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DEFENCE AND TRADE

FOREIGN AFFAIRS SUBCOMMITTEE

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

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

**Foreign Affairs Subcommittee**

**Thursday, 2 October 2008**

**Members:** Senator Forshaw (*Chair*), Mr Hawker (*Deputy Chair*), Senators Arbib, Mark Bishop, Cormann, Ferguson, Fifield, Forshaw, Moore, O'Brien, Payne and Trood and Mr Baldwin, Mr Bevis, Mr Danby, Ms Annette Ellis, Mr Gibbons, Ms Grierson, Mr Hale, Mr Ian Macfarlane, Mrs Mirabella, Ms Parke, Ms Rea, Mr Ripoll, Mr Robb, Mr Robert, Mr Ruddock, Ms Saffin, Mr Bruce Scott, Mr Kelvin Thomson and Ms Vamvakinou

**Foreign Affairs Subcommittee members:** Mr Danby (*Chair*), Mrs Mirabella (*Deputy Chair*), Senators Arbib, Mark Bishop, Cormann, Fifield, Forshaw (*ex officio*), Moore, Payne and Trood and Mr Bevis, Ms Annette Ellis, Ms Grierson, Mr Hale, Mr Hawker (*ex-officio*), Mr Ian Macfarlane, Ms Parke, Mr Robb, Mr Robert, Mr Ruddock, Mr Bruce Scott, Mr Kelvin Thomson and Ms Vamvakinou

**Members in attendance:** Senators Arbib, Forshaw, Moore and Trood and Mr Danby, Ms Grierson, Mr Ian Macfarlane, Ms Parke, Mr Kelvin Thomson and Ms Vamvakinou

**Terms of reference for the inquiry:**

To inquire into and report on:

Australia's relationship with ASEAN

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**Subcommittee met at 9.30 am**

**CHAIR (Mr Danby)**—I declare open this public hearing into Australia's relationship with ASEAN, which is being conducted by the Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. Today a major focus will be on security, both in biosecurity and in law enforcement. Security in the ASEAN region is of vital importance to Australia and the committee will be receiving evidence from the Department of Agriculture, Fisheries and Forestry and from the Australian Federal Police.

The ASEAN region is host to various plant and animal diseases, including bird flu and foot and mouth disease. DAFF has a role in preserving Australia's quarantine border and in preventing such diseases from entering Australia. The committee is keen to be briefed—and I must say I am very pleased with the attendance at this committee—on Australia's efforts to maintain biosecurity on its borders.

Also appearing is the AFP, which has a multifaceted and active interest with ASEAN. For example, it is co-hosting with Indonesia—and Senator Forshaw and I have seen this—a conference on combating the use of the internet by terrorists, and it will be providing training aimed at assisting ASEAN police forces to combat people smuggling. It is also involved in an Asian region law enforcement program in Vietnam and in a regional cooperation team and bomb data centre in Indonesia, the Philippines and Thailand, which, again, I was fortunate enough to visit recently on a trip to Malaysia and Thailand. The cooperation between Australia and the Thai authorities, both at the airport and in the bomb data centre, is extraordinary. The committee is keen to be briefed by the AFP on the security situation and on the challenges faced by law enforcement and counterterrorist agencies in the region.

At its previous hearing, the committee heard evidence that, following the free trade agreement with Thailand, the country changed the rules, which substantially adversely affected Australia's opportunity to export vehicles to Thailand. The committee will explore these issues with witnesses from the ACTU and from Australia's automotive industries.

This is the third public hearing for this inquiry. The committee received evidence on two occasions in September in Canberra and a further public hearing is scheduled for Sydney on Thursday 6 November, and I hope we have as fine a turnout as we have had this morning.

Finally, for any members of the media who may be observing these public hearings, I refer to the need to report fairly and accurately on the proceedings of the subcommittee as is required by Senate order concerning the broadcasting of Senate and committee proceedings.

[9.33 am]

**MORRIS, Mr Paul, Executive Manager, Technical Market Access, Department of Agriculture, Fisheries and Forestry**

**ROSS, Mr Paul Neville, General Manager, Bilateral Trade (Americas, South-East Asia, Subcontinent, New Zealand and the Pacific), Department of Agriculture, Fisheries and Forestry**

**CHAIR**—I welcome the witnesses from DAFF. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give private evidence, you are welcome to do so. You do not have to give evidence on oath but you should be aware that the hearings are legal proceedings of the parliament and have the same standing as proceedings in the chamber itself. I invite you to make opening statements.

**Mr Morris**—Thank you for the opportunity to address the committee this morning. In my introductory remarks I intend to highlight the main points of the DAFF submission.

The ASEAN region is one of the fastest growing regions in the world. The 10 member-countries of ASEAN are collectively Australia's largest export destination for agricultural products and our second largest supplier of agricultural imports. DAFF's interaction with ASEAN as an organisation is relatively limited. We have extensive relations with individual member countries through our role in the facilitation of Australia's agricultural export interests, as well as protecting our favourable animal and plant health status.

DAFF is involved in the implementation of the agriculture related aspects of existing free trade agreements and, led by DFAT, participates in the negotiation of FTAs with individual ASEAN members, including the recent FTA negotiations with the 10 ASEAN member countries in conjunction with New Zealand. It is our experience that the ASEAN nations are becoming more sophisticated in such trade negotiations. DAFF has been involved in capacity-building projects with individual ASEAN member countries, as well as with ASEAN as a whole. This cooperative work has been focused on developing ASEAN capacity to manage animal and plant pests and diseases and to develop effective emergency response mechanisms. DAFF has also been involved with initiatives to improve animal welfare in some individual ASEAN countries.

DAFF is involved with a range of cooperative activities across the agriculture, fisheries and forestry sectors, including activities to combat illegal fishing and logging. DAFF also manages a small budget for international agricultural cooperation, some of which goes towards projects in the ASEAN region. Cooperative activities with ASEAN members need to be mutually beneficial and in line with Australia's national interests, including increasing Australia's exports and maintaining Australia's animal and plant health status. We are certainly seeing an increased demand for agricultural cooperation from ASEAN members, and this demand has significant budgetary implications for the portfolio.

ASEAN countries are also beginning to implement more sophisticated quarantine and food safety regimes, which could potentially create barriers to trade if they are not implemented in a

manner consistent with the WTO Agreement on the Application of Sanitary and Phytosanitary Measures. In this regard, it is important that DAFF continue to work constructively within the ASEAN region to improve their understanding of their WTO obligations. To support this work, DAFF has a network of overseas counsellors in key posts, who play a vital role in maintaining good relations with trading partners and thus in the facilitation of market access. It is important that we maintain and enhance this network. Within the ASEAN region, DAFF has officers posted in Bangkok and Jakarta who work on a range of issues including market access, raising awareness of issues associated with illegal fishing and improving the management of foot and mouth disease in South-East Asia. Mr Ross and I would be happy to answer your questions this morning.

**CHAIR**—Thank you very much. Before I turn over to my colleagues, I have to ask you the question of the moment. Do you have a role in monitoring or drawing to the attention of the Australian public or government this problem with milk products from China?

**Mr Morris**—The lead role in that particular issue is held by Food Standards Australia New Zealand, which is part of the Commonwealth Department of Health and Ageing. Obviously AQIS, as the quarantine agency at the border, acts on behalf of FSANZ in managing products coming into the country, but the principal role in terms of policy is with FSANZ.

**CHAIR**—So I could not get an assurance from you before this committee that there are no milk products that could threaten Australian children available here in Australia at the moment?

**Mr Morris**—That would not be a question that I could directly answer. That would really be a question that we would have to direct to FSANZ, I think.

**CHAIR**—Okay. Cadbury announced yesterday that they had 11 affected products coming to Australia—one was Chocolate Eclairs, but they did not name the 10 other products. Do you know the 10 other products? Are you advised automatically by FSANZ of whether these products are coming into Australia when there is a problem declared with them?

**Mr Morris**—Personally, I am not aware of the products, but AQIS may be able to provide an answer.

**CHAIR**—Thank you.

**Ms GRIERSON**—I have a question on that issue. You have a responsibility in labelling origins of foods—is that right? As part of the agreements you negotiate, do you look at the labelling? Can we tell if there is milk powder from China in any of our products?

**Mr Morris**—The labelling laws in Australia are a combination, as I understand it, of FSANZ and state government responsibility, as opposed to the responsibility of our department—as far as I am aware.

**Ms GRIERSON**—You do not negotiate about those in free trade agreements at all?

**Mr Morris**—The labelling laws in Australia are made domestically—I believe it is between the Commonwealth and the state governments—so it is up to Australia to determine what

labelling laws we believe to be appropriate for country-of-origin labelling, which I think is what you are talking about—

**Ms GRIERSON**—Yes.

**Mr Morris**—and for other things that might be relevant, such as ingredient and nutrition labelling. As I understand it, most of that comes under Food Standards Australia New Zealand.

**Ms GRIERSON**—And they are not initiatives you take up in free trade agreements?

**Mr Morris**—Not directly, no. There are issues in free trade agreements that relate to rules of origin, which mainly control or prevent third countries from using free trade agreements to export products into Australia using the advantages that might be negotiated under a free trade agreement. For example, we have a free trade agreement with Singapore. It may be to the advantage of some countries to try to export products through Singapore to Australia to take advantage of certain tariff concessions. So there are negotiations that revolve around rules of origin type issues to prevent that sort of thing happening. But I cannot recall any specific negotiations to do with labelling.

**Ms VAMVAKINO**—I do not know whether you will be able to answer this question, but I would like to ask it. I was listening to some news bulletins from Athens the other day, and there is an issue with flavoured milk product from China circulating and being sold in Chinese shops in the centre of Athens and the Greek government is not aware of their existence. This is milk product that is not known to exist in Greece to the authorities, yet it is being sold in shops. I am wondering whether there is any capacity for that sort of thing here.

**Mr Morris**—The advice I have seen coming out of FSANZ is that the last time we imported milk products from China was in March last year. I believe that was condensed milk. As far as I am aware, from the reports I have seen from FSANZ and from briefings and so forth, we have not reported any milk products directly from China for quite some time.

**Ms VAMVAKINO**—I guess the question is: would there be any possibility of anything coming into Australia that authorities would not be aware of, via means that—

**Mr Morris**—You mean via third countries, in a sense, such that China were exporting to another country and that product was entering Australia? Again, I understand that FSANZ is analysing all the possible risks in that regard. I do not know whether that analysis is completed yet. As you can understand, the global trading system is quite diverse, and product goes everywhere, so actually identifying all potential sources of risks is quite difficult. It is fair to say, however, that our dairy imports—a product that might be affected—tend to be relatively small. A lot of the issues that they are looking at now are processed products, where milk may be an ingredient in that product—milk powders and so forth. So, because it is a small part of a bigger product, the risks are naturally a lot smaller than importing milk or milk powders.

**CHAIR**—Mr Morris, before I turn over to Senator Trood, can I get you to complete the answer to Ms Vamvakinou's question by asking whether it would be possible for your department to get us a report about any imported milk products that arrived in Australia subsequent to that batch of condensed milk in March last year that you referred to—whether, if

the department knows about them, it could give a written follow-up to Ms Vamvakinou's question.

**Mr Morris**—As a point of clarification, do you mean product from China or are you talking about product from other countries? My comment was specifically in relation to the fact that the only milk we had imported from China, from the reports and the briefing I have seen, relates back to condensed milk in March 2007.

**CHAIR**—Perhaps just from China. And perhaps its relationship to this report of milk products coming from China that potentially include this chemical that has caused so much problem over there.

**Mr Morris**—Melamine.

**CHAIR**—Yes, melamine.

**Mr Morris**—We will certainly provide whatever information might be available on that.

**CHAIR**—Thank you.

**Senator TROOD**—Looking at the charts on page 13 of your submission on the exports and imports to and from ASEAN, I notice the exports have declined significantly, with a slight improvement now, and for the imports there is a steady rise. You mention that part of the explanation for the export decline is perhaps drought, but could you provide a rather more complete explanation as to the reasons why our exports to the region have declined so notably?

**Mr Morris**—There are quite possibly a number of reasons as to why exports to any region can fluctuate from year to year. I think drought has been a major issue in the last few years. If you look at the grain figures in particular in terms of our exports, you will see that there have been a couple of years at least, for example 2002-03, where imports were very low. That would have been in part related to availability of grains in Australia. Similarly, the drought can have quite a significant effect on the dairy and live animal sectors as well. So clearly the drought has influenced things to a degree.

The other factor, of course, is what happens in terms of opportunities that might be available in other markets as well. We do tend to find that, for example, the meat trade follows quite closely where they are going to get the greatest returns. One of the issues that has affected our meat trade generally over the last few years has been the fact that the US have been cut out of quite a number of markets because of their BSE situation, and that has meant that our meat exporters have had the opportunity to sell more into the high-value markets such as Japan, Korea and so forth. That can also have some effect on the amount of trade to some of the lower valued markets in, for example, the ASEAN region. So you do tend to get a bit of a fluctuation for those sorts of reasons as well. Those are the two main reasons: those market based factors, as to what things are happening to other suppliers, and the impact of the drought during that particular period.

**Senator TROOD**—You have not mentioned barriers, either tariff or non-tariff, to Australian exports. Are they a significant issue in relation to these markets?

**Mr Morris**—I guess my answer was in relation to why things might have changed. The barriers have always been there and they continue to be there. We are obviously very keen to try and get those barriers down. There are tariff barriers, which can be quite important. Some of those have in fact changed over time. There was, for example, an increase in tariffs in Indonesia for horticultural products in, I think, 2005. They went up from five per cent to 25 per cent, which has had quite a significant impact on exports of our horticultural products to that market. We have been striving to try and get Indonesia to reduce its tariffs back to five per cent or lower as part of the ASEAN FTA negotiations that we have ongoing at the moment.

There are also the non-tariff barriers that are having quite an impact as well. That is an area of particular concern to us in this region at the moment because a number of the ASEAN countries are putting in place more sophisticated and more stringent quarantine regimes. In essence, a lot of these markets in the past were markets which we called non-phyto markets, which means we did not have to do a phytosanitary, which is a plant health certificate, to export to those markets. A number of these countries are now becoming more sophisticated and wanting to protect their own plant and animal health and so are putting in place a whole lot of new protocols and regulations on export of plant and animal products to their markets.

We have had issues with Indonesia, Thailand and Malaysia—they are the three main ones I can think of off the top of my head—where they have put in place new regulations and we have had to work with those countries to maintain access to their markets, let alone get improved access. Some of those new regulations have had an important impact. For example, in Indonesia there were some new meat regulations which limited the amount of meat offal that we can export to Indonesia—they removed a couple of very key items of offal that we used to export to there. As you can imagine, there are fairly limited markets for offal around the world—

**CHAIR**—Rightly so!

**Mr Morris**—so it was a very important market for our producers and one that we have been trying to regain since that time. Similarly, Thailand has put in place some new plant regulations, and we have been working closely with them on the implementation of those regulations, to try and prevent those regulations impeding our continued access to the market. So, increasingly, that is a key area of activity for us in those markets—to actually maintain our access by ensuring that these new protocols are done in a way which, on the one hand, is consistent with their international obligations under the sanitary and phytosanitary agreement of the WTO and, on the other hand—in recognition of our relatively favourable plant and animal health status—allows us to continue to supply products to their markets.

**Senator TROOD**—Mr Morris, is it generally the case that they are sympathetic to the argument that their regimes have to be consistent with the international obligations they have accepted, or is there a tendency for countries to develop their own regimes independent of the international protocols?

**Mr Morris**—It is quite challenging. A lot of these countries are aware of their international obligations. Part of our capacity-building activity in the region is actually to improve awareness of their obligations, so we have spent quite a bit of time and effort on trying to educate the region. That does not mean that there are not times when they do put in place restrictions, which sometimes they do perhaps generally. For example, they might put in place restrictions on

certain animal diseases. While we might be free of those diseases, they might put in place new requirements in terms of vaccinations or testing for these diseases, and those vaccination or testing requirements impose costs on our exports, particularly since we are a large exporter of live animals into that region. We would need to convince them that we are free of tuberculosis, brucellosis and things like that. So, while in principle they do recognise their international obligations, on occasion they will put in place these generic restrictions for all countries which we then have to go and do a sort of rearguard action on to convince them that in fact they do not need to require vaccinations and testing of us because we are free of these diseases.

**Senator TROOD**—We have a very rigorous biosecurity regime, of course. Is there any indication that these new measures are in part a response to the fact that Australia itself runs a very rigorous and very determined biosecurity regime?

**Mr Morris**—There are very few examples where you could say explicitly that another country has done something in response to us not allowing their products in. But we do find that their progress on our issues can be quite slow at times and, on occasions, seemingly slower than perhaps their progress on other countries' requests. So, indirectly, there is a suggestion that, because we are quite strict in terms of letting their products in, that can affect progress at least in terms of their responding to some of these issues. So what we try to do is maintain as strong and vibrant relations with these countries as we can through a variety of means, including cooperation assistance—assisting them to improve their animal and plant health, for example, or assisting them with their quarantine regimes and other things so that we can build a strong relationship with them. Also, as I mentioned, we have some counsellors in Thailand and Indonesia who play an important role in terms of strengthening those relations. We would be keen to expand our presence to other countries as well, but with resource limitations that is difficult. We do find those councillor positions extremely important in terms of day-to-day relationships with their counterparts in those countries.

**Senator TROOD**—You only have two officers in the region?

**Mr Morris**—In that region, yes. We have 15 in total throughout the world, but at the moment we only have two in the ASEAN region.

**Senator TROOD**—Have they been there for a long time or are they relatively new?

**Mr Morris**—They are both very new; in fact, the officers in those positions at the moment are the first officers we have had that have been posted from Australia to the region. It is the first time we have had officers based there. They have been there about three years now, I think.

**Mr Ross**—Bangkok has been there for three years; Indonesia about two and a bit years.

**Mr IAN MACFARLANE**—Can I just follow that point in terms of the way Thailand in particular treats Australia. They have better tariff arrangements with countries like China, and we are trying to negotiate some of the original FTA agreements. Does that situation extend to some of the phytosanitary areas that you were just mentioning? You say they move very slowly with Australia. Don't let me verbal you on this, but that may be because Australia requires such a high standard—it may be something completely different. Do you think it is in any way related

to the fact they already have better trading arrangements under their FTAs with countries like China—and New Zealand, for that matter?

**Mr Morris**—I think there are a couple of different parts to that question. One part is whether they do or do not have better trading relationships in agriculture with some of these other countries—

**Mr IAN MACFARLANE**—I am saying that in other commodities they have better FTAs in terms of lowering tariff barriers with countries like China and New Zealand. Obviously, in agriculture there are other ways to skin a cat. Some of those ways are phytosanitary measures, which may or may not be relevant to Australia. Do you see a correlation in terms of the access and phytosanitary arrangements they have with, say, New Zealand and China vis-a-vis the phytosanitary arrangements they have with Australia?

**Mr Morris**—With Thailand in particular our relations have tended to be quite good in terms of them working with us in the implementation of new quarantine regimes. I think it is fair to say that, for some of these ASEAN countries, as a result of some of the FTA negotiations they have had with other countries, there have been issues with significantly increased volumes of imports into their countries. I believe there has been some response to that. Let us say that it is a legitimate response, in that they feel that with that increased product coming in there is a higher level of plant and health risk because of the quantity of product. So they have been tightening up their regimes in response to that higher level of products.

**Mr IAN MACFARLANE**—As distinct from using safeguard arrangements under various FTAs.

**Mr Morris**—In some cases the safeguard arrangements are not all that strong. I mentioned in my opening statement that we are finding that the ASEAN countries in general are becoming more sophisticated in their negotiation abilities on these FTAs. I think that is in part a response to some of their earlier FTAs and their perception at least that the countries they were dealing with got a better deal than they did in terms of the outcomes from the negotiations.

**Mr IAN MACFARLANE**—On that basis Australia should get easy access, because they have done very well out of the FTA with Australia—very, very well.

**Mr Morris**—They have. And I think we would say that, overall, we got a reasonably good deal as well out of that FTA.

**Mr IAN MACFARLANE**—We got a reasonably good deal and they got a very good deal!

**Mr Morris**—And we hope to get an even better deal out of the ASEAN FTA.

**Mr IAN MACFARLANE**—Explain to me how we will, with Thailand for a start. We have allowed car imports into Australia from Thailand to double, to the detriment of Maria's electorate.

**Ms VAMVAKINO**—Yes, thank you for raising that!

**Mr IAN MACFARLANE**—We have also said we are going to renegotiate some of the behind-border tariff barriers, and we have heard from DFAT that that negotiation is taking a lot longer than we had hoped. So where are we winning on agriculture? Give me some good news on agriculture—tell me how we are flooding Thailand with dairy product.

**CHAIR**—Or fruit juice.

**Mr IAN MACFARLANE**—Or fruit juice.

**Mr Morris**—It is a bit hard to answer that question, in a sense.

**Mr IAN MACFARLANE**—Let me put it seriously. Let me put it in this context: we had an agreement with Thailand on our access on agricultural products. Has that agreement been improved since the FTA has been put in place, is it likely to be improved in the short term or will it be improved under ASEAN?

**Mr Morris**—I will make a general comment on where the ASEAN FTA negotiations are up to, and then maybe my colleague can answer in a bit more detail. At this stage, obviously, the FTA negotiations are the responsibility of DFAT, but we are involved in advising and assisting them on those. As you know, Minister Crean signed off on the ASEAN deal two or three weeks ago now, but there are still some detailed negotiations to be completed in terms of the actual tariff schedules for a number of these countries. That negotiation is going on at the moment, so it is very hard for us to say exactly what the outcome from those negotiations will be at this stage. Paul, I do not know whether you want to add something to that answer.

**Mr Ross**—No, that is pretty much as much as we can say at this stage on the outcomes from AANZFTA. On access into Thailand, one of the mechanisms that were established under the TAFTA was a committee on agriculture and another was an SPS experts group.

**Mr IAN MACFARLANE**—SPS being?

**Mr Morris**—Sanitary and phytosanitary. A sanitary and phytosanitary experts group has been established, and that meets regularly. In fact, we met just a few weeks ago in Thailand. It gives us an opportunity to discuss market access issues and share information about quarantine and other issues and also to discuss our priority market access requests. On Australia's interests, we have registered with them our priority interests in terms of their market. They have registered with us their interests. At this last meeting, we had some success. Seed potatoes from South Australia are now being allowed into Thailand following an audit that the Thai authorities undertook recently, and they were able to inform us at the most recent meeting that that has occurred.

**Mr IAN MACFARLANE**—So we are moving forward, but slowly.

**Mr Morris**—There is some progress, yes.

**Senator FORSHAW**—I have two issues. The first is fisheries and illegal fishing. You have a couple of paragraphs on page 6 of your submission where you refer to the signing off of this regional plan of action. When was that?

**Mr Morris**—The regional plan of action was endorsed by the responsible fisheries ministers from 11 countries in the region in May 2007.

**Senator FORSHAW**—What I would like you to do if you can is to expand a bit on what is happening in real terms under that agreement. How big a problem is it within the ASEAN nations? In early July I was in Jakarta—Mr Danby and a number of others were there—where we met with the Indonesian Commission 1. We raised, of course, the issues of illegal fishing, and they in turn said that they have a big problem themselves. They did not say, ‘That’s why our fishermen come down to Northern Australia.’ I would just like to get an idea of how serious a problem it is within the ASEAN nations and what is happening out of this plan other than a general commitment to try and improve fishing stocks and stop illegal fishermen.

