufactures sector is the fastest growing area of ASEAN demand.

3.180 The dilemma for both Australia's trade and aid prospects is that the competition from European, Japanese and American mixed credit schemes, with access to much larger government aid budget funds,²⁴¹ probably cannot be matched out of Australia's limited aid budget. In its submission to the Jackson Committee, Trade - a vigorous DIFF supporter as were the AABC and Price Waterhouse - suggested that, to be internationally competitive, DIFF funds should rise to between 5% and 10% of Australia's official development assistance budget (on 1984/85 ODA budget figures between \$50 and \$100 million, compared with the actual budgetary allocation of \$16 million). The Committee queries, however, whether such an allocation would be cost-effective against international competition, which could presumably be increased in a particular bidding contest to match any Australian aid component. The Committee is unaware of any internationally-regulated upper limit on the aid component in mixed credits. Illustrative of the overwhelming competition for Australia's DIFF scheme are the following figures for national mixed credit budgets for 1983 published by the OECD:²⁴²

Australia	\$ 15m (1983/84)
Canada	\$ 23m
France	\$427m
F.R. Germany	\$ 34m
Italy	\$ 54m
Japan	\$ 51m (1982)
Netherlands	\$ 43m
UK	\$ 63m
US	\$275m (see Jackson Report, p.125)

3.181 The Jackson Committee report appeared to recognise that Australian suppliers needed some interim assistance, pending a tighter international regulation of mixed credit schemes. It recommended that 'the proportion of aid used for mixed credits should be allowed to grow, although only slowly and should not exceed a ceiling of 5% of total aid'.²⁴³ It was generally critical of DIFF and similar foreign schemes for both trade- and aid-related reasons:

'Mixed credits are dubious from the standpoint of developing countries, given their capacity to distort development priorities. By appearing to offer bargains in capital goods, they encourage countries to increase their debt exposure. They tend to divert aid from low income to middle income countries where debt service is less of a problem ...

The OECD ... "Guiding Principles" ... ask members to confine mixed credits to priority development projects or programs; not to finance packages with a grant element of less than 20 per cent; and to use mixed credits on the basis of international competitive bidding. Unfortunately, the guidelines have proved ineffective in practice, and have been manipulated to suit some donors ...

The ... Development Import Finance Facility ... should be regarded as an interim measure to operate only until better international trade rules are in effect. ...

There are dangers in the DIFF scheme for Australia. One is that short-term pressures may lead to the application of aid funds as a hidden subsidy for inefficient producers, regardless of development impact. This would result in even greater pressure for the growth of DIFF on the basis of equity among producers, and a large part of the aid program could be eaten up by this form

of aid. Another danger is that the mixed credit programs of some large donors could be of such a size that Australia could not make a commensurate response from its limited program.²⁴⁴

The Jackson Committee's approach takes into account both aid and trade factors, but gave less priority to shorter term problems of excessive aid-funded competition for Australian exporters. To this extent at least, it parts company from trade-related witnesses, such as the AABC and Trade, who viewed an expansion of DIFF as highly desirable for Australian exports and not necessarily inconsistent with the proper objectives of Australia's aid program.

3.182 The Committee generally shares the aid- and trade-related concerns of the Jackson Committee about mixed credit schemes. At the same time, it is mindful of the prejudice to Australian manufacturing exports and industry resulting from the extensive use of mixed credit schemes by foreign competitors. The Committee therefore urges the Government to call for and participate fully in multilateral attempts to regulate and enforce tighter rules for the operation of such schemes. Such rules should include the strict requirements that projects be development-oriented, and that competitive tendering be strictly followed [possibly on the basis of non-subsidised prices before application of a standardised aid-funded percentage reduction]. The Committee would prefer that any Government assistance to Australia's manufacturing export sector be not funded from the overseas assistance budget. If however extensive use of mixed credit schemes by foreign competitors persists, the Government should consider alternative sources of support.

(c) Prospects for Australia's ASEAN Trade

Opportunities

3.183 The prospects for Australia-ASEAN (two-way) trade are good. Substantial expansion both of ASEAN's population and average per capita income is likely, although it is uncertain whether the present uneven distribution of wealth will improve. Development of heavier and more capital intensive industry will also increase ASEAN demand for imports. The most likely sectors, in which ASEAN is not self-sufficient, include commodities and food products, minerals and metals for industrial processing, machinery, technology, foreign investment and consultancy and financial services. ASEAN demand for such requisites for its economic development is likely to continue at levels sufficient to predict significant increases in Australian exports, if Australia maintains its present levels of competitiveness in ASEAN markets. It is apparent, however, that relative improvements in Australia's performance, especially a better matching between Australian export production and developing ASEAN demands (eg. for machinery), should bring much greater benefits to Australia, including greater respect and political influence for Australia in the region.

