

Senate, Monday 25 May 1998

COMMITTEES: Foreign Affairs, Defence and Trade Committee: Joint: Report

Senator MacGIBBON (Queensland) —On behalf of the Joint Committee on Foreign Affairs, Defence and Trade, I present a report entitled *The Asian Currency crisis: Report on a seminar on the Asian currency crisis and its effect on Australia*, 19 March 1998, together with minutes of proceedings.

Ordered that the report be printed.

Senator MacGIBBON —by leave—I move:

That the Senate take note of the report.

I seek leave to incorporate my tabling statement in Hansard .

Leave granted.

The report I am tabling today is a record of the proceedings of a Seminar conducted by the Joint Standing Committee on Foreign Affairs, Defence and Trade in March this year. This seminar assembled some of the most authoritative speakers from across Australian government departments, business and academic fields, to share their views on the origins, the regional economic and political ramifications and the likely effects on Australia of the so called 'Asian Currency Crisis'.

It is well known that since the floating of the Thai baht in July 1997, a number of regional economies have seen the value of their currency plummet by record amounts. The reactions of Governments as they sought to meet the effects of the financial crisis have seen marked political turmoil, and in some cases social unrest with dramatic consequences, as we have witnessed over the last week. The crisis is set against a seven year period of stagnation in the region's largest economy, Japan. With Japan as Australia's largest trading partner and 20 per cent of our GDP derived from trade with the embattled South East Asian countries, many had speculated on what might be the effects on Australia? Whilst the Government and a variety of analysts had forecast a down turn in the Australian growth rate, the Committee felt it was appropriate to consider the wider ramifications for Australia. Hence this seminar sought to inform the Parliament, and the wider public through open discussion of the impact of the crisis in Asia on Australia

The Deputy Prime Minister, in opening the seminar, commented upon the Australian Government's response to the situation, highlighting the contribution to the IMF assistance packages for Thailand, South Korea and Indonesia—an action that has received bipartisan support. There is little doubt that there would be an impact on the Australian export performance, but Australia remains committed to Asia as more than just a fair-weather friend. The recovery period will not be without some pain for Australia, but in the end should provide opportunity and gain.

It is interesting to note that the prospects for Indonesia were covered in three of the presentations and whilst the possible scenarios included the essence of what we have all witnessed over the last two weeks, it is fair to say that no one was able to predict the rapid fall of President Suharto.

From the initial discussion of the countries most effected by the crisis—Thailand, The Philippines, Malaysia, South Korea and Indonesia—it became apparent that each had its own set of unique challenges to contend with. A 'standard' remedy was therefore probably not appropriate. The various responses, under the auspices the IMF, subsequently came under critical analysis. Why did a package that called for profound macro economic reform appear to work in one country, whilst in another it was considered too insistent and extending too far into the sovereign rights of the effected country? Was there a distinct east-west discord developing? These issues were addressed by a number of the seminar presentations.

Similarly, the effectiveness of the role of the regional forums, such as ASEAN and APEC, was carefully considered during the seminar. On examination of the prospects for China, Japan, Taiwan and Singapore it is evident that regionally, nations are divided in their views as to what to do. Subsequently, ASEAN and APEC were seen as unlikely fora for addressing the core problems of the crisis. Whilst it can be argued, in APEC's case, that it not designed to address financial issues, it was determined during the seminar to have the best prospects of any regional organisation to address politics in the region. That it failed to exert any real influence during this crisis should not preclude its use in the future to provide coordination, by various regional agencies, to assist countries in the region to set circumstances to avoid the same situation reoccurring.

Acknowledging that the direct impact of the crisis on Australia is an unfolding situation, a number of broad points of consensus were discussed. These ranged from the current state of the domestic economy, impacts on specific export sectors, effects at State and Territory level and the prospects for employment growth. These issues, together with the presentation on the prospects for Australian business, provide a number of interesting viewpoints on which to reflect as the real effects become apparent over the next financial year or so.

The Committee, in reporting its views of the seminar, chose to keep its remarks brief. In so doing, the words of the individual speakers have been allowed to stand by themselves. While individually noteworthy, these presentations collectively provide a comprehensive overview of the social, economic and political impact of the crisis, not just on Australia, but also for other regional nations.

In conclusion, I would like to thank the many members of the foreign affairs, academic, business and diplomatic communities who participated in the seminar, and particularly the talented group of speakers who generously contributed their time to ensure its success through the quality of their presentations. I believe their efforts have contributed to the creation of a valuable reference source on the initial effects of the Asian Currency crisis on Australia. I commend the report to the Senate.

Senator MacGIBBON —I seek leave to continue my remarks later.
Leave granted; debate adjourned.