**Mr Morris**—It is a major issue in the region generally. Most of the countries in the ASEAN region, as well as Pacific nations generally—PNG is another one—are very concerned about foreign fishing vessels coming into their waters or fishing in transboundary stocks, which go across boundaries, and reducing those stocks. It is a global issue in the sense that, because a lot of the large fishing stocks in the Northern Hemisphere are becoming depleted, a lot of the foreign fishing nations are coming into the Southern Hemisphere and into waters around this region and fishing some of those significant stocks within the region.

**Senator FORSHAW**—Who are you referring to when you talk about the large fishing nations? I know you are being diplomatic.

**Mr Morris**—They include Europe and Japan.

**Senator FORSHAW**—Japan!

**Mr Morris**—There are even fishermen from South America as well. Quite a range of different nations are sending vessels to the region.

**Senator FORSHAW**—What about within ASEAN? That is what I am getting at. Is it just small fishermen—fisherpersons, I should say—who are doing this, or are some of the ASEAN nations actually engaged in large-scale illegal fishing and causing problems internally?

**Mr Morris**—There are two separate issues. There is what might go on within the region in terms of some of the fishing across boundaries, and that is the issue that we see a bit in our northern waters. That is something that we are handling, obviously, within our own laws and also bilaterally with Indonesia. Then there is what you are raising, which is in a sense a much bigger and more global issue, one of concern to countries in the region—and we share that concern—about large, foreign fishing vessels either coming into international waters or transgressing regional boundaries and fishing some of those significant tuna and other stocks in the region and depleting those resources. That has major implications for our fishers, who want to fish from the same stocks, as well as fishers from the region.

That is what this regional plan of action is in part aimed at addressing. It is trying to look at ways in which the illegal fishing that is occurring—and I guess not all of it is illegal; some of it is unregulated fishing that is occurring on the high seas and so forth—can be better controlled

and how we can better manage those fish stocks to the benefit of everyone who wants to fish from them.

So this initiative, as I said, was signed off in May 2007. It is not an area I deal much with directly so I will refer to the briefing that I have got here. It refers to an implementation workshop and a monitoring control and surveillance workshop being held in Bangkok and Bali respectively which were a starting point in identifying the ability of the members of that regional agreement to begin to implement the plan within their own countries. At a meeting in April 2008 of the regional plan of action coordinating committee, Indonesia offered to take over the chair and secretariat roles in that committee for two years, so they are playing a very important role there. When our Minister for Agriculture, Fisheries and Forestry, Tony Burke, was in Indonesia recently, he offered Australia's help in that process as well, with Indonesia in the lead. We also have a strong interest in working with them on that and we offered to assist them in that process. I should say that in the meeting we had with the Indonesian fisheries minister, Minister Numberi, he expressed very strong views about controlling illegal fishing and he was very supportive of joint activities to try and do what we can to manage that issue.

**CHAIR**—So that was about illegal fishing that is affecting Indonesia generally, not just between our two countries?

**Mr Morris**—That is right, yes. They have concerns about illegal fishing in their own waters, mainly by distant water fishing fleets, but there is also a little bit from the region as well, some of their neighbouring countries. So they certainly see possibilities for joint action on that issue. Minister Numberi was very strong on that issue when Minister Burke met with him.

When the coordinating committee met in April, they also agreed on a 12-month work plan. The actions that arose out of that work plan were essentially to conduct a number of workshops and capacity building in port monitoring. Obviously, an important role here is to actually build up the ability of the ASEAN countries to monitor and control illegal vessels coming into their waters. There was also the formation of some subdivisions of the region as well, because the ASEAN region is quite big, to look at how to identify and tackle some of the local issues. For Australia, the key region is the Arafura and Timor Sea region, which is obviously important for Australia, Indonesia, East Timor and PNG. So, although in some senses it is early stages, there has been quite a bit of work done in terms of identifying what can be done, looking at capacity-building initiatives and, as I said, subdividing the area into smaller regions which can be better controlled.

**Senator FORSHAW**—I will not hold you up, but what I was wondering about also was what sort of capacity the ASEAN nations outside of Indonesia and one or two others actually have to patrol the waters.

**CHAIR**—To the north?

**Senator FORSHAW**—Just within what is a large region, as you said. Do they have the naval capacity, the coastguard or the patrol boats? I am assuming that many of them do not.

**Mr Morris**—It is hard for me to answer that question. I think some of them would have. Obviously, some of them have reasonable defence capabilities.

**Senator FORSHAW**—Indonesia, Singapore and Thailand, yes.

**Mr Morris**—But for some of the smaller nations it is possibly a bit more difficult.

**Senator FORSHAW**—Thank you.

**Senator MOORE**—I want to talk about beef and also trees. I would like to get some more information, not necessarily today, about the organisation you mentioned in your submission—in particular: does it have any teeth? It seems to me that it is a developmental, educational, research type of thing, but I want to know if it has any teeth, so I will not take up any time on that.

**CHAIR**—Mr Morris, we have a lot of people who want to ask questions because we had such a good turnout this morning—10 members of parliament, which is a great credit to you. But would you keep your answers fairly succinct.

**Mr Morris**—Okay.

**Senator MOORE**—My second question is of particular interest to our committee, and Mr Macfarlane and I both come from an area that concentrates on beef. It is about evidence that the committee had during our inquiry into Australia-Malaysia relations. There was evidence given about Malaysia wanting to develop a halal hub. Setting up a halal standard was a very big focus of the evidence of the Malaysia Australia Business Council. That is particularly important to people in my part of the world because in the past few years a lot of our abattoirs were delisted with a lot of publicity about not meeting the requirements. That caused a loss of pain and anger and got into the media a bit as well. I would like to know what is happening with the development of the halal hub and the standard, in particular the ongoing process of the audit of our abattoirs and whether there is an ongoing process to move that forward so that we can regain our standard. Is this going to be, from your point of view, part of the further negotiations of the Australia Malaysia free-trade agreement?

**Mr Morris**—On the halal issue, you are right. We had quite a large number of plants that were listed to export to Malaysia a few years ago. Malaysia delisted all of those because they believed our halal standard was not up to their requirements. We then had, I think, five plants relisted. There were a number of issues, but the main issue seemed to be around stunning. We have quite stringent animal welfare requirements in Australia in relation to cattle stunning in particular. We do require it for all cattle. There were issues related to how we undertook that process and whether it met Malaysian requirements.

There were quite extensive negotiations undertaken with Malaysia and eventually we got a standard which was agreed to by them and enabled them to relist those five plants and enabled us to meet our animal welfare requirements in terms of stunning. We have found in the last couple of years, or at least in the last 12 months, that they seem to have become a bit more flexible in terms of allowing more plants to be listed. I was involved in our bilateral negotiations with them last year, and at that point they were quite amenable to adding additional plants. The latest that I have heard is that they perhaps have tightened up a little bit on that, but I will need to check exactly where we are on that to get the very latest information.

**Senator MOORE**—If we could get details of where it is now, what plants have been put back on the list, what, if any, are still not there and your point of view on the upcoming negotiations on the free trade agreement, that would be good. It seems to be a fairly important issue from your perspective.

**CHAIR**—I would like to know which plants have been put on, too. Is there a geographic reason for any of this? Are they all in Western Australia, the ones that have been put back on? Or does it just depend on the Malaysians' criteria?

**Mr Morris**—I would have to double-check exactly what the background is.

**Senator MOORE**—If we could get an update on what is happening that would be really useful.

**Ms PARKE**—In relation to this department's submission concerning the funding of initiatives to improve animal welfare in ASEAN countries, including the purchase and installation of slaughter boxes in Indonesian and Malaysian abattoirs, is this only in relation to live animals that have been exported from Australia or is it an initiative to improve animal welfare generally? Can you tell us how many boxes are involved, how much money was spent and what percentage of abattoirs in those countries is involved?

**Mr Morris**—I can answer some of those questions. Others we might have to take on notice. Perhaps I should start by saying there are two levels of activity in the ASEAN region. We also work in the Middle East but I will focus on ASEAN. One level is to try to change animal welfare standards generally in the region. We are working on a regional set of principles and standard regulations that are based on the World Organisation for Animal Health, the OIE, guidelines for animal welfare. We have had a couple of workshops with the ASEAN countries to seek their agreement to adopting that set of standards in their own internal regulations. We have very positive support on that. We have a draft set of standards available at the moment and we are working with those countries in implementation of those standards.

**Ms PARKE**—Is that all countries or just certain countries?

**Mr Morris**—All the ASEAN region. I believe that all of the ASEAN countries are involved in that. I will double-check and confirm that but I am pretty sure it is all of them. So that is at the global level and that will affect animal welfare for all animals in those countries. We are also targeting where our animals go in the region. Last year we exported about half a million head of cattle into Indonesia and quite a few animals into a number of other countries in the region. Indonesia is far and away the biggest buyer of our animals.

**CHAIR**—Even compared to destinations in the Middle East?

**Mr Morris**—In terms of cattle, it is. Indonesia is our largest buyer in the world. As I said, it was about half a million last year and, off the top of my head, it would have been somewhere in the order of 600,000 total to the world. So, far and away, the majority are going to Indonesia. For sheep, of course, it is the opposite. Almost all of our sheep go to the Middle East. Some cattle go there but it is predominantly sheep. So we have a divide in the world in terms of where our animals go. In terms of the slaughter boxes, we have been targeting Indonesia because that is

where a lot of our animals go. I believe funding has been approved for about 90 slaughter boxes for Indonesia. Within that 90 there are only about 10 that are still to be installed. Most of those have been installed over the past 18 months to two years. We have targeted abattoirs which slaughter mainly Australian animals, but of course those abattoirs also slaughter other animals, so in a sense it is beneficial to them as well.

The slaughter boxes are reasonably basic but are a big improvement over what they were doing previously. We have tried to put in infrastructure which will actually be used and which can be maintained within the environment of Indonesia while also improving the slaughter process for the welfare of the animals. I do not have the figure, off the top of my head, for how much money we have spent on those but we can certainly provide that to you separately. Most of that money has come out of our Live Animal Trade Program.

Interestingly, when we first started putting these slaughter boxes in we had to push them on the abattoirs, but in fact we have found over time that we are having trouble keeping up with demand because they have found that they are a significant improvement in terms of handling animals and in the quality of the meat, because the animal is less stressed. So they are finding real commercial benefits in these boxes, whereas we are obviously keen on the animal welfare benefits. I will try and get you some information on the value of the investment.

**Mr KELVIN THOMSON**—I will ask first about forests and the International Forest Carbon Initiative. You talk about reducing emissions from deforestation and forest degradation, and you talk about Indonesia and Papua New Guinea. Given that forest cover in Indonesia and Papua New Guinea continues to decline, what is the timeline for turning that around?

**Mr Morris**—It is a difficult one to answer. The main effort is obviously in education and capacity building in the region to try and reduce the amount of illegal logging, so initially a lot of the emphasis is on improving forest management and the control of legal versus illegal forestry in the region. In terms of actually turning around the issue of forest reduction and so forth that is going on in the region, obviously that is a long-term objective that will, I think, take a number of years. I do not think, though, that there is a set timeline to respond specifically.

**Mr KELVIN THOMSON**—So we do not have a timetable and we do not have a target. Is that right?

**Mr Morris**—I must admit that forestry is not my area of greatest knowledge. I am not aware of a specific time frame on that, but I will take that on notice and get back to you.

**Mr KELVIN THOMSON**—I do not have any reason to believe, based on anything I have seen, that we will not have a continuing loss of forest cover for Indonesia and Papua New Guinea. If no-one has a target or a timeline to address that, aren't we just sitting there and chronicling this ongoing debacle? We are spending money, but spending money does not deal with it.

**Mr Morris**—Clearly the process has to start somewhere, and we are dealing with another sovereign nation, so in most cases it is a case of seeking ways that we can bring them on board with our principles, educate them on how they can best manage forests and so forth and then get them to, I guess, do the right thing, in our view, in terms of managing their forests. We do not

have any powers in terms of forcing them to do these things, so the only way we can do it is through these cooperative projects and capacity-building initiatives.

**Mr KELVIN THOMSON**—I agree with that.

**CHAIR**—You should be aware that Senator Forshaw and the full committee are going to be having the Indonesian ambassador at some time, so perhaps these are questions we can focus on with him, because it is a very good question. Also, when we have Indonesian parliamentary delegations, it is something we should take up with them as well. I am not seeking to dissuade you from asking about what the department is doing.

**Mr KELVIN THOMSON**—I am just trying to understand what our process is. We have to start the process somewhere, but is the process watching or is it changing? Quickly, on fisheries, you mentioned the South China Sea, the Sulawesi or Celebes Sea, the Arafura Sea and the Timor Sea. Do you think that the fishing which is going on there presently is sustainable?

**Mr Morris**—We certainly have concerns about the management of those fishing stocks, and that is why we are making a big effort to try and control fishing in that region. Obviously continuing effort is going to be required in that region to try and make sure those stocks are being effectively managed, and that is an important priority that the government has.

**Mr KELVIN THOMSON**—Do you think that it is presently sustainable or that it is presently unsustainable and needs to change?

**Mr Morris**—There certainly appears to be excessive fishing pressure on some of those stocks at the moment, which suggests that over time we will need to look at constraining that effort.

**Ms GRIERSON**—You mention—and we know this—that non-tariff regulations and non-tariff measures are introduced by some of our ASEAN partners, perhaps to their advantage at times. Could you tell us the impact of new plant quarantine regulations on our exports to ASEAN countries? We have mentioned the religious slaughter requirements before, but I am asking about the food-labelling requirements and also import licensing. Which countries do that the most?

**Mr Morris**—It varies quite a bit from country to country. If we deal with, say, Indonesia, they introduced some new plant quarantine regulations back in 2006, I believe it was, and as a result of that we lost recognition of our fruit fly free areas for a period of time. We had to work quite diligently to get those recognised, which we managed to do in time for the following fruit growing season. That required audit visits by Indonesians and things like that to get those fruit fly free areas recognised again. So that was quite an important issue a couple of years back. Thailand has introduced new plant regulations that require, for some products, new import risk assessments and so forth. We have managed to negotiate with them that a product where we have had historical trade with them will not be affected, but it does potentially affect our ability to get new access for new products to that country. I believe Malaysia has had some similar plant regulations put in place, which again we have to work through in terms of making sure that, in the first instance, our existing trade is maintained. But, second, these things will quite often affect our ability to get new access in the future. At least for those three countries there have

been some important developments in that area. On labelling I am not aware of any specific new requirements in the region.

**Ms GRIERSON**—And licensing?

**Mr Morris**—I am not too sure.

**Ms GRIERSON**—That is fine. Will an ASEAN FTA cover those—will it give more standardisation and will it stop the gradual introduction of these new non-tariff measures to perhaps try and counteract our strong quarantine requirements et cetera?

**Mr Morris**—On the quarantine front, for our own interest we tend not to be willing to negotiate on specific SPS issues in the context of free trade agreements because we believe that we need to maintain our existing processes to ensure that we do not compromise any of our animal and plant health status in Australia. So we tend not to negotiate on specific issues on the SPS front. What we do negotiate on and what you sometimes see as part of our free trade agreements is a chapter on SPS, on quarantine, which is usually a general statement of each country's agreement to abide by the international requirements, which we are already obliged to do. But sometimes they set up committees—SPS committees, quarantine related committees—to try to facilitate technical-level discussions on issues and, in that way, try to smooth the way to removing some of these barriers in the future. So we use those FTAs sometimes to set up technical-level committees to facilitate discussions and relationships to remove those, but we do not negotiate on the technical aspects of the SPS elements.

**Ms GRIERSON**—Do we ever include labour standards or people movement requirements? I know deforestation and the growth of the palm oil industry means huge movement out of Burma, and it does employ people from Burma at subsistence level. Do we ever buy into those areas?

**Mr Morris**—It is probably not a question for our department, sorry.

**Ms GRIERSON**—That is fine. Thank you.

**CHAIR**—All right. Thank you, Mr Morris and Mr Ross, for your attendance here this morning. If there are any further matters you want to provide us with, you can write to the secretary. We are looking forward to getting some written information from you. The secretary will send you a *Hansard* transcript of your evidence and if you want to correct anything please contact us. Thank you very much for your appearance here today. We took some extra time of yours, but it was very good.

[10.29 am]

**CAHILL, Ms Maureen, Executive Manager, Strategy and Coordination Branch, Australian Communications and Media Authority**

**OLIVER, Mr Colin Lawrence, Assistant Secretary, International Branch, Telecommunications Network Regulation and Australia Post, Department of Broadband, Communications and the Digital Economy**

**CHAIR**—On behalf of the subcommittee, welcome. We prefer all evidence to be given in public, but if you want to give any evidence in private we are willing to exclude people from the room. The committee does not require you to give evidence on oath, but you should be aware that these are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. Would you like to make some opening remarks?

**Mr Oliver**—Just very briefly, thank you. Since our submission was lodged quite recently, I do not need to draw your attention to new developments. I just want to make a couple of general observations. One is that, as pointed out in the submission, most of our contact with ASEAN countries is through international organisations, particularly APEC, through the Telecommunications and Information Working Group; the International Telecommunication Union; and the Asia-Pacific Telecommunity. A consequence of that is that our contact with those countries that are members of APEC is relatively active. We have less contact with Burma, Cambodia and Laos.

It was useful to see Telstra's submission, which complemented ours to some extent on matters like foreign ownership. The general picture is that we support the Department of Foreign Affairs and Trade in trade negotiations in ASEAN and in Thailand, Malaysia and Singapore, and generally on regulatory matters which are quite complex in the telecommunications area, the aim being to achieve greater certainty and transparency for Australian investors, particularly in the telecommunications sector.

We also use the organisations that I mentioned to support capacity building activities in the region. I thought it worth saying at the opening that we see the trade negotiations and capacity building activities as being quite complementary in the sense that, even with the best will in the world and a government commitment to the liberalisation of telecommunications, it is actually quite a difficult thing to do. So, as we encourage countries to sign up to their commitments, we also recognise that they will have problems, just as we had problems historically in liberalising the sector. We see those activities as going hand in hand.

**CHAIR**—Thank you. A number of questions have been asked already on the FTA with Thailand and its implications for the FTA with ASEAN. The Department of Innovation, Industry, Science and Research drew our attention to a number of non-tariff barriers following the FTA with Thailand. How likely is the introduction of non-tariff barriers in the communications sector, following the proposed FTA with ASEAN?

**Mr Oliver**—Non-tariff barriers of various kinds are a problem in the sector. It is a sector that requires quite large investments generally and so general regulations that relate to investments, to the complexity of licensing regimes, to the number of agencies that have to be covered and to time scales for obtaining licences are all quite significant barriers around the region and quite difficult to deal with. In a sense, therefore, although we have an interest in a particular telecommunications chapter in the trade agreements, we also have an interest in broader investment, competition and of course foreign ownership limits as well. I think that everything the department of industry would say about the difficulty of investment generally also applies to telecommunications, but then you have the additional layer, frequently, of the complexity of regulatory arrangements in the telecommunications sector and indeed the capacity of institutions to manage and facilitate the introduction of competition in that sector.

**CHAIR**—As a former minister, do you want to ask questions to follow that up, Ian?

**Mr IAN MACFARLANE**—Yes. With regard to the regulations that we see in Japan and Korea, previously mobile phones systems there excluded the systems that were used elsewhere in the world. Is it that sort of regulatory barrier you mean or is it some other, more complex regulatory system?

**Mr Oliver**—There are differences from one country to another—

**Mr IAN MACFARLANE**—Let's start with Thailand.

**Mr Oliver**—but in terms of compatibility of systems, by and large in the ASEAN region you are talking about GSM systems, so you can roam with a mobile phone from one country to another.

**Mr IAN MACFARLANE**—And 3G? They have moved on to Next G?

**Mr Oliver**—That is right. Generally they are moving together and generally they are compatible with the kinds of systems that we have here.

**Mr IAN MACFARLANE**—If you were an electronics manufacturer in the telecommunications area and you were trying to export to, say, Thailand, what would be some of the non-tariff barriers you would face there?

**Mr Oliver**—I am not sure that I can speak to the non-tariff barriers that face exports of physical products. I think we could speak a bit to the telecommunications regulatory arrangements that apply around the region. On mutual recognition arrangements, I might pass to my colleague.

**Ms Cahill**—On that particular point, the general arrangements in relation to—

**Mr IAN MACFARLANE**—Sorry, Maureen, before you start, are you saying fundamentally that we can export electronic equipment in the communications field into most of the ASEAN region and only confront tariffs which we are in some cases dealing with in FTAs and that in the ASEAN FTA we would probably come to some agreement—is that too broad a statement?

**Ms Cahill**—I would suggest it is too broad a statement.

**Mr IAN MACFARLANE**—So there are actual non-tariff barriers as well as regulatory barriers to physical equipment?

**Ms Cahill**—Yes.

**Mr IAN MACFARLANE**—Can you cover both?

**Ms Cahill**—I can try. I will start with the mutual recognition arrangements that go primarily to standards associated with testing of physical equipment. Currently Australia has some mutual recognition arrangements with a number of countries through the APEC TEL fora. Seven of those are ASEAN countries. They include Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam. They are covered by our Mutual Recognition Arrangement. Basically, a mutual recognition arrangement is a treaty-level agreement between two or more countries under which countries agree to reduce regulatory barriers that apply to supply of a particular product and equipment. In a nutshell, it means that we are agreeing with another country that their testing of the equipment would be something that we would accept into Australia and that the reports of our testing houses would be accepted for the export. That is broadly the relationship. In terms of equipment, MRAs can cover things like testing the actual technical standards—which goes to some points you made. Some of the other discussions that we have had in relation to MRAs go towards some form of agreement more broadly in relation to regulation of standards. We would look for harmonised standards. That is on the equipment side for importing and exporting.

You talked a little bit about other barriers. Part of what Colin was referring to goes towards licensing regimes in each of the countries. National governments have their own rules about foreign ownership and domestic ownership and their rollout obligations on their own carriers. They are other forms of barriers that play out internationally.

**Mr IAN MACFARLANE**—I got only four of the seven countries down—Indonesia, Thailand, Vietnam and Singapore.

**Ms Cahill**—It was Brunei, Vietnam, Indonesia, the Philippines—

**Mr IAN MACFARLANE**—I am still missing one, I think. I have Indonesia, Thailand, Vietnam, Singapore, Brunei and the Philippines. Did you say seven or six?

**Ms Cahill**—I said seven. I have Brunei, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

**Mr IAN MACFARLANE**—It was Malaysia. So we have an MRA with them but we also have harmonisation in terms of the testing standards and the technical requirements?

**Ms Cahill**—Yes.

**Mr IAN MACFARLANE**—So it is actually when they come to implement networks that they bring in some—

**Ms Cahill**—It gets more complicated. With regard to basic standards for a piece of equipment, there is commonality in the standards through our work through the WTSA, the World Telecommunication Standardisation Assembly. There is also of course—

**CHAIR**—Can I interrupt you for a second. Is it in your submission that we have an MRA with Indonesia?

**Ms Cahill**—Indonesia, yes.

**Mr IAN MACFARLANE**—Can you give me an example, when they go to set up a network, of how they use a regulation that may prevent an Australian company being involved?

**Ms Cahill**—It may go towards the requirement that a percentage of the infrastructure be in the particular country's national hands. It may go towards rollout obligations, which can only be put on a licence that is available to a domestically registered carrier.