3.184 Specific Australian export opportunities anticipated by witnesses and commentators include the following:

- . processed foodstuffs (e.g. wheat noodles - rather than just wheat - to compete with rice noodles)²⁴⁵
- . fruit, especially tropical fruit - e.g. durians - which could be airfreighted to the Singapore market and other major Chinese centres²⁴⁶
- . horticultural services, e.g. pot plants for major ASEAN cities²⁴⁷

- . steaming coal for use in cement plants, electricity generation and future steel plants; subject however to how the region's natural gas (especially Thailand's) is developed²⁴⁸
- . pork meat for Singapore (where pigs are no longer to be raised)²⁴⁹
- . nickel for use in proposed steel plants, as well as other processed metals such as steel and aluminium
- . technological equipment and expertise,²⁵⁰ and research and development collaboration and joint ventures,²⁵¹ e.g. in telecommunications
- . education and health services to ASEAN students and patients, both in the region and in Australia, including tropical education and medicine²⁵²
- . consultancy services for banking, insurance, engineering, computing, business and agriculture
- . tourist services in Australia for a small but growing proportion of increasingly affluent ASEAN residents²⁵³
- . off-shore banking
- . Australian investment in ASEAN joint manufacturing ventures, especially under the AIJV scheme²⁵⁴

3.185 There are limits, however - both political and economic - for any increases in Australian exports which might threaten unacceptable trade imbalances. Trade imbalances as well as Australian market access are critical issues likely to be

raised again by the ASEAN countries as a group. This is especially a risk if Australian tariff and quota barriers on key ASEAN exports were unreasonably high at times when ASEAN export competitiveness and opportunities otherwise increased, and Australia's economic health no longer justified such a degree of industry protection.

3.186 If ASEAN and Australian economies develop further areas of clear comparative advantage, bilateral trade flows and mutual benefits should increase without the need for excessive barriers. For example, import of ASEAN labour-intensive consumer good manufactures like TCF and electrical products could increase as the more highly developed East Asian economies restructure and as Australia gradually rolls back its barriers [as presently planned in the seven year TCF plan]; at the same time, Australia could sell more iron ore and possibly coal (depending on the ASEAN energy sources to be used in their proposed steel, metal processing, cement and electricity plants), as well as food products, higher technology goods and business and technical consultancy services. In the longer term is 'the likely growth in ASEAN import competition in the Australian market across a broader range of products in increasingly capital-intensive and higher technology areas'.²⁵⁵ Such longer term developments, for Australian export and domestic industries, offer both challenges and opportunities.

Challenges

3.187 In considering its recommendations for developing economic relations between Australia and ASEAN, the Committee assessed four or five major limiting factors which could prejudice what otherwise seem very attractive trade and investment prospects. It is important that Australian businessmen and officials not assume that significant

improvements will occur without efforts to better their export performance. While the opportunities appear considerable so too are the possible challenges.

3.188 In the Committee's view (based on its evidence), an absence of a well-developed export instinct within much of Australia's secondary and tertiary industry is a significant constraint. The decline in Australia's traditional export markets in culturally and linguistically familiar import countries (e.g. in Europe) is coinciding with the challenges of doing business in relatively unfamiliar Asian environments. It is notable that Australia's best export performances are in Singapore and Malaysia, with which Australia shares a similar colonial heritage. Unfortunately, the degree of interest in Asian studies among Australian businessmen and students is low [see further Chapter IV]. The Committee was nevertheless encouraged by the appreciation of these problems displayed by the AABC and by certain educationists.

3.189 A second, related, limitation is the Australian tradition, declining in recent years, of high import barriers to protect import-substituting local industry, which has tended to discourage successful Australian exporting innovation and to make certain industry structures resistant to change. The Committee views a commitment to structural adjustment as increasingly necessary if Australia is to better match its export industries to regional import demands. Australia should avoid becoming limited to mining and agricultural roles. While such adjustments may be painful in the short term to entrepreneurs and workers in affected industries, the cost to the general Australian community of continuing costly support for such industries at the expense of cheaper imports is likely to be more painful in the longer term. A further risk if Australia does not play a better integrated role in the region's development, is that Australia may become largely 'irrelevant' to ASEAN economic development.²⁵⁶ This in turn could

significantly reduce Australia's political influence in the region. An even worse scenario could be ASEAN hostility to any continuation of Australian industry protection regarded by them as unjustifiable.

