



The Australian  
**APEC**  
Study Centre



# **AUSTRALIAN APEC STUDY CENTRE**

## **ACTIVITIES**

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**JUNE 2003 – JUNE 2004**

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## INTRODUCTION

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This report summarizes the activities of the Australian APEC Study Centre since the Centre's last Advisory Board meeting. 2003 / 2004 has been a particularly busy year for the Australian APEC Study Centre.

The Centre's program on enhancement of capacity in financial Services in developing countries dominated training activities for the year, entailing four training courses with nearly 100 participants. This program has moved to a different plane with the development of a wider program which has enhanced the University's engagement with the business community.

The Centre played a significant role in work on the Australia United States Free Trade Agreement, the leading international trade issue in Australia in 2003/2004. It also mounted a seminar on the impact of terrorism on international trade.

The Centre has also produced some important research on economic development issues relevant to the APEC region.

It has continued to be globally active on trade and environment issues, including as an NGO at the WTO Ministerial Conference at Cancun in Mexico.

The Centre has contributed to public debate with significant media coverage on trade issues meeting its goals to raise awareness of APEC issues in the Australian community.

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## FINANCE SECTOR PROGRAM

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A leading activity of the Centre continues to be enhancing the capacity of developing countries to manage their finance sectors. The three year program funded by AusAID, the Asian Development Bank and CBA and AXA Asia Pacific concluded in 2003. The Centre assessed that there was demand for such in other areas as well as life assurance and pensions for other financial areas, in particular prudential standards in banking. New international standards for prudential supervision of banking will be introduced soon and demand for training among developing countries is great.

The new program entails a revamp of the private sector Finance sector Advisory Group chaired by Ken Waller to considerably expand participation and support by the Australian private sector. The response from the private sector has been very good. Membership of the new Advisory Group includes ANZ, APRA, ASIC, Ask!T Consulting, ASX, AXA, CBA, the Commonwealth Treasury, Ernst & Young, Macquarie Bank, NAB, PWC, Standard and Poor's and the University of Melbourne. The full list is attached.

APEC Finance Ministers have endorsed the Centre's new program, giving it recognition in official finance circles in the Asian Pacific region. Some new programs have already been conducted under it. Training for private bankers from the Asian region was conducted for the Asian Bankers Association, based in Taipei. An AusAID program for collaboration with the ASEAN Secretariat supported training for central bankers from ASEAN economies.

In its action plan to develop Victoria's financial services industry, the Victorian Government as recognized the contribution to international training and research of the APEC Centre programs.

The new program also included a strategy to offer commercially funded courses for training of life insurance regulators. While a number of regulators indicated interest in this, responses to a proposal for a course were inadequate to support it. The Asian Development Bank has advised us it still regards this as an area of priority for it.

### **Managing Regulatory Change (MRC) in Financial Services (Life Insurance and Pensions) Training Program**

In September 2003 the Australian APEC Study Centre concluded the MRC in Financial Services in Life Insurance and Pensions Training Program by hosting the sixth training program from the 7<sup>th</sup> – 19<sup>th</sup> September 2004. The training program drew participants from the People's Republic of China, Fiji, India, Indonesia, Malaysia, Papua New Guinea, the Philippines, Thailand and Vietnam. This training program was the sixth of six training programs provided by the Australian APEC Study Centre over the past three years on contract through AusAID.

### **Asian Bankers Association (ABA) Training Program in Prudential Regulation and Risk Management in Banking**

In February 2004 the Australian APEC Study Centre held a training program for the ABA for Asian bankers on the developments and implementation issues surrounding the Bank for International Settlements' (BIS) Basel Accords and particularly the Basel 2 Accord. The five and a half day training program ran from the 22<sup>nd</sup> – 27<sup>th</sup> February 2004 and drew 19 participants from Hong Kong, Indonesia, Malaysia, Nepal, Taiwan, Thailand, Uzbekistan. The faculty for the training program was drawn from the Australian APEC Study Centre's private sector, public sector and academic partners. The program was an enormous success and the Australian APEC Study Centre is currently following up on possible future training programs for the ABA.