**Mr IAN MACFARLANE**—So it goes to domestic ownership as much as anything?

**Ms Cahill**—It can do. There are quite a range of different approaches.

**Mr IAN MACFARLANE**—Are there examples other than domestic ownership?

**Ms Cahill**—They are the two that spring to mind.

**Mr Oliver**—To add to that a little, I think Singapore is the only country that allows majority foreign ownership, so that is the starting point. But even where you have that you may run into issues that have to do with interconnection, the price of interconnection, access to information about the network and ability to run lines across a street to actually establish physical facilities. So you can actually run into a very large number of barriers.

**Mr IAN MACFARLANE**—When you say 'the ability to run a line across a street', is it easier for an indigenous company to do that than it is for an Australian company?

**Mr Oliver**—Typically, the incumbent will already have all those rights and will already have built ducts. So you then come to the question: can I access to the ducts—and so forth.

**Mr IAN MACFARLANE**—So they do not have an access regime like we do.

**Mr Oliver**—No, at each point in that you can face difficulties.

**Senator TROOD**—Mr Oliver, you may have addressed this in your remarks to Mr Macfarlane, but in the first paragraph on page 4 of your submission you talk about the member countries liberalising their telecommunications regulatory frameworks. Is that the sort of thing you were alluding to in that reference or are there other illiberal elements to these telecommunications program frameworks that are important barriers to penetration of these markets?

**Mr Oliver**—Yes, I have been giving examples of the kinds of issues that you come across.

**Senator TROOD**—Is there anything else that is part of this illiberal regime that is a real barrier?

**Mr Oliver**—The first question is the willingness of government to permit it. In most cases we at least have signals that the ASEAN governments, certainly those involved in APEC and those that have signed up to the World Trade Organisation telecommunications commitments, wish to move in that direction. Some of those commitments actually cover some of the major points that are picked up when you are liberalising. It has to do with access to an independent regulator—a regulator that is independent of the major carrier. That is often the first hurdle that is faced. Once you are past that regime, then you come into the arrangements that apply between a new entrant, be it a major new entrant building out a mobile network or a relatively small new entrant who might want to provide specialised business services, for example. You come across the issues of access to the incumbent's network in order to provide connectivity, the price of that access, the terms of that access, the information that you need from a technical point of view in order to be able to do that and access to the facilities. This comes down to simple things—or not so simple things—like access to the switching facility where you need to go to connect and the price of that access, the space that is available and access to the keys. It can come down to some really fine-grained levels of detail.

**Senator TROOD**—That is helpful, thank you. Are we looking at 10 different systems here or is there a wide degree of difference amongst the 10 ASEAN countries about their regime networks? Or is there a measure of complementarity? I am trying to get a sense of how complicated this task is in dealing with all of the ASEAN countries. Obviously some of them have more sophisticated networks than others. Can you give us some sort of sense about how different they are across the region?

**Mr Oliver**—They are all at different stages. Singapore is obviously the most advanced and it is the only country with which we have an operational free trade agreement that actually covers telecommunications, so from time to time we negotiate with one another about implementation, which is a good thing. The relative level of sophistication of the regulatory framework I think actually broadly aligns with the graphs we have showed about mobile penetration. So Malaysia—

**CHAIR**—What page of your submission is that on?

**Mr Oliver**—It is page 2. I think the graph at the bottom of the page that simply shows mobile—

**CHAIR**—Sorry, could you repeat that?

**Mr Oliver**—Yes. I think the graph that shows mobile subscriptions per 100 inhabitants provides a rough guide to the relative sophistication of the regulatory regime and the competitiveness of the regime in each of those countries. So Singapore is clearly a standout, ahead of the rest. Malaysia would be the second; I think, from memory, there are about four mobile carriers in Malaysia, and quite rapid expansion. Thailand would be next. Brunei is an exception. But, really, once you are past—

**CHAIR**—Is it right that there is no use of the internet in Cambodia?

**Mr Oliver**—No, these are ITU figures and there are no ITU figures available for the internet subscribers. I must say I have a question mark over the Cambodian figure. It is the ITU figure, but to me it looks too high compared to Thailand, for example.

**CHAIR**—Sorry to interrupt you. Please proceed.

**Mr Oliver**—So it is no accident that we are most advanced in our negotiations with Singapore. Malaysia and Thailand are the next cabs off the rank in terms of negotiation of specific telecommunications chapters in free trade agreements with those countries.

**Senator TROOD**—So, even assuming we have the conclusion of the ASEAN free trade agreement, is it or is it not going to facilitate the resolution of this particular problem? We are still going to have these 10 different kinds of regulatory frameworks that we are going to have to contend with as we try to get into the region.

**Mr Oliver**—I would not say that every regime is different. Even between New Zealand and us there are vast differences in the way that the regulatory regimes operate. There are major differences. I obviously cannot speak to the agreement which is yet to be announced and released, but we are looking for improvements on existing World Trade Organisation commitments that they have made. Most of these countries have base-level World Trade Organisation commitments, but there are questions about the time frame in which they are able to implement them and so forth. But I come back to the point that effective implementation, for the most part, requires quite strong regulatory institutions to actually make it happen. In telecommunications, you are usually dealing with one of the most powerful companies in any country, and establishing a regime that will actually facilitate new entrants building a business in a market, around the world, is always a challenge, and so there is often something of a lag between signing up to a commitment to do something and actually being able to give effect to it on the ground.

**Senator TROOD**—How much enthusiasm is there amongst Australian companies for getting into this market? Is it a particular focus of their export activity or not?

**Mr Oliver**—There is. I am talking here about providing telecommunications related services, which can go from providing quite specialised telecommunications services, which might be information based services, all the way up to, potentially, a competing carrier. Telstra is obviously the largest company with interests in that area, but Macquarie Corporate Telecommunications is another that is active in the region—and of course we are looking at it with an eye to the future, in that we have specialised telecommunications operators. We have in excess of 120 licensed carriers in Australia, often providing quite specialised services, so we are looking to maximise those opportunities. When I spoke, not facetiously, about the right to dig a tunnel under the street, I meant that sometimes those requirements which are needed by major carriers are also quite important for some of the specialised carriers, such as a provider of business services who simply wants to be able to link offices through wireless or wired connections. So you can often run into regulatory requirements which were designed with major telecommunications and carriers in mind but which have become barriers to more advanced, sophisticated, specialised providers of business services who want to get into a market.

**Senator TROOD**—Is it your assessment that, were some of these difficulties overcome, there would be a relatively significant number of Australian enterprises keen to get into this market?

**Mr Oliver**—I think that is right. I think that, for example, in Thailand, were there to be some real certainty in the market about some of these regulatory arrangements, you would see a different attitude on the part of potential Australian investors.

**Senator TROOD**—Good. Thank you.

**Senator ARBIB**—Just on the back of the issue of regulation, I am interested in cybersecurity and what has been taking place in terms of Australia's relations with ASEAN. I also note from your report that there was a conference, I think, in Brisbane, and I am just wondering how successful that was and what came out of it.

**Mr Oliver**—I might start and then hand over to Ms Cahill. In an organisational sense, cooperative work began for us in the APEC context, the APEC Telecommunications and Information Working Group, starting initially with spam and cybersecurity, both of which my colleague will speak to. The ITU is the global organisation and it has actually picked up on that work as being, if you like, world's best practice and so it has been trying to take the model that was developed in APEC—some of the key players being us and Malaysia as well as Japan and Korea—global. I will pass to my colleague.

**Ms Cahill**—As Colin said, we have had some success with some of our cybersecurity and spam legislation and I think we are leaders in some of the spam legislation across the world. As part of our process of contributing to capability in the region, we have been very keen to engage with members in our region on cybersecurity and spam issues. It is not only for capability building within those particular countries but also because of the globalised nature of cybersecurity issues and spam. A country standing alone is not going to be able to address either particularly effectively; it does need international cooperation.

In relation to spam, we have run a range of workshops throughout Asia but also internationally. We have presented through the International Telecommunications Union and are key players in capacity building, as we move forward. We have trialled our botnet systems and have encouraged people in our region to adopt our model in terms of spam. We also have what we call an MOU, a memorandum of understanding, on the Seoul-Melbourne arrangement and agreement, which—and I will get my numbers right this time—five countries have signed up to. It basically allows us to provide information on offshore spammers to the countries who are hosting and allows them to do the same for us. That is the flavour of what we are supporting in moving forward on spam and cybersecurity.

**Senator ARBIB**—In the ASEAN regional framework, is there much interest in this sort of field?

**Ms Cahill**—Very much. We see that demonstrated by, basically, the invitations through the department to ACMA to come and speak about our model and to facilitate visits so we can demonstrate how we are working on the legislation and the regulatory regime that supports that. So that is very clear. That is happening not only through individual countries in the region but

also through regional associations—as Colin has said, through APEC TEL, but also through the ITU regional office for Asia and the Pacific.

**Mr Oliver**—Could I just add a point. I think it is worth mentioning the role of the computer emergency response teams, which are at non-government level but are able to participate in these activities. Often, what happens is that, once you have got a level of government-to-government cooperation, it facilitates the cooperation between the actual technical experts who are then providing the alerts across national barriers as particular problems arise. So it comes down to an hour-by-hour, sometimes minute-to-minute, level of cooperation when you get to that point.

**CHAIR**—Can I just ask a quick question to conclude. Are ASEAN countries a big source of spam? I know I am overwhelmed by spam from Sierra Leone and what used to be called the Soviet Union. What is the response of the ASEAN countries to—

**Mr KELVIN THOMSON**—You're the only one!

**CHAIR**—Maybe I am! But, all of you, if you check your quarantine box, will find you are in the same boat as me. Do the ASEAN countries see the need to combat spam?

**Ms Cahill**—Very much so. It is a worldwide problem and people are very keen to sign up and work on it.

**CHAIR**—But is it a source of spam?

**Ms Cahill**—I will have to get back to the committee on the details but, from memory, the main sources are actually the former eastern European republics and Russia and the US, which is still quite a high source of spam. But I will provide further details on the breakup for you.

**CHAIR**—Thanks very much. Thank you for your attendance here today. If we need information on any additional matters, the secretary will contact you, and we will send you a transcript of your evidence which you can make corrections to. Thank you very much for appearing today.

**Proceedings suspended from 10.55 am to 11.08 am**

**DRENNAN, Assistant Commissioner Peter Thomas, National Manager, Counter Terrorism, Australian Federal Police**

**OSBORNE, Commander Paul, Manager, International Network, Border and International, Australian Federal Police**

**CHAIR**—Welcome. Although the subcommittee prefers evidence to be given in public, you may request that your evidence be given in private. This committee does not require you to give evidence under oath, but your evidence has the same status as it would if you were appearing before parliament in proceedings of the chambers. Before proceeding with questions, would you like to make an introductory comment?

**Assistant Commissioner Drennan**—The AFP has contributed to the submission made by the Department of Foreign Affairs and Trade, and we rely upon our contribution to that submission. We understand there are certain areas that the committee may wish to explore with us further and we certainly welcome the opportunity to assist the committee in exploring those areas.

**CHAIR**—Thank you very much and thank you also for your very brief introductory remarks; sometimes they can go on for 15 minutes.

**Ms PARKE**—On the issue of the informal cooperation of the AFP with police from ASEAN nations that could potentially result in Australians being subjected to the death penalty, has there been any change in process since the imposition of the death penalty on some Australians following cooperation with Indonesia?

**Cmdr Osborne**—Firstly, I would like to say that the fact that some countries impose the death penalty is not a sufficient reason for Australia to disengage in collaborative efforts at a law enforcement level. The AFP is authorised to provide information to partner agencies in combating transnational crime in accordance with sections 8 and 60A of the Australian Federal Police Act through ministerial direction issued pursuant to section 37(2) of that act and the associated AFP policy as well. Additionally, police-to-police relationships are governed by international conventions such as the 1988 United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances. Police-to-police assistance is an informal process which allows law enforcement agencies to share information quickly with their foreign counterparts. The timely exchange of information is a key element of law enforcement efforts to combat transnational crime and generally this does not entail the exercise of coercive powers and does not require a mutual assistance request.

The AFP guidelines state that the AFP may provide assistance without reference to the Attorney-General or the Minister for Home Affairs until charges are laid for the offence that attracts the death penalty. After the charges have been laid for an offence attracting the death penalty, the AFP will seek advice from the Attorney-General or the Minister for Home Affairs to ensure that any ongoing AFP actions correlate with Australian government policy and other international obligations. The AFP is regularly reviewing its guidelines to ensure that they are consistent with Australian government policy and I can say that in fact we are doing that at the moment with the Attorney-General's department, in partnership.

**Ms PARKE**—Is that consequent upon the matters arising from this case?

**Cmdr Osborne**—It is a consequence in relation to a direction from the Attorney-General.

**Ms PARKE**—Following on from this particular case?

**Cmdr Osborne**—I think it is that case and a general concern to ensure that the guidelines are currently meeting the standards and requirements expected of the AFP to operate within.

**Ms PARKE**—Thank you.

**Ms VAMVAKINO**—I wanted to ask a couple of questions in relation to Burma. Burma campaigned Australia—and indeed there has been talk of this for some time, certainly the time that I have been in parliament—which suggests that the junta in Burma has very strong links to the narcotics industry and also to money laundering and so forth. I asked this question before, at a hearing of the human rights subcommittee. I wonder whether you could shed some light on your views about the validity of the junta's involvement in narcotics and money laundering, particularly in relation to the Federal Police and the training of Burmese police by the Federal Police and whether you find any concerns in relation to the authorities in Burma being alleged to be involved in criminal activity and how that may impact on the way we relate to them.

**Cmdr Osborne**—The AFP acknowledges that it is documented that there are connections between the ruling junta, the military and the Myanmar Police Force. However, we take the view that it is important from a transnational crime perspective, given the obvious issues associated with narcotics production in Myanmar in particular and notwithstanding other crime types which are occurring there as well, that we maintain an effective liaison with the Myanmar Police Force. One of the most effective ways we can do that is through the sponsorship of training, to ensure that the Myanmar Police Force is sufficiently trained and exposed to modern, Western law enforcement practices, standards and procedures to ensure that any work that is done collaboratively with the Myanmar Police Force, not only with the AFP but with other ASEAN police partners in the region, is done to the standards that would give us the best level of confidence that that work is being undertaken in an acceptable manner.

**CHAIR**—Commander, it is a hard question to follow on from what Ms Vamvakinou has just asked, but we are not training the Burmese police in methodologies that will enable them to evade the drug trafficking and money laundering that we are concerned about on the one hand while training them on the other? You are confident that these are not the people involved—

**Cmdr Osborne**—We are confident.

**CHAIR**—They are not involved with the people who are carrying out the nefarious activities that we are absolutely opposed to—and you are doing a great job in trying to prevent them from coming into this country. So they are not the same people. There are other people in the national security apparatus in Burma who may be involved in these things but not the people you are dealing with.

**Cmdr Osborne**—We are quite confident. The only people that we in fact to train are the Myanmar police force. We will not train any members of the military. We will only train

members of the Myanmar police force from the rank of colonel down. We are not training members of senior rank who may have had affiliations or past serving obligations with the military. I would like to add, though, that, under the current AFP-DFAT guidelines, for any training that the AFP intend to sponsor for the Myanmar police force we first seek the advice and the permission of DFAT and will not proceed with any training unless the Department of Foreign Affairs and Trade agrees and gives us the approval to proceed.

**Ms VAMVAKINO**—I guess this might be a bit of a sensitive question, but is there any scope for the Australian Federal Police to be involved in the pursuit of corrupt generals in Burma? This is going to be a difficult question. I do not expect you to answer it. The generals are alleged to be profiting from an industry that allows them to remain where they are to further oppress their people. Obviously we have an interest in that. I am just wondering whether the AFP has any capacity or networking to try and deal with some of those issues. I know it is a hard question to answer. It is probably out of your domain.

**Assistant Commissioner Drennan**—There is certainly scope internally for pursuing issues of that nature within particular countries. There is Australian legislation in relation to the corruption of public officials which relates to some fairly specific circumstances. We are very limited in our ability to rely upon the legislative mandate which we have. But also it is important to reflect that we are in all of these countries as guests and we have a limited role there.

**Senator MOORE**—I know that the Australian Federal Police have long been active in dealing with the problem of human trafficking. In your report you mentioned the work that you have been doing—in brief, because it was a big report. One of the statements was that you have gained through the ASEAN network the capability to do training to deal with trafficking. I want to know how that works. How many of the ASEAN nations have taken up the offer? I understand that you have offered this training to them, which you would be coordinating. Also, can you outline what the process is into the future. As you well know, some of the ASEAN member nations are key areas for transit and also for the initiation of people trafficking in our part of the world. If I could get something on record about that, that would be good.

**Cmdr Osborne**—I believe you are referring to the human trafficking investigations program.

**Senator MOORE**—Yes, I am.

**Cmdr Osborne**—It was accepted at the last ASEANAPOL conference. It was actually sponsored by Brunei and was universally endorsed by the ASEANAPOL countries at that conference.

**Senator MOORE**—Were they all there?

**Cmdr Osborne**—As far as I am aware, yes, they were.

**Senator MOORE**—So everyone who was there endorsed it.

**Cmdr Osborne**—Yes. The first course is scheduled to commence in April 2009. It will involve members from all of the ASEANAPOL countries. We will be focusing on training in relation to the management and investigation of human trafficking. That will include subjects

such as victim support and the like. There is a further course scheduled for November 2009 as well. Whilst I take your point that there may be member countries that are source countries for human trafficking, I think it is nevertheless important that we educate and train to modern standards the police officers in those countries to try and combat that crime within the country itself.

**Senator MOORE**—So the training course is AFP designed and run?

**Cmdr Osborne**—Yes, it is.

**Senator MOORE**—And is it run in Australia?

**Cmdr Osborne**—No, the course will be right in Brunei.

**Senator MOORE**—But using AFP facilities?

**Cmdr Osborne**—Yes, using AFP trainers and AFP doctrine.

**Senator MOORE**—Commander, can we get some more information as you develop the course about what the content is going to be and who is involved?

**Cmdr Osborne**—Certainly.

**Senator MOORE**—I think it would be useful if that was on the record. So there are two courses scheduled for next year?

**Cmdr Osborne**—Yes.

**Senator ARBIB**—Following up on Senator Moore's point, I am also interested in what the AFP is doing in terms of cooperation on and assistance with child trafficking and the illegal sex industry. Can you give us a run-down on exactly what seems to be happening now?

**Cmdr Osborne**—We do that on a number of levels. We obviously sponsor training courses in a variety of ways—courses that are specific to that particular crime type—as well as inviting members from ASEAN countries to more generic training courses in management of and leadership on serious crime. We also effectively monitor and gather intelligence and try and broker joint investigations through our AFP liaison officer network with our liaison officers in the ASEANAPOL countries. Currently we have liaison offices in eight out of the 10 ASEANAPOL countries. So we do that on a number of levels—sponsorship, training, the imparting of best practice and also at an operational level through our liaison officers dealing with the partner agencies in host countries on a daily basis at the operational level.

**Senator ARBIB**—How successful do you think we actually are at countering this, especially at the intelligence level using database work?

**Cmdr Osborne**—I think it has been very successful to date. We have had a number of successful prosecutions in Australia and we have also provided intelligence on a number of

occasions to partner agencies to disrupt or in effect arrest suspects and to mount their own prosecutions in ASEANAPOL countries. It is working quite well.

**Senator ARBIB**—Are there any other steps you think we should be taking at the AFP or foreign affairs level to counter it?

**Cmdr Osborne**—At the AFP level, no, I think what we are doing is quite sufficient at this point in time.

**Senator ARBIB**—What about otherwise at the foreign affairs level? Are there any other steps that could be taken there?

**Cmdr Osborne**—I would prefer to defer to the Department of Foreign Affairs and Trade to comment on that.

**Senator MOORE**—Which two countries do you not have liaison officers in?

**Cmdr Osborne**—We currently do not have an officer in Laos. We are currently undertaking discussions with Laos on that.

**Senator MOORE**—Sure, and that has been going on for a while with Laos, hasn't it?

**Cmdr Osborne**—Yes, it has been.

**Senator MOORE**—And what is the other one? You can get back to us if you like.

**Senator FORSHAW**—These people are all attached to the embassies, aren't they?

**Cmdr Osborne**—Yes, they are. They are accredited officers working within the Australian embassies.

**Senator FORSHAW**—We do not have any embedded, if you like, in the police forces, seconded to or working within the police forces of those countries?

**Assistant Commissioner Drennan**—We do not have people seconded but we have people working in a variety of different roles.

**Senator FORSHAW**—That might not have been the right word, but you know what I mean. As distinct from the embassy liaison officer, are there—

**Assistant Commissioner Drennan**—They are all there in an official capacity through the embassy. Some may be in adviser roles; others may be in particular capacity-building roles; others may have a more operational or law enforcement intelligence focus. They are all under the auspices of the embassy but in different locations and different roles.

Going back to the issue of children, the other area which the AFP has been quite active in is of course online child sex exploitation. With our high-tech crime capability, we are in a joint

arrangement with the Vietnamese police with a high-tech crime centre. Again, it is about looking at these issues from a number of dimensions. Probably the philosophy that we adopt there is that, where we can, we build capacity and capability in law enforcement in general terms and then build upon that in more specific terms for particular crime issues. That is what we are working towards. The issue of the exploitation of females and children is certainly one which is far more on the agenda, as you would be aware, throughout the region. Some of that, I would say, is directly related to our ability to raise that as a particular issue with those host law enforcement agencies so they place more emphasis on it.

**Senator ARBIB**—Does the ASEAN organisation itself have any coordination of this or is it all just done with the individual authorities in each country?

**Assistant Commissioner Drennan**—It is probably fair to say that in many cases it is bilateral. It is becoming more and more multilateral as we coalesce the law enforcement intelligence and the effort against it. But as far as ASEAN's particular focus is concerned, I would need to take that on notice.

**Cmdr Osborne**—The bulk of the initiatives are ultimately brokered on a bilateral basis—country to country and agency to agency. Most of them obviously are formed under the mantle of ASEANAPOL and any directives or strategic level directives which come out of ASEANAPOL conferences.

**Senator TROOD**—Your activities in the region are focused on counterterrorism and transnational criminal activity. I wonder if you could give us some idea of the extent of this problem. It is clearly there. I am trying to get a handle on how profound a challenge transnational criminal activity is around the region. Can you give us some sort of idea about trends that you might have statistically in some way or other.

**Assistant Commissioner Drennan**—Perhaps we will break that question into two categories: one being counterterrorism and the other being transnational crime. As far as counterterrorism goes, the regional threat remains high and the nature of the threat continues to evolve. The predominant threat obviously still relates to Jemaah Islamiah in Indonesia. I guess it is probably fair to say that we should not look at it in terms of the most recent events. There has been a longstanding issue of separatism throughout the region which has underpinned terrorist activity.

There are Islamic terrorists in the region attempting to develop a purist, violent and intolerant form of Islam that actually threatens the tolerant mainstream form of Islam that does exist throughout the region. More recently, between 2002 and 2005, Jemaah Islamiah conducted a number of bombing campaigns against Australian and Western targets.

It is useful to note that the law enforcement efforts, particularly from the Indonesian National Police, have been quite effective and there have been quite a number of people arrested and prosecuted. Despite the ongoing disruption to that network, some key figures, particularly the pro-bombing group which is led by Noordin Top, remain resilient. As I say, the threat continues to exist and the arrest of the 10 JI suspects in Palembang in June this year and the seizure of explosives is a salient reminder that the issue—albeit that there has been effective law enforcement against it—continues to exist.

**Senator TROOD**—They were not just explosives, were they? There were 10 prepared ammonium nitrate bombs of a very large dimension which would have caused considerable injury to people.