3.190 The challenge for Australia, to develop the ability and will to facilitate a process of greater complementarity with the region's growth economies (not only ASEAN), should however be a two-way process, as Mr Hayden has indicated.²⁵⁷ There should be regional consultation and planning of long term industry and trading strategies. If this consultation and co-operation does not occur between ASEAN countries and Australia, there will continue to be a significant risk of small-scale inefficient competitor industries within each country of the region, rather than each country doing that for which it is well suited and sharing that economic advantage around the region.

3.191 Another major limitation is the sometimes overwhelming competitiveness of Japanese, American and European exporters to ASEAN. Australia's competitiveness should steadily improve if its export effort is better targetted and promoted and Australian industry becomes more export-oriented (and if trade barriers are progressively reduced). Nevertheless, there may remain the problem of foreign government subsidies for its national exporters; e.g. European agricultural exports and European and Japanese extensive use of mixed credit schemes to assist their manufactured exports. Australia must continue to voice its concern internationally for more equitable trading processes. In this respect, the Committee is encouraged by the Australian Government's recent initiative - and the ASEAN responses - for a regional approach to the next round of multilateral trade negotiations (MTN), an approach which would emphasise common Australian and ASEAN concerns over protection and subsidy of commodities and other primary products. If such an approach should fail, the Committee considers that the

Pacific Basin countries [or at least those in Asia and Australasia] may be more encouraged to pursue mutually beneficial processes for long-term economic co-operation.

3.192 While the Committee received little evidence²⁵⁸ about the impact that Australian industrial disputes may have on commercial relations between Australia and ASEAN countries, it notes with approval the following conclusions of the Senate Standing Committee on Foreign Affairs and Defence in its 1980 report on 'Australia and ASEAN'

'It is of great importance that other countries understand that Australian industrial disputes are not an act of discrimination against them by the Government or the general community. This is particularly relevant to the ASEAN countries where trade union movements are not so well developed. ... The Committee supports the proposal for a Labour Attache. ... [to] achieve a better appreciation within ASEAN of Australian industrial relations ... It is equally important that industrial relations in ASEAN countries should be better understood in Australia.'²⁵⁹

The Committee understands that the work of the Australian Labour Attache in Japan has been effective.²⁶⁰ It emphasises the importance to Australia's export performance and prospects of promoting better understanding of industrial relations as they may affect trade between Australia and ASEAN. The Committee therefore recommends that the Australian Government again consider the desirability of appointing a Labour Attache for the ASEAN region, along the lines proposed by the Senate Committee in 1980, to: liaise with the ASEAN Governments and with employer, industry and union groups; to report on labour developments in the region; and to promote bilateral exchanges in the industrial relations area.

d) Conclusions and Recommendations on Australian Exports

3.193 The Committee emphasises the need for Australian Governments, industry and trade unions to foster a national awareness of both the importance of export opportunities in ASEAN (and other East Asian) countries and of ASEAN business and cultural affairs and economic opportunities (for recommendations on business education see Chapter IV).

3.194 To more effectively identify and promote Australian exports in the ASEAN region, the Committee recommends that:

- . the Australian Government continue to give appropriate priority and resources to Australian trade representation and promotion efforts in ASEAN countries;
- . the Australian Government intensify its efforts, through the Department of Trade, to research and promote ASEAN markets, targetting particularly on geographic and product areas of greatest value or potential to Australia;
- . the insurance and credit facilities provided by the Export Finance and Insurance Corporation to Australian exporters and investors be continued at levels appropriate to any increases in Australian export and investment opportunities in the ASEAN region (recommendations on the DIFF scheme administered partly by EFIC were made separately in this Chapter);
- . Australian firms (especially smaller firms lacking their own market research capacity) be assured convenient access to trade information and statistics, by well-publicised government services, maintained in close consultation with appropriate business organisations .

- consideration should be given to combining the information and statistics held by the Department of Trade and the Australian Bureau of Statistics, with those held by the ASEAN-Australia Business Council, the bilateral Business Co-operation Committees and by the ASEAN-Australia Research Project, so that an Australian exporter can obtain all available trade and market information through a single well-publicised agency, 'a one-stop shop', with branches in major industrial centres and with expert staff or consultants experienced in regional business.

- . this important service could be based on, or developed from, the Department of Trade's offices in each of the States.