### **Association of South East Asian Nations (ASEAN) Training Program in Prudential Regulation and Risk Management in Banking**

In March and April 2004 the Australian APEC Study Centre held two separate training programs for ASEAN Bank Regulators on the developments and implementation issues surrounding the BIS' Basel Accords and particularly the Basel 2 Accord. Each five and a half day training programs ran from the 14<sup>th</sup> – 19<sup>th</sup> March 2004 and the 18<sup>th</sup> – 23<sup>rd</sup> April 2004 and drew 26 and 29 participants respectively from Brunei, Cambodia, Indonesia, Laos, Philippines, Malaysia, Myanmar, Singapore, Thailand and Vietnam. The faculty for the training program were drawn from the Australian APEC Study Centre's private sector, public sector and academic partners. The training program was provided similarly to the earlier ABA program with course content customised towards the targeted economies. The training program was equally successful with the Australian APEC Study Centre currently following up on possible future training programs with the contractor, ACIL Australia, on behalf of the Australian Government's Aid Agency, AusAID.

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## CONFERENCES AND SEMINARS

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### **Symposium of Maritime Experts to assist in implementation of the Secure Trade in the APEC Region (STAR) Initiative**

In June 2003 the Australian APEC Study Centre held the Symposium of Maritime Experts to assist in implementation of Secure Trade in the APEC Region (STAR) initiative. The symposium came about because of recognition of the need to improve the capacity of many APEC members to meet their obligations and to ensure the protection of trade routes. The main objective of the symposium was to better equip APEC member countries to meet their obligations under STAR, including in meeting the IMO 2004 deadlines, and in helping identify what will be required to assist them in doing so, including in the creation of training manuals, compliance testing, quality control, human resources capacities and administrative systems. In April 2003 the Australian Agency for International Development (AusAID) agreed to fund the symposium.

### **Australia United States Free Trade Agreement (AUSFTA) Conference**

The Australian APEC Study Centre held its third of three conferences for stakeholders of the now announced AUSFTA at the Rydges Lakeside, Canberra. The conference, called 'New opportunities and impacts', brought together representatives from key industries, government and academia in Canberra on the 1<sup>st</sup> and 2<sup>nd</sup> March 2004. It was the leading national conference on the FTA and was held after negotiations on the FTA were completed. It was chaired by former trade minister Mr Michael Duffy. The Minister for Trade, Mark Vaile MHR, addressed the conference dinner. The conference comprehensively covered the impacts and opportunities of the FTA with sessions about its impact on the economy and investment, agriculture, culture, security, markets, competitiveness, access to government procurement, pharmaceuticals and intellectual property, manufacturing, the environment, and labour standards. Federal Trade Minister Mr Mark Vaile spoke about the challenges for Australian and US negotiators and the political and economic pressures involved in securing a deal that was acceptable to all parties.

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## RESEARCH AND PUBLICATIONS

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### **Research Papers**

During 2003/2004 the Centre produced several important research papers:

#### **“Study on the Costs and Benefits of Services Trade Liberalisation – Insurance Services”**,

This was a comparative study of the insurance industries in Australia, Singapore and Thailand and their response to liberalization under WTO procedures. It was funded by the APEC Secretariat. It was lead by Ken Waller with input from Dr Hassan Kartedjoemena, Centre for Negotiation, Jakarta

#### **“European Unilateralism – Environmental Trade Barriers and the Rising Threat to Prosperity through Trade”**,

This study was a by-product of the Trade and Environment project funded by AusAID conducted for the Department of Foreign Affairs and Trade the previous year. This was ground breaking research on the increasing use of environmental regulation as a trade barrier by the EU. It was published by the

Australian APEC Study Centre, August 2003 and released at the WTO meeting in Cancun, Mexico in September

**“Investor rights in an FTA: What Australia can learn from Canadian experience with Chapter 11 Investor-State Arbitration in NAFTA”**,

This study was conducted by Rafael Pacquing, an exchange researcher from the University of British Columbia in September 2003. It was an important contribution to debate about investment measures in the Australian US Free Trade Agreement

**“The Consequences of Cancun – The WTO as Workhouse not Poorhouse”**,

This lengthy analysis of the implications for the WTO of the breakdown of the Cancun Ministerial meeting was produced by Alan Oxley in October 2003 and was circulated globally in the international trade community.