**Assistant Commissioner Drennan**—Certainly, from what was seized, there was an intent to conduct more bombings, yes.

**Senator TROOD**—This is a continuing threat, clearly, and Indonesia is the primary source of the problem, but it is also in the Philippines and Thailand as well to some extent.

**Assistant Commissioner Drennan**—Certainly in the southern Philippines there is an ongoing threat there. It is more focused within the Philippines as opposed to against external Western or other nations. In southern Thailand it is probably even more focused—it is about separatism. The issue though becomes, and this is where we continue our involvement, that, certainly in the countries where terrorist activity exists, the law enforcement agencies there need their capacity and capability developed so they can respond to and deal with the threat. As with many terrorist threats throughout history, the question is: at what point in time do these threats remain a domestic issue or when do they internationalise? Certainly if there is a threat of them internationalising then, again, we need to be well placed to assist the countries within the region to actually deal with that.

**Senator TROOD**—I know you have had a lot of cooperation with the Indonesian government post Bali in relation to their counterterrorism activity. Is it also true that the Australian Federal Police have worked with other countries in the region actively in relation to this particular problem? Do they welcome our concerns and our capacity to provide assistance?

**Assistant Commissioner Drennan**—Most certainly. We have a regional cooperation team which is set up in Jakarta. We have replicated that in the Philippines in Manila and we are doing a large amount of capacity and capability development work with the police in the Philippines, not only in the investigations and intelligence area but also in training their people and setting up their forensics capability in bomb data and more pure forensics. Likewise in Thailand we are working very closely with the Thai Police to set up a regional cooperation team in Bangkok which will assist in their capability development.

**Ms GRIERSON**—Could you just tell us a little more about the bomb data centre. I have to put on the record that three people from my electorate died in the 2005 Bali bombings, and the risk does not seem to have diminished in any way.

**CHAIR**—Which bomb data centre are you talking about?

**Ms GRIERSON**—You have them in Indonesia particularly, but also in the Philippines and Thailand.

**Assistant Commissioner Drennan**—There are bomb data centres in Indonesia, in the Philippines and in Thailand.

**Ms GRIERSON**—What do they do.

**Assistant Commissioner Drennan**—It is a forensic capability designed to assist with the forensic analysis of bombs, chemicals and bomb scenes.

**Ms GRIERSON**—So has it had any successful outcomes? Has it helped in the identification of the sources of bombs?

**Assistant Commissioner Drennan**—It certainly has in both Indonesia and in the Philippines. They use those facilities to assist them with their ongoing investigations.

**Ms GRIERSON**—So they help to source where the material is coming from and therefore locate centres—

**Assistant Commissioner Drennan**—They help to identify what substances may have been used in the bomb and what the triggering mechanisms may be. If a mobile phone or something of that nature has been used as a triggering device then it may assist in being able to get hold of the data within that and trying to understand who is behind it. The forensic capability which is required here is quite sophisticated. What we have found with developing that capability and capacity within those countries is that then they are linked together. The Singapore Police have their own bomb data centre which forms part of that link as well, as we do with our Australian bomb data centre. So what you actually have is not just individual bomb data centres but rather a forensic capability which extends across the region and which is underpinned by a great deal of expertise both here and offshore.

**Ms GRIERSON**—Has it pushed it further underground and made it more difficult for us?

**Assistant Commissioner Drennan**—That is a difficult question to answer.

**Ms GRIERSON**—That is something that the success of these programs could lead to, in a way.

**Assistant Commissioner Drennan**—The success of such programs increases your ability to prevent and detect terrorist activity and conduct proactive investigations. But also, when you have a high degree of expertise or knowledge, then you make such activity more difficult, so people—in this case, for a crime in general—need to take more risk in what they are doing and expose themselves more and therefore provide greater opportunity for law enforcement to get visibility on what they are actually doing. So it is probably not accurate to say it pushes it underground; it certainly makes it more difficult for them to do what they are doing and therefore provides police with more opportunity to detect it.

**Ms GRIERSON**—As tragic as the 2002 and 2005 bombings were, have they led to improved relationships and ongoing relationships between our Federal Police and the Indonesian police in particular?

**Assistant Commissioner Drennan**—Most definitely. The relationship between the Indonesian National Police and the AFP is extremely strong. Again, you only need to look at the sorts of activities which are conducted there. The Jakarta Centre for Law Enforcement Cooperation, which is based in Semarang, is a joint venture between the AFP and the Indonesian National Police. I think close to 4,000 law enforcement officers have been trained through there.

And it is not just training in investigations or intelligence; there is training in Islamic law, there are courses there for policewomen, there is management and leadership training and there is forensics training. So it is a really broad range and—

**Ms PARKE**—Any human rights training?

**Assistant Commissioner Drennan**—There are aspects of that in some of those courses. I do not have the detail on each, but it is certainly about focusing on the broad range of attitudes that law enforcement officers need to have, which picks up on how you deal with people and respect human rights.

**Ms GRIERSON**—Thank you.

**CHAIR**—To follow up on Ms Parke's intervention there, I visited the Thai bomb data centre recently on a parliamentary delegation and I was very impressed at the level of AFP and Thai Police cooperation. I do not know whether it is due to Australian intervention but I recently read that, on the human rights level, the Thai government is now having negotiations with people on the border there, because I think they feel it is necessary to have discussions with some of the groups down there in order to try and prevent these things, as well as running police operations that disrupt these things. So it is very interesting to see that perhaps as a result of our cooperation with the Thai authorities they are having these negotiations across the border area, which is a very difficult area where people go back and forth across the border between Malaysia and Thailand.

**Senator TROOD**—Assistant Commissioner, there were two parts to my question. You focused on the counterterrorism, but I am interested in the trends in relation to transnational criminal activity as well.

**Cmdr Osborne**—Senator, I will respond to that if I may. Certainly, in the Asia region we have a significant interest in transnational crime and we are undertaking a significant number of investigations and intelligence collection in the region on a number of crime types. Narcotics are obviously a major focus for us in the region at the moment, particularly in relation to methamphetamine precursor importation and the movement of precursors through the Asia region. We are also looking at significant human-trafficking activity and we have a lot of focus on Indonesia and Malaysia at this point in time, noting that many of the people who are actually the victims of this crime are coming from south-west Asia and moving down through Asia.

We also have a significant interest in the transnational crime of child sex tourism right throughout the Asia region and we are working very well with our partners on that particular crime type and seeing some significant shifts in terms of attitudes. There is certainly an increase in the level of attention and focus by some of our partner agencies in Asia on that particular crime type, and we are seeing an increase in the level of information and intelligence now being shared on that crime type.

Intellectual property rights is another area which the AFP is starting to focus on in the Asia region. We have had some recent successes in investigating and prosecuting intellectual property rights crimes—most notably is a recent case in China which is now before the courts and which involved a significant type of crime in the fraudulent manufacture of car parts which were

imported into Australia. We are constantly working with nearly all of our partners in the region in relation to money laundering and tracking the proceeds of crime.

I would like to make the point that the crime is not confined only to the Asia region; in many cases, obviously, the genesis of the investigations starts with the organised crime groups we are investigating in Australia which have alliances with other criminal groups in Asia. We are seeing a nexus not only between Australia and Asia but also between Australia, Asia and the rest of the world. You would no doubt recall that in August the AFP resolved a narcotics investigation which was the world's largest single seizure of ecstasy. That investigation was mounted over some 14 months and, whilst the ecstasy itself came from Europe, the investigation basically spanned the globe, and the AFP was working in partnership with agencies in Europe, Africa, India, America, South America and also in Asia. All of those partners were providing assistance on elements of criminal activity in those regional locations which were allied globally in that venture.

**Senator TROOD**—Commander Osborne, I suppose it is too much to hope that the trend is downward here in relation to criminal activity. Presumably it is increasing over time and you seem to be saying that you are putting a lot more effort into the region in trying to combat that crime; is that a fair statement?

**Cmdr Osborne**—It is a fair statement. Of all the investigations that the AFP undertakes, currently 70 per cent have a transnational component to them. So we are not isolated, and certainly the activities are global. I do not think there has been any change in the trend. Do you agree, Peter?

**Assistant Commissioner Drennan**—Yes. Probably the key thing we would underpin in relation to transnational crime is the motivation, which is about generating profits. Criminals do actually take a business approach to this: they will generate and maximise their profits and minimise their risks. From our perspective, if we can maximise those risks by developing the capability and capacity of particularly those countries that are exploited and are more vulnerable, that will certainly add to the global effort to combat transnational crime. If you look at this crime in isolation you certainly cannot be as effective as when you look at it from a global perspective.

**Senator TROOD**—How good are the resources that you have available to you to fight this problem? You have had an increase in staff numbers and an increase in sworn officers, and you have also had an increase in funding over the last several years. Do you think you need additional resources to continue with these investigations? I suppose there is not an agency that would not come to a federal parliamentary committee and say, 'Yes, we absolutely do need further resources.' How much do you think you need to deal with the problem, or are you reasonably comfortable with the size of the vote that you get at the moment?

**Assistant Commissioner Drennan**—It is a difficult question to answer. We are well resourced by the government, and successive governments have certainly provided significant resources for the AFP. Having said that, the transnational crime problem continues to exist as does the threat of terrorism, and combating those certainly consumes a fair amount of our time and effort.

**Ms VAMVAKINO**—I know that our governments have been very diligent in providing ‘enough’ resources for the Federal Police to do its work in our region in particular. Are you satisfied that the governments of neighbouring countries are equally as committed to resourcing the operations that you are no doubt very much involved in and require their assistance and cooperation on? It is not a one-way street: obviously you are effective, but you are only as effective as the partners that you work with can be and are resourced to be.

**Assistant Commissioner Drennan**—It probably would not be appropriate for me to comment on the level of resourcing that other countries provide to their law enforcement agencies, but it would, again, be fair to say that there is certainly a fairly significant increase in the amount of cooperation that we have and the amount of activity there is in other countries to combat that broad range of law enforcement issues that they are faced with.

**Ms VAMVAKINO**—And that includes awareness on the part of those officials that they have a role to play and need to be active?

**Cmdr Osborne**—Absolutely. Under my portfolio is the overseas liaison network. We would process, probably, about 24,000 tasks annually, both in and out of Australia, in relation to transnational crime issues. We are extremely happy with our partners in the Asian region. I think it is virtually unheard of for the AFP not to be given the support that it requests on a daily and weekly basis in its investigations. They support us extremely well.

**Ms VAMVAKINO**—Is Australia leading the effort in this area, would you say?

**Cmdr Osborne**—I certainly think we are a leader in the region, but I would not make the claim that we are leading this.

**Senator TROOD**—Commander Osborne, have you moved resources into that area recently or is the funding you have provided internally fairly consistent over a period of time?

**Cmdr Osborne**—In fact, we have reduced our number of positions offshore in response to efficiency savings which the AFP has been required to make. This year we have strategically analysed our positioning offshore. We do that on a regular basis regardless of that particular point, but we have had to close—

**CHAIR**—Was that just this year?

**Cmdr Osborne**—Yes.

**CHAIR**—It was an efficiency request that was for all departments with a budget?

**Cmdr Osborne**—Yes.

**Senator FORSHAW**—Have you moved any resources out of East Asia or the ASEAN area?

**Cmdr Osborne**—We have recently closed our liaison officer post in Chiang Mai. We now cover northern Thailand from our office in Bangkok. The other posts closed are outside the ASEAN area.

**Senator FORSHAW**—I see.

**Assistant Commissioner Drennan**—We have a very significant presence throughout the ASEAN region—probably more significant than that of most, if not all, other law enforcement agencies. As we said before, the cooperation that we get there is significant, and it is something that is commented on quite regularly. You asked a question about leadership, Ms Vamvakinou. I would point towards the effort that, particularly, the Indonesian police have made in combating terrorism in their country, and they certainly take a leadership role there. We support that as much as we possibly can, but they have certainly taken their task seriously.

**Senator FORSHAW**—Are there corresponding liaison officers in Australia from any of the ASEAN nations?

**Cmdr Osborne**—There are a number of foreign liaison officers posted in Australia. Japan has—

**Senator FORSHAW**—Through their embassies?

**Cmdr Osborne**—Yes.

**Senator FORSHAW**—What about the ASEAN countries that we were talking about?

**Cmdr Osborne**—Indonesia has a liaison officer based in Canberra. Japan has a liaison officer. Singapore does not. Indonesia and Japan are about the only two.

**Senator FORSHAW**—Presumably they have contact with the state police as well as with the AFP.

**Cmdr Osborne**—Yes, absolutely. They work quite effectively here in Australia.

**Senator MOORE**—I want to follow up, Commander, on the answer you gave earlier to Senator Trood about how around 70 per cent of your work has some international component.

**Cmdr Osborne**—Yes.

**Senator MOORE**—I know the assistant commissioner has mentioned what a high profile you have in the ASEAN area. Is there any way you could tell us around what percentage of your work is focused in the countries of ASEAN? That is a very difficult question; it is just that you led with the statistic and I was wondering whether you had the figure.

**Cmdr Osborne**—I am afraid I could not answer, but I could take that on notice and endeavour to supply you with those details.

**Senator MOORE**—I have one other question. You have mentioned a number of times in your evidence the hub in Indonesia—the training centre.

**Senator TROOD**—Yes, JCLEC at Semarang.

**Senator MOORE**—Does it cover all the aspects of the kinds of work you have described to us or does it specialise in some of the areas? It has come up several times in evidence. We have talked about trafficking, drugs and people smuggling and also about training and cooperation. Does this centre—which seems to be a flagship and which does tend to get a lot of media from time to time—cover everything or does it have a particular focus?

**Assistant Commissioner Drennan**—It certainly covers a broad range of the topics that you would have at a law enforcement training establishment, and really that is what it is. Its focus, in one regard, was on terrorism initially, but now—

**Senator MOORE**—That was when it was originally set up? It was under that banner, wasn't it?

**Assistant Commissioner Drennan**—It was terrorism and transnational crime.

**CHAIR**—Is that linked with the Multi-National Operations Support Team or is that something separate?

**Assistant Commissioner Drennan**—That is something separate.

**CHAIR**—Good, because I want to come back to that.

**Assistant Commissioner Drennan**—The Jakarta Centre for Law Enforcement—

**Senator MOORE**—At Semarang.

**Assistant Commissioner Drennan**—At Semarang, yes. It is very much about providing a facility which can be used for providing training to law enforcement and people outside law enforcement on a very broad range of different topics.

**Cmdr Osborne**—I will add, though, that it is not the only feature training program that we run in the ASEAN region. We run management of serious crime courses annually in Singapore and China. We also jointly sponsor and run a program called the Asia Region Law Enforcement Management Program in Hanoi in partnership with the Royal Melbourne Institute of Technology; that has been running since 2005. We run three courses there annually for ASEANAPOL countries and the Vietnamese police as well. That focuses on tertiary accredited management subjects for middle management level police officers in ASEAN.

**Senator MOORE**—Are they sponsored through ASEAN? You mentioned in prior evidence that one of the previous processes—the Brunei one—was sponsored by Brunei and that people then got together. Have the things you have listed all come through the ASEAN countries saying, 'This is something we want to do?'

**Cmdr Osborne**—They are AFP funded programs through our Law Enforcement Cooperation Program. They are AFP initiatives, but they are brokered with the ASEAN police forces. Without their endorsement they would not attend, obviously.

**Senator MOORE**—Thank you.

**Senator ARBIB**—I will return to counterterrorism quickly. We recently had before us representatives of the Department of Defence, and they talked about the ongoing effort in the southern Philippines and the work they are doing with the AFP in training and maritime assistance. At the hearing, the official claimed that after many early successes he viewed the security situation as deteriorating. I was wondering if you could comment on that.

**CHAIR**—This is in the Philippines?

**Senator ARBIB**—The southern Philippines. How effective has the work of the AFP and Defence been? I think it is mostly training.

**Assistant Commissioner Drennan**—As far as the current security situation is concerned, there are certainly other agencies that can more appropriately comment on that. From our perspective, the security situation deteriorates and improves, and there is a long history of that. Certainly our view is not to look at that in each particular segment of whether it is good or bad—except, clearly, for the safety of our own people. We are building the capacity and providing the training—we are building a training establishment. Through that, through developing their forensic capability and particularly through their bomb data centre, they are better equipped to deal with it in either situation—whether the security situation has deteriorated or is improving. There is certainly an increase in the level of expertise and understanding of how to deal with those issues through law enforcement capability. Historically, in many of these countries, dealing with terrorism was seen very much as a military responsibility. We are seeing more and more police involvement in that. From what we are seeing, it certainly improves the situation when the police are able to be involved and to assist in dealing with it.

**Senator ARBIB**—So are you saying that the work we are doing at the AFP level and the DOD level is being effective in terms of the—

**Assistant Commissioner Drennan**—Most certainly, yes.

**Senator TROOD**—Is there any cooperation between the Australian Federal Police and the local police and other countries' police forces—Americans, for example, or European forces? Is that also the case?

**Assistant Commissioner Drennan**—It is. Again, to take the Jakarta Centre of Law Enforcement Cooperation as an example, there are other foreign country trainers posted there, from the UK and from Canada. They sponsor different courses there as well, so they use the facility as well. In Thailand we are very linked in with the foreign liaison community there in providing capacity and capability and development for the Thai Police. So it is very much a partnership with the host countries and the regional countries but also a partnership with our counterparts from, particularly, the US, the UK and Canada.

**Ms PARKE**—In addition to a lot of the police work that has been going on, in recent times the Australian government has been very active in encouraging and indeed funding a lot of people-to-people contact between us and Indonesia in particular, and there are a lot of programs that have been running and continue to run. You are obviously aware of those programs. My question is: to what extent do they aid us in being understood and in understanding our neighbours on that level? Do they aid the work that you do in terms of dealing with the causes of

some of the activities, after which you have to pick up the pieces, and their consequences? Do you find those programs useful? Are you aware of them? Are they important to assist in your work?

**CHAIR**—For instance, we have an exchange—

**Ms PARKE**—The leadership programs; yes, the youth leadership programs, yes.

**CHAIR**—of Muslim leaders and Australian Muslim leaders, back and forth, and youth leaders.

**Ms PARKE**—Just general activities that encourage greater understanding of our neighbours and of Australia, given that one of the problems supposedly is that they view us in a particular way—people who engage in activities of the type you are dealing with.

**Cmdr Osborne**—I think they are very effective programs and I think they promote understanding across levels and across the different strata of the communities in the countries. I think that, as Peter referred to just previously, the rich mixture of foreign law enforcement, including the Australian law enforcement members who are off shore, in ASEANAPOL, has exactly the same effect at the law enforcement level. But our work obviously transcends that to affect other aspects of the community besides just traditional law enforcement, and we certainly see those benefits, yes.

**Senator TROOD**—I want to follow up the answer you gave me to my question about international cooperation. Does that occur largely on an ad hoc basis, or is it pursuant to some kind of multilateral agreement or head agreement?

**Assistant Commissioner Drennan**—Sorry, which one?

**Senator TROOD**—You answered my question earlier about the extent to which there was international cooperation. You mentioned Canada, for example—the cooperation between the Canadians, the local police forces and us. I am just interested to know whether or not that takes place on an ad hoc basis or whether it is pursuant to bilateral or multilateral agreements that we might have in place.

**Assistant Commissioner Drennan**—With the majority, they are not formal agreements, but there are certainly agreements among the representatives of the regions and therefore their parent organisations as to what they want to achieve there. If you look at, say, again, the JCLEC example, there is an advisory board that sits there and there are foreign representatives who are on staff there, and they actually look at the best way to provide the courses and meet the competing interests—because the danger you run sometimes is that too many people want to do too many things. I know that in Thailand, through the foreign law enforcement agencies there, there is coordination in relation to what is being achieved, the types of courses and the cooperation which will be extended.

**Senator TROOD**—Do you see a need for any further international agreements to better facilitate this kind of activity, or are you relatively comfortable with the degree to which these arrangements are rendered in a formal sense?

**Assistant Commissioner Drennan**—Probably the easiest way to put it is that it does work and it is continuing to evolve. If you were to go back quite a number of years, it was probably on a more ad hoc, bilateral basis, but now there is certainly coordination and agreement as to what would be done. That will continue to evolve, but for the current point in time it certainly works quite well.

**CHAIR**—I have a final question about this Multi-National Operations Support Team, which is described in DFAT's submission as 'a hub of regional law enforcement officers working collaboratively in response to terrorist threats in the region'. It is located in Indonesia. How successful has it been in its declared aims? Do you see the possibility of expanding its membership? If so, has Australia approached anyone else in ASEAN to join it? Does it perform a coordinating role with the bomb data centres that you have described and with the police training facility as well? How does it fit into the picture?

**Assistant Commissioner Drennan**—Its focus is primarily on law enforcement intelligence in relation to countering terrorism. What it actually does is to provide, I guess, a central point where intelligence can be aggregated, to have some analysis of that intelligence done and therefore to look at the problem from a more regional perspective. Does it work? It certainly does. There have been some considerable successes which have come from it. More than anywhere else, where it probably works is that it is bringing together a range of countries across the region to sit and look at their law enforcement intelligence. If you go back several years, this is not something which would ever have occurred. Countries tend to treat and guard their information quite jealously, but this centre in itself has certainly broken down those barriers. It provides the technology and the database that sits up there, where it is all captured and put on there in English so that the various countries can access it in a usable way. There is continuing interest from the ASEAN countries in what it can deliver for them. Thanks to the ASEAN Secretary-General, there is a briefing very shortly in relation to the role, and they have considerable interest in how it can be applied further to the region.

Having said that, I say that clearly one of the issues there is the ability of some countries in the region to fund their presence there. Since it is located in Jakarta, it means posting someone there. For one of their officers to have the necessary level of understanding and training and also to be competent in English, a senior or very experienced person usually needs to be provided. So the interest is there, but there are some constraining factors in their ability to actually put people there. We would see that as continuing to evolve, but again this is a joint partnership with other countries in the region, and it is not just for the AFP or Australia to say, 'This is what we want to do here.' It is about, 'Here's an opportunity; how do we help progress and support it?'

**Ms GRIERSON**—I have one more question. The Australian Defence Force have an excellent reputation in community engagement when they are in other people's countries. I would say to you anecdotally that I noticed that in the Solomons—which is not an ASEAN country—when the AFP took over it was much harder to access them in terms of some of the community work that was being done between communities in Australia and overseas. Have you changed any of the training to improve the Australian Federal Police's ability to do the community engagement that, perhaps, is vital in these sorts of countries?

**Assistant Commissioner Drennan**—It is probably worth while to understand that our liaison roles are non-operational roles. We deal almost exclusively with the law enforcement posts and other law enforcement agencies.

**Ms GRIERSON**—So you do not have to deal directly with engagement?

**Assistant Commissioner Drennan**—Yes.

**Ms GRIERSON**—Except in things like RAMSI. There is nothing quite like that anywhere else.

**Assistant Commissioner Drennan**—Yes, it is a very different environment. In relation to RAMSI, when it sits under our international deployment group, there is a considerable amount of training which goes into pre-deployment for people in relation to engaging with communities. I am not too sure if you have visited the training centre, which is out at Majura, but we have an actual village set up there which replicates a village in a Pacific country. People live there and our trainees need to interact with members of indigenous communities who come and role-play there at the village.

