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DEFENCE AND TRADE FOREIGN AFFAIRS SUBCOMMITTEE

**Reference: Australia's relationship with Malaysia**

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**JOINT STANDING COMMITTEE ON  
FOREIGN AFFAIRS, DEFENCE AND TRADE**

**Foreign Affairs Subcommittee**

**Monday, 4 December 2006**

**Members:** Senator Ferguson (*Chair*), Mr Edwards (*Deputy Chair*), Senators Bartlett, Crossin, Eggleston, Hutchins, Johnston, Kirk, Moore, Payne, Scullion, Stott Despoja and Webber and Mr Baird, Mr Barresi, Mr Danby, Mrs Draper, Mrs Gash, Mr Gibbons, Mr Haase, Mr Hatton, Mr Jull, Mrs Moylan, Mr Prosser, Mr Bruce Scott, Mr Sercombe, Mr Snowden, Dr Southcott, Mr Cameron Thompson, Ms Vamvakinou, Mr Wakelin and Mr Wilkie

**Foreign Affairs Subcommittee members:** Mr Jull (*Chair*), Senator Kirk (*Deputy Chair*), Senators Bartlett, Eggleston, Ferguson (*ex officio*), Hutchins, Johnston, Moore, Payne, Stott Despoja and Webber and Mr Barresi, Mr Danby, Mrs Draper, Mr Edwards (*ex officio*), Mrs Gash, Mr Hatton, Mr Sercombe, Mr Snowden, Dr Southcott, Mr Cameron Thompson, Ms Vamvakinou, Mr Wakelin and Mr Wilkie

**Members in attendance:** Senators Eggleston, Kirk and Moore and Mr Jull, Mr Barresi and Mr Cameron Thompson

**Terms of reference for the inquiry:**

To inquire into and report on:

Australia's relationship with Malaysia, with special emphasis on:

- bilateral relations at the parliamentary and government levels;
- economic issues, including trade and investment;
- cultural and scientific relations and exchanges; and
- defence cooperation and regional security.

The Committee will consider both the current situation and opportunities in the future.

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**Subcommittee met at 9.35 am**

**PAPADAKIS, Professor Elim, Executive Director, Social, Behavioural and Economic Sciences, Australian Research Council**

**SHRIVES, Ms Kimberley Jane, International Relations Adviser, Commonwealth Scientific and Industrial Research Organisation (CSIRO)**

**YANNAKOU, Dr Kleanthes (Anthos), Director, CSIRO International, Commonwealth Scientific and Industrial Research Organisation (CSIRO)**

**CHAIR (Mr Jull)**—I declare open this public hearing into Australia's relationship with Malaysia. This is the fourth public hearing for this inquiry being conducted by the Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. Our focus is on building a relationship that is positive and mutually beneficial. As part of this review we will look at the political, strategic, economic, social and cultural aspects of the bilateral relationship, considering both the current nature of the relationship and the opportunities for it to develop. Today the subcommittee will have a specific scientific research, education and primary production focus.

Malaysian R&D has been rising rapidly in recent years. Latest figures, albeit for 2000-2002, show an overall increase of 47 per cent. Malaysia's private sector component increased by 65 per cent. Total R&D expenditure in Malaysia, however, is low compared with Australia's R&D expenditure. The hearing commences with representatives from CSIRO and the Australian Research Council, and the subcommittee will be interested to hear about the opportunities for collaborative R&D ventures with Malaysia.

At the hearing in Sydney the subcommittee heard comments from Malaysian students that Australia is not the first choice for Malaysian students studying overseas. Witnesses representing the Australian Vice-Chancellors' Committee may care to respond and outline how Australian universities are promoting themselves in Malaysia.

The hearing will conclude by focusing on trade in primary produce with Malaysia. Australia has a surplus of primary produce trade with Malaysia, and the export of halal certified produce represents an important niche market for Australian exporters. Witnesses from the Meat Industry Council will be appearing a little later. The council's appearance will be followed by that of the Department of Agriculture, Fisheries and Forestry, who will be able to respond to any issues that are raised.

Before proceeding, I refer any members of the media who may be observing the public hearing of the need to report fairly and accurately the proceedings of the subcommittee as required by the Senate orders concerning the broadcasting of Senate and committee proceedings.

On behalf of the subcommittee, I welcome representatives of the Commonwealth Scientific and Industrial Research Organisation and the Australian Research Council. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give evidence in private, you may ask to do so and the subcommittee will give consideration to your request. Also, you should be aware that these proceedings are being webcast. Under Senate

orders concerning the broadcasting of committee proceedings, should you object to the webcasting of your evidence, you may do so and the subcommittee will consider the reasons.

Although this subcommittee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. Before proceeding to questions, does anyone wish to make a short opening statement to the subcommittee?

**Dr Yannakou**—Thank you, Chair. On my behalf and on behalf of my colleague Kimberley Shrives, thank you for the opportunity to be here today. Malaysia is an important partner for CSIRO in South-East Asia. Historically, our relationship was developed in part through CSIRO's involvement in the Australian government's aid program. Many of our past interactions with Malaysia were based on assistance or capacity building in relation to agricultural or environmental issues, and our submission provides more detail on some of these activities. However, I would like to take this opportunity to acknowledge the significant role that AusAID and ACIAR, the Australian Centre for International Agricultural Research, have made in relation to supporting CSIRO's relationship with Malaysia.

Malaysia has also been an important partner for Australia in biosecurity research. In 1997 CSIRO established a pilot facility in Johor to mass rear and release 10 million sterile Old World screw-worm flies, a major pest for tropical livestock and a significant potential threat for the Australian livestock industry if they were to reach Australia. Researchers from the Australian Animal Health Laboratories, based in CSIRO, played a key role in diagnosing, describing and developing preventative techniques to contain an outbreak of the Nipah virus in Malaysia in the late 1990s. This virus killed more than a hundred people and thousands of pigs in Malaysia, and until this outbreak the virus had not been previously recorded.

Today CSIRO continues to collaborate with Malaysian partners in this area. Together with Universiti Pertanian Malaysia, Malaysia CSIRO has recently identified a new virus from bats, the Palau virus. Today CSIRO's relationship with Malaysia is one of partnership, working together collaboratively to solve issues of mutual interest rather than engagement tailored towards capacity building.

CSIRO has established a strategic alliance with SIRIM Berhad, formerly known as the Standards and Industrial Research Institute of Malaysia, which is a sister agency in Malaysia of CSIRO and is a partner with us in the Global Research Alliance, which consists of nine CSIRO equivalents spread all over the world. These are only a few examples of CSIRO's interactions with Malaysia. Kimberley and I would be very happy to answer any questions.

**CHAIR**—Thank you very much. In terms of your dealings with Malaysia, what have been the greatest pitfalls or what has held you back, be they cultural differences or arrangements in terms of the structure of your organisation?

**Dr Yannakou**—As far as cultural differences are concerned, we have overcome those through having strong partnerships in Malaysia and working together with universities and sister organisations in Malaysia, which gives us a deeper understanding of the work we are doing in Malaysia. Also, working together with AusAID and ASIO has overcome any cultural differences.

From a funding point of view, as I indicated in the opening statement, we have had the privilege of working in projects funded by AusAID and ASIO with partners in Malaysia, which has allowed us to contribute in Malaysia without any significant problems. We have had the full cooperation of Malaysian authorities. Perhaps I can also ask my colleague to comment.

**Ms Shrives**—As Anthos mentioned in his opening statement, historically our relationship has been primarily through the aid program. That was up till around the turn of the century. Through that relationship there were not a lot of difficulties. We had a lot of assistance and a lot of support and a lot of interest on the Malaysian side to interact. Those interactions were very much tailored towards capacity building, both in the economy itself and also in developing R&D knowledge and skills and capability in Malaysia. Now the relationship is very much one more of partnership. So I cannot see that there are any specific hurdles going ahead, aside from funding.

**CHAIR**—Professor, I should have asked you whether you have an opening statement.

**Prof. Papadakis**—I do.

**CHAIR**—Perhaps you could give that, and then I would like to ask you the same question if I may please.

**Prof. Papadakis**—Yes. My opening statement will perhaps help also to put any response later in context. I would like to draw your attention to our mission and the range of disciplines that we cover and then to the mechanisms that we have, some of which have been used by researchers in establishing links with Malaysia.

The mission of the Australian Research Council is to advance Australia's research excellence, to be globally competitive and to deliver benefits to the community. In order to achieve this objective, the ARC supports, among other things, high-quality, world-class research in a wide range of disciplines. It allocates funds competitively by means of internationally benchmarked peer assessment. It fosters collaborative linkages within the Australian innovation system and establishes collaborative linkages with innovation systems internationally. It supports high-quality research, training and career opportunities for Australia's best and most promising researchers and provides for the acquisition and facilitation of access to world-class equipment and facilities.