**“Stocktake of Progress Toward the Key Elements of a Fully Liberalised Telecommunications Sector in the APEC Region”**,

This study was funded by the APEC Secretariat. It was conducted by John DeRidder and Patrick Xavier. It is an analysis of the progress in liberalization of telecommunications sectors in the APEC countries. It will be key document of the work of the APEC Working Group on Telecommunications. It was finished in June 2004 and will be published by the APEC Secretariat

**Other publications, articles and papers**

“Free Trade Agreements in the era of globalisation - new instruments to advance new interests – the case of Australia”, by Alan Oxley, published in the Journal of the Australian Institute for International Affairs, September 2003;

“Investor-state arbitration: Canada’s experience in NAFTA and the case for its inclusion in the Australia US FTA”, by Rafael Pacquing, October 2003;

“Australia United States Free Trade Agreement (AUSFTA) – A “Plus” Agreement – A plus for Australia, “WTO Plus” and a plus for APEC”, paper for the Conference on the Australia US Free Trade Agreement, Canberra, March 2004, by Alan Oxley, March 2004; and

“The Current Security Situation in the Asia Pacific Region and its Impact on Trade and Development: A Potential Role for APEC?”, Presented at the APEC Study Centres Consortium Meeting by John McKay in Valparaiso, Chile, May 2004.

**Internet Publications**

The Australian APEC Study Centre has continued to maintain its three websites, including:

1. [www.apec.org.au](http://www.apec.org.au);
2. [www.apec-finsecreg.org](http://www.apec-finsecreg.org); and
3. [www.globalisationguide.org](http://www.globalisationguide.org).

The Australian APEC Study Centre has continued to produce its quarterly newsletter, *APEC Currents*, which is currently circulated to more than 3,000 people in Australia and throughout the Asia Pacific region.

The Centre now has an extensive alumni of officials throughout governments in the APEC countries, particularly in China and the ASEAN economies.

In early 2004 the Australian APEC Study Centre began its efforts to strengthen communication between financial regulators in the Asia Pacific by producing the Managing Regulatory Change Electronic Newsletter. This newsletter is circulated to graduates of the MRC Training Programs and the subsequent training programs held by the Centre throughout 2004. The MRC Electronic Newsletter is used to compliment the discussion forums and activities of the Centre's financial services internet gateway - [www.apec-finsec.org](http://www.apec-finsec.org).

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## INTERNATIONAL ACTIVITIES

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### **WTO Ministerial Conference at Cancun, Mexico**

The Australian APEC Study Centre registered as an NGO for the WTO Ministerial Conference at Cancun and Alan Oxley attended as representative to support free trade positions. Links with other free trade groups were consolidated. The APEC Centre report on EU environmental trade barriers (referred to earlier) was widely circulated.

### **APEC Study Centre Consortium Meeting, Chile**

In May 2004 John McKay and Tim Wilson attended the APEC Study Centre's Consortium Meeting in Valparaiso, Chile. At the Conference John McKay presented a paper on "The Current Security Situation in the Asia Pacific Region and its Impact on Trade and Development: A Potential Role for APEC?".

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## MEDIA EXPOSURE

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In 2004 the Centre was active commenting in media, print and electronic, particularly in the person of the Chairman in comment on the US Free Trade Agreement. The Centre also fielded enquiries from media in the Asian region.