**CHAIR**—Where is it?

**Assistant Commissioner Drennan**—It is at our Majura training centre near the airport in Canberra.

**Ms GRIERSON**—I am still not going to do the course!

**Assistant Commissioner Drennan**—You are not going to do the course?

**Ms GRIERSON**—I have been offered a couple of times and I am not going to!

**CHAIR**—Assistant Commissioner, thank you very much for your very comprehensive appearance here. You have been here nearly an hour and I hope we have not tortured you too much. It has been very helpful and very informative. If there are any matters on which we need to contact you, or you need to contact us, please approach the secretary, Dr Carter. We will send you a transcript of your evidence which you can make any necessary corrections to.

Before I ask the next witness to be formally admitted can we receive as evidence to the inquiry into Australia's relationship with ASEAN an authorised for publication submission. No. 27, from the ACTU? There being no objection, it is so ordered.

[12.08 pm]

**TATE, Ms Alison, International Officer, Australian Council of Trade Unions**

**CHAIR**—Welcome. Should you wish to give private evidence to this committee, you can. We do not require you to give evidence on oath but you should be aware that these hearings are legal proceedings of the parliament and have the same standing as proceedings in the chamber themselves. Would you like to make an introductory comment?

**Ms Tate**—Firstly, thank you for calling the ACTU to this hearing. We believe that our relations with ASEAN are very fundamental to the broader relations with international relations but our submission is particularly directed to issues of trade with individual ASEAN nations and with ASEAN as a bloc. A large part of the submission that is before you focuses on the civil society links and certainly the links between Australian trade unions and unions within the region—that has a long history—and indeed not just in terms of understandings and relationships but also on direct working relationships.

There is a broader regional bloc of trade unions under what is called the International Trade Union Confederation. There is a secretariat based in Singapore and it relates closely to many of the intergovernmental structures there. There is also a more informal body of unions that are members of national centres from ASEAN countries. I am happy to speak to those issues and answer any questions you have.

I would also like to apologise for my colleagues from the Australian Manufacturing Workers Union who originally were coming but could not make it today—particularly my colleague Nixon Apple, who is the industry and economic adviser to the AMWU. He and other people from the vehicles division are currently on a visit with the trade minister here in Melbourne today, but I hope I am able to answer questions that you may have. If there is anything further, I can come back to you later.

**CHAIR**—I want to begin by asking you something that follows on from a committee hearing with the former minister, Mr Macfarlane, about the Thai-Australia FTA. We have been hearing consistent testimony before this committee that the non-tariff barriers affecting the export of Australian cars are very substantive and affect people here in Victoria—not only in my electorate but also in Maria's electorate. The members of the AMWU were talking about it. We wonder what the ACTU and the unions involved in car production here in Victoria feel about the effectiveness of this FTA with Thailand. Is it a one-way street for the importation of cars to Australia as far as Thailand is concerned?

**Ms Tate**—There has certainly been a dramatic increase in the number of imports of cars from Thailand into Australia. Our concern and position is that the Thai-Australia FTA was marred by Thailand's behind-the-border application of non-excise arrangements, which was done in a manner that effectively excluded Australian vehicles like the Ford Territory from the Thai market. While there are different complementarities within ASEAN—the Philippines is involved in producing transmissions, while Australia has more of the luxury car market—the one-tonne trucks and sedan vehicles from Thailand have increased significantly following the FTA

agreement. The AMWU is today putting forward a proposal to the Minister for Trade, Mr Crean, that, amongst other things, a high-level group of policymakers—not simply the tariff negotiation group—from ASEAN, Australia and New Zealand who deal with the automotive industry convene an officials meeting to consider automotive trade in the proposed ASEAN FTA. We understand that the positions of Indonesia and Malaysia are slightly different. Indeed, Malaysia is completing its overall auto industry car plan by Christmas this year.

It is our suggestion that the study group examine the barriers to auto trade, including behind-the-border measures such as excise, and the complementarities that should exist in auto trade amongst ASEAN, Australia and New Zealand. The officials working group should report to the trade ministers in early 2009. Auto should be excluded from the ASEAN FTA until agreement is reached. This is a far better approach than Australia retaliating against Thailand either through border protection measures or through the unions having to deal with the Thai auto trade through other means.

**Ms VAMVAKINO**—I think that is a good initiative. Clearly, we are—as you would be aware—in the throes of developing our own policy on the future of the automotive industry. I think this has caused some angst, particularly given that there is not any indication of it during the negotiations. We would not want to be caught off guard again with any future negotiations of the ASEAN FTA. I hope that that initiative will give us the sort of protection we need in order to get a better outcome from our end.

**Ms Tate**—I will quote to you from page 21 of our submission. This was also put to the Review of Export Policies and Programs. This actually answers your point, I think, in light of the kinds of outcomes, like the auto industry one. I quote:

... the ACTU proposes to the Committee that it recommend that no further FTAs be concluded with individual ASEAN countries until the report of the Review of Export Policies and Programs is released and responded to by the Federal Government. In addition, as was the ACTU's recommendation to the Review of Export Policies and Programs, the Committee is asked to recommend that the Australian Government and DFAT cease commissioning, in connection with commencing negotiations for an FTA with a country, reports that model and estimate the benefits to Australia on the unrealistic scenario of the FTA achieving a comprehensive trade liberalization outcome. Instead, commissioned reports should model a range of realistic partial liberalisation scenarios for key sectors of the Australian economy, and identify what barriers need to be removed by the other country in order for the claimed benefits to be achieved, and what social and economic costs will be borne by Australia as a result of domestic liberalization.

I think that makes it very clear.

**Ms VAMVAKINO**—Yes, it does. Thank you.

**CHAIR**—So it is the ACTU's feeling at the moment that previous FTAs have been based on the unrealistic premise that there has been a comprehensive treatment by our partner country to enable exports from Australia to go to these countries—that they know but have not taken into account these non-tariff barriers?

**Ms Tate**—Yes, that is correct. There have been unrealistic scenarios put and assumptions that have not necessarily followed through. That should really be much more fully considered.

**CHAIR**—I certainly agree with that.

**Senator FORSHAW**—In your submission and in your opening remarks you mentioned that the ACTU and individual unions have relations with the overarching body, the ASEAN Trade Union Council.

**Ms Tate**—Yes.

**Senator FORSHAW**—Maybe you could take this on notice. I would be interested in getting a list, if possible, of the key union groups within the ASEAN countries to get a picture of their relative size or involvement in those countries. You say:

The ASEAN Trade Union Council ... is a network of unions from 7 ASEAN countries ...

Which are the seven, and what is the position in the other three?

**Ms Tate**—I can probably answer both your questions to some degree and I am happy to come back to you. When you ask about strengths, I assume you mean membership numbers or industry sectors that are covered.

**Senator FORSHAW**—Yes. My own knowledge is somewhat anecdotal now, but obviously some countries have more active unions than others. Could you give me a commentary, if you like, on the extent of membership or coverage—what the key sectors covered by unions are or whether unions have a particularly strong representation.

**Ms Tate**—To start with, you asked me about the seven countries that are members. I can perhaps answer easily by telling you the three that are not members. There is Burma of course, as there is no independent trade union movement allowed; trade unions are banned, although the exiled Federation of Trade Unions—Burma has observer status. In Brunei there are actually trade unions, particularly in the oil and electronics fields, but there is no national centre, no equivalent of the ACTU, if you like.

**Senator FORSHAW**—What about Vietnam?

**Ms Tate**—Vietnam is a member of the ASEAN Trade Union Council. There is a strong trade union history in Vietnam, although of course it is very different in style from that of countries with independent trade unionism—that is, independent from the government and the party. It is a strong trade union movement. In fact, it is going through a major transition currently as the economy is changing. The trade unions in Vietnam cover both state sector industries and joint venture companies and the private sector. We have actually worked closely with the Vietnamese General Confederation of Labour over a couple of decades on occupational health and safety development. They are very keen to look at what Australian and indeed ASEAN relations as to trade mean for the transformation of unions in taking up a base at an enterprise level in representing workers through a collective bargaining process, for example.

**Senator FORSHAW**—It might be easier, rather than take up time now, if you would send us a short paper—

**Ms Tate**—or a bit of a map?

**Senator FORSHAW**—Yes, one which summarises the position in each of the countries.

**Ms Tate**—Yes, I am happy to do that.

**Senator FORSHAW**—That would be good.

**Ms PARKE**—I have two questions. The first one concerns the ACTU's policy around the inclusion of a labour chapter in FTAs. Would you please expand on that.

**Ms Tate**—I would draw your attention to page 10 of the submission. We have quite a number of pages there that actually outline our concerns around why a labour chapter is important. It is in fact our position that the social and economic implications of a trade agreement need to take into account labour and that, in terms of both trade and investment agreements, a labour chapter can effectively address a number of concerns around dispute mechanisms more clearly than if it were not included and also acknowledge the impact of trade agreements on local industries and workforces. The obligations that are required of the various parties should be outlined very specifically. In fact, there is a reference on page 11 to the most recent negotiations between the United States of America and Peru and to chapter 17 of their agreement being specifically on labour. We draw both the committee's and the government's attention to the text of that chapter. We think it is very comprehensive. It outlines the fundamental labour rights that need to be considered in trade relations, the enforcement of those labour laws—that means the national labour laws—in reference to internationally recognised core labour standards and the kinds of institutional arrangements that are important for countries in considering trade relations. There is also a suggested mechanism for dealing with disputes.

The fact that the United States has a congressional requirement that labour be considered in any trade agreement is reflected in the result that the Australia-US FTA has a reference to labour. None of our other trade agreements that have been agreed to date have included a reference to a labour clause or a labour chapter, but it is our position that such a reference should be the case.

**Ms PARKE**—My second question is in relation to flag of convenience ships that come to Australia. Many of them are crewed by people from ASEAN nations, in particular the Philippines and Indonesia. Some Australian unions, such as the Maritime Union of Australia, have expressed concern about the conditions of work and standards of safety and training for these crew members and how these not only impact upon the crew members themselves but also have implications in Australia as to standards and as to security of cargo when the ships come to Australian ports. Does the ACTU have any comment on how Australia might interact with ASEAN nations to improve the conditions of work of and safety standards for these ships' crews?

**Ms Tate**—Certainly, the Maritime Union of Australia, and through their international link, the International Transport Federation, have been very active in both advocating for better conditions for workers and indeed addressing the flag of convenience issue in a more sustained way. In fact, my MUA colleagues were in Geneva last week negotiating an international agreement around the convention that was signed and ratified by Australia on the maritime convention through the ILO. I am not an expert on the maritime industry, but certainly there are

concerns about the conditions of workers. You mentioned workers in the Philippines, Indonesia—and Burmese workers are others who are very much disadvantaged in being able to see their rights respected as workers on flags of convenience ships. There has been a very active role by the MUA. We feel that the relationship between the different maritime unions in the region is also very strong. There is an exchange of a lot of information and indeed there have been individual interventions on the part of workers who have had, for example, accidents or injuries on ships, where that has not been responsibly dealt with by the shipping companies. But I can take on notice the issues that you mentioned about security in ports and general safety and come back to you with the position of the Maritime Union. They have done a lot of active work on that and have a very strong position about it.

**Senator TROOD**—Do the council have any particular problems with regard to recognition of qualifications from countries in the ASEAN region?

**Ms Tate**—With regard to?

**Senator TROOD**—The extent to which trade qualifications, certificate qualifications, educational qualifications are recognised with respect to either people coming to Australia who might need recognition or our people going to ASEAN countries.

**Ms Tate**—Under the GATS Mode 4 arrangements that Australia is party to there are fairly clear procedures within those international agreements about how qualifications can be recognised. As you know, we have a fairly advanced accreditation scheme in Australia through our national training schemes. There may be a particular industry or sector where you think there is a concern, but we have been actively involved both through trade negotiations in having comments around, for example, academic qualifications where there are, as you know, a number of Australian campuses in ASEAN countries that have been established. Those agreements for professionals, academics, engineers, consultants in some high-tech and IT related fields have generally been well handled. If there has been a problem then there has been the capacity to work that through and negotiate that through on an institutional basis. To my knowledge, there are no outstanding issues that we currently have.

**Senator TROOD**—Do you have any particular concerns with regard to 457 visas and, if so, which particular countries are of particular concern to you?

**Ms Tate**—The ACTU have very strong concerns about the operation of the 457 visa category. Indeed, we have made submissions to the current Deegan review. That is ongoing. Within the 457 visa category we have seen many cases of exploitation—for example, in the health sector, nurses; in hospitality; construction; manufacturing; indeed, in a wide range of industries. I would not want to pick particular countries, because that is not how the program operates per se. It is actually industry based. I am happy to provide the committee with the ACTU's submissions, which have been very extensively worked through with our affiliates and which have made specific recommendations to the Deegan review.

**Senator TROOD**—I am particularly interested to know whether or not there are issues the council has with regard to 457 visas relating to either trades or countries that are a source of visa applicants to Australia within the 10. I would like to know whether you see a particular set of issues that relate to the category of visa. You seem to be saying they are generalised. They are

not necessarily ASEAN problems. I know you have problems with 457s, but I am interested to know whether or not there are any particular issues that relate to ASEAN countries.

**Ms Tate**—Certainly in the nursing sector, for example, there have been a number of cases of Filipina nurses who have come to Australia and have been working in very exploitative conditions. Mention is made of that in our submission. But because it is a skill based category it is not people from specific countries that are included or excluded. Obviously our general concern is that the information provided to the applicants coming to Australia is sufficient for them to make decisions. We want them to be in a knowledgeable position in that they know the kinds of conditions that they are going into and that they have rights in an Australian industrial context.

The sad fact of the matter is that many of the exploitative cases under the 457 visa category are not people who are union members or they are not even necessary aware that they could contact a union. Many of our affiliates have been involved in intervening in dangerous and exploitative situations where either other workers in the workplace have brought the case to our attention or community links like churches or ethnic community groups have come to the unions to say, ‘We don’t know what to do about this,’ or ‘How can we intervene in this situation?’

So I think it is more about getting the system right and ensuring that the gaps in the way the 457 visa has worked in the past are actually dealt with effectively. That means having both the welfare and the industrial rights of the applicants well served. I think that is part of the responsibility of society in general. But, from our understanding, the recommendations that the Deegan review are putting forward will be addressing some of those issues seriously. I do not have specific countries that I would like to point to from within ASEAN where there have been specific problems. I think it is a general issue that we need to fix.

**CHAIR**—Can I just drill down into your answer a bit further. We have not had a chance to read your review, so could you give us some of the detail about the exportation of Filipina nurses. I know that in the migration area Australia is under a lot of pressure to widen the number of carers and make it easier for carers to come into Australia, so it would be very interesting to know what is happening at the moment. What are some of the kinds of exploitation that Filipina nurses face in Australia?

**Ms Tate**—Many of the nurses who are qualified as fully practising nurses in the Philippines have come to work in Australia in very low-paid jobs, in minimum wage paid jobs in fact. Those jobs often do not recognise their qualifications or it could be that in fact they are not coming in to work in a hospital or clinic base—although many do. It could be that they are working in aged-care services or disability care services and other home based care services where the conditions are not so easily inspected or where, frankly, the conditions are invisible. We are concerned that in the health industry in particular, where there have been arguments about a deficit in the number of workers—Australia needs more workers in that area—with an ageing population these are very serious issues that we need to be looking at long term. But what we would really recommend is that the nurses union and the unions that have coverage of this sector be fully consulted and involved in discussions about any kind of future migration or trade related labour mobility program. It is really important that we get this right.

**Senator FORSHAW**—How are these people being recruited, particularly in the nursing sector?

**Ms Tate**—Mostly through labour hire firms rather than directly to an employer in the health sector.

**Senator FORSHAW**—Those employers would presumably have agreements if they are engaging the labour hire service to do it?

**Ms Tate**—Yes. That is another thing that we take very seriously: a collective agreement, an enterprise based agreement, between the employer and the labour hire firm, which has the responsibility to ensure the wellbeing of the workers. It should ensure that the rights of those workers are clear and it should take responsibility for them. So, as I said, there is a much more complicated process that we think has to be really thought through at the federal government level. We are pleased that the minister for immigration has taken this on as a priority issue to sort out in the early period of the government.

**Senator FORSHAW**—Nursing is an industry where Australians get jobs through agencies as well, isn't it?

**Ms Tate**—Yes.

**Senator FORSHAW**—As distinct from being directly employed by someone. So the same agencies would be recruiting from overseas.

**Ms Tate**—Some are the same and some are different. But the labour hire arrangements are part of what the 457 visa review process needs to look very seriously at. There should be some significant and substantive changes to ensure that that system works well for the employers. Many good employers are utilising that scheme, but we need to make sure that those who are not responsible employers are also picked up in that process.

**Mr KELVIN THOMSON**—In your submission, you say:

The EU is negotiating for ASEAN to sign up to provisions on labour rights, pro-environment legislation, competition policy, transparency in government procurement ...

Does your inclusion of this indicate that you are positively disposed towards what the EU is seeking to do or are you just chronicling it?

**Ms Tate**—We believe that the kind of agreement that the EU is negotiating contains the kinds of provisions that Australia should also take on.

**Mr KELVIN THOMSON**—Have you had any feedback from the Australian government about any of those matters? Have they been put directly to them?

**Ms Tate**—Yes. We have been involved in consultations in the process of the ASEAN negotiations over the last number of years. We do not believe that many of the issues that we put on the table were taken into the negotiation process with great rigour, but, although we have not

seen the details of what has been agreed to this point in time, we think that a lot of the detail needs to be worked through, and we would be very happy to be involved in those discussions.

**Mr KELVIN THOMSON**—In a similar vein, you say in the last sentence on page 10 of your submission that you have doubts about whether the proposal—that is, the labour chapter proposal—was put by Australian negotiators to ASEAN. So there is nothing on the record indicating whether this matter was being raised or not?

**Ms Tate**—That is right. We are not clear that it has.

**Mr KELVIN THOMSON**—Clearly in the US free trade agreement there is a chapter on labour there at the insistence of the other side—the US—and in the free trade agreement with Chile there is nothing appearing there.

**Ms Tate**—That is right. Indeed, one of the fundamental issues we discussed with the trade negotiators a couple of years ago was the rules of origin aspect as it relates to ASEAN. Burma is an extreme case and so I will use that in this discussion to highlight the point. The Australian Council of Trade Unions and, indeed, each of the social partners and the governments involved through the ILO processes of many years have been trying to work with the Burmese military regime on implementing their agreed and ratified commitment to end forced labour, for example. That has been a very slow and frustrating process, but if we are looking at entering into trade agreement with a country like Burma that makes use of systematic forced labour and child labour across the country then there are really serious concerns around issues like rules of origin that we think that the Australian government should take into account. Whilst we have raised that over a number of years with the trade negotiators, we are not clear that that has actually been dealt with effectively.

**CHAIR**—We have no more questions, so thank you for your appearance here today, Ms Tate, representing the ACTU. If there is any additional information you need from us—or we need from you—the secretary, Dr Carter, is the person to contact. We will send you a transcript of your evidence and you are welcome to correct it. Thank you very much.

**Ms Tate**—It was my pleasure.

**Proceedings suspended from 12.40 pm to 2.06 pm**

**GRECO, Ms Anna, Chief Executive, Federation of Automotive Products Manufacturers Ltd****McKELLAR, Mr Andrew, Chief Executive, Federal Chamber of Automotive Industries**

**CHAIR**—On behalf of the Foreign Affairs Subcommittee I welcome representatives from the Federal Chamber of Automotive Industries and the Federation of Automotive Products Manufacturers. Thank you both for being here. This committee does not require you to give evidence under oath, but giving evidence has the same status as testifying before a chamber of the parliament. We need you to be aware of that. Does either of you have an opening statement you would like to make?

**Ms Greco**—I do, and I think Andrew does as well.

**CHAIR**—Okay. Do you mind starting, please, Ms Greco?

**Ms Greco**—Thank you for the opportunity. The issue of free trade agreements has been concerning our sector for some time, and we have been particularly concerned with the lack of sufficient time for our sector to prepare, understand and analyse the implications of a number of these agreements. Specifically in relation to the FTA with ASEAN countries I would say that generally our sector is opposed to an agreement, and I will outline the reasons for that.

We see that there are very few real opportunities for component manufacturers to export to the ASEAN countries. I am talking for just the components sector at the moment; Andrew will talk about any differences or similarities there might be for the car manufacturers. However, even though there are a few opportunities for us, there are a great many risks that will result in further damage to have component manufacturing industry in Australia and induce further company collapses. Current market conditions make much of the industry in Australia marginal at the moment. Any additional pressure, such as the removal of tariffs for the ASEAN countries, could be the final trigger for a number of component manufacturers. In turn, we could also see the pullout of tier 1 global companies currently operating in Australia.

It is essential that there is a core automotive component manufacturing sector maintained here. If we lose that core sector of the industry, we would never regain it. In Australia, 75 to 80 per cent of a car is not designed or made by a vehicle manufacturer—and I think this is a point that is little understood. It is actually made up by the suppliers of systems and components.

The most important constraining factor in the industry is production volumes. Our production volumes are perilously low, and there is no way our industry can become any more competitive without increasing volumes. Australia has the second lowest production-to-sales ratio in the world. The only country that has a smaller one is Slovakia, which is producing only about 220,000 vehicles a year. This compares with countries like the US, which produces about 12 million vehicles a year; Japan, 11 million; and Germany, six million. Even Thailand produces 1.2 million vehicles a year. Indonesia and Malaysia also are producing far more vehicles than Australia: they produce well over 500,000.

**CHAIR**—Do you know what the population of Slovakia is?

**Ms Greco**—No, I do not know offhand.

**CHAIR**—We are just trying to see it in relation to the population in the other countries.

**Mr IAN MACFARLANE**—What are the figures here, in terms of production versus—

**Ms Greco**—We are down to 330,000 and it has dropped again.

**Mr IAN MACFARLANE**—On a million sales?

**Ms Greco**—It is considered that the minimum production level in Australia needs to be around 400.

**Mr McKellar**—Of the 300,000 to 330,000 vehicles produced in Australia, currently around half go to export, with the greatest volume going to the Middle East and particularly to Saudi Arabia, which is our largest individual market. In recent years the United States has been another growing market for the Australian automotive industry for vehicle exports.

**Ms Greco**—A minimum for Australia is thought to be around 400,000, although 500,000 would certainly be a much better figure. The concern for our sector is that the more the Asian suppliers gain share and volume, the more they can invest in innovation—which we like to think is very much where developed countries such as Australia prevail—and the more volume they have over which to amortise those investments. Until now, suppliers of automotive systems and component technologies have been led by the Japanese, but we are seeing that change, with a number of Asian countries starting to close that gap.

The maintenance of strong barriers against imports, particularly of vehicles, is a primary plank of the national automotive policies of any of the would-be countries that are new, developing players in the industry. I have to highlight that there is a guarantee offered to investors so that their positions in those countries are protected or at least not prematurely threatened. Irrespective of any agreement that gets signed, what happens behind the scenes to attract investment is that a number of these countries say to automotive investors that they will protect that position in the market for however many years irrespective of what free trade agreement might be signed. I think not enough importance is given to the fact that therefore any agreement on tariffs, such as with ASEAN, becomes illusory. What you see is simply a shift from transparent barriers to non-tariff barriers. We are seeing this in the case of Thailand. In the case of ASEAN there is no discussion of the non-tariff barriers for at least two years. We are talking not about reaching an agreement but about just the opening up of discussions in two years time. Those discussions could drag out for another 10 years.