The disciplines funded by the ARC are wide ranging. They include the biological sciences and biotechnology; engineering and environmental sciences; mathematics and information technology; physics, chemistry and geoscience; social, behavioural and economic sciences; and humanities and the creative arts—which leaves very little, other than medical and dental research. The mechanisms we use to fund collaborative high-quality research involving international collaboration and international benchmarking include a number of elements of the National Competitive Grants system. They include Discovery Projects, on which we spend half our funding, which enable researchers to work with partner organisations from absolutely anywhere in the world; Linkage Projects, our second largest scheme, which enable researchers to work with partner organisations both in Australia and other countries; Linkage International, which enables Australian researchers to receive awards to travel to other countries and researchers from other countries to travel to Australia; and ARC Centres of Excellence, which are required to undertake highly innovative research at the forefront of developments within

areas of national importance but with a scale and focus leading to outstanding international and national recognition.

In all these schemes, chief investigators are invited to—and do—list the countries of the researchers with whom they are collaborating. This provides us with data on the extent of collaborations with Malaysia over time. The ARC sent a background information paper to the committee on 11 August 2006. We have since updated this information to include the latest Linkage Projects round and the Discovery Projects grants for funding in 2007. This updated information shows that, in November 2006, 43 projects involving collaboration with Malaysia had been supported under the National Competitive Grants scheme between 2002 and 2007, with a peak of 14 projects in 2005. Of the 43 projects, 25 were supported under the Discovery scheme and 11 under the Linkage elements of the National Competitive Grants program. The dominant disciplines in the collaborative activity are the social sciences, with political science as the chief area of research. In 2007 the ARC will provide funding for six projects with Malaysian collaboration, and these are valued at around \$1.3 million. The total value of the projects funded over the period 2002 to 2007 is \$9,263,786.

I will now move on to your question about what may have held us back—pitfalls, culture and structure. We hope that the National Competitive Grants scheme offers sufficient opportunities to researchers. The National Competitive Grants scheme is primarily investigator driven, though there are national research priorities and opportunities for researchers to do more strategic work. We feel that these schemes as they stand provide sufficient opportunities for researchers to engage with researchers in Malaysia—particularly through the Linkage scheme or through the Discovery scheme.

There have been a range of interactions. In the last year, for example, we have had visits by a delegation of Malaysian university vice-chancellors. We participated in that meeting. One of our executive directors went to that meeting in July 2006. We also had a five-member delegation in August 2005 from the Universiti Putra Malaysia, which met several ARC executive staff to discuss the way in which we evaluate research funding and industry links. In April 2005 the ARC was invited by the Department of Education, Science and Training to attend a meeting with a Malaysian delegation which was in Australia to study benchmarking and best practice, primarily in higher education but with a particular focus on research.

Of course, as I said, we try and create a system whereby researchers are able to engage with others anywhere else in the world. Certainly if you drew up a league table of the top 10 countries in the world, Malaysia would not be in that league table. Predominantly, as you would probably expect, the United States, the United Kingdom, Germany and France are the countries with which we have the most interaction. But there has been this investment of about \$9 million over the last few years and there are a range of projects.

**Senator KIRK**—I want to follow up with the ARC. I noticed on your website that you referred to one international fellowship that has been awarded for 2007—or rather, I should say, approved—with Malaysia. Could you give us some details as to who is involved, the nature of the project, the collaboration and what outcomes it is hoped will be achieved?

**Prof. Papadakis**—We fund about 5,000 projects at the moment—

**Senator KIRK**—Sorry, that is going to be a little difficult for you.

**Prof. Papadakis**—No, I will just find it. This is Linkage International. I can certainly give you the title of the project.

**Senator KIRK**—Yes, I was interested in the title and who the collaboration is with.

**Prof. Papadakis**—This is called the Niah Cave Project archaeological textile analysis. I am afraid I am a social scientist so I cannot divulge any more. The administering organisation for that is the Australian National University. The minister has agreed to fund that to the tune of \$53,287. So that is a Linkage International award.

**Senator KIRK**—You probably do not have the figures from previous years, but I am wondering whether one is the typical number that you would grant, whether that is an exception or whether perhaps sometimes you grant more.

**Prof. Papadakis**—To Malaysia, you mean?

**Senator KIRK**—Yes.

**Prof. Papadakis**—No, I believe that would be an infrequent occurrence. We do not award many of these; and they are to everywhere in the world, so, as you can imagine, there are not many.

**Mr BARRESI**—I appreciate that a lot of the work in the past with Malaysia was part of Australia's aid program involving the CSIRO and perhaps the ARC. But in more recent times is it still the case that the aid program is the genesis for a lot of the interventions or are you being called in as research experts to assist? The reason I ask is that I am looking at the Nipah virus work that you have done. Why did we get involved in that? Was it a threat to Australia? Is it part of Australia's aid program? Or is it simply that, given the reputation that CSIRO has, they came knocking on your door?

**Ms Shrives**—The answer is yes to all of those bits. There has been a strong shift in our interactions with Malaysia. In 1997 they were strongly aid focused; in the last financial year they were not at all. There has been almost a complete shift in the sorts of interactions that we have been having as well. So the majority of our interactions with Malaysia over the last 12 months, or the last financial year, were contractual research—so, collaborative research. The major division undertaking that work in that last financial year was our division of petroleum resources, whereas 10 years ago it had much more of an environmental or agricultural focus.

In relation to the work on the Nipah and Hendra viruses and the ongoing work associated with that, the initial work had its origins in aid but the spread of that virus also had biosecurity threats for Australia. If the virus had got to Australia, it would have been a huge problem for us. So undertaking that biosecurity work in Malaysia had a dual benefit for CSIRO. It was to help Malaysia contain that problem and fix it, and also to try and stop it from reaching Australia's shores.

**Mr BARRESI**—Is it a matter of us having to convince the Malaysians to use the services of the CSIRO, or is your reputation well enough known and the relationship strong enough that your assistance is most welcomed?

**Ms Shrives**—The latter.

**Mr BARRESI**—In terms of the shift in your work from the Australian aid program to where it is now, especially with your work in the petroleum area, how much of your work in Malaysia would involve the collaboration or involvement of private enterprise rather than government agencies?

**Ms Shrives**—On the petroleum front, the majority of it is private industry and then that shifts across some of the other areas. We had a number of divisions working in Malaysia over the last financial year. Petroleum was the most active, and most of that was with companies. But for the other divisions it varies. A lot of that is with other research organisations. So there is a nice mix.

**Mr CAMERON THOMPSON**—I want to explore some of the issues to do with cultural differences between Australia and Malaysia. Is it a situation where the walls that exist there are being broken down, or are we engaged in a bit of a circular argument with Malaysia?

**Ms Shrives**—From CSIRO's perspective, I do not think there are any issues in relation to culture. I think the issues are more around finding and identifying research areas that are going to be of interest to both countries—things that we want to pursue together. I would be hard-pressed to identify any cultural issues, but I could be proven wrong.

**Dr Yannakou**—I can confirm that cultural issues have never come up in terms of being an inhibitor in our work with Malaysia. I think that what is at the core and what allows us to move forward is that there is a major overlap between the research priorities of Malaysia and Australia. We have the same research needs, if you want. There are natural resource issues, including water, and there are issues with health, biotechnology, minerals, energy and so on that allow scientists to engage in constructive discussions and find common areas of work. I think the major potential inhibitor is finding funders for our scientists to do that exciting work. And, as Kimberley said, there is a shift happening towards more companies funding the work. I think that is going to help the situation. So we are already doing work with PETRONAS for example; we are doing work in palm oil and so on.

**Mr CAMERON THOMPSON**—I will move on to some of the areas where there has been cooperation. In the submissions there is talk about CSIRO and a relationship with SCS Computer Systems, and there is also the relationship with SIRIM Berhad in Malaysia and Global Research Alliance. Are there steps that can be taken to more readily identify opportunities at a government level for this type of cooperation?

**Dr Yannakou**—As far as Global Research Alliance working with SIRIM Berhad is concerned, the alliance have identified areas that the nine partners would like to get involved in. They have identified that they would primarily like to utilise the expertise of the members to make a difference in the developing world, including in South-East Asia, with partners such as SIRIM Berhad in areas which are important to Malaysia and Australia, such as water. In terms of identifying the strategic areas of the importance of research, Malaysia do have a plan for 2006 to

2010 called the 9th Malaysian Plan, where Malaysia have identified their research focus area. I mentioned some of them previously—agriculture, biotechnology, natural resources, minerals, energy and so on. There is a major overlap between those and the way our government sees our research priorities, and they also coincide with an organisation such as the Global Research Alliance. So, from my perspective, I do not think the issue is: what area should we be working in? There is commonality and agreement on what areas we should be working in. It is about deploying our researchers at project level with the correct funders to make an impact. In the end, what is important to Australia is the benefit to Australia for being involved in those projects. The issue is benefit to Australia and funding the research projects within priorities, which everybody agrees with.

**Mr BARRESI**—You mentioned that the ARC is funding six projects costing over \$9 million. Is that right?

**Prof. Papadakis**—From 2002 to the present, we have funded 43 projects.

**Mr BARRESI**—There are six new ones; is that correct?

**Prof. Papadakis**—There are six additional ones that have just been—

**Mr BARRESI**—My question is more about the funding mix. Is that the total cost of the projects? If not, where is the rest of the money coming from? I am assuming this \$9 million is Australian taxpayers' money.