PART D Australian Development Assistance

3.195 This Report does not attempt a general assessment of Australia's development assistance to ASEAN countries. The Committee expects to be reporting generally on aid issues when it has considered the report of the 'Jackson Committee' appointed to review the Australian overseas aid program, a report referred to the Committee for comment by the Minister for Foreign Affairs. Evidence on aid matters in the present inquiry was concerned mainly with education of students from the ASEAN region and was relevant in some submissions concerned with Australian responses to human rights issues in the region. These topics, especially education aid, are treated in this report.

3.196 For the interim, this Committee notes two major programs in Australia's aid efforts which are directed wholly or primarily to the ASEAN region. The Australian Universities'

International Development Program operates mainly in the ASEAN region and is directed to strengthening the capacity of education institutions in the region (see further Chapter IV, section 7). Second, the ASEAN-Australia Economic Co-operation Program (AAECP) has, since its inception in 1974, contributed about \$56.5 million for promoting ASEAN development through intra-regional co-operation. A further \$13.1 million has been allocated for 1984/85. As Foreign Affairs commented,

'There is now a clear distinction between aid to ASEAN as a regional grouping typified by the AAECP and aid to the individual countries. The history of the AAECP has paralleled the political development of the ASEAN grouping. From small and tentative beginnings with a focus on the non-controversial areas of protein and food handling projects it has grown to embrace trade and investment, population and energy.²⁶¹

3.197 Among AAECP components is the Trade and Investment Promotion Program (TIPP) aimed at improving ASEAN trade prospects in the Australian market and at supporting ASEAN countries to attract more Australian investment in the region. The TIPP program is detailed in Part C, section 6 of this chapter. Another AAECP program is the ASEAN-Australia Joint Research Project,²⁶² which has been researching economic issues of regional importance since 1981 and which is due to report to ASEAN and Australian Governments later in 1984 on matters including long term economic relationships between ASEAN and Australia. A further AAECP program is the ASEAN Energy Co-operation Project by which Australian experts have been advising on energy technologies appropriate for regional co-operative projects. The improvement of mutual awareness is an important part of the AAECP, through its ASEAN Special Visits Scheme, and the Media and Information Program for assisting the development of ASEAN journalists, technicians and film-makers.

Aid and Trade

3.198 If Australian services are to increase their benefit to both the region and Australia - as Foreign Affairs advocated - a potential dilemma is raised. On the one hand, numerous witnesses, including Trade, Price Waterhouse, the ASEAN-Australia Business Council (Australia Section) and Dr Edwards argued for a greater commercial orientation for Australia's aid program.²⁶³ For example, Australia should 'sell' more of the educational and other development services presently part of its aid program. On the other hand, to what extent should Australia consider commercially exploiting services traditionally regarded as covered by Australia's aid programs?

3.199 Perhaps the most important and mutually beneficial governmental service is education and training of ASEAN students, both in Australia and in the region. This issue, including the question whether higher charges should be paid by overseas students, is detailed in Chapter IV. The question whether there should be a greater commercial orientation for Australian aid program is raised also by the growing use by developed countries of 'mixed credit' funds to facilitate their export of capital goods for development project contracts. This issue, particularly Australia's Development Import Finance Facility, was discussed in section 7 of this chapter.

ENDNOTES [Chapter III]

1. See, for example, submissions from Price Waterhouse (Evidence, p.S249-50) and Dr Hill (Evidence, p.S739-41, and 1 May 1984, p.445).
2. Evidence, 6 April 1984 (Trade), p.80.
3. Evidence, p.S663 (Treasury).
4. Evidence, p.S690 (Treasury).
5. Evidence, 6 April 1984 (Trade), p.80.
6. Ibid.
7. For example, Foreign Affairs (Evidence, p.S370), Dr Hill (p.S739).
8. See, for example, Evidence, p.S370 (Foreign Affairs).
9. For example, Foreign Affairs (Evidence, p.S370)
10. Evidence, p.S370 (Foreign Affairs).
11. SGV & Co., ASEAN: an Economic Profile, Manila, 1982, p.36.
12. Evidence, p.S690 (Treasury).
13. 1981 figures for merchandise exports, ASEAN: an Economic Profile, p.87.
14. Evidence, p.S665-7 (Treasury).
15. Far Eastern Economic Review, 15 March 1984, p.58.
16. Evidence, p.S667 (Treasury).
17. Evidence, p.S392(Foreign Affairs)
18. Evidence, p.S668 (Treasury).
19. Ibid.
20. Australian Financial Review, 8 May 1984, (article by Michael Byrnes on World Bank report on Indonesian economy).
21. Australian Financial Review, 3 July 1984, p.23 (article by Dr H. Hill).
22. Ibid.
23. Paper delivered by Dr H. Hill at 'Indonesia Update 1984' seminar, Canberra, 6 September 1984.
24. For example, Indonesia's manufactured exports comprised only 4% of total Indonesian exports in 1982, only one-fifth the Malaysian figure and one-twelfth the Singaporean figure: Hill, op.cit., Table 3.
25. Repelita IV growth projection, in Hill, op.cit., Table 12.
26. Australian Financial Review, 3 July 1984, pp.23-4 (Hill article).
27. Evidence, p.S398 (Foreign Affairs)
28. Australian Financial Review, 8 May 1984 (article by Michael Byrnes).
29. Evidence, p.S690 (Treasury).
30. Evidence, p.S604 (Trade).
31. Evidence, p.S403 (Foreign Affairs)
32. Evidence, pp. S605-6 (Trade).
33. For example, 1978 per capita production levels are unlikely to be achieved before 1989 - Australian Financial Review, 17 August 1984, p.15.
34. Australian Financial Review, 14 August 1984.
35. Australian Financial Review, Financial Review Survey, 28 June 1984, p.15.
36. Evidence, p.S683 (Treasury)
37. Evidence, p.S690 (Treasury).