Another point to be made is that various ASEAN countries operate hidden local content rules. These actively promote local components over imported components and thereby undermine any FTA. Again, we are seeing this in the case of Thailand. Australian component manufacturers have not benefited from the FTA with Thailand. We see the agreement as dysfunctional and a one-way street. Some of the measures used by Thailand disadvantage our component manufacturers. They use a whole range of measures. They could use custom regulations. They

apply their duties in different ways. They require excessively detailed classifications. They have no limits on customs clearance, which can drag on for many, many months. They have excessive requirements for documentation, which keeps being sent back. The exporter redoes the paperwork; it is still not good enough; it goes back again. This just drags on and you never know when your goods are going to make it through. The FTA with Thailand has also served to bring about cost-downs on local component manufacturers. For example, the Thai price gets used as a benchmark and local suppliers have to either meet or beat that benchmark, irrespective of any other costs—operating costs or supply input costs.

Another risk of an ASEAN FTA is the potential for completely built units—what we call ‘assemblies’—to be shipped into Australia. The real concern with this is that by becoming just an assembler Australia loses its technological know-how and all the spillover benefits that the industry currently provides. Being an assembler is not a competitive position, and it is not a sustainable position for Australia. It will result in the loss of our industry, because car makers will eventually just pull out if all we do is assembly.

I would like to provide one quote that has come from our members. We went out to our members and asked them to give us input on the various trade agreements. One of our leading component manufacturers said:

Every contract lost to an overseas supplier weakens the local industry. If this trend is not arrested, it will lead to large component suppliers’ local operations not being viable, which will mean my closure too.

The standardisation of global platforms that we have seen in the industry stimulates import substitution, and this leads to further cost-downs and to the industry becoming even more unviable. I guess some would say that this is how markets operate and how markets should operate; however, I would have to say that it is not an equal playing field. The FAPM did some calculations and found that the total value of assistance provided in Thailand for every car equals \$18,000. Even the EU, which probably has one of the lowest levels of assistance, maintains its tariffs at 10 per cent.

I would like to highlight the Australia-Thailand FTA. The FTA was sold to our industry as offering a great deal of export opportunities, I guess. Our experience has shown otherwise. We have seen a tripling of motor vehicle imports from Thailand from 2004 to 2007; they have now reached \$3.2 billion. Last year we had more Thai cars sold in Australia than Australian cars. Like the value of vehicle imports, the value of automotive part imports has risen strongly, from \$156 million in 2004 to \$526 million in 2007.

The Department of Foreign Affairs and Trade, in its submission to the Bracks report, claimed that component exports had increased from \$38 million to \$74 million over this period. I would like to take the opportunity to correct this. This increase can be traced to Australian automotive companies setting up operations in Thailand. What has been happening is a diversion of components that were produced in Australia; they are now going to Thailand. That has been picked up in the figures as an increase. When we talked to a number of our suppliers about their contracts, most of them said that they do not think that they will retain those contracts, because there will be substitution coming from component suppliers in Thailand. This is in large part due to local content rules, which are quietly enforced, and to cost pressures.

There is one final point that I would like to make before I hand over to Andrew, and that is Australia's adoption of a Carbon Pollution Reduction Scheme. Automotive industries are not classified as energy intensive and trade exposed. This will drive industrial production to countries where there are no emission penalties, and we will see more component imports to Australia but no reduction in CO<sub>2</sub> emissions globally. One of the key things is that Australia needs to address this, and it needs to consider various options. Those could include a carbon tax on imports. That is probably as much as I have to say.

**CHAIR**—Very interesting.

**Mr IAN MACFARLANE**—Can I just check a figure. The import of Thai vehicles was \$3 billion, was it?

**Ms Greco**—\$3.2 billion.

**Mr McKellar**—\$3.2 billion for vehicles, yes. Correct.

**CHAIR**—Did you say the absolute number of vehicles or just the dollar value?

**Ms Greco**—That was the dollar value.

**Mr IAN MACFARLANE**—It increased threefold.

**CHAIR**—Please go on, Mr McKellar, because we have lots of questions that we want to put to you.

**Mr McKellar**—I will be very brief. In summary I think the extent of trade between Australia and ASEAN in automotive products is far from optimised. That was reinforced in the comments that Anna made in her introduction. When the Thai-Australia Free Trade Agreement was negotiated, the automotive industry did support it at that time. We believed that it provided an opportunity to initiate a process with a key ASEAN economy which had a large automotive sector. I think, in practice, the greater proportion of the benefits have flowed to Thailand and we have seen an enormously significant growth in the volume of vehicles imported to Australia from Thailand. In contrast, we have seen a range of non-tariff barriers imposed by the Thais after that agreement was put in place. That is one of the reasons why the automotive industry believes that in future agreements, including the FTA that is currently under negotiation, the Australian government must take a tougher line and ensure that there is full reciprocal access achieved if we are going to accord those economies some margin of preference. That remains to be resolved in a number of instances as we work to finalise current negotiations.

There are opportunities in the region for Australian automotive exports and vehicle exports. In particular, in terms of future product plans Ford Australia has indicated that it will move to production of the new model Focus from 2011. A proportion of the production that is to be undertaken on that vehicle is clearly targeted towards export and the ASEAN markets offer a potential opportunity there. There is a concern that any agreement must deal quite comprehensively with not only tariff barriers, which are still significant in the region, but also non-tariff barriers. They vary across the economies but, in particular, we have seen that, as the ASEAN economies themselves have pursued their own liberalisation arrangements under the

AFTA program within ASEAN itself they have lowered tariffs and then stuck in place various domestic excise taxes, often structured in such a way so that the rates are calculated to benefit their own domestic production profile. In other economies, such as Malaysia, there are a range of even more far-reaching restrictions. So I think all of those things need to be on the table and we must find substantive ways of addressing those.

One of the concerns is that it has proved very difficult to address those matters in substance and to have a program of ongoing consultations on those issues. I think the industry would be quite sceptical about the ability of that sort of approach to deliver defined results within a reasonable time frame. So there are issues there. They will not be easy to resolve. Equally, even if we were to get a more far-reaching multilateral outcome, such as through the Doha process, the flexibilities that those negotiations potentially provided to developing economies would have given most of the ASEAN economies significant latitude not to provide reciprocal reductions or equivalent reductions in tariffs and other barriers to trade that Australia would have to had to undertake itself. I leave my comments there. If the committee has questions, I am more than happy to answer them.

**CHAIR**—If you had known what you now know, would you have been opposed to the Australia-Thai FTA?

**Mr McKellar**—It was an agreement entered into in a particular context at that time. What we would say is that future agreements have to go further. Equally, it should be a living agreement, where there is the opportunity to go back and negotiate further improvements and enhancements to reflect the contemporary reality and the balance of benefits that stem from that agreement.

**Mr IAN MACFARLANE**—Can I start by asking whether you support the FAPM position—that is, you do not support an FTA with ASEAN?

**Mr McKellar**—That would not be the FCAI's view. In response to the question, from the point of view of the vehicle manufacturers, we do want to see a substantive agreement negotiated and resolved with the ASEAN economies. However, the final terms of that agreement and what would come out of it do need to be examined in close detail. If, for example, economies, such as Malaysia or Indonesia, do not grant full reciprocal access or certainly equivalent reductions in tariffs, then I think there is an argument that any final agreement should not offer those economies a preferential margin. That may need to be one of the final outcomes. I think efforts are still underway and the industry is seeking to play a constructive role in those efforts to achieve a more far-reaching outcome from those negotiations. But if it is not achieved then I think the idea that Australia must concede zero tariffs to all of the ASEAN economies across the board has to be challenged. Equally, I do have concerns and reservations, as do the industry, about the mechanism that has been identified in the negotiations to address non-tariff barriers.

**Mr IAN MACFARLANE**—Isn't the reality, though, that of the ASEAN countries the one that has the potential to still do you the most damage on an ongoing basis is Thailand? In terms of the ability of Malaysia and Indonesia, componentry will be Anna's issue but, in terms of complete vehicles, Thailand is really the issue?

**Mr McKellar**—Absolutely. The Thai automotive industry is far and away the most advanced and developed in the ASEAN region. We already have an FTA with it.

**Mr IAN MACFARLANE**—Which, as you say, should be a living agreement?

**Mr McKellar**—It should be; that is correct. There should also be an opportunity, if we are to get a successful outcome from a broader ASEAN free trade agreement, for it to go above and beyond what has been agreed bilaterally between Australia and Thailand and that would enhance—

**Mr IAN MACFARLANE**—And then Thailand should be dragged up to it? That is what you are saying?

**Mr McKellar**—Indeed. In fact, it would then give Australian automotive manufacturers a greater opportunity to access that market over and above what is in the bilateral agreement. It could be that, as a living document, you end up merging the two.

**Mr IAN MACFARLANE**—To go to the issue of cost downs—I guess this puts Andrew in an awkward position, so I will address these questions to you, Anna—from countries other than Thailand you would be experiencing import pressure as those countries develop, particularly Indonesia and Malaysia?

**Ms Greco**—But it is particularly acute with countries such as Thailand where you do not have the tariff differential, especially under current conditions.

**Mr IAN MACFARLANE**—I am thinking more in the context of an ASEAN FTA where tariffs are dropped to zero, along with the pressure you will continue to get from Thailand, that whilst Andrews members may not get pressure on completed vehicles you could also get a lot of pressure on components?

**Ms Greco**—We will. If the product can be produced, let's say in Thailand, and then imported into Australia without any tariff, and you have got a cheaper country in which to operate, even for our tier 1s, you say, 'Let's start looking at operating in Thailand; we can't afford to continue producing in Australia.' A number of our tier 1s have set up operations in Thailand where operating costs are so cheap. They have tax holidays and employees' costs and all the other associated costs are so much lower, and then there is no tariff there. It is easier to produce over there and then bring it into Australia and that then becomes the benchmark price.

**Mr IAN MACFARLANE**—What level of tier 1s are you seeing in countries other than Thailand? Are you seeing tier 1s looking at Indonesia and Malaysia?

**Ms Greco**—I am not aware of any of our members looking at Indonesia or Malaysia. Thailand has been the main country because Thailand has been so energetic in trying to attract or develop a car industry. It has done it in nine years, but you have to keep in mind that Thailand has been very effective because it has created industry, tax and trade policies that all align. It has brought all of those together to ensure that it encourages and develops its industry. That is how it has successfully done it behind protective walls.

**Mr IAN MACFARLANE**—I want to look for a moment at the other issue you raised, which is the introduction of carbon trading in Australia, and at your component manufacturing members who produce plastic components in particular and their reliance on energy, both gas and electricity, to do that. If their electricity prices rise between 40 and 50 per cent, what will that do to their competitiveness vis-a-vis that component being made in Thailand?

**Ms Greco**—They will not be competitive. If they are only marginal now, cost increases are going to mean they are even less competitive. The issue is that we are forcing industrial production from Australia to another country where operating costs are cheaper. You do not have any penalties on emissions and you have not done anything to address the global emissions situation. You have moved that production offshore, but you have not actually solved the global emissions problem.

**Mr IAN MACFARLANE**—That will apply not only to plastics but also to glass and steel?

**Ms Greco**—And aluminium.

**Mr McKellar**—It will be across the board.

**CHAIR**—Can you tell me what the main vehicle types are in this \$3.2 billion flood of Thai cars that are coming? What are the car names?

**Mr McKellar**—The predominant production from Thailand is light commercial vehicles—things like one-tonne utes and the like. For most of the major brands here, the local manufacturers would be importing a range of products of that type.

**CHAIR**—So it is mainly light trucks and that kind of stuff rather than sedans?

**Mr McKellar**—Right. HiLux vehicles, courier vehicles and similar—

**Mr IAN MACFARLANE**—But there are a lot of Highlanders made up in Thailand.

**Mr McKellar**—That is true. There are a couple of sedan models—

**CHAIR**—How are they distinguished from other vehicles?

**Mr IAN MACFARLANE**—They are not. The Honda range—both of the Accords, as in the Euro and the V6 4-cylinder American designs—is being built in Thailand. If you look at the major European manufacturers, they are now establishing bases for BMW and Mercedes in Thailand to supply the South-East Asian market, as is Toyota.

**Mr McKellar**—Ian was a very effective minister. He understands the industry well.

**Senator FORSHAW**—Who else are the Thais taking the business away from besides Australia? Ian has answered some of that. I am interested in what other countries that are major motor vehicle manufacturers are doing.

**Ms Greco**—Even in Japan, some of those Honda vehicles that are now being—

**Senator FORSHAW**—But how are they reacting?

**Mr McKellar**—To pick up on the point that Anna was making, Australia is a comparatively high-cost country for manufacture, as is Japan. China has its advantages, and obviously it is growing its manufacturing capability extremely strongly. One should not imagine for a second that the Thais have it all their own way. They have some very strong capabilities but, equally, they face intense competition for investment which is now going into industry across the Asia-Pacific region, in China and in India. From that point of view, they face intense competitive pressure there but they do have strong advantages. They obviously have been successful in developing an effective niche and they have exploited it tremendously well.

**Ms Greco**—The Thais built up their production volumes on the back of the pick-up truck, and now that they are producing 1.2 million vehicles they have got over that minimum production level and gone beyond the pick-up truck to other vehicles. That is where Australia really struggles. Our manufacturers had massive cost increases. Raw materials have been rising; steel has gone up over 100 per cent. Our manufacturers are limited to one supplier. I ask them the question about global prices, and they say, ‘If you’re in Korea, your steel prices get subsidised by the government, so it is not fair or equal competition.’ Not everyone is paying the same price for materials. In China it is very difficult to understand what sorts of government incentives and support mechanisms take place and what subsidisation goes on, but there is a lot of that happening, and we are going to see that in India, which wants to develop its industry as well. So we have a high-cost country, we do not have the production volumes and, because we produce in such small numbers, raw material prices hit us really hard.

**Senator FORSHAW**—What you are saying is that we are not following the sort of pattern that some of the bigger-producing countries, including countries like Korea, are following in terms of support for the industry.

**Ms Greco**—The industry is supported through ACIS, but I guess we are probably a bit more transparent than a lot of countries in the way that the industry is assisted. A number of countries have low costs to start with, and then they have a whole range of various forms of assistance that are not necessarily all that transparent.

**Mr McKellar**—Just to be clear on that point, what I would say is that the policy arrangements that are in place to attract and renew investment in the Australian automotive industry are very substantial, and the industry, I think, recognises the beneficial impact that those arrangements have had. There has been a continuity and a bipartisanship in those policy arrangements over a long period of time. The focus has been to open the industry to a greater level of international competition, and it has. That has been a common purpose of the policy arrangements that successive governments have put in place in the period, really, since the early to mid 1980s. I think we have seen effective results from that, but the competitive environment continues to get tougher.

**Senator FORSHAW**—Thank you. I was not trying to lead you to that. Thank you for that, but the reason I asked it is that, whilst we are looking at Australia’s relations with ASEAN, clearly there are countries like Japan and Korea that we also have to concern ourselves with in terms of this industry and how they are reacting to what is happening.

**Mr McKellar**—Japanese and Korean industry—Japan in particular—have very effective bilateral relations and investments on a significant scale in ASEAN. Obviously they are one of the really big global players in the automotive industry.

**Mr IAN MACFARLANE**—Just to tidy up this industry support issue, though, unless my maths is wrong it is \$3,000 a car, give or take, out of ACIS. Is that about it? It is a billion dollars a year.

**Mr McKellar**—Yes.

**Mr IAN MACFARLANE**—Then there is another \$3,000 in tariff protection on a \$30,000 vehicle, so let us say \$6,000. It is a third of what Thailand puts into a car—\$18,000.

**Mr McKellar**—Yes, and we are a high-cost location to manufacture compared to them. It is a substantial challenge that we are up against, and I think Australian manufacturers have done remarkably well to compete in that sort of context. Particularly when you look at some of the other factors, such as the high value of the dollar in recent years, I think the fact that we have been able to sustain and, in fact, grow exports to key markets, including the new growth in markets like the United States in recent years, is a tribute to the tenacity and competitiveness that the local automotive manufacturers have demonstrated. But we are at an absolutely crucial time. It is not getting any easier, and I think the developments that we are seeing occurring at the moment—with the slowing economy, the global financial crisis and the difficulty that global auto makers now face in securing future investments—are making it much tougher for the Australian based manufacturers to stay on the radar screen with their global parents. The sorts of figures we are seeing out of the United States at the moment in terms of car sales there show that the market is being slashed. Some key brands are down 25 or 30 per cent. They are losing enormous lines of credit as a result of the collapse of financial institutions there.

How we are going to attract the next wave of investment for ongoing model development and production here in Australia is a huge challenge. The government's response to the Bracks review is absolutely essential as part of that, but even at the most optimistic end of Mr Bracks's recommendations the industry will face a very significant challenge. The fact that here in Australia there is a one-off tariff reduction scheduled for a little over 12 months away, in and of itself, presents difficulties. Notwithstanding that there has been substantial assistance provided under the current plan to prepare the industry for that transition, it nonetheless represents a very significant step down in one hit, and it will be a major challenge to attract future investment for that next generation of model development in Australia.

**Senator ARBIB**—Mr Macfarlane actually answered one of my questions, which was about the figure for Australian assistance.

**Mr McKellar**—You should have him on a retainer!

**Senator ARBIB**—You gave the figure of \$18,000 per car in Thailand. Do you have that figure for the other ASEAN nations? Is it possible to get that? It is interesting.

**Ms Greco**—I think the Department of Innovation, Industry, Science and Research might—

**Senator ARBIB**—So it is their figures? Okay.

**Ms Greco**—No, we had this bit of work done. The department might be able to calculate it. The last time I spoke to the department, I found that they have difficulty in trying to calculate these things. Not everything is easily identifiable, and things happen at different levels—national, state and even provincial—so I do not think they have done a figure for every country, but they have looked at it, and some of it was in the Bracks review. They did some work for the Bracks review looking at the forms of assistance in various countries, as I said, but not all of it is picked up.

**Mr McKellar**—My suspicion would be that, of the ASEAN economies, the most protected would be Malaysia, so if that is the measure in Thailand then I would anticipate that it would be a significantly higher figure in Malaysia.

**CHAIR**—It would be very interesting for us to see a comparative table for that matter.

**Mr IAN MACFARLANE**—That \$3,000 tariff, of course, does not apply to cars coming from Thailand. It applies to cars coming from other countries, but for Thailand it is zero.

**Senator ARBIB**—It is free of tariff for Thailand, you are saying.

**Mr IAN MACFARLANE**—Yes. So, in terms of the Australian industry competing against Thailand, it is \$3,000 versus \$18,000.

**CHAIR**—Perhaps the secretariat can note this. Even if you do not have those figures, we should get them and circulate them amongst ourselves. I do not know where we would get them. Perhaps we could get them from the Bracks review or the Parliamentary Library.

**Mr IAN MACFARLANE**—Senator Carr could ask his department to produce those figures.

**CHAIR**—I will ask Senator Carr to give us some comparative figures.

**Senator TROOD**—Mr McKellar, you said it would be ideal to get to 400,000 units, and 500,000 if possible. What is the highest it has ever been? We have never been anywhere near that, I assume, in terms of local production. Is that right?

**Mr McKellar**—Off the top of my head, the highest it has been is around 400,000.

**Ms Greco**—We produced just over 400,000 at one point.

**Mr McKellar**—That would be the peak.

**Senator TROOD**—How recent is that point?

**Mr IAN MACFARLANE**—It would have been 2000.

**Mr McKellar**—Yes, it would have been the early part of the decade.

**Mr IAN MACFARLANE**—The vehicle sales then would have been 700,000 a year, so it was almost half of sales. Now vehicle sales are at one million and local production is at 300,000, so the percentage has changed quite dramatically. Four hundred thousand then would be equivalent to 500,000 now.

**Mr McKellar**—The market share of locally produced vehicles is now less than 20 per cent. Five or six years ago it was around the mid-30s, and if you go back to 10 years ago then it would have been 50 per cent or more. So that is the extent of the change in the market that has occurred over a period of a decade. The local manufacturers' market share in their own home market has declined to that extent.

**CHAIR**—That includes the growth in exports, doesn't it?

**Mr McKellar**—The figures I am quoting are just in relation to the domestic market and their share of the domestic market. In that period of time, of course, exports have grown and have at least partly offset the decline in volumes in the domestic market. Over a 10-year period exports would have grown quite substantially and would now account for 50 per cent or more of total local production.

**Senator TROOD**—What you seem to be saying, Mr McKellar, is that globally the automobile industry is going to suffer more difficult times ahead—at least, the American market is—and that there are huge demand pressures on supply. Are you expecting a decline in the overall demand for vehicles globally?

**Mr McKellar**—We are certainly seeing that at the moment. There is no doubt about that. We are seeing it on a significant scale in the world's largest automotive market, and that is the United States. I think we are seeing similar pressures in other major markets and even here in Australia, where we have had a very resilient car market which last year, for the first time ever, exceeded a million units in terms of total vehicle sales. I do believe we are on track again to achieve that this year. Nonetheless, last month the market was down around 12 per cent on a year ago. The chamber is releasing sales figures for September tomorrow, and the early indications are that that again will show that the market is down by at least three per cent or thereabouts on what it was a year ago. So we have been affected by the broader slowdown in the economy, but equally we cannot escape what is going on—the significant ramifications of what is occurring in the United States and the impact that is having on global credit markets and the availability of finance for investment, which will be voted on by the international shareholders of the companies that manufacture vehicles here in Australia.

**CHAIR**—Do you have a definition of 'locally produced vehicle'? Is it 70 per cent, 80 per cent?

**Mr IAN MACFARLANE**—Excuse me! There are allegations that some of the Australian-made vehicles are about 40 per cent. I do not think they would own up to that. I just want to make the point that, whilst a lot of emphasis is on the Thai FTA and the impact that it has had, it has to be remembered that the dollar has appreciated by 30 per cent least since that agreement was signed, which makes overseas cars 30 per cent cheaper here relative to locally produced cars.

**Ms GRIERSON**—You raised earlier a proposed carbon tax on imported vehicles. Have you made a submission through the green paper or anything like that at this stage?

**Mr McKellar**—We are making a submission and there will be further submissions to come. We are analysing the impact of those arrangements. I think, to be clear, of all the options that Australia has to contribute to efforts to address climate change, a broadly based emissions trading system has to be at the front of the queue. But clearly that has competing impacts. We need to ensure that, going through the process, we design it in such a way that it takes into account those competitive impacts and we do not simply end up driving investment offshore into other markets where they do not have the same effective policies in place. That is obviously a pretty tough job. It is something of a catch 22. But we need to go through that process in a robust and rigorous way.

**CHAIR**—Thank you both for your attendance today. We appreciate it very much. If there are any matters on which we might need to get additional information the secretary will contact you. You will get a transcript of your evidence. If there are any corrections, please advise us. Thank you both very much for coming along today. Your evidence was very complementary to some evidence we have already received.

[2.50 pm]

**FITZPATRICK, Ms Sarah, Consultant, Australian Services Union**

**SLAPE, Mr Paul, National Secretary, Australian Services Union**

**CAREY, Mr David, Federal Secretary, Community and Public Sector Union-State Public Services Federation**

**CHAIR**—On behalf of the Foreign Affairs Subcommittee, I welcome the witnesses. I cannot imagine that you wish to give any evidence in camera, but if you do we are happy to take that. Do you wish to mention anything about the capacity in which you appear?

**Mr Slape**—The CEPU could not be here today, but this is Sarah Fitzpatrick. Sarah used to work for an international union body called Building and Wood Workers International. She was the Pacific representative based here in Melbourne, so she has had extensive experience in forestry and what is going on in the region. The three unions are affiliated to an international trade union global federation called Public Services International, so we have unions all around the world, including in the ASEAN countries, in New Zealand et cetera. Until recently I was the executive member of that. Last year I passed that over to David Carey, so David is going to make the presentation on behalf of all of us, if that is okay.