**Prof. Papadakis**—Yes. Some of these projects are Linkage projects, whereby partner organisations also make cash and/or in-kind contributions to the projects. There are formal agreements in some of these projects with partner organisations in Malaysia.

**Mr BARRESI**—What is their contribution? Is there a percentage that you expect from them?

**Prof. Papadakis**—Yes, indeed. Depending on the size of the project, the ARC has certain minimum amounts that the partner organisation has to contribute, whether it is 20 per cent in cash or in kind. Also, there has to be a matching contribution overall to the amount that the ARC puts into the project, whether it is with an Australian partner or with an international partner. There are always cash or in-kind contributions to such projects. I will give you a couple of examples. There is a project from Monash University, looking at religion, finance and ethics. The Amanie Business Solutions organisation in Malaysia is the partner organisation. The funding from the ARC for that project is \$170,000, so there will be matching cash or in-kind contributions coming from the partners. There is also a partnership with the University of Science and Technology in Malaysia for an engineering project on optimising compact boiling heat exchangers, using artificial neural networks and so on. There is some matching contribution there.

**Mr BARRESI**—Just as a follow-up to that, how are these projects selected? Are there Australian selection criteria or have they been developed jointly between Australia and Malaysia? And is the bulk of the research conducted in Malaysia by your organisation and others?

**Prof. Papadakis**—I cannot answer the second question, as to exactly where the research will be conducted, but, in the end, we have rules that the funding has to be spent here. Depending on the nature of the project—let's say something has to be done in another jurisdiction—that has to be spelt out very clearly in the application, because we are not into cross-subsidising funding schemes in other countries.

In terms of the selection process, for all our schemes we have formal selection criteria. As Dr Yannakou mentioned, one of them would be, even for us: what is the national benefit for Australia? So, in Linkage projects, a significant part of the assessment is what the national benefit for Australia is. The assessment is carried out by assessors that the ARC employs, but not the partner organisations.

**Senator EGGLESTON**—I am interested in communications IT as a subject in the Senate committee which I chair. I notice that on page 4 of your submission it says that in 2000 CSIRO signed a relationship agreement with SCS Computer Systems. It is just a one-line entry. I just wondered if you could enlarge upon that for us and perhaps tell us something about CSIRO's relationship with Malaysia in terms of IT, what benefits it may bring to Australia and what we might be offering Malaysia.

**Ms Shrives**—I will have to take that on notice. I do not have a lot of details about that particular agreement. I will take it on notice if that is okay.

**Senator EGGLESTON**—Thank you.

**Mr CAMERON THOMPSON**—In the CSIRO submission there is a paragraph about the problems with the forest fires in Sumatra. That seems to feed into the whole question of global warming. What kind of relationship do we have with Malaysia on looking into questions to do with global warming? Are they proactive in relation to that? Are they leading in that area or are they following?

**Ms Shrives**—Again, I would have to take that on notice to get details from the divisions themselves.

**Dr Yannakou**—I do not have anything to add, except to say that, to my knowledge, it is not a priority in our relationship. If one reads Malaysia's plans, climate change and climate warming are not mentioned in their plans, but we will take it on notice and come back to you with more details.

**CHAIR**—Our time is just about through. In your dealings with the Malaysian researchers, do you find a lot of Australian graduates are involved as well?

**Ms Shrives**—I am going to assume that the answer is yes but I have not asked the question directly.

**CHAIR**—It is not a fierce, piercing question; it is just a matter of interest.

**Ms Shrives**—I think, given the strong links that were formed through the Colombo Plan and the number of Malaysian students who have studied in Australia, the answer is likely to be yes. But I have not asked directly.

**Prof. Papadakis**—I could not answer the question specifically with respect to Malaysia but I believe Professor Graeme Hugo at the University of Adelaide has carried out some research on the fact that Asian students having studied here has later on facilitated all kinds of collaborations in Asia. So one would say that the prospects are likely that that has happened.

**CHAIR**—And now a grossly unfair question: since the retirement of Dr Mahathir, have you found things have got any easier or are any different in terms of dealing with the Malaysian institutions, or doesn't filthy politics invade your world?

**Dr Yannakou**—From our observation, there has been no change.

**Senator EGGLESTON**—Would you say that, while the political relationship with Malaysia under the period of Mahathir might have been somewhat strained, other relationships—the business relationships, the academic relationships—were quite good and remained quite satisfactory and productive?

**Dr Yannakou**—From CSIRO's point of view, I would confirm that.

**Ms Shrives**—Could I add to that. Malaysia has ranked in the top 20 of CSIRO's international partners for the last 10 years. There has been a fall-off in the ranking number following the change from the aid development relationship through to now, but it is still in the top 20.

**Dr Yannakou**—In fact, they are back to about 12th in terms of our relationship.

**Senator EGGLESTON**—Which perhaps comes back to the point that was made about the number of Australian graduates in Malaysia and the links that have been established in many areas, which remain intact regardless of the political climate between the governments. That is a comment; you do not have to respond.

**CHAIR**—As there are no further questions, I thank you very much for your attendance here today. If there are any matters on which we might need additional information, the secretary will certainly be in touch.

[10.11 am]

**DEAN, Professor Roger, Member, Australian Vice-Chancellors Committee**

**CHAIR**—On behalf of the subcommittee, I welcome the representative from the Australian Vice-Chancellors Committee. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. You should also be aware these proceedings are being webcast. Under Senate standing orders concerning the broadcasting of committee proceedings, should you object to the webcasting of your evidence you may do so and the subcommittee will consider the reasons.

Although this committee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. Before proceeding to questions, do you wish to make a short opening statement to the subcommittee?

**Prof. Dean**—Yes, I would like to do that. I would like to point out the history of our relationship with Malaysia in educational terms, because I believe we are at a point where we can capitalise on it in terms way beyond that. As you would be aware, the Colombo Plan was a major initiative that we were largely at the fore of, and this resulted in there being about 250,000 alumni of Australian universities in very significant positions in Malaysia. On the other hand, Malaysia is a very significant contributor to our international student load in Australia and our offshore load. It is the second largest contributor. Unfortunately, that load has slightly declined in the last few years, yet the projections for that potential load up to 2050 are for a massive increase—probably by a factor of between two and four, according to projections from IDP. So we are at a fulcrum point where there is a massive change in the extent to which the Malaysian system hopes to have higher education and the extent to which it hopes to have it in other countries. We have an opportunity to contribute a major part of that load.

One of the symptoms which perhaps underlines that is the Malaysian universities' wish to move from having something like 30 per cent of their staff having PhDs to something like 60 per cent, which would be a figure competitive with the Australian average at present. So the opportunity is there for Australia not only in terms of undergraduate relationships with Malaysia but also in terms of postgraduate relationships. When you take that into account—actually, Malaysia is probably the biggest contributor to international postgraduate enrolments in Australia right now—I think you can see the opportunity for us to translate those educational and political linkages into economic and cultural ones for both countries. I think it is that process which as yet is incomplete but is a special opportunity for us.

We are aware of the difficulty—if I can put it that way—of mutual understanding between religions, including Islam and Christianity. We are aware also of the very different cultural history in artistic terms of those other countries. I think for that to be increased using those linkages that I have just mentioned will be key to political stability in the region as well as to economic success. That is my general comment, and I would like to make a specific comment.

As you would be aware, there is a free trade agreement being negotiated between Australia and Malaysia, and one of the difficulties which are limiting those possibilities that I just illuminated is that the Malaysian education system is still in the process of developing a quality framework. We have our own very successful and appropriate one, so there are some difficulties at present in mutual recognition. In particular, the Malaysian public service, the JPA, does not recognise several categories of our degrees appropriately. For example, they do not recognise every university law degree in Australia and they do not make a distinction between our Australian undergraduate degree with honours, which is a three plus one degree, and the British degree with honours, which is a three only degree. There are some opportunities for us in those trade negotiations to flatten those relationships and make them more transparent.

It is a little bit like the difficulty which the Europeans are presently having with the Bologna agreement, which involves 40 or 50 countries trying to agree on exchange credit, a unified system, which is proving very difficult and will take a long time. It should be much simpler for us with Malaysia. Overall, I would like to paint a picture of opportunity, particularly to translate into postgraduate research and then economic and cultural development. Thank you.

**CHAIR**—I thank you for that. In Sydney a few weeks ago, representatives of the Malaysian student organisations appeared before this subcommittee and their comments were very interesting. The first one was that Australia was regarded as a poor man's choice for foreign education, that it did not have the status of perhaps Britain or the United States. They also said that we were not very well established in the marketing of our education, which the UK and the US are. How would you respond to that statement? Is it fair comment?

**Prof. Dean**—I do not think the first part of the statement is fair comment. We have a lot of Malaysian students in my university. I talk to many. I would not say that they view it as the poor man's option at all. I believe they view it as an opportunity with very high cost-to-benefit ratio. We are slightly more economical in terms of fees than some countries now, and we are significantly more economical in living costs. It is an efficient way to get a degree, but it is certainly not a poor man's choice. It is no longer cheap, for example, and it is of very high quality. I would totally disagree with any implication that the quality is lower than that in Britain or in the US—quite the contrary, I would say.