The Centre was also mentioned in a number other media reports demonstrating,

1. Bassanese, D., *Modelling ignores FTA's 'dynamic' gains*, Australian Financial Review, 12/02/2004;
2. Boey, K., *Focus on the bottom line of a free trade deal with the Americans*, New Straits Times (Malaysia), 15/02/2004;
3. Peters, D., *Australia would look silly if it did not sign an FTA*, AAP Newsfeed, 05/05/2004;
4. *We'd be seen as bizarre to reject FTA*, AAP Newsfeed, 05/05/2004;
5. Burton, B., *Australia: delay urged in trade deal with US*, IPS Inter Press Service, 06/05/2004; and
6. Gordon, J., *Democrats vow to block US trade deal*, The Age, 06/06/2004.

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## CENTRE STAFF

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In May 2004 Centre Manager, Shayne Walsh, left the Australian APEC Study Centre.

In October 2003 the Australian APEC Study Centre employed Judi O’Gorman. Judi is responsible for the administrative and financial support for the Centre.

In June 2003 the Australian APEC Study Centre contracted Katherine Sherry who was employed by the Centre in January 2004. In January 2004 the Australian APEC Study Centre also contracted Tim Wilson. Both Tim and Katherine are Project Managers for the Centre.

The Centre continues to employ Darby Higgs as the Deputy Director and Information Manager.

Alan Oxley has continued as Chairman of the Centre with John Mckay as a Director of the Centre and Professor Jeff Waincymer as an Associate of the Centre.

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## CENTRE REVIEW

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The Centre will be reviewed by an administrative group to assess its activities against its projected goals. The review is expected to be completed by August.

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## FUTURE ACTIVITIES

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### **Remainder of 2004**

#### *Financial sector capacity enhancement*

A training program utilizing US\$ 90,000 from the Asian Development Bank is scheduled for November. The subject will be prudential supervision in banking or regulation of life assurance and pensions. Participants will meet their own transport and accommodation costs.

An invitation has been received from the Bank of Indonesia, Indonesia’s Central Bank, to train its regulators. The possibility of this and training in the non-banking financial sector is under discussion with the TAMF III aid program funded by AusAID to strengthen economic governance in Indonesia and with another AusAID program, IASTP III, which is a generic training program in Indonesia.

The ASEAN Secretariat is working the Monetary Authority of Singapore on a program to deepen capital markets in ASEAN economies. It has invited the Centre to express interest as a provider of such training.

The prospect of securing funding from the APEC Secretariat TILF funding program for continuing provision of capacity enhancement in financial governance in APEC economies is also under consideration.

AusAID programs to strengthen economic governance in China and Vietnam will shortly be announced. The Centre will propose its training be funded under those programs.

The Victorian Government has engaged the APEC Centre in discussions about collaboration in establishing an International Centre for Training and Research on financial sectors in Melbourne.

#### *Other training*

The Centre will mount an international training course on management of the impact of trade liberalization in Melbourne in October. Twenty participants from 8 countries are expected. This will be funded by the APEC Support Fund which is administered by AusAID.

#### *International Trade*

The Centre will mount an international conference on a Free Trade Agreement with China in Sydney on 13 and 14 August. This conference is being sponsored by the Department of Foreign Affairs and Trade, the Australian China Business Council and several leading Australian companies.

The invitation to the Prime Minister to attend the ASEAN Summit later this year presages commencement of negotiations between Australia and New Zealand and ASEAN on an ANZ/AFTA free trade area. The Centre will seek to contribute to research and understanding of the issues to be covered.

The successful negotiation of FTAs with Singapore and Thailand create a new body of public policy activity on international trade. This is a new development and the Centre will seek in the future to undertake work to sharpen appreciation of the significance of these changes.

#### *APEC Lecture*

The Centre proposed to invite a high level political figure to deliver the 2004 APEC lecture, but election speculation has created uncertainty about proceeding.

### **Longer Term Strategy – 2005 - 2007**

#### **Issue Focus**

Enhance Centre's standing as leading trainer on financial management, focusing on public sector regulators and risk management.