38. Far Eastern Economic Review, Asia 1984 Yearbook, p.108.
39. Far Eastern Economic Review, 15 March 1984, p.62.
40. Far Eastern Economic Review, Asia 1984 Yearbook, p.108.
41. Evidence, p.S593.
42. Far Eastern Economic Review, 15 March 1984, p.62.
43. Evidence, p.S662.
44. Far Eastern Economic Review, 15 March 1984, p.63.
45. Evidence, p.S769 (ASEAN-Australia Business Council).
46. Evidence, p.S769 (AABC-ASEAN Section) and p.S309 (ISIS, Malaysia); see also Evidence, p.S900-1 (Dr Edwards recommendations for joint production co-operation agreements).
47. See especially Evidence, p.S594-5 (Trade)
48. See further Evidence, p.S595 (Trade) and p.S769 (AABC).
49. Evidence, p.S661.
50. The report of the Task Force has not been published, although detailed reviews appeared in the Far Eastern Economic Review, 15 March 1984, 8 March 1984, 2 August 1984; see also Evidence, pp.S769-771 (AABC) and 6 April 1984, pp.32-33 (Foreign Affairs).
51. Evidence, p.S772.
52. Asia 1984 Yearbook, p.108.
53. Ibid.
54. Evidence, in camera, 14 June 1984.
55. Evidence, p.S659 (Treasury).
56. 1981 figures based on Asian Development Bank data, in ASEAN: an Economic Profile, p.86.
57. Australian Direct Investment in the ASEAN Countries, Bureau of Industry Economics, Canberra, 1983, pp.10, 37.
58. Evidence, p.S660.
59. For a more detailed treatment of ICAP, see paragraphs 2.164 to 2.170 of this report.
60. Australian Financial Review, 3 August 1984, p.17.
61. See, for example, D.K. Crone The ASEAN States: Coping with Dependence, New York, 1983, pp.141-154; also Evidence, 6 April 1984, pp.48-9 (Treasury).
62. Evidence, 1 May 1984, p.466.
63. For reports on the talks see Melbourne Herald, 23 July 1984, p.15; Far Eastern Economic Review, 26 July 1984, pp.32-33; and Australian Foreign Affairs Record, July 1984.
64. Dr Mahathir's address was reported in Australian Financial Review, 8 May 1984.
65. Evidence, p.S868.
66. Evidence, p.S866 (Mr Healey).
67. Evidence, p.S366.
68. Figures cited for trade values are, unless otherwise stated, provided by Trade and in Australian dollars.
69. All references are to Trade's evidence, unless otherwise stated.
70. Evidence, p.S368 (Foreign Affairs).
71. Evidence, p.S281 (Mr Healey).
72. Evidence, p.S574 (Trade).
73. Evidence, p.S573 (Trade).