Coming to the second part, which, if I understood it correctly, was essentially that Australian marketing of education in Malaysia is deficient in comparison with that from the UK and the US, I think that is absolutely true. That is a reflection of the fact that the British Council, in particular, spends a massive budget on marketing on behalf of all British universities. I suspect that my colleague from AEI who will speak to you shortly will confirm that they would love to have the kind of resource that the British Council does to promote Australian education internationally. We cannot compete in simple economic marketing terms at the present, but we do in quality of marketing terms.

**CHAIR**—I think at least one or maybe two of those who appeared before the committee were on scholarships—government scholarships, in particular. Do we tend to pick up a greater percentage of those government scholarships? I do not think we really addressed this with the witnesses, but we have spoken amongst ourselves about it: do we tend to get more Malays of Chinese descent here than Malays themselves, or did we pick up something from those hearings that is not really there?

**Prof. Dean**—I cannot tell you the statistical answer to that question. Perhaps you might want to put it to our colleague from AEI too. My observation of the many students that I have dealt with is that we have a fair distribution of the Islamic, the Chinese and the multiple varieties of backgrounds we have in Malaysia. It is a very multicultural society like ours, as you know. I would say it is well represented. I would also say that, as I pointed out earlier, the trend towards postgraduate education, being a part of what we do with Malaysia, is a very important one.

I heard an earlier comment from your group about communications and IT. It is perhaps worth pointing out that, in contrast with India, where IT is really burgeoning—and many of the students with whom we deal in India, or onshore in Australia, study IT—it is not such a dominant factor with the Malaysians. They are mainly interested in areas like communications, business and management. There are a significant number of Malaysian students in IT—it is the second biggest area of study—but in comparison with India it is very, very different. Again, I think that is a trend which will change dramatically.

**CHAIR**—I should say that the members of the student organisation said they had not experienced any difficulties in Australia in terms of racial problems or religious problems at all. They thought the place was tremendous and they were obviously having a good time.

**Prof. Dean**—Yes, that would be true of our students, certainly.

**Senator EGGLESTON**—I am quite interested in the issue of education, and I was interested in the comment you just made about the British Council and their activities. What would you say Australia should institute to emulate what the British Council is doing in marketing education in South-East Asia and, perhaps, west Asia, India, Pakistan, Bangladesh and even Africa? Do we have any equivalent to the British Council in this area?

**Prof. Dean**—AEI, from whom you will hear shortly, is the nearest equivalent. The point I was making was really the scale of its operations. It is trying to do exactly the sorts of things which we the universities believe are important, but it cannot do them on the same scale as the British Council. That was the point I was trying to make. I think the direction is right.

**Senator EGGLESTON**—The direction is right but the scale is not.

**Prof. Dean**—Yes.

**Senator EGGLESTON**—Is that a matter of increased funding or expansion of the organisation? What would you like to see in place?

**Prof. Dean**—I would like to see increased funding for the public marketing of universities. But at the same time, of course, we should not sit on our backsides and let all this happen without trying to develop the market ourselves. I think the most important development, for the university's activities per se, is IDP, which is a company which was formerly totally owned by universities and is now partly owned by universities. It has just received an injection of commercial capital, and it will be able to expand its activities very considerably as a result of that. I think there are both a public sector approach to it and a commercial approach to it. When I say commercial, I mean IDP can be commercial in promoting public education about Australian universities here and abroad.

**Senator EGGLESTON**—In my limited experience of travelling in this region, it seems to me that most of our focus is on Indonesia, Malaysia, Singapore and maybe Thailand. When you go up to countries like Korea, you find that they tend to send their students across the Pacific to the United States. If you go west to India and Pakistan, the UK is still very important to them. Would you agree that our focus is too limited in focusing to the extent we seem to on Malaysia and Indonesia? I think that Curtin University is considering establishing a campus in the Gulf, which is a step outside those boundaries. Would you agree that our focus is very limited and could be expanded within Asia? China, of course, comes into it.

**Prof. Dean**—Not entirely. We do have a lot of students from India, in spite of the British connection; and our biggest market is China, which you did not mention in that sentence. When you look at it from the point of view of capacity, I would argue that an Australian university would not be an Australian university if, for example, more than 50 per cent of its students were international students. No university is quite there—with the possible exception of Central Queensland University. There is a capacity factor as well. If you want to maintain a social balance between international and domestic, there are limits. Having said that, I think we could ultimately fill those limits, especially in the next decade, from the four or five top countries which we presently deal with—those you mentioned plus China.

**Senator EGGLESTON**—I am sorry I missed China, because they are a very important market. What about external degrees? Do you think we place enough emphasis on external degrees? I know that universities like London run a huge external program. Are we yet to really develop the possibilities of providing external degrees via the internet and so on in countries to our north?

**Prof. Dean**—If we take external degrees via the internet as a category of transnational degrees then, in the case of Malaysia, we are already delivering almost as many degrees offshore transnationally as onshore—not quite but almost—and for several of the other countries, like China, that would be true too. I think we have to strive for an appropriate balance. My analysis from the point of view of my own university is that there is an appropriate ratio between offshore and onshore delivery which is dependent upon the idea of having a flow of people from one category into the other, and that in turn depends on my belief that they need face-to-face cultural and social exposure to get the maximum benefit of transnational education.

**Senator EGGLESTON**—I have been to a graduation ceremony for Edith Cowan University in Perth, where the graduates had all done their courses in China and come down to Perth for the graduation, which I thought was a very interesting development in terms of the possibilities of expanding Australian education into countries like China.

**Prof. Dean**—Yes, we deliver degrees in that sort of manner too, and it involves intensive teaching from our staff in China, so there is a cultural exchange, but it is of more limited dimension than that which is achieved if, for example, a Chinese student studies, let us say, two years in China and then two years in Australia. We try to use one as a stream towards the other.

**Senator EGGLESTON**—What do you see as the parameters, the possibilities of Australia's education services internationally but in the broad scope of Asia. You have already said you would not like to see a greater number of international students than domestic students in universities, so would that be a limiting factor or would you see the scope as unlimited?

**Prof. Dean**—That would be a limiting factor as far as onshore students are concerned, but it would not be overall so, no, I do not think the scope is limited. On the other hand, I think a university has to consider its capacity and the fact that it is primarily a teaching and learning institution but, equally importantly, a research and development and application organisation. It is the opportunity cost of that external activity which one has to balance. I think scale domestically ultimately should limit scale internationally, and we have private providers who can provide the remainder of the offshore scale.

**Senator EGGLESTON**—An offshore education is largely undergraduate, from what you are saying?

**Prof. Dean**—Yes, but in each country it evolves progressively, and Malaysia is at the stage where quite a bit of it is postgraduate, whereas for example China is at a stage where rather less of our contribution is postgraduate offshore.

**Mr CAMERON THOMPSON**—Harking back to some of the comments that were made earlier, I wanted to talk about the role the AVCC plays in encouraging research collaboration between Australian and Malaysian universities and other organisations. With that in mind, do you agree with what the earlier witnesses were saying? They were basically saying that there was a great overlap in interest between Australia and Malaysia and that that is really the core area in which research needs to be focused.

**Prof. Dean**—I did not hear everything that was said by my CSIRO colleagues, so forgive me. On the other hand it is clear that Malaysia is one of the parts of Asia that are going to have a massive boom of heart disease, which is my own academic discipline. That immediately says that medical research of both the preventive disease and infectious disease is a shared interest between our two countries and will be for the next 30 or 40 years. There is no doubt a fantastic opportunity in medical research and certainly in some other technological areas as well. But I would argue that equally important should be, not necessarily financially but culturally, proper exchange about cultural studies and communication—those kinds of issues that are core to how different communities understand each other.

As I said earlier, there is a very positive sign that quite a significant proportion of Malaysian students in Australia take communication and creative industries related studies. We have a specific link with one specialist provider in Malaysia, for example, who is in creative industries, and I think that that is very positive. Creative industries in Australia are a lot more broadly distributed and developed. There is a major opportunity in Malaysia.

**Mr CAMERON THOMPSON**—Is that an active direction the AVCC is pursuing in promoting collaborative research or activities between Australian and Malaysian universities?

**Prof. Dean**—It is not the AVCC brief that I just mentioned; that is my analysis of the situation. However, the AVCC's overall brief is to promote relationships between Australian higher education and higher education in other countries. We have been very active in trying to promote them with Malaysia recently in the form of a joint meeting with Malaysian vice-chancellors earlier this year, a planned agreement for a continuing MOU and a further meeting next year. Their higher education system is in a dramatic rate of change. There was the first female vice-chancellor at the time of the April meeting we had; there are now two. Four

universities have been specialised into the research only category—or, rather, they are the only universities in Malaysia allowed to do research. There is a massive change, a massive opportunity, and it is just AVCC's broad umbrella to try to encourage that.

**CHAIR**—You mentioned in your submission the lobbying of both the Australian and Malaysian governments for funds. Can you give us an update on how you are going with that?