Maintain a focus on training on international trade policy issues, but expand the ambit to include management of economic integration

Expand focus on sustainable development issue as they relate to economic development

Advocacy of free market based economic integration

Prepare for hosting the APEC Study Centre Network conference in 2007 when Australia hosts the APEC Summit, leverage off the conference to raise the level of national activity

### **Activities**

Retain emphasis on executive training on priority issues in APEC

Expand research on issues related to core focus of APEC Centre activity

Increase advocacy activities

Host conferences on cutting edge issues related to economic integration

### *Training*

On financial management, build on standing as the leading executive trainer in the field in East Asia.

On trade and economic integration, focus on managing impact of deregulation and liberalization and policy implications of interlocking bilateral, regional and multilateral activities.

On sustainable development, focus on developing approaches appropriate to developing economies.

### *Research*

Seek funding for research on topics relevant to

- improvement of management of financial sectors in the APEC region.
- enhancement of market based economic integration in East Asian economies
- effective sustainable development in East Asian economies

### *Advocacy*

Expand activity which promotes international action to achieve prosperity through open markets

### *Conference*

Hold an annual conference on a key international economic integration issue

### **Funding**

Seek to expand the basis and nature of funding of the Centre. The Centre is too dependent on too few sources and there is very little discretion in funding in existing sources.

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**ATTACHMENT 1: FINANCIAL SERVICES ADVISORY BOARD MEMBERSHIP**

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**Members:**

**Mr Ken Waller** (Chair), Group Senior Economic Advisor, Commonwealth Bank Group;  
**Mr Alan Oxley**, Chairman, Australian APEC Study Centre, Monash University;  
**Mr Bernie Egan**, Program Director Basel II, Policy Research and Consulting, Australian Prudential Regulation Authority;  
**Mr Chris Gaskell**, Australian Prudential Regulation Authority;  
**Mr Damien White**, Manager, Prudential Policy – Banking Unit, Financial System Department, the Commonwealth Treasury;  
**Dr David Knox**, Director, PriceWaterhouseCoopers Actuarial;  
**Mr Guy Eastwood**, Australian Prudential Regulation Authority;  
**Dr Jules Gribble**, Chairman, Ask!T Consulting;  
**Professor Kevin Davis**, Commonwealth Bank Group Chair of Finance, Department of Finance, University of Melbourne;  
**Ms Kim Holmes**, Senior Lawyer, Office of International Relations, Australian Securities and Investments Commission;  
**Mr Mark Blair**, National Manager, International Affairs, Australian Stock Exchange;  
**Dr Mark Lawrence**, Chief Risk Officer, Australia and New Zealand Banking Group;  
**Mr Nick Minogue**, Head of Risk Management, Macquarie Bank Limited;  
**Mr Robert Glading**, Consultant and Former Insurance Commissioner;  
**Mr Senthamangalam Venkatramani**, General Manager, Diversified Institutions, Australian Prudential Regional Authority;  
**Mr Steve Meredith**, Group Talent Principal, People and Culture, National Australia Bank;  
**Mr Tim Coyne**, Partner, Financial Services, Ernst and Young;  
**Mr Milena Penca**, Group General Counsel and Company Secretary, AXA Asia Pacific Holdings;  
 and  
**Ms Veronique Ingram**, General Manager, Financial Systems Division, the Commonwealth Treasury.

**Alternate Members:**

**Dr Christine Brown**, Associate Professor, Department of Finance, University of Melbourne;  
**Ms Elinor Crossing**, People and Culture, National Australia Bank; and  
**Ms Natalie Wells**, Director, Financial Services Ratings Asia Pacific, Standard and Poor's.

**Observers:**

**Ms Janet Wheeler**, Program Officer, Asia Regional Section, AusAID;  
**Ms Siwe Sin Yuan**, Associate, Insurance Regulation Development Division, Insurance Department, Monetary Authority of Singapore; and  
**Mr Stefan Hohl**, Representative Officer for Asia and the Pacific, Bank for International Settlements.

**Consultant:**

**Shouqing Zhu**, PhD Candidate, University of Melbourne