**CHAIR**—Before that, I must inform you that you do not have to give evidence on oath, but evidence you give is equivalent to appearing before parliament and it is under the same conditions as if you appeared before one of the chambers. Do not let that intimidate you. We welcome an introductory statement and then we will have some questions.

**Mr Carey**—Our interest, as you might have gathered from our submission, is that we are a public sector union representing employees through all the regions that the inquiry is dealing with in the ASEAN area. Our membership and the people that we are familiar with are people who work in all forms of public sector activity—in the provision of public services in terms of care, health, general government administration and so forth but also, on the other side, in the provision of hard services like water, utilities, electricity, airports, public infrastructure, transport and so on. So our membership and the affiliates to the PSI, which brings us here, are involved in all the provision of those services essential to the security and wellbeing of the ASEAN countries and the populations of those countries.

Our interest is in the component of the inquiry's writ relating to the way that good, well-trained and efficient public services contribute to social wellbeing, the ability of the country to sustain its own population and the ability of its population to be sustained healthily and in good order. We say that the fundamental part of that in any country—be it an ASEAN country or Australia or in Europe—is the need to have a well-informed and well-organised workforce in that country. Part of having a well-informed, well-organised workforce is the ability for those workers to represent themselves and the ability of the country to adequately adopt the International Labour Standards in order to protect the working population of those countries.

Without those things then the country is open and prone to corruption. It is prone to oppression. It is prone to discrimination. It is prone to exploitation. It is prone to a reduction in living standards. We say if you do not have those things a country cannot be a fully functioning wealthy country. Those things are in Australia's interests to promote within the ASEAN region, within the countries of ASEAN. It is not simply to do with—and it is not the least issue—the issue of their physical environment and climate. It is also on behalf of the population: they must have the right to health, the right to a good standard of living and so on. So the thrust of our submission is that it is in Australia's interests for ASEAN countries to adopt good practices with regard to the removal of discrimination and the elimination of poverty, child labour and discrimination against employees in trade unions in those countries. That is as important as it is to be an efficient exporter or a well-defended country. That is the general approach that we take. We think that those sorts of elements in a country add to Australian and regional security.

That is our opening statement. I would add that we have extensive contacts with organisations in the region. We are part of a regional network of trade unions within the Asia-Pacific, the Pacific, Oceania and internationally. Our involvement in those organisations has led us to that belief.

**CHAIR**—Thank you for that. Before I hand over to other people for questions, I have a question. On page 7 of your submission you talk about failed states within ASEAN and comment that a failed state is a security issue for the whole region. How vulnerable are ASEAN states to becoming failed states? In your opinion, does ASEAN contain any failed states at the moment? If yes, which ones are they and why?

**Mr Carey**—I would consider Burma to be one of the worst. You have got to worry about Laos, but it is much smaller. There are parts of Indonesia—not the country as a whole but parts of it—which are quite lawless and where poverty reigns and where corruption reigns. There are parts of the Philippines too. The Philippines has some great difficulties in many respects in extending government control and defending individuals' rights. There are human rights abuses daily in the Philippines. There is widespread poverty and there is widespread corruption and racketeering. I would say that, while the Philippines is not a failed state, there are serious parts of the Philippines in which that is happening. Well—

**CHAIR**—That is enough. If there are no more I do not want you to identify any more.

**Mr Carey**—I think all those things do in effect pose a threat to Australia. If there is poverty, lawlessness, corruption and so on happening in the south of the Philippines that influences what happens in the countries around it through to Malaysia, Indonesia, Papua New Guinea and so on. It is an issue for Australia.

**CHAIR**—On page 10 of your submission you raise the issue of corruption and you say 'allowing corruption to occur by not insisting on monitoring and accountability is unacceptable'. How would you rank countries within ASEAN with regard to levels of corruption? What role do unions play in seeing that the issue of corruption is exposed, ended or modified?

**Mr Carey**—How would I rank them? It is difficult to say.

**CHAIR**—How about from least corrupt to most corrupt?

**Mr Carey**—I do not know if I would want to rank them like that—

**CHAIR**—Okay; fair enough.

**Mr Carey**—because I do not think that is a proper method of comparison. There is rank corruption extant in all countries, but some have more than others and some have different types of corruption. As I said, I could go back to some examples that we in this organisation have been exposed to personally. In the Philippines it is a big problem, and it is of direct interest to Australia because Australia is actually, and has been for the last five years or so, involved in skills programs in health, education and training—providing governance training to Philippine public sector workers and so forth—and we have got some specific criticisms about just how Australia does that and some suggestions for improving that.

Our Asia-Pacific executive board member for the whole of the PSI, a woman called Annie Geron, is a Philippine public servant. She works in the department of training in Manila. She is a longstanding, active union member, very prominent, is a member of various international bodies, has partaken in meetings and represented workers in the Philippines and in the ILO and so forth. She and her husband work in that department. Corruption was rife in how it was run and she blew the whistle on it. She was threatened physically. The police were called by her superior. She was then transferred from Manila to the far corners of the provinces, and threats were made on her life, obliquely—but, as a trade union officer in the Philippines, when you get threats made on your life, you take that very seriously because there are trade unionists being shot, rounded up and taken away. It is not an unusual occurrence. It probably happens about once a week in the Philippines. There are trade unionists who stand up and are gunned down in the street. It is not widely reported here. But a public servant in a state institution of training exposed corruption by her superior and, for that, was transferred out. That sort of thing happens quite often. That case was brought to the attention of the ILO, and there was a tripartite investigation of her case by the ILO. She was exonerated, the sanctions against her were removed and the superior of that training department was stood down and removed and, I think, prosecuted.

That is the sort of institutional support that we say Australia should give, supporting both the capacity of people to do that and the sorts of organisations that will allow protection to people who do that—and we say they are workers organisations like trade unions, which need to be adequately resourced. It would be in Australia's interests to support that sort of activity.

**Senator FORSHAW**—I am aware that the union movements both here and internationally are involved in education, training and assistance with respect to unions and workers in other countries. Could you give us a bit of an idea of what the PSI does, and what the Australian contribution is to assisting, if you like, the development of unions or, even more broadly, providing training and education services.

**Mr Carey**—Australia has had a very good record in—

**Senator FORSHAW**—I mean particularly for ASEAN.

**Mr Carey**—Our organisation has offices in Indonesia, Singapore and Malaysia as at—

**Senator FORSHAW**—That is PSI you are talking about?

**Mr Carey**—PSI, yes. PSI has offices there. We have a series of training programs in capacity building or trade union training programs for our affiliates in the region. There is little in the way of physical support at the moment by Australia because of our previous, 10-year history of being preoccupied with other matters, but the Australian government also contributes through the ILO, the Asian Development Bank and the World Bank to projects in the region.

**Senator FORSHAW**—Do you work with the CDI, the Centre for Democratic Institutions? It is at ANU. It is funded through AusAID.

**Mr Carey**—No. We are a regional organisation which is mainly funded through our head office in Geneva. We have an international fund, the solidarity fund, which is for expenditure of moneys within the Asia-Pacific region. Unionism in the public sector in the southern part of Asia is reasonable but it is quite fragile. Indonesia is a very poorly organised country as far as public sector unions are concerned. Thailand is fairly good. Malaysia is fairly good. Singapore is reasonable. Burma—just forget about it.

**Mr Slape**—I think it is fair to say of the PSI budget, which is a reasonable budget, that 70 per cent comes from unions in the First World, if you like, and generally we spend 70 per cent of our funds in Third World countries, trying to develop unions, helping unions get on their feet, providing that traditional trade union training but also other training, such as on the problem of AIDS, and all those sorts of things. It is fairly extensive. Most of the money goes on training in the Asian region as well as in Africa and South America—those developing economies.

**CHAIR**—Just to add to what Senator Forshaw was saying, prior to the last election and even after this budget, both the Liberal party and the Labor Party received money for international funds along the lines of most European countries.

**Senator FORSHAW**—And the US also.

**CHAIR**—Yes. I am surprised it does not happen, but it probably would be a good idea if, certainly, the Labor Party fund, which is trying to do the same kind of work in our part of the world, were in contact with you and at least got some experience.

**Mr Slape**—I think we are, actually.

**Senator FORSHAW**—Can I move to another issue that is in your submission, and that is free trade agreements with individual ASEAN countries. You raise the sorts of ongoing concerns there are about the impacts of such agreements: ‘rising inequality, unemployment or reduction in the supply of essential services’. In the FTAs that have been negotiated between Australia and ASEAN countries—Thailand and Singapore—have you seen any evidence of these concerns?

**Mr Carey**—Thailand is fairly recent so there has not been a lot of fallout; however, Thailand over the last couple of years has gone through some fairly major ructions about private ownership. I do not know that we as a public sector related union have seen much that has at this point affected our patch. However, our people within utilities have had dramatic struggles with pushes to privatise public sector utilities such as water, electricity and so forth in Thailand. There have been massive social disruptions around those issues in Thailand.

The trade in services issue will be the one that will affect us or public sector workers because of the ability to then move services or have services provided by foreign companies as opposed to the state itself. With the removal of contestability for provision of those services, pressure is then put upon the national government to open up its own service provision to private providers mainly from overseas. But that is not yet ready to take off.

**Senator FORSHAW**—That in some circumstances could give you more leverage, couldn't it? I am not suggesting that it is a desirable outcome, but if unions are used to dealing with particular companies in the developed world it is the old catch 22. Jobs are being lost in one country because of cheaper cost structures in another, but, at the same time, some opportunities to influence the company at the local level as distinct from—

**Mr Carey**—Unfortunately, it goes the other way. Most of the time, if you are bringing in a cheaper competitor and they are able to use labour costs and do not use the international conventions on procurement and the insertion of labour clauses into the contract for service, that undercuts the local rate. Therefore, the local, state provided payment goes down. There is an issue of the international conventions being adhered to. Australia should have a role in picking those up and promoting them within ASEAN countries, because we then allow those countries to race to the bottom. We should be there and do it in forums such as the Asian Development Bank, where we are a contributor. We should do it at the World Bank, where we are a contributor—a lender—rather than a borrower. We should be in there saying all those international conventions should be conditions on the expenditure or granting of loans in the ASEAN area—through the ADB, for argument's sake. That way the standards of the public sector workers are protected. That is our interest in those areas.

There is a very good example, and it is pertinent. The ADB expends about \$11 billion in the region in a year. Australia is, I think, the fourth largest contributor to the ADB. Japan, the US and so forth are much higher. We are on the board of the ADB. The ADB is lagging behind the World Bank. The World Bank has adopted core labour standards as conditional for the International Finance Corporation providing loans to developing countries and to private sector investment within developing countries. The ADB, of which we are a party, has not done that. One good, practical thing that Australia could do is secure the core labour standards. These are only four; they are not the broader standards. They are the removal of discrimination in employment, the abolition of forced labour, the abolition of child labour and the right for employees to organise and collectively bargain. We should say that Australia will demand that the ADB make as a condition of any of its loans in the ASEAN area that the companies or governments adopt, guarantee and implement those standards and, if they do not do that, demand that the loan be cancelled.

**Senator FORSHAW**—I assume PSI has raised that.

**Mr Carey**—We have indeed. We went to the last ADB annual meeting with Senator Sherry.

**Senator FORSHAW**—Did you get observer status too?

**Mr Slape**—We were recognised as being an NGO.

**Senator FORSHAW**—Yes, okay.

**Mr Carey**—So PSI take up that issue because we understand how important it is, when those loans are given to developing countries within the ASEAN region, that those standards in the background be maintained as a condition of those loans.

**Senator FORSHAW**—Thanks for that.

**Senator MOORE**—One of the things that we heard in the previous round of evidence from the departments when they came as a group was that the way that ASEAN operates is not to intrude into the operations of member countries. It is seen as a cooperative and the only way people get involved is if they are invited in. We heard this morning in evidence from the Australian Federal Police that some very positive things that they are doing are only at the behest of the sponsoring country saying, ‘We want you to come in and work on these.’ How do you get around that? It seems to me that, while your submission puts up a lot of really strong, valuable social justice issues that should be considered in negotiations, you do not talk about the lever to get them considered. You do not say how it should happen, and I know that is the major issue. How do you think it should happen?

**Mr Carey**—I think it should be on a bilateral basis. ASEAN is the organisation but it does not literally run the day-to-day operations of the governments of the countries within ASEAN. If there are things happening in an ASEAN-affiliated country, then I think Australia can take those things up bilaterally. I do not know if I am answering your question or giving you what you are seeking.

There are other international and overlapping forums that cover ASEAN countries. As we know, there are the international labour organisations to which ASEAN countries are bound. Most of the individual ASEAN countries, apart from Burma and Vietnam, have signed some aspects of some international treaties. So ASEAN itself, in our view, should not be a barrier to the multilateral arrangements that those countries are a party to and to which we are a party. We should use the broader relationships that those countries have within ASEAN.

**Senator MOORE**—You do not recommend anything directly in your submission as I read it. You do raise the issues.

**Mr Carey**—Not to ASEAN as an organisation.

**Senator MOORE**—So you do not use the ASEAN mechanism and you actually effect change within the member nations by using other forums—is that right?

**Mr Carey**—Yes, that would be my answer to that.

**Senator MOORE**—So that would be the kind of recommendation?

**Mr Carey**—Yes.

**Ms PARKE**—I wish to pick up Senator Forshaw’s comments in relation to free trade agreements and this is also in relation to your submission in which you say there must be an awareness of the rights of workers and the users of public services and of the need for human development. What specific suggestions do you have for future FTAs that Australia might

negotiate? You do have specific suggestions about what the conditions of ADB loans might be. Do you also have specific suggestions for FTAs?

**Mr Carey**—It is pretty much along the same lines, that free trade agreements should be incorporating all those conventions regarding rights and protections and they should be conditional. When we do a free trade agreement, they should be incorporated in the terms of that agreement. If we want to have a free trade agreement with Thailand, we should be saying, ‘If we want to have a free trade agreement with Thailand, Thailand must have robust labour laws, must have rights of protection against child labour, must have mechanisms for redressing discrimination at work and so on.’ All those things are international standards that have been negotiated and Australia has concurred with. In one case Australia actually initiated them. We should say to countries when we do free trade agreements, ‘Yes, we would like to remove barriers to trade; however, we do not want to have a free trade agreement with a country that does not enforce these fundamental rights within its own country, within in its own backyard.’ So we say to add them onto the free trade agreement and make them conditional on the establishment of a free trade agreement. We will only trade with people who are fair to their employees, do not allow exploitation and do not allow child labour and so on. That should be the condition.

**CHAIR**—Thank you very much for your attendance today. We appreciate it. It will be a valuable addition to our inquiry into ASEAN. If we need any information from you the secretariat will be in further contact.

**Proceedings suspended from 3.20 pm to 3.33 pm**

**VICARY, Ms Alison, Member, Burma Campaign Australia**

**CHAIR**—I welcome representatives of the Burma Campaign Australia, and Alison Vicary in particular. I presume that all the evidence you want to give is public. This committee does not require people to give evidence on oath, but you should be aware that these hearings are legal proceedings of the parliament and have the same standing as the proceedings of the chambers themselves. Do you have an introductory comment you would like to give us before we ask you some questions?

**Ms Vicary**—I have a little blurb that I have written up. I will read it out for you. I will just tell you a little bit about Burma Campaign Australia. It was established in 2007. It has about 1,700 subscribed members. These include Australian organisations and individuals, Burmese community groups and also non-Burmese groups and individuals. We have direct, frequent and ongoing contact with people inside Burma and on its borders, representing a range of different political groups and opinions. We obtain regular information, and we also have a close working relationship with other international and national Burma solidarity groups.

There is a small thing I would like to say about the FTA. It is unlikely that Australia would be able to negotiate an FTA with Burma. Moreover, an FTA, if negotiated, would provide little benefit for Australians and for the average Burmese. The regime and its bureaucracy do not have the capacity to engage in the complex negotiations required for such an agreement. Even if agreement could be made on tariffs, there is little reason for the regime to combat the plethora of non-tariff barriers, which are primarily designed to raise revenue and support local vested interests rather than being directed at promoting local industries and protecting them from foreign trade. Also, policymaking in Burma is unpredictable and is often a knee-jerk response to some slight or perceived problem. A small example in the trade area is that, after one of the regime's spats with Thailand, the regime banned the import of Thai energy drinks, supposedly because they had a bad effect on the health of Burmese citizens.

There are a couple of small things which you are probably well aware of. I would like to say something small about the sanctions and visa ban. Burma Campaign Australia supports the financial sanctions and visa ban, but there are two major problems with their implementation. Firstly, the individuals and companies on the different countries' sanctions lists do not match. The number and names of those in the same family on the different country lists can vary. Similarly, companies from the different countries have different companies on their lists. Much of this appears to be the result of poor oversight rather than being based on decisions to exclude or include specific individuals or companies.

Secondly, the monitoring and enforcement of the sanctions and visa bans is opaque and appears limited. The only monitoring appears to have been undertaken by ordinary Australian residents informing the Department of Immigration and Citizenship of the presence of individuals on the sanctions lists actually living in Australia. Most of those on the list in Australia came here on student visas. A few individuals on the list, seemingly unknown to the authorities, had become Australian citizens or permanent residents prior to the imposition of the visa ban. The poor monitoring and enforcement of the sanctions and visa bans needs to be rectified and the monitoring and enforcement mechanisms upgraded and publicly clarified.

Financial sanctions and visa bans are a positive for Australia, as they curtail the money-laundering activities of the regime and their closest associates. Many of those on the list have sizeable fortunes from their involvement in the trade of weapons and drugs. It is particularly so for those in the military and its associated structures that have been stationed in the China-Burma border area. Also, commanders and other senior members of the regime have amassed wealth via monopoly control over resources, which is enforced by violence or its threat. Ministers in the SLORC and SPDC have amassed wealth by obtaining access to resources ostensibly under the care of their portfolio. These people are not wealthy from having entrepreneurial expertise pitted against the talents of others in the free market. Wealth has been illegitimately obtained from the theft of public assets and resources. This theft is highlighted by the fact that more than US\$10 billion earned from gas sales to Thailand has gone missing. This money has not been allocated to government expenditure but presumably to the private accounts of regime members.

On police training, police in Burma are not independent of the military regime. They are actively involved in population control, and this has been documented by respected organisations such as the International Crisis Group. Moreover, the regime has no focus or interest in what are recognised in Australia as counterterrorism activities. Its focus and interest is in controlling the lives of ordinary people to maintain its grip on power. The AFP, by training members of Burma's police force in counterterrorism methods, has created the potential for expertise to be used for political purposes to monitor and surveil ordinary Burmese.

I will say a little bit about accountability of aid and cross-border activities. Australia has provided \$55 million in the wake of Cyclone Nargis, yet there is a shortfall in the funding needed to provide for those Burmese living in the refugee camps on the Thai-Burma border. There is not enough money to provide those living in the camps with enough calories to meet their daily nutritional requirements. Some of this shortfall in funds has arisen due to the increase in food and fuel prices, but it is also due to a diversion of aid funds from the border areas inside Burma. Also, Australia does not contribute any funds to cross-border activities that can assist IDPs and those eking out an existence in the border areas inside Burma. These are the people who are typically in the most desperate need of assistance. The UK, the United States, Norway, Denmark, Ireland and Canada allow their aid funds to deliver some basic goods and services from Thailand and China to inside Burma.

Another issue of concern is to do with the transparency and accountability of the \$55 million provided to assist the victims of Cyclone Nargis. The propensity of the regime to appropriate and divert resources for its own use illustrates the need for heightened vigilance in accounting for aid funds. Note the problem with the theft and diversion of aid funds and resources that were made public during the heightened attention provided by the media in the immediate aftermath of the cyclone. This is also a regime that inflated the cost of the damage to Burma's public infrastructure and discounted the cost of the damage to the private sector in order to falsely obtain funds from the international community. Also, contracts for reconstruction have been awarded to many of the same companies that are on the sanction and visa ban list.

The propensities of the regime mean that standard monitoring and evaluation practices imposed on the use of aid funds are insufficient. All NGOs in receipt of aid funds should have to make public detailed financial and narrative accounts of their projects. This would be in keeping

with the practices of the Three Diseases Fund, which began to provide moneys for projects to combat malaria, TB and HIV in 2007.

**CHAIR**—Which fund is that?

**Ms Vicary**—The Three Diseases Fund, to which Australia is an important contributor. The Three Diseases Fund imposed practices and increased the transparency and accountability of funds after earlier joint funds, FHAM and the Global Fund, experienced difficulties with their operations.

Last of all, regarding links with other ASEAN groups, Australia does not have to go it alone when making public criticism of Burma's military regime. There are established high-ranking groups within ASEAN, such as the ASEAN Inter-Parliamentary Myanmar Caucus, along with Burmese leaders who are actively involved and engaged in the promotion of human rights and democracy. Australian parliamentarians and dignitaries should link with similar and like-minded individuals and organisations in ASEAN to enhance efforts to promote positive change.

**CHAIR**—Thank you very much. Recommendation 3 on page 8 of your submission says:

Australia should use its good relationship with regional powers, particularly China and India, to bring the junta to the negotiating table.

Who does Burma listen to more—India, China or both? Is there any evidence that in previous times the Chinese have had a decisive influence with Burma?

**Ms Vicary**—I would say that the Burmese probably listen to the Chinese a little more, and that is because they have had a more longstanding relationship with them and the Chinese have kind of backed them up in certain circumstances. The Chinese were trying to push the regime after Cyclone Nargis to get them to allow the delivery of aid, and that seemed to have some sort of impact. I think the Chinese have some level of concern with some of Burma's behaviour because, for a start, it is a bit of an embarrassment for them. A couple of other reasons include the big drug problem in Shan State and Kachin State and how that has gone over into Hunan province. That is one issue. I also know that for a long time the Chinese have been trying to get some of the opposition groups that operate inside Hunan province to hand over intelligence communications with them. For years they have been trying to do a deal, and apparently recently they have had more success. That is quite common in Thailand, where the opposition groups will trade intelligence information for safety and so on.

**CHAIR**—Both in your submission and in your opening comments, you were critical of the Australian Federal Police's training of Thai police. When we had testimony from the AFP today—

**Ms Vicary**—The Burmese police.

**CHAIR**—Sorry, the Burmese police. The AFP told us that they were training people only in the police. No-one has had any contact with the Thai military. They do not train people in the Thai military other than below the level of colonel. The *raison d'être* for it is opposition to

people trafficking and narcotics, nothing to do with counterterrorism. Would you like to comment on that?

**Ms Vicary**—Yes, there are a couple of things. Firstly, there are no structures in Burma that are independent of the regime. It is a highly totalitarian, highly organised society. One thing I would say is that, yes, the police are not the military, but they are under the control of the military. For example, the local police are involved in active surveillance of the population. If someone's child was part of the 88 Generation, they will be followed and still are followed by the local police. The police will show up at the door, trying to sell these ridiculous magazines and pieces of propaganda to everyone in the suburb. They are the ones that do a lot of the local watching.

**CHAIR**—Why do they sell those things in the local suburb?

**Ms Vicary**—It is on their police beat, so they will go round and knock on the door and force people to buy these things, because they make money out of it.