**Prof. Dean**—I could say two things. The Endeavour scholarships are a really positive opportunity for us in relation to Malaysia, and that is terrific. They are the new scholarships that the government introduced earlier this year. On the other hand, the specific commitment from the two education ministers towards cooperation that we have proposed is yet to be forthcoming.

**Mr BARRESI**—I noticed in your submission that there is a comment about the Malaysian public service not recognising degrees from Australian universities and that that is part of the discussion on the bilateral agreements. Is that the case also for those students who are studying at an Australian university on an offshore campus in Malaysia? Does that lack of recognition also take place there, or is it only for degrees in studies here in Australia?

**Prof. Dean**—As far as I know, and I would have to check this more carefully, the offshore delivery by the three Australian universities that we are talking about does not include law. But I would have to check that. Law is the key area, but the other areas are really areas where is a kind of disparity of alignment, as I mentioned, between the three-plus-one years and the three-year degrees.

**Mr BARRESI**—Are we constantly in negotiation with the Malaysian public service to change that recognition?

**Prof. Dean**—Yes, we are. I believe that will be overcome within a year or two, but it has been a sticking point for some time.

**CHAIR**—There being no further questions, Professor Dean, I thank you very much indeed for being with us today. If there are any matters on which we might need additional information the secretary will certainly be in contact with you. We will send you a copy of the transcript of your evidence to which you can make any necessary corrections to errors of transcription. Once again, thank you very much; your evidence was most useful.

[10.33 am]

**AITKIN, Dr Alexander Lewis, Assistant Director, International S&T Policy and Programs Section, Department of Education, Science and Training**

**BUFFINTON, Ms Fiona, Group Manager, International Education Group, Department of Education, Science and Training**

**COWAN, Ms Sara, Branch Manager, International Science Branch, Department of Education, Science and Training**

**RANKIN, Mr Graeme, Director, South, South East Asia and Middle East Section, International Cooperation Branch, International Education Group, Department of Education, Science and Training**

**CHAIR**—On behalf of the subcommittee I welcome representatives from the Department of Education, Science and Training. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. You should also be aware that these proceedings are being webcast. Under Senate standing orders concerning the broadcasting of committee proceedings, should you object to the webcasting of your evidence you may do so and the subcommittee will consider your reasons. Do you have any comments to make on the capacity in which you appear today?

**Ms Buffinton**—I am also CEO of Australian Education International, AEI.

**CHAIR**—Although the committee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. Before proceeding to questions, does anyone wish to make a short opening statement to the subcommittee?

**Ms Buffinton**—Because of the two aspects that the committee is interested in, I would like to make an opening statement on behalf of AEI and then Ms Cowan will make a short statement with regard to science relationships with Malaysia.

As you have already heard through your hearings and as Professor Dean just mentioned, the Australian-Malaysian education relationship is in very good condition. As Professor Dean mentioned, we have about 250,000 Malaysian alumni of Australian universities going back from the Colombo Plan onwards. So, in many respects, it is probably one of the most developed international relationships in education that we have. Because Malaysia is developing its education system very rapidly—it is developing partnerships with international universities, including Australian universities and other institutions, and Australia is very much a major player in international education—the transnational delivery in Malaysia is very significant.

Malaysia is our fifth largest source of international students at the moment. You noted the fact that it has been dropping back in the last couple of years in a small way but at a time when there

are now about 15,000 students getting a transnational education from an Australian institution in Malaysia. Perhaps, when we are ready, I would be very happy to talk about where that is in terms of the US and the UK. But the headline is that we are a much bigger provider, and the US and the UK have also seen the losses we have had. That has probably come from the capacity building of Malaysian universities—so we are not losing market share per se—and the fact that both US and UK institutions are beginning to partner in Malaysia. Understandably, Malaysia is very proud and has aspirations for its higher education as well.

What puts us in good condition as well is, as Professor Dean mentioned, that the Malaysians are currently trying to develop their quality assurance framework and their qualifications framework. They have had a very close relationship with our Australian Universities Quality Agency, and there is a very strong partnership in mirroring what we have in Australia to what is going on in Malaysia. The Malaysian and the Australian qualifications frameworks bear very close resemblance. It could be said that they have used Australia as a strong model there.

The other good thing is that we have very strong postgraduate engagement. Eighty per cent of the student enrolments coming from Malaysia are coming in at the undergraduate and postgraduate levels. Professor Dean mentioned that there is a strong interest in PhDs. Probably Malaysia and China are two leading countries for PhD students in Australia, so it is very significant. Australian institutions have been going up in the league tables of the world's best universities. That is coming through from places like Malaysia, where you now have a number of generations of people who have done their PhDs in Australia, and they in turn send their students and encourage their PhD students. That is what we are aspiring to do in many other countries—to be in that sort of level of condition. The Malaysian education system see Australia as a good training ground for their PhDs, and that is a real positive.

One of the things that has been reinforced and I am happy to discuss further is the range of Asia-Pacific Endeavour awards, specifically ones that we have from Malaysia that were announced this year—not just about Malaysians coming to Australia but trying to get more Australians to study in Malaysia. If I am frank, that is still proving to be difficult. People still think of Europe or America when they are going abroad, as opposed to engaging with our near neighbours. Looking at what we can see in terms of our trade relationships and the strategic engagement within our region, I think it is really important to get more Australians to study abroad.

Finally, I would like to highlight that we have a lot of partnerships happening in Malaysia in education and how gratifying it is to see three campuses of Australian institutions—Monash University, Curtin University with its Sarawak campus and Swinburne University of Technology with its Sarawak campus. Looking into the future, I think we have a very strong and very positive relationship in education. I will now pass to Ms Cowan to make some comments on the science relationship.

**Ms Cowan**—I will give the committee a quick overview of DEST's role in international science and then turn to the relationship with Malaysia. Australia's international science and technology activities involve a large number of departments as well as DEST. I think the committee is hearing from quite a few of these. They also include research agencies such as CSIRO and ANSTO, funding agencies such as the ARC and the NHMRC, and the academies of sciences and technological sciences and engineering.

DEST coordinates Australia's international intergovernmental science and technology relations at a generic overview level; we have around 30 bilateral relationships, including one with Malaysia. We coordinate and lead regular bilateral consultations bringing together all the relevant organisations in Australia and overseas to identify shared priorities and to determine how we would proceed in the future. We also coordinate our multilateral science and technology activities, including through the OECD and APEC.

My branch administers the International Science Linkages program, which is a fund for collaboration with overseas partners of around \$10 million per annum. But that funding is only around five per cent of the overall funding that goes to international collaboration. Nevertheless, we think it plays a significant catalytic role and it enables science and technology relationships which then can be advanced through other agencies and funding programs.

Turning briefly to the relationship with Malaysia, as you would be aware, early interactions took place within the context of development projects funded through Australia's aid program. Australian scientists working in CSIRO and the Australian Centre for International Agricultural Research were providing technical assistance to their Malaysian counterparts primarily. CSIRO has worked with Malaysia in areas such as the forestry, beef and dairy industries, and ACIAR has supported research aimed at reducing the impact of fruit fly upon commercial fruit growing operations. That early period of technical aid has drawn to a close; and, for almost a decade, Australian and Malaysian scientists have been working collaboratively in areas such as agricultural research and transboundary infectious disease control.

We think the prospects for future science and technology collaboration are promising. Biotechnology and biomedicine are important research areas for Australia, and the Malaysian government has recently allocated significant funds to support biotechnology development through the Malaysian life sciences capital fund. It has also announced a long-term national biotechnology policy and the development of centres of excellence for agricultural, molecular and pharmaceutical biotechnology.

As a consequence of those developments, we expect opportunities for mutually beneficial collaboration will increase over time. Currently though, within DEST's international science and technology strategy, Malaysia is not actually listed as a priority country, partially because—in fact, entirely because—we have a limited fund, as I have mentioned, of \$10 million per annum, and there are other countries that are considered of greater significance at this time. Nevertheless the strategy is flexible and, should the biotechnology promise lead to something, there is opportunity for us to collaborate more with Malaysia over time.

**CHAIR**—Thank you very much indeed. I was going to start the questioning with a quote from some evidence we received from some Malaysian students in Sydney a few weeks ago regarding the fact that Australian education was seen up there as a poor man's education, and that the US and the UK were the No. 1 choices. Ms Buffinton, in your introductory comments you made some reference to the changing nature of the market there. Perhaps you could expand on that now, please.

**Ms Buffinton**—Certainly. Just to put into context where the US, UK and Australia sit in terms of Malaysian students overseas: in 2005 the US had 6,142 students, the UK had 11,520 and Australia had 19,342. So the proportion is around one-third in the US and two-thirds in the UK

compared with Australia. We acknowledge there has been a small decline in Australia over the last two years—a 2.3 per cent reduction in numbers to Australia. The UK has faced a drop of 3.8 per cent, and the US a drop of 6.9 per cent.