74. The record merchandise trade surplus recorded by Australia in 1983-84 may, however, result for the first time in recent years in a current account surplus; notwithstanding the likely invisibles deficit (but the invisibles figures are not yet available for 1982/83 or 1983/84).
75. Evidence, p.S573 (Trade).
76. Evidence, p.S622 (Trade).
77. Evidence, p.S597 (Trade).
78. See, eg, Australian Business, 15 August 1984, p.108; also Evidence, p.S169-70 (Australia-Indonesia Business Co-operation Committee).
79. Australian Business, 15 August 1984, p.108.
80. Evidence, p.S603 (Trade).
81. Ibid.
82. Australian Financial Review, 3 August 1984, p.6, reporting an announcement from the Malaysian Industrial Development Authority.
83. Evidence, p.S604 (Trade), 18 April 1984, p.312 (Price Waterhouse); see also letter from Trade to Sub-Committee Chairman dated 28 May 1984, comprising Exhibit 3.
84. Evidence, 7 May 1984, p.500 (APBCC).
85. Evidence, p.S614 (Trade).
86. Evidence, 6 April 1984, p.55 (Treasury).
87. Including retained earnings, see Evidence, p.S618 (Trade)
88. Evidence, p.S618 (Trade).
89. For example, Dr Edwards, Dr Tucker, Foreign Affairs, Trade, Dr Hill, and Price Waterhouse.
90. Tucker, Services in ASEAN-Australia Trade, ASEAN-Australia Joint Research Project, 1983, p.7; the UNCTAD 1983 Handbook of International Trade and Development Statistics suggests a 1981 figure of about 28%.
91. Evidence, p.S589.
92. Evidence, 1 May 1984, p.462
93. Tucker, p.18; see also Key Indicators of Developing Member Countries of the Asian Development Bank, ADB, 1984.
94. 1982 figures supplied by Trade; see also Tucker, p.18.
95. Figures supplied by Trade; see also Tucker, p.39.
96. Tucker, pp.32-4.
97. Tucker, pp.39-40.
98. 1982/83 and 1983/84 invisibles balances not yet available.
99. For example, Foreign Affairs (Evidence, p.S367), Dr Edwards ('knowledge-intensive tradeable services' Evidence, p.S904), and Dr Tucker (Evidence, 12 April 1984 p.148).
100. Evidence, 12 April 1984 p.148 (Dr Tucker).
101. Evidence, 1 May 1984, p.453.
102. Evidence, 6 April 1984, p.76.
103. Evidence, pp.S367, 369 (Foreign Affairs) and p.S902(Edwards).
104. Evidence, pp.S369-370.
105. Evidence, p.S589
106. Evidence, P.S700 (Treasury).
107. Evidence, p.S887.
108. Evidence, pp.S371-2.
109. Evidence, p.S370.

110. Evidence, 1 May 1984, p.497 (Dr Hill); 6 April 1984, p.52 (Treasury).
111. Evidence, 6 April 1984, p.58; see also Exhibit 2 (listed in Appendix 4)
112. Evidence, 7 May 1984, pp.502-3.
113. Evidence, 7 May 1984, pp.502-4(AABC); 6 April 1984, p.85 (Trade); 6 April 1984, p.57 (Treasury)
114. Evidence, 7 May 1984, p.502.
115. See, e.g., Tucker, p.37.
116. Australian Direct Investment in the ASEAN Countries, BIE, Canberra, 1983, p.36.
117. Evidence, p.S763 (AABC)
118. Australian Direct Investment in the ASEAN Countries, loc.cit., p.36.
119. Ibid.
120. Evidence, p.S763.
121. See paragraph 3.59 of this Report.
122. Evidence, p.S760 (AABC)
123. Australian Direct Investment in the ASEAN Countries, loc.cit., p.11.
124. For example, submissions from AABC-ASEAN Section (Evidence pp.S309); and Institute of Strategic and International Studies, Malaysia (Evidence, p.S887)
125. Reported in Australian Financial Review, Financial Review Survey, 28 June 1984, pp.7, 8 and 2.
126. Evidence, p.S716.
127. Although see Evidence, 7 May 1984, p.501 (AABC).
128. Evidence, pp.S769,773.
129. Evidence, p.S760; similarly, see Evidence, pp.S251-2 (Price Waterhouse).
130. Evidence, p.S760.
131. Evidence, p.S760 (AABC); also pp. S252-3 (Price Waterhouse).
132. Evidence, 10 August, p.821.
133. Evidence, Department of Transport, p.S272.
134. Evidence, p.S1067.
135. Evidence, 12 April 1984, pp.130.
136. Evidence, p.S573.
137. Evidence, 12 April 1984, p.130.
138. See, further, Shore-Based Shipping Costs Seminar, Sydney, July 1984 - Papers and Proceedings, especially pp. 5, 17, 32, and - A Review of Performance and other System Characteristics, especially p.28; see also Gallagher F. and Meyrick S., S.E. Asia - Australia Liner Shipping Services: a Cost-Based Simulation Analysis in Ninth Australian Transport Research Forum, Canberra, May 1984, p.485 ff.
139. 'f.o.b.', 'free on board', is the cost of goods without insurance and freight charges (these are included in 'c.i.f.' costs).
140. Australian Financial Review, 27 April 1984.
141. Evidence, p.S1067 (ASC).
142. Evidence, p.S1070 (ASC).
143. Evidence, 21 May 1984, p.634 (ASC)
144. Evidence, 21 May 1984, p.607.