**CHAIR**—I see. Is it like *Watchtower*?

**Ms Vicary**—Exactly—similar sorts of rubbish.

**CHAIR**—Okay! I appreciate your frank presentation!

**Ms Vicary**—They are not independent and there is no way they can be independent. And, okay, they are not high ranking because they are below the rank of colonel, so you would have to ask two questions: firstly, what are they actually going to do with the training? Because they cannot act independently. In the different branches in Burma, people do not act independently. You wait for the person above you to tell you what to do, and that person waits for the person above them to tell them what to do, and that person waits and so on. No-one acts independently, out of fear. It is an incredibly hierarchical society. So, even if the training were not used or some deleterious purpose, what are they going to be able to do with it? How are they actually going to be able to track people-smuggling? And most of the people-smuggling—I know because I did quite a big survey of Burmese migrant workers in Thailand—is not a big crime. It is usually the local village person helping people move to Thailand or it is people who have come from Thailand and go back to the village and then help people to move, mostly because they want to move because they want to get the hell out of there.

Secondly, with the money laundering—how is someone below a colonel even going to begin to act on money laundering in Burma? They have no power. They just do what they are told by those above. I would say that, in a sense, it is probably just a waste of money.

**CHAIR**—All right. Fair enough. You were critical of Australia's response to the issue of refugees on the Thailand-Burma border and you said that we did not give them assistance. I assume you mean that we do not give assistance to all the refugees to get into the camps, but I know for a fact that Australia is involved in sorting out some of those refugees for migration to Australia.

**Ms Vicary**—Yes, definitely. Obviously, the contribution of Australia in terms of the resettlement program from Malaysia and from the camps is, I know, very much appreciated, and

a huge contribution. I think that partly came from the fact that the person who heads up the Thai-Burma Border Consortium has been doing the rounds because there is not enough money to actually feed the people—and part of that, like I said in here, is because of the rise in food and fuel prices. But it is also because what has happened over time is that Australia and other countries have moved their funding from the border areas to inside Burma—say, to the Three Diseases Fund or farm and other projects—so people on the border have suffered. Also, one of the differences with Australia's policy versus some of the other countries' is that none of the funds provided for cross-border aid. For example, they have what is called a backpack medical team, where these guys who are trained as medics might go into, say, Karen State for a couple of months with basic medicines to deliver babies immunisation et cetera. Australia is not funding any of those projects.

**CHAIR**—Okay. Recommendation 26 of your submission says:

Maintain and extend the freeze of financial assets of members of the military regime, previous and current, their families and business associates. Ensure enforcement of this.

How would financial assets that are frozen be extended and to whom; and do you believe that enforcement of the present financial assets freeze has been effective?

**Ms Vicary**—I have a little bit of experience in this because I was involved with a community hearing in Sydney, collecting names of people who are on the sanctions list and who are living here. I was one of the people ringing up the Department of Immigration and Citizenship informing them of this. It strikes me that, if we are doing that, the enforcement issue is pretty small. As I said, there were a couple who were put on the list who were actually Australian citizens or permanent residents. I also have information that, for example, some of the kids of people in some of the big companies that are associated with the regime are now studying in Australia. On the asset stuff, we know nothing about that. We have no information. The Reserve Bank and, I think, AUSTRAC have provided no public information on what they have done with regard to asset seizure or whether they have even made any inquiries.

**CHAIR**—You say these asset freezes need to be extended to the children of these families who are studying here?

**Ms Vicary**—It depends. As I said in the submission, unfortunately the lists vary, so you will have the American list, the Canadian list and the Australian list. It is typically the grandparents who are members of the regime because of their age. Then the lists will usually include most of the children, but once they get to the grandchildren the names are all over the place. In some cases we have grandparents and parents on the list who have grandchildren and children in Australia studying whose names do not appear on the list. That makes it a little bit problematic.

**Ms PARKE**—Thank you, Ms Vicary, for your submission today. In your opening statement and in the submission from Burma Campaign Australia, you recommended that Australia should 'officially and regularly engage with those in ASEAN who advocate for a more politically proactive ASEAN'. Could you identify those other countries in ASEAN that you would see as being more politically proactive. Given the principle of non-interference and the importance of that principle to ASEAN, how likely do you think it is that we will see a more politically

proactive ASEAN? Do you hold any hopes for the development of the charter on human rights to aid in this?

**Ms Vicary**—Obviously we discount Vietnam, Cambodia and Laos because of their own political situations. They are highly non-interference focused for their own internal reasons. The Philippines is a possibility. I would not pick it in terms of countries; I would pick it in terms of individuals and parliamentarians within those countries who are keen to speak out and interfere. It is groups within each of those countries—outside, as I said, Cambodia, Laos and Vietnam—which are very politically active. In some ways, it has not always been joined together, and Australia has not joined with some of these groups either.

**Ms PARKE**—Are you aware that ASEAN is looking into a human rights charter?

**Ms Vicary**—Yes.

**Ms PARKE**—Do you see this as a good development?

**Ms Vicary**—It is good as a beginning. It is the beginning.

**CHAIR**—It is very interesting that the Indonesians seem to be leading this. I have been to a number of forums and other things with Indonesian parliamentarians, and it is very interesting that, against the solidarity of ASEAN—you do not raise these things in dissonance with other people—I have seen Indonesians raise this at a number of forums. Perhaps it is because of the new democratic atmosphere over there, but they feel that this is very important. It is a very good development to see. It is very easy for Australians to be behind the Indonesians; you do not want to make it a cultural conflict, which it is sometimes seen as if we are at the front and leading the campaign against Burma.

**Ms Vicary**—I understand that. In some ways, that is why we thought about suggesting the idea that Australians link up with some of those in ASEAN who are active against the regime and follow on behind them. I think that they would appreciate that.

**CHAIR**—There are regular meetings of parliamentarians, but unfortunately Australia never goes because we do not have the funding. The Indonesians organised a recent forum in India, and the only country that was not represented was Australia.

**Senator TROOD**—I just wanted to clarify something in relation to recommendation 17, which is about humanitarian aid. You are saying that it should be more ‘accountable, transparent and independently monitored’. Are you saying that we do not do that in relation to our aid now or that this is an aspiration for the aid?

**Ms Vicary**—It is an aspiration. I think it is to do with some of the problems that arose with aid funding, in particular with FHAM, the Fund for HIV/AIDS in Myanmar. Australia has contributed to that in the last year. It was essentially UK based. Then there were a couple of the Norwegian funds. And then was the global fund. They had lots of accountability problems. They have never been terribly forthright in openly explaining what all those issues were but in terms of all the public documents, it is all clearly there. The global fund pulled out and FHAM eventually wound down. The Three Diseases Fund, because of the criticism that those two funds

got and because of the public attention, has made greater attempts at transparency and accountability. For example, it actually publishes the contracts and not the accounts but the initial submission for a project. Then it also publishes narrative accounts and other documentation, which is unusual because most aid agencies never do that.

We are also saying that as to Cyclone Nargis in particular. Take the regime's propensity to divert and steal. They will steal anything even if it is tied down. They will pick it up and take it away. The UN donated—I think this was a few years ago—toilets and they just disappeared. When members of the regime were asked, 'What happened to them?' they said they were taken away by a flood. I know NGOs have their own vested interests to protect. They do not want bad stories. They do not want bad news being leaked to the press about what is happening to them. So what we are saying is that there needs to be a little bit more vigilant accountability about what is actually going to happen inside Burma to the money that Australia is providing.

**Senator TROOD**—That seems to me to be precisely the problem: the regime, as you have so eloquently made clear, is a complete law unto itself inside Burma. So any efforts we might seek to undertake to impose greater transparency and accountability—and I note the point you make about trying to engage more effectively so that we can try to produce democratic change—will always run up against the same kind of problem, which of course is the resolute determination on the part of the regime not to engage on issues.

**Ms Vicary**—I agree completely.

**Senator TROOD**—So where do we go from there?

**Ms Vicary**—Even though I am saying that we should get behind ASEAN et cetera, I do not think the regime as it is presently constituted is actually going to listen. They do not want to engage; that is not what they want. From my perspective, for there to be change there is going to have to be some sort of internal coup. That will never be perfect. Maybe if these dialogues in some way set up that that will allow some future possibilities.

In terms of the accountability stuff, I am not talking about accountability or transparency on the part of the regime; I am talking about NGOs accounting for their stuff, because if there is pressure on them to actually account they will make more attempts not to have their resources diverted and they will make greater attempts not to have things just go awry. They will actually do a better job because they will not want the public embarrassment. At present we do not know what the hell is happening after the media have gone. We have really no idea of what is happening to the aid money. People come out and say they are doing a great job—but how do we know that? How does anyone know that?

**Senator TROOD**—But if you insist on those standards, with which I am entirely sympathetic, then the great danger seems to me to be that you will not be sending any aid at all because you will not be able to get those kinds of responses.

**Ms Vicary**—To be honest, I think that we should be cautious in our delivery of aid to Burma. I looked at the FHAM stuff, at the global fund and at the Three Diseases Fund. I am not saying there is not enormous need there. That is not what I am questioning. But I would question the

capacity of that country and that society to be able to absorb an enormous amount of aid funds usefully.

**Senator TROOD**—I want to ask you about this, and I do not think it is covered in your submission but perhaps you can point me to the part where I might have missed it. From Australia's perspective, how do you respond to the possibility of providing educational and technical assistance to, for example, particularly identified members of the public service and people in universities in Burma for whom that might have an impact on their capacity to be able to do some of the things that you are keen that they should be able to do?

**Ms Vicary**—I think sometimes technical assistance education can provide benefits and will provide benefits to individuals. No doubt, if I were in their position I would be interested in that assistance. Sometimes it may have some small flowthrough. But, on the whole, the institutional structure is such that any training or whatever will be limited in the flowthrough that it has. The university sector in Burma is a disaster. From the stories I hear, most of the time the students sit around playing cards and taking drugs, because there is no point. Half the time the lectures do not happen, exams are bought and sold; there are no jobs at the end of it. All the campuses have been moved out into the middle of nowhere, so there is no social life. The system has broken down. I have enormous sympathy for people who are still stuck in the university sector—a lot have run and left. Their capacity to do things, I would imagine, is fairly—

**CHAIR**—So even in that area you do not think there is any point in engaging with any kind of educational or technical assistance aid which might be targeted at individuals, who might be in senior positions within universities who might actually be able to make a difference?

**Ms Vicary**—I do not want to say 'yeah' or 'neigh' or that nothing should happen. I would want to take things on a case-by-case basis. You also have to be aware that the regime will select people for training, because that will be seen as a privilege, something they have to offer. So that is another thing you need to be guarded about. I do not want to sit here and be put in a position of saying, 'I don't want anyone to get anything,' but I would be cautious about the amount of funds that get distributed and very cautious about who is getting them. Caution should be the beginning.

**Senator MOORE**—My question is about sanctions, but I think you have answered it. Do you want to put anything on the record about your position on sanctions?

**Ms Vicary**—I think the financial sanctions and the visa ban sanctions are good because they avoid any of the negative impacts that may come from trade and investment sanctions. Those visa ban sanctions and financial sanctions do not hurt the poor of Burma. They can only get at those people who are basically just a pack of criminals. They just happen to be criminals in charge of a state. If we arrest someone here for drug running, we take their house, we take their cars, we take their property. I do not see any reason why that should not happen to governments which happen to be involved in the same activity.

**CHAIR**—Once we can catch them—especially if they are not wearing a wig!

**Ms Vicary**—I agree. I would like the world to be better than it is.

**CHAIR**—As there are no further questions, I thank you very much for your attendance today. We appreciate it. If there are any matters on which we might need additional information, Dr Carter will contact you. We will send you a transcript of your evidence and, if you have any corrections, please make them for Hansard. Thank you very much for your presentation to our inquiry today.

[4.03 pm]

**LEONG, Dr Ta-Yan, Senior Adviser, Government and International, CSIRO**

**SPINK, Ms Melinda Sue, Director, CSIRO AusAID Environmental Research for Development Alliance, CSIRO**

**CHAIR**—I am sorry I have to go through the same formality which you have probably heard before, but on behalf of the Foreign Affairs Subcommittee I would like to welcome representatives from CSIRO. If you need to give any private evidence, we are happy to go in camera to do that. This committee does not require you to give evidence on oath, but you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as hearings of the chambers. I invite you to make an introductory statement.

**Ms Spink**—Thank you for your invitation to appear before the subcommittee. Historically, CSIRO was involved in most aspects of the ASEAN-Australia Economic Cooperation Program, which ran in three phases from 1974 to 2004. Collaboration activities were conducted in the areas of food science and technology, biotechnology, microelectronics, non-conventional energy, marine science and technology management. We continue to work in most ASEAN countries.

The rate of change in ASEAN countries is rapid, as a complex mix of drivers such as rapid urbanisation, climate change, energy affordability and food security combine with political factors and population growth. Developing countries are still on a rising curve of production and pollution, while agriculture remains an important part of the economy for many of them and demand for more arable land and increased production continues. Given that many natural resources such as water, soil, forests and fish are already declining, more needs to be done to understand how to respond to the increasing level of consumption.

How and if the environment can meet these demands sustainably are questions that science and technology can help to answer. CSIRO's recent work with ASEAN countries shows a move towards such fundamental challenges. Most of our recent work is funded by ACIAR and AusAID. The activities are focused on sustainable agriculture, including animal diseases and natural resource management issues. Activities range from collaborative research to capacity building, technology transfer and commercial consultancy. As an example, we are implementing a co-invested project with AusAID, with the government of Indonesia and the World Bank as partners, that explores how to better understand the consequences of proposed energy related macropolicy decisions for the community level, triple bottom line outcomes. In another project, we have recently completed an assessment of how climate change is likely to play out in the Mekong basin by 2030. We have provided a preliminary assessment of the potential impact of these changes on water resources and on productivity.

The CSIRO strategic plan 2007-11 highlights the need for CSIRO to reach globally. CSIRO's international strategy was approved by the CSIRO board in October 2007. The strategy covers research for development activities. An important component of this is a proposed CSIRO-AusAID environmental research for development alliance. The alliance will seek to move the interaction between CSIRO and AusAID from tactical responses to a strategic level partnership

that can tackle more complex and important problems. It is a four-year program of strategic research that has been proposed and it will develop some of the knowledge and tools necessary for the successful implementation of environment development aid in the Asia-Pacific region.

The creation of the alliance builds on CSIRO's strong linkages with AusAID and other government departments that are now seeking to improve and enhance evidence based approaches to policy and investment and aims to create new knowledge that leads to improved impact across the Asia-Pacific region in the areas of climate adaptation, integrated water management and sustainable cities and regions. The CSIRO-AusAID alliance will yield research outcomes consistent with domestic objectives as defined in the relevant CSIRO research themes. I am the director of that alliance and can comment further if required.

The alliance is one example of activity being undertaken by CSIRO that links strategic international research with Australian national benefit. The collaborative activities we undertake with our ASEAN partners provide mutual benefits. For example, collaborations on exotic animal diseases such as foot-and-mouth disease and white spot disease in prawns will enable us to deliver improved diagnostic and emergency response capabilities in Australia.

CSIRO have strongly engaged with science partners in the region—for example, the Centre for International Forestry Research, or CIFOR, in Indonesia and the International Rice Research Institute, or IRRI, in the Philippines. We are delivering applied research that can be used to enhance regional sustainability and economic productivity.

**CHAIR**—Thank you very much. Can we turn to the issue of global warming for a minute. Would you discuss the impact of that issue on the various ASEAN countries. What do you think would be the priority areas for research? You mentioned a couple of the institutions that deal with these challenges. Could you give us the name of the Indonesian forestry one again, please. Is there any systematic approach to these challenges that you have detected within ASEAN? What research are you conducting which might assist the ASEAN countries to deal with global warming?

**Ms Spink**—Well—

**CHAIR**—Sorry to be so focused and specific.

**Ms Spink**—Firstly, CSIRO does not have a collective ASEAN program, so we have interactions with some of the countries but not all of them. So I cannot provide an integrated overview answer for ASEAN. We also have variable responses with some of the countries. Our vehicle for moving that forward at the moment is going to be the alliance, and the alliance is looking at delivering assistance with climate modelling and then moving from improving the information to adaptation and looking at what we can do to increase resilience in some of our regional neighbours and decrease risk and vulnerability. For instance, we are currently working with the Bureau of Meteorology and Geophysics in Indonesia, where we are assisting them with the IPCC climate projections. They are on a very coarse scale and do not provide the necessary precision for making projections that can be used to make decisions for the country, so we have been working with the bureau of meteorology to take six of the global climate change models and bring them down to a 60-kilometre resolution. As part of that particular project, there is quite a strong emphasis on developing the capacity of the bureau of meteorology to do that into the

future and to continue using the global models and increase their coverage over Indonesia so they can generate their own data, as well as on capability around using those climate scenarios that are generated to look at the impact, especially, in this case, around extreme climate events.

**CHAIR**—So you are doing modelling with the Indonesian bureau of meteorology on the kinds of things that could happen with various climate scenarios.

**Ms Spink**—Yes.

**CHAIR**—So, when I go down to St Kilda and see that someone has put a sign on a pole showing there will be water up to here, you have done similar scenarios in the Indonesian archipelago?

**Ms Spink**—Yes, we have CSIRO marks on the telegraph poles!

**CHAIR**—Sorry, that is trivial; but I am just giving you an example so it can be understood.

**Ms Spink**—Yes. The sorts of climate data that you see here about likely flood levels and so on were not available to Indonesia to the same degree of fineness. They are so coarse that it becomes very hard to use them to make decisions about what you should do about, say, projected flood levels or climate variability. So it will help to get a greater degree of precision or granularity in that information so that it can actually be used by decision makers when they are considering policy.

**CHAIR**—Are you able to project things for them like what happens if they continue with the same rate of forest burning for 10 years—what is the effect on the globe, what is the effect on the Indonesian region, what is the effect on that particular region of Indonesia, Sumatra, where they are doing the burning? Is that the kind of thing you mean?

**Ms Spink**—We have a different project that is tackling that, but it is not using the IPCC climate models. The project that I mentioned that is looking at macropolicy has been implementing a CGE model, a dynamic CGE model, for the macroeconomy—

**CHAIR**—What does CGE stand for?

**Ms Spink**—Computable generalised equilibrium. It is a model that macroeconomists use to look at the national economy and what would happen if you introduced a particular policy change. We are moving towards a scenario where Indonesian government officials or the World Bank, if they are thinking about policy lending programs, can use that model to, say, if you assume a certain rate of GDP—and production drives pollution—project how much carbon will be released as a result of fuel burning. We are doing some work that will help to start understanding carbon, and another part of that project looks at land resource use and changes in land resource use in Kalimantan and what happens when you change the way the land is being used. But there is no one picture that unifies all those things in one place.

**CHAIR**—Thank you.

**Senator TROOD**—I would like to explore your various contacts with educational institutions and universities in the ASEAN region. Are you essentially relying on well-established contacts you have in the region or are you trying actively to develop contacts and research activities with new and recently identified research bodies or universities? How do you go about building linkages that facilitate this kind of collaborative research?

**Dr Leong**—Our emphasis would be on building linkages with our counterparts, whether they are in government research agencies or universities, but most of our appropriate research counterparts would be in government agencies. Some of the linkages are encouraged by AusAID's Public Sector Linkage Program with individual countries. So we have quite a number of such activities with various ASEAN countries, supported by AusAID.

**Senator TROOD**—Are they primarily supported by AusAID activities?

**Dr Leong**—AusAID or, if it is in the agricultural area, they are mostly supported by ACIAR, the Australian Centre for International Agricultural Research.

**Senator TROOD**—Are there any projects that you have that are the result of researchers in ASEAN countries coming to CSIRO as a centre of knowledge and expertise, with a global reputation in a particular area—that is, they have specifically sought you out as a partner in their collaborative research?

**Dr Leong**—Yes, indeed. For example, in the area of forest plantation in Sarawak, part of Malaysia, we have been working with the state department in Sarawak on characterising the timber properties there, and then they have come back to ask for assistance in large-scale planting of acacias or eucalypts in the state. This is mainly as a result of our earlier relationship under the Colombo Plan scholarship or various AAECF activities, ASEAN-Australia Economic Cooperation Program activities, and also under various projects funded by ACIAR and AusAID. There has been a long-term relationship there and a lot of trust. They do come back for our assistance.

**Senator TROOD**—Does CSIRO see any particular impediments to these closer contacts? For example, do we need some kind of overarching bilateral agreement with a country within the region that would better facilitate this? Are there barriers that you think need to be brought down that would facilitate CSIRO's research collaboration in the region?

**Dr Leong**—Not much. A lot of the government to government relationships had already been established. There were bilateral science and technology agreements and memoranda of understanding and so on. We operate under those umbrellas, so there is not much of a barrier to any relationship building there. I think perhaps the most important factors that we need to consider are whether there is any mutual benefit and whether we can do it within our capabilities and resource limitations.

**Senator MOORE**—We heard from the Department of Agriculture, Fisheries and Forestry. They talked about the Asia-Pacific Forestry Skills and Capacity Building program in Indonesia. Is CSIRO involved in that one? You mentioned Sarawak and forests, so I thought there may be some interaction with that. Are you aware of that program?

**Dr Leong**—I am not aware of that as a project, but there may be some components of that.

**Senator MOORE**—That often happens, doesn't it? You are working along, and it is labelled somewhere else.

**Dr Leong**—Yes.

**Senator MOORE**—That is a four-year program, and we were talking about exactly what that meant. There are sustainable forest management, improvement of forests, governance, law enforcement and regulatory frameworks across a whole range of ASEAN areas. You mentioned the Colombo Plan, and in various hearings of this committee we often hear about the remnants of the Colombo Plan. Is there any program that funds scientists from other countries in the ASEAN network coming to work with you in CSIRO? Is that currently linked to a formal interchange of skills?

**Dr Leong**—There is the Endeavour program and there are various other bits and pieces under, for example, Foreign Affairs which are country-specific—like the Australia Indonesia Institute or the Australia Malaysia Business Council. There are various means and mechanisms to support those activities.

**Senator MOORE**—Are they linked to any particular form of CSIRO work? Does the way that CSIRO is divided into the different programs link the Endeavour program to any particular area?

**Dr Leong**—No.

**Senator MOORE**—It can be anything?

**Dr Leong**—Yes. It depends on mutual interest and whether we have the capability to deliver such activities.

**Senator MOORE**—When you introduced yourself you said that you are very much linked with AusAID and CSIRO working together.

**Dr Leong**—Yes.

**Senator MOORE**—Who owns the program? Is it a CSIRO program that is funded by AusAID or is it an AusAID program that is implemented by CSIRO—or is it neither?

**Ms Spink**—The proposed alliance—the contract is being finalised at the moment—is a co-investment program. It is about 58 per cent AusAID and 42 per cent CSIRO.

**Senator MOORE**—So it is fairly close; no-one actually owns it?

**Ms Spink**—No.

**Senator MOORE**—That is a good model.

**Ms Spink**—It is a four-year proposal for \$16.1 million.

**Senator MOORE**—It will have a joint managing committee?

**Ms Spink**—It has a steering committee that has two representatives from CSIRO and two from AusAID.

**Senator MOORE**—Do they have a fifth one in case it is a tied vote?

**Ms Spink**—As director, I get to be the ex-officio member.

**Senator MOORE**—It sounds really interesting. Can we get a briefing note on that program? It sounds like an interesting model and something moving into the future. Thank you very much.

**CHAIR**—I thank you both for your attendance here today. You are the last witnesses after we have been here all day, so we do appreciate you being here. I am very pleased that we were able to make sure that you still had some parliamentarians at the end to take your input and evidence. If we have any questions of you the secretary will be in contact with you. You will get a transcript of *Hansard*. If there are any corrections, please make them. I thank the Hansard staff, the staff of the committee and all the witnesses for their attendance today.

Resolved (on motion by **Senator Moore**):

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

**Subcommittee adjourned at 4.24 pm**