We do not want to be complacent so one of the things that we of course always look at is: are we losing market share to somebody else and, if so, why? I think what we are all facing is that we are all strongly investing in transnational delivery in Malaysia. It is acknowledging that Malaysia is developing its own education system and desires, where possible, to develop that education system. As far as the feed that we get is concerned, because of the fact that we have had such strong growth in the case of Australia for well over 50 years, we see the strongest element is when people go home and talk about the positive experience that they have had in Australia and that in turn feeds the next generation of people coming, including a number of very well placed people. I think the Minister of Higher Education is a graduate of the Australian system, so we have got some very well-placed people.

Around the world constantly we get this view—and we have to make sure that we do not have a cultural cringe, I guess, in Australia—on where does Australian education sit and why has it grown to be the fourth largest export? It is not just because it is a dollar value; it is because we are perceived as a quality provider certainly in our medium- to high-end brand of education. It is something that we constantly look at. It is not just university education, of course, but the Malaysians do focus strongly on university education. I think people are coming because of the perception that in going home it is well regarded by employers. It is well regarded by families, because if it were not you would not see those numbers returning to Australia.

**CHAIR**—Years ago—and I think it was a delegation from this very committee—we were in Thailand at a function in a hotel and in an adjoining area or in the ballroom of this hotel there was an American university having their annual dinner for their graduates over the years. The comment was made then that we do not look after our alumni terribly well from Australian universities, whereas the Americans were there and there were bands, balloons, dancing girls and goodness knows what else. Is that still the case 10 years later? Do our universities really look after their graduates and use that as a form of promotion, not only in Malaysia but in other centres generally?

**Ms Buffinton**—I think there has been a strong getting of wisdom in terms of alumni. I think one of the committee members talked about how people are graduating these days. They are either coming to Australia or we are making sure we have graduation ceremonies with the same pomp and circumstance as you would get at an Australian graduation. If we look back to the Colombo Plan, it was early days, pre computers, in terms of staying in touch with who's who. In setting up the Endeavour scholarships as a new scholarship scheme the government has said that the aspiration for the future is that those scholarships will one day be regarded the way Fulbright or Rhodes scholarships are. You cannot immediately ask for them to be held in that regard; you have got to develop that regard. But right from the start we are developing strong alumni networks and a methodology—thankfully we are now in the computer age—to capture that. We work very closely with the universities. I think for universities themselves initially in starting to engage students, and across faculties, it was already quite a complex operation. They realise the value of this marketing, that somebody goes home with a very positive view of a specific university. The best marketing is from those who have been very satisfied. So many universities are using their alumni for their promotion internally.

Have we got it right yet? We are continuing to improve. I think at the poorer end we tend to see people come and go and that is that. I think at least the bulk of universities understand the importance and the value of those alumni, as does the government, and I think it is improving. For Malaysia in particular, I think we have been doing a lot more work, helped by the alumni themselves. They want to stay in touch with Australia. One of the driving forces has been the Chief Minister of Sarawak. He has been pushing us in the alumni association in Asia. He is the leading light and really keeping us active in the alumni. It is serving a purpose for the Malaysians as well. Have we got it right yet? I think it needs constant improvement but it is a long way from that example of 10 years ago.

**CHAIR**—I should have asked this question of Professor Dean. Is the advent of Australian academics going up and doing guest appearances at a number of the foreign universities very highly developed?

**Ms Buffinton**—I think there are a range of ways that Australian academics are engaging. One is in their own university programs that are partnering with, in this case, Malaysian institutions. That is one of the things that we are paying great deal of attention to, as are the universities. If an Australian qualification is being delivered in Sarawak or it is being delivered in Sydney, we are paying attention to the fact that it equates and is of equivalent quality in both locations. You often do a lot of blind marking and checking to make sure that what is coming out and being produced in both locations is the same, and you make sure that, while you have a local faculty, you have a lot of faculty from Australia going up and teaching certain segments of the course. That is one aspect. Then there is another aspect, particularly in the region but also globally. Australian academics in all sorts of fields are very well regarded and do go and lecture abroad. In fact, every year the Australian Bureau of Statistics produces figures for national income, and about \$9.8 billion is the value of international students in Australia and all their spending. There is another \$300 million, and a large portion of that is actually based on consultancies and lectureships and, in fact, fees back to Australian institutions and academics for their work in consultancy or lecturing offshore.

**Senator EGGLESTON**—I am very interested in the scholarships issue which you are offering. I notice these Endeavour awards are very extensive. Can you perhaps tell us a little more about the general offerings of scholarships, apart from Endeavour awards. Are the universities offering scholarships? Are the state governments offering scholarships? Perhaps you could expand on the breadth of the scholarship scheme.

**Ms Buffinton**—Scholarships that are offered by the Department of Education, Science and Training have now all been badged as Endeavour. We have evolved with a couple of scholarships. We were given a much higher level of funding for the scholarships in 2003 and then again this year with the announcement of the Australian Scholarships, which have two aspects—the development assistance scholarship through AusAID and the Endeavour meritorious scholarships through the Department of Education, Science and Training. So all of the scholarships offered by Department of Education, Science and Training are termed Endeavour, and we have seen a major increase for the Asia-Pacific region.

On top of our own scholarships, first of all there are the AusAID development scholarships, which in the case of Malaysia, although I would have to check, would be almost down to a trickle. Given the development nature of where Malaysia is, I imagine there would be only a

fairly small number of those scholarships. We have exchange scholarships—the University Mobility in Asia and the Pacific program—to encourage exchange at the undergraduate level for things like a semester or more abroad.

There are a lot of universities in Australia actively involved in giving exchange scholarships either at the PhD end or at the undergraduate end. They are investing their own funds—so they are not just relying on government—and looking to partner with industry, as we have partnered with Cheung Kong (Holdings) for one of our scholarships to try to get local scholarships. So they are certainly investing—as are students themselves, who are choosing to take out loans because they see it is an important part of their education. They are investing and extending their own education through their own private investment.

**Senator EGGLESTON**—I notice it says in your submission that the Australian Scholarships Program is a \$1.4 billion program. Is that over a period of five or 10 years, or is it for a set term? How much funding is it annually, in other words?

**Ms Buffinton**—I would like to provide a table to the committee. Certainly, the funding that we are talking about is over five years, but that includes the Australian awards, which include this very strong development assistance program as well. So I think I would like to provide a table explaining the Australian awards—the Endeavour Program and the development assistance—and a breakdown of those over the five years, if I could.

**Senator EGGLESTON**—Yes, of course. Thank you.

**Mr BARRESI**—I am little bit confused by some of the evidence this morning about Australia not being as attractive a destination as perhaps the United States or the UK. Does that mean that we have Australian universities which are under capacity for overseas students? Are they meeting their targets, whatever targets they have, for full fee paying overseas students?

**Ms Buffinton**—First of all, the government does not set any targets.

**Mr BARRESI**—No, I said ‘universities’.

**Ms Buffinton**—Yes, it is up to the universities. At the moment, around 20 per cent of universities’ student loads are international full fee paying students, and that varies from up around 25 per cent to less than 10 per cent.

For 20 years Australia has been charging full fees, and we are seen as one of the global leaders. The US and the UK take a great deal of interest in what Australia is doing—not just because we successfully get students in but also because of the quality assurance and the legislation that underpins that quality and makes sure that we give very strong consumer protection to students. If you are coming to Australia, we go to a lot of trouble to make sure that we match what is in the selling literature with what is delivered. In fact, we are going through a major survey of 4,000 international students as we speak. They have just been surveyed in Australia and they will be resurveyed in six months, after they have returned to their home country.

I know that a Malaysian student said that, supposedly, Australia, in their opinion, is a sort of poor man's choice. At the end of the day, people look at the US and they see Harvard; they look at the UK and they see Oxford and Cambridge. At this point in time, from the league tables, I do not think any Australian institution has yet attained that level of regard globally, but they do represent very high quality in people's perception. People realise that within the US there is a whole range of institutions, from the world renowned to the much less renowned; within the UK, it is the same.

What you find now is that, because of the internet and things that I am only on the edge of understanding myself, such as blogging and so forth, students are incredibly well informed about what they are getting and they know whether other students are satisfied: 'Hello, are you currently studying in the UK? Are you currently studying in Australia?' The information exchange is incredibly fast at the moment. That is why I think we cannot be complacent. While we are doing extremely well, we are about to face much more competition. I do not think the US and the UK are going to be the issue; it is the fact that Scandinavia will be giving English language courses for the first time to international students on full fees, and the Netherlands, France, Germany and China are all developing similar things. That is where I think the competition will come from—not just from the US and the UK.

At the moment we are doing well, and Australian universities are aspiring to something else. We have had strong clumps of students; at the moment we have a strong engagement with China, India and Korea in terms of percentages. What we are looking to do is diversify the countries that are our sources of students. What is gratifying, particularly in the context of Malaysia, is that once upon a time there was a big, strong focus on computing—so, IT—and business studies. What is really reassuring in the Malaysian relationship is that we are getting more diversity, whether it is nursing or the creative arts. To me, that means we are hitting our straps with Malaysia, because the studies are not just in this narrow range; it is across the full range. That was a very long answer to a very short question!