145. Evidence, 12 April 1984, p.139.
146. Evidence, p.S277.
147. Evidence, 12 April 1984, p.136 (ANL); see also Evidence, 21 May 1984, pp.615-617 (Department of Transport).
148. Evidence, 21 May 1984, pp.618-9.
149. Evidence, 21 May 1984, pp.618, 622.
150. Evidence, 21 May 1984, p.618 (Transport).
151. Evidence, 21 May 1984, p.622 (Transport).
152. Evidence, 12 April 1984, p.143 (ANL).
153. Comprising Exhibit 9 to the inquiry.
154. See endnote 138.
155. Evidence, p.S574 (Trade).
156. Evidence, 21 May 1984, p.622.
157. Evidence, 12 April 1984, p.142.
158. At the Shore-Based Shipping Costs Seminar, Sydney, July 1984, organised by the (Commonwealth) Bureau of Transport Economics, the Minister for Transport announced the establishment of an Industry Task Force: Seminar Papers and Proceedings, p.iii.
159. Evidence, p.S1066, 1070 (ASC).
160. Evidence, p.S278.
161. Quoted in Evidence, 21 May 1984, p.614. (Senator Sibraa).
162. Evidence, 21 May 1984, p.645.
163. Evidence, 21 May 1984, p.645.
164. Evidence, P.S156 (CSIS, Jakarta), 1 May 1984, pp.448-9 (Dr Hill)
165. Evidence, p.S157.
166. Evidence, in camera, 14 June 1984.
167. Evidence, 6 April 1984, p.51.
168. Evidence, p.S741.
169. Evidence, p.S581 (Trade).
170. See, for example, Evidence, p.S581 (Trade); 7 May 1984, p.497 (AABC); and p.S253 (Price Waterhouse).
171. Evidence, 6 April 1984, p.88 (Trade).
172. Evidence, 7 May 1984, p.499 (AABC) and 20 August 1984, pp.744-5 (ACTU submission).
173. Australia and ASEAN: Report from the Senate Standing Committee on Foreign Affairs and Defence, Canberra 1980, p.34.
174. Evidence, p.S581 (Trade).
175. Evidence, p.S581(Trade); quotas criticised by Professor Ariff, Evidence, in camera, 14 June 1984.
176. Evidence, 6 April 1984, p.77 (Trade)
177. Evidence, p.S581 (Trade)
178. Evidence, 10 August 1984, p.742 (submission)
179. Letter from IAC to Sub-Committee Chairman, dated 3 July 1984; comprising Exhibit 7.
180. Evidence, 10 August 1984, p.743(ACTU submission)
181. Evidence, p. S776
182. Evidence, 6 April 1984, p.98
183. Trade, (Evidence, 6 April 1984, p. 88), the AABC (7 May 1984, p. 641) and Price Waterhouse (p.S253) emphasised the low market share of ASEAN imports; according to statistics from the Department of Industry and Commerce, Australian product share in the total Australian footwear and clothing market declined from 78% to 70% between 1979/80 and 1982/83 - see Exhibit 13.