**Mr BARRESI**—I understand that. What you are basically saying is that there is no undercapacity in Australian universities—that, whatever targets the universities have set themselves, they have overseas students that are filling those places.

**Ms Buffinton**—Yes.

**Mr BARRESI**—That is all I want to know. I just wanted to make sure. I do not want you to go back into the answer. The other thing is that in your submission you point out that one of the problems with accreditation of courses and programs is that Australian providers, in order to get a licence, submit a specific course that they are going to provide, whether it be a curriculum or what the course of study is going to be, and then it is difficult or impossible to make variations to that in order to meet Malaysian government requirements. Is that correct? Has there been any move to build in some sort of flexibility post the licence being granted so that Australian universities overseas can adjust to the different conditions that a government may require?

**Mr Rankin**—Yes. As part of the Malaysia-Australia free trade agreement negotiations, there is a significant element focusing on education services, and this is part of that discussion. We see it as a barrier to the continued operation of Australian institutions in-country. We have flagged that we want to discuss that and, at the next negotiation session sometime early in 2007, we will

come to the point of looking at education services, barriers or issues in more detail. That will be one of the issues we consider.

**Mr BARRESI**—Right. Thank you.

**CHAIR**—On page 11 of the submission, it says that the last government-level meeting under the memorandum of understanding on scientific and technological cooperation took place in 1999. What does that mean—that there is nothing happening in that area? Is there a lack of enthusiasm for it, or are things happening?

**Ms Cowan**—At the government-to-government level, yes, that is correct; the last meeting did take place in 1999. We have determined, and I think the Malaysians have as well, that there is actually no real requirement for government intervention at this point. There is interaction going on between scientists through the university, through the CSIRO and through the Australian Centre for International Agricultural Research. The only times that we actually hold joint science and technology committee meetings are when either one or both governments see a value in removing an impediment to collaboration or enhancing the collaboration in some way. At this point, as I said, we in Australia, certainly in DEST, do not see Malaysia as a priority partner and, in the same way, Malaysia has not approached us. We have a large number of collaboration agreements that have been signed over the years for one reason or another. We do not regularly meet with all of them unless it is considered there is a need to do so.

**CHAIR**—I thank you very much indeed for your attendance here today. If there are any matters on which we might need additional information, the secretary will be in touch. We will also send you a copy of the transcript of your evidence, to which you can make any necessary corrections. Hansard may wish to check some details concerning your evidence, so would you please remain for a short time so that *Hansard* reporters can speak to you if need be. Thank you very much indeed. That was great.

[11.06 am]

**CULLEN, Mr Garry, Manager, Meat Policy, Technical Standards Branch, Exports and Animal Programs Division, Australian Quarantine and Inspection Service**

**MACKETT, Mr Joffrid, Principal Veterinary Officer, Meat Policy, Technical Standards Branch, Exports and Animal Programs Division, Australian Quarantine and Inspection Service**

**MACNAUGHTAN, Ms Gael Elizabeth, Senior Policy Officer, Malaysia and Thailand Section, Bilateral Trade Branch (Americas, South-East Asia, Subcontinent and the Pacific), International Division, Department of Agriculture, Fisheries and Forestry**

**WILLIAMSON, Mr David Campbell, General Manager, Bilateral Trade Branch (Americas, South-East Asia, Subcontinent and the Pacific), International Division, Department of Agriculture, Fisheries and Forestry**

**CHAIR**—On behalf of the Foreign Affairs subcommittee I welcome representatives from the Department of Agriculture, Fisheries and Forestry and from the Australian Quarantine and Inspection Service. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. You should also be aware that these proceedings are being webcast. Under standing orders of the Senate concerning the broadcasting of committee proceedings, should you object to the webcasting of your evidence you may do so and the subcommittee will consider your reasons.

Although the committee does not require you to give evidence under oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. Before proceeding to questions, does anyone wish to make a short opening statement to the subcommittee?

**Mr Williamson**—Yes, I will, if that is all right.

**CHAIR**—Please proceed.

**Mr Williamson**—I know you have already received our submission so I will just make a few brief comments. Australia's bilateral relationship with Malaysia, in the context of agriculture, fisheries and forestry, is certainly a positive one and, of course, we have quite a significant trade surplus in agriculture and food at the moment. Our officials enjoy strong and positive relationships, and we have had a number of successful visits by portfolio ministers from both countries in recent years that have helped strengthen the ties. Most recently, Minister McGauran was in Kuala Lumpur, in August. Malaysia is certainly a very important regional market for our agricultural products. It is amongst our top five markets for dairy, horticulture, wheat and sugar. Our agricultural and food exports to Malaysia were valued at over \$900 million in the last financial year. Over the same period, Malaysia's exports to Australia were worth about \$228 million, the major products for them being oil, fat and seafood.

Although we do have an overwhelmingly positive relationship, there are, of course, always going to be a small number of ongoing issues that require our attention and have the potential to affect trade, and we work to resolve those issues to facilitate further trade. Current examples would include issues relating to tariffs and to halal certification. I am aware that the committee has an interest in halal certification in particular, and my colleagues from AQIS can answer any questions you have on that issue.

As you would have heard from our DFAT colleagues, the Malaysia-Australia FTA negotiations are clearly a very significant opportunity to gain preferential access to the Malaysian market and also a means through which we look to address a number of issues. We would expect an FTA with Malaysia to develop further trade between our countries in our portfolio industries. From our department's perspective we have very strong relationships with our counterpart agencies in Malaysia. In particular, the Malaysia-Australia Agricultural Cooperation Working Group is proving to be a very important mechanism for progressing trade issues. As our submission outlines, we have a number of cooperative activities underway that are proving to be beneficial for both countries.

Finally, I would emphasise that our work in the context of Malaysia is certainly representative of what we are trying to do in the increasingly important South-East Asian region for our portfolio industries, and that is to explore new export opportunities and also maintain our existing access to markets. We have a positive bilateral relationship and we are quite optimistic about our continuing efforts to keep it that way.

**CHAIR**—You made passing reference to the FTA. In reality, you are probably up to your neck in it, are you?

**Mr Williamson**—We are indeed, yes. That is correct, Chair.

**CHAIR**—Could you give us an indication of how it is going generally?

**Mr Williamson**—Sure. We are four rounds in, with four full rounds of negotiations and a fifth due some time in the first quarter of next year. From the agricultural point of view we are looking at increased or improved access for dairy, for processed meat and for some horticultural products in particular. The negotiations from our point of view are going quite well. It is a hard slog, as FTAs always are, as you are aware. Our issues are dealt with in the goods group. Malaysia and our negotiators have exchanged text on a draft SPS chapter and we are negotiating out of session but looking to the formal round next year on that text.

We are certainly looking at further improvements to the tariff arrangements that are in place. A lot of Malaysia's tariffs are already at zero for our products, but there are some, again in the dairy and horticulture areas in particular, that range from five to 30 per cent, and we are working hard to have those reduced. We are also focusing on either eliminating or simplifying some of the import licensing arrangements that Malaysia have in place that our portfolio industries have repeatedly told us can be onerous. That is something that we are quite focused on. From our point of view things are on track. We have not had any significant issues or disagreements with the Malaysians, other than the standard toing and froing of negotiations.

**CHAIR**—Were you involved with the FTA with, say, Thailand? Is there any comparison you can make between the negotiations with Thailand and with Malaysia? Was it easier or harder?

**Mr Williamson**—I was not directly involved; that pre-dated me. But my understanding is that with each new FTA we learn lessons from the previous one. What our negotiators tell me informally is, again, that those lessons are being built on and we are progressing quite well. But beyond that, I could not do a direct comparison, I am sorry.

**Senator EGGLESTON**—Which states are the major sources of our meat exports to Malaysia and what is the breakdown of those exports in, say, beef, lamb and so on?

**Mr Cullen**—There is a breakdown of those export figures in the first paragraph of the submission. In 2005 Australia exported 1,583 tonnes of beef worth approximately \$15 million, 8,438 tonnes of sheep meat worth approximately \$28.5 million and 1,900 tonnes of offal—primarily beef offal—worth approximately \$4 million. The breakdown in relation to sheep meat—there are basically abattoirs located right around Australia. There are currently only three beef abattoirs. One is located at Wodonga, one is located in southern Queensland and the third is in Melbourne.

**Senator EGGLESTON**—I could only find information on Nestle. I apologise for asking a question when the answer was in the information included in your submission.

**Mr Cullen**—That is fine.

**Senator EGGLESTON**—What opportunities are there to expand that range of exports into Malaysia and who are our competitors? New Zealand, I presume.

**Mr Cullen**—Malaysia is a small and growing but niche market. There has been a lot of effort put in by the Malaysians, who want to utilise Australia's animal health status as a means of being able to further process product in that country and export to other halal markets. In terms of beef, I think there are growing opportunities. We have had our problems with beef in meeting Malaysia's requirements and in the development of the new protocol. We are seeking to expand the listing of establishments from three to a number of others who have taken the opportunity to pursue on a commercial basis the costs of meeting Malaysia's specific halal requirements.

**CHAIR**—Who determines the halal requirements? Do we have any say in it at all or is that purely the Malaysians?

**Mr Cullen**—The Malaysians themselves put out a halal standard that they require countries to meet if you want to export to that particular market; so they have set the standard. In relation to beef—and that is the really difficult area—we simply could not meet those standards. We then involved ourselves in a series of negotiations with Malaysia to come up with an agreed protocol that we felt we could meet and that would meet Malaysia's requirements. That involved a series of negotiations back and forth and a number of visits out here by Malaysia to look at the plants that we felt could meet those requirements. We currently have three beef plants listed and we have a request in with Malaysia to come and audit another eight establishments, five of which are beef establishments. There is no doubt that the requirements for Malaysia are onerous. At the end of the day, it was a case of either not try to meet their requirements or try and work with

them to meet their requirements, with our industry to take their own commercial decision as to whether they wanted to pursue that market or not.

**Mr Williamson**—It think it is worth adding also that we obviously involve industry as much as we possibly can given the nature of the negotiations to keep them in the loop with the negotiations that Mr Cullen has referred to so that we are not charging off without having regard for industry's preferences.

**CHAIR**—My apologies, Senator, for interrupting there.

**Senator EGGLESTON**—That is okay; that is useful information. There is a large halal abattoir near Mt Barker in Western Australia, but from what you are saying that obviously does not export to Malaysia. I presume it exports to the Middle East.

**Mr Cullen**—I do not know the particular abattoir that you are talking about. Is it a sheep abattoir?

**Senator EGGLESTON**—Yes.

**Mr Cullen**—Do you know the name of it?

**Senator EGGLESTON**—I am struggling to remember; that is why I threw in the name of Mt Barker. Obviously, since you have not included it in your statement, it is an abattoir with a focus on the Middle East, I would suggest.

**Mr Cullen**—I do not think it is listed for Malaysia. There are very specific establishments listed. I can provide you with a list of all establishments that are currently approved to export to Malaysia, should you wish.

**Senator EGGLESTON**—Yes, if you could do that. The other question I would ask you is about live cattle exports. I am from Western Australia. We export live cattle from Wyndham and Port Hedland in the north-west, largely, I think, to Indonesia. Is there any component of live cattle exports to Malaysia?

**Mr Cullen**—Yes, there is. I thought that was in the submission. There is a table on page 11.

**Senator EGGLESTON**—As I said, all I have got here is a lot of stuff about Nestle.

**Mr BARRESI**—You have to go to the next one—I made the same mistake.

**Senator EGGLESTON**—I apologise again for asking questions which are covered in your submission.

**Mr Cullen**—There is available a table that will show you the number of cattle, sheep and goats that are being exported to Malaysia—significantly increasing numbers. It is important; Malaysia sees itself as wanting to be able to meet their demand domestically to put their live cattle and live sheep into their own feedlots and to slaughter them in Malaysia, where they have their own distribution systems. If you require anything further than what is in there, I can

certainly provide you with a table that sets that out. I thought I had brought it with me, but obviously not.

**Mr BARRESI**—My question was related to Senator Eggleston's—that is, is Malaysia increasingly seeking to have live exports or has the demand basically plateaued off?

**Mr Cullen**—No, it has not plateaued off. There has been a gradual growth in the live trade and at the same time there was a reasonable plateauing of meat, but I think the potential to grow the meat trade is there.

**Mr Williamson**—Malaysia itself is going through a fairly close examination of its policies and future direction. In the last six months the government over there has done a lot of work on that. So, as Mr Cullen has alluded to, there is considerable potential for the future.

**CHAIR**—Who are our biggest competitors in live exports and, indeed, halal meat?

**Mr Cullen**—The biggest markets for cattle are Indonesia and the Philippines. Malaysia is in there as well. There are also very significant exports of live cattle going into the Middle East. Also, significant amounts of dairy cattle are being exported to China and Mexico as well as the Middle East. We probably export about five million live sheep, predominately to the Middle East.

**CHAIR**—They are ours?

**Mr Cullen**—They are ours.

**CHAIR**—In terms of people trying to crash the Malaysian market, who are our biggest competitors?

**Mr Cullen**—The only competitor I think we have is New Zealand. But they have a different type of cattle. They are more a dairy type cattle, whereas you need the *Bos indicus*—the tropical cattle—to go into those markets. Other cattle will not perform and fatten up as quickly as tropical cattle.

**Mr BARRESI**—From what you are saying, Malaysia appears to be setting itself up as a distribution point for meat exports into perhaps other Islamic nations. Have any Australian companies seized on this opportunity to move their operations to Malaysia or at least buy into—from either a cooperative point of view or an equity point of view—Malaysian companies that are doing this?

**Mr Cullen**—I think it is important to appreciate that Malaysia has real difficulty in convincing other countries to take their product. Malaysia has FMD, so sourcing domestic product and trying to export that to Middle Eastern markets is difficult. Those markets do not want product from a country that has FMD. That is why Malaysia is looking at some further processing. It is looking at some investment in Australia.

**Mr BARRESI**—That was my next question actually; my first question was about Australia investing over there.

**Mr Cullen**—I do not have the investment figures, but I know that Malaysia has a growing economy. Malaysia is important in terms of an investment site. I do not have any specific figures—

**Mr BARRESI**—So you do not know of any Australian companies that have invested there? Okay. Then let's move to the other one, unless of course you have—

**Mr Williamson**—We are aware—and I can get you the details, but I am not sure if it is a known arrangement—that a Malaysian halal-meat based delicatessen is engaged in a joint venture with an Australian company to look at exporting beef patties to international food chains like Burger King and so on. That is one example. I have to say it is not something where we are aware of a raft of initiatives underway. As Garry has pointed out, there appears to be more potential than there has been previously, again linked to this notion of them becoming a distribution centre globally.

**Mr BARRESI**—And, Garry, what was the other way?

**Mr Cullen**—The other way is that Malaysia has a significant interest in buying farms in particular and in gaining feedlotting expertise, and it is also looking at purchasing abattoirs.

**Mr BARRESI**—Have they done that yet? I know that a lot of abattoirs are consolidating—there have been quite a few mergers taking place, and a few closures. So have Malaysians bought into some of these abattoirs?

**Mr Cullen**—As far as I am aware, they have not actually bought into any of them, but they are certainly showing plenty of interest and a number of Malaysian delegations have come down here, both from the private sector and accompanied by government officials, to look at those particular investments. But, as far as I am aware, there have been no deals signed. Malaysia has a specific relationship with Western Australia. There is a memorandum of understanding between the Western Australian government and Malaysia. I was interested to hear about education—I am aware of quite a number of Malaysian people who are educated in Western Australia. It is one state that has taken a fair bit of initiative. It has its own state development office based in Kuala Lumpur to assist in its dealings with the Malaysian officials.

**Mr BARRESI**—I have a question that is not on meat but on illegal logging. I think your submission mentioned it; is that in there somewhere? It is in our brief anyway, some concern about exports to Australia from Malaysia—furniture exports from illegal logging. Are you aware of this, how serious an issue is it and what is the progress on any concerns that we may have raised with the Malaysian government?

**Mr Williamson**—I am not specifically aware of it; I apologise. I will talk to our forestry area and we can get you some answers on notice if that is okay.

**Mr BARRESI**—Okay. Thank you.

**CHAIR**—Actually, I think it was based on a report in the *Age* newspaper in May 2005; apparently, imports of furniture had gone through the roof. I think stuff out of Malaysia was up about 20 per cent.

**Mr BARRESI**—Twenty per cent has been illegally logged. That is a report in the *Age*—sorry, it was not in your submission.

**Mr Williamson**—The 20 per cent has come from illegal logging? We will get back to you.

**CHAIR**—Thank you.

**Senator EGGLESTON**—Grains to Malaysia are down, and not only in exports. But I believe CBH from Western Australia has a mill in Malaysia, a flour mill?

**Mr Williamson**—That is correct.

**Senator EGGLESTON**—So there is the establishing of an industry there. Do you have any comment to make about our grain exports and the potential for development?

**Mr Williamson**—As I think I mentioned earlier, it is certainly one of the leading markets at the moment. Obviously, given current climatic issues, there may be a plateauing of exports there, but in the industry—certainly from my discussions with the grains industry—there is a reasonable amount of optimism in the long term that Malaysia will become an increasingly important market. I do not have any forecast figures but, as I say, it remains one of the important markets, subject to getting over the drought.

**Senator EGGLESTON**—A big issue. Are there any companies other than CBH that have flour mills in Malaysia, that have established mills there?

**Mr Williamson**—Not that I am aware, no. CBH is the only one I am aware of.

**Senator EGGLESTON**—Thank you.

**CHAIR**—There being no further questions, I thank you very much indeed for your attendance here today. If we do need any additional information, the secretary will be in contact with you and will also send you a transcript of your evidence, to which you can make any necessary corrections to errors of transcription. Thank you very much indeed.

Resolved (on motion by **Mr Barresi**):

That the subcommittee authorises publication of the transcript of the evidence given before it at public hearing this day.

**Subcommittee adjourned at 11.29 pm**