184. Evidence, 6 April 1984, p.88; see also 7 May 1984, p.497 (AABC).
185. Evidence, p.S705 (Treasury)
186. Evidence, 10 August 1984, p.743
187. Evidence, p.S250 (Price Waterhouse); see also Evidence, p.S741 (Dr Hill)
188. Evidence, p.S253.
189. Evidence, 1 May 1984, p. 447
190. Evidence, p.S581, and 6 April 1984, p.77
191. Evidence, p.S254
192. Evidence, 7 May 1984, p.641
193. Evidence, in camera, 14 June 1984
194. Evidence, 11 May 1984, pp.519-520.
195. From his address to the Australian Institute of Political Science Conference 'Australia - Poor Nation or the Pacific?', Melbourne, 26 May 1984; at the same conference, paper by Dr Michael Porter noted that 'over the period 1968-82 the trend growth in employment in textiles, clothing, footwear and motor vehicles has been -5.9%, -4.1% and -0.8%, with levels of effective protection in the range of 43% to 22% [based on IAC figures]; see also Exhibit 13.
196. Evidence, 10 August 1984, p.742.
197. Evidence, p.S371 (Foreign Affairs).
198. Evidence, p.S886 (AABC-ASEAN Section).
199. Evidence, p.S158, (Centre for Strategic and International Studies, Jakarta).
200. Evidence, p.S265 (Dr Angel).
201. Evidence, 10 August 1984, p.743 (ACTU submission).
202. Evidence, 10 August 1984, p.745 (ACTU submission)
203. Evidence, p.S179.
204. Tucker, Services in ASEAN-Australian Trade, p.37; see also letter dated 17 May 1984 from the Treasury to the Sub-Committee, comprising Exhibit 2.
205. Tucker, p.35.
206. Evidence, pp.S368-9.
207. Evidence, 6 April 1984, p.70 (Treasury).
208. Evidence, p.S368 (Foreign Affairs) and p.S709 (Treasury).
209. Evidence, p.S574 (Trade).
210. Ibid.
211. Evidence, 6 April 1984, p.79 (Trade)
212. Evidence, p.S893.
213. Evidence, p.S891 (Dr Edwards).
214. Evidence, 6 April 1984, p.74.
215. Evidence, p.S575.
216. Evidence p.S575.
217. Evidence, p.S575.
218. Evidence, p.S575.
219. Evidence, p.S888
220. Evidence, p.S575 (Trade)
221. Evidence, p.S898 (Edwards).
222. Evidence, p.S575 (Trade).
223. Evidence, p.S760 (AABC).
224. Evidence, p.S899.
225. Evidence, 11 May 1984, p.523 (Edwards).
226. This issue is detailed in section (b) below.

227. Evidence, 7 May 1984, p.629.
228. Evidence, p.S777.
229. Evidence, 6 April 1984, p.86.
230. Evidence, p.S777
231. Evidence, p.S753.
232. Evidence, 7 May 1984, p.473.
233. Evidence, 6 April 1984, p.86; the AABC was supportive of increased trade representation (Evidence, pp.776-7).
234. See further, Evidence, p.S589 (Trade)
235. See further, Evidence, p.S579 (Trade)
236. Evidence, 18 April 1984, p.346 (EFIC)
237. See further Evidence, pp. S579-580 (Trade)
238. 1984-85 Budget Paper No. 9, p.9, Table 4. However, it is understood that the provision of DIFF funds of \$13.6 million was agreed in August 1984 to assist Indonesia's purchase of 20 000 tonnes of Australian steel bridging, with the balance of the finance package in the form of normal export credits from EFIC (\$41.3 million) - see Australian Financial Review, 23 and 24 August 1984.
239. Report of the Committee to Review Australian Overseas Aid Program, Canberra, 1984, pp.24-5.
240. Evidence, p.S899 (Edwards).
241. See table at the end of para. 3.180.
242. Development Co-operation 1983 Review, November 1983, Paris.
243. Jackson Report, p.125.
244. Jackson Report, pp.124-5.
245. Evidence, 6 April 1984, p.75 (Trade) and p.S900 (Edwards).
246. Evidence, 11 May 1984, p.516 (Edwards)
247. *Ibid.*
248. Evidence, 6 April 1984, pp.101-2 (Trade)
249. Evidence, 6 April 1984, p.83
250. Evidence, p.S369 (Foreign Affairs).
251. Evidence, in camera, 14 June 1984 (Professor Ariff); 12 April 1984, p.148 (Dr Tucker).
252. Evidence, 11 May 1984, pp.519 (Edwards); and pp.S367, 369 (Foreign Affairs)
253. Evidence, p.S901 (Edwards); see generally paras. 3.106, 7.
254. Evidence, p.S887 (AABC-ASEAN Section); see also para. 3.115
255. Evidence, p.S250 (Price Waterhouse)
256. See, eg. Evidence, p.S773 (AABC)
257. Evidence, p.S369 (Foreign Affairs)
258. See Evidence, 7 May 1984, p.495 (AABC).
259. Australia and ASEAN: Report from the Senate Standing Committee on Foreign Affairs and Defence, Canberra, 1980, p.38.
260. Evidence, 7 May 1984, p.495 (AABC).
261. Evidence, p.S377 (Foreign Affairs)
262. See generally Evidence, p.S377 ff (Foreign Affairs)
263. For example, see Evidence, p.S761, 789 ff (AABC); but a commercial orientation was questioned by Treasury - Evidence, pp. S728-9.