



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT COMMITTEE ON TREATIES

**Reference: Treaties tabled on 11 November 1998 and review of the  
Protocol concerning the Peace Monitoring Group for Bougainville**

MONDAY, 15 FEBRUARY 1999

CANBERRA

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## JOINT COMMITTEE ON TREATIES

Monday, 15 February 1999

**Members:** Mr Andrew Thomson (*Chair*), Senator Cooney (*Deputy Chair*), Senators Bourne, Brownhill, Coonan, O’Chee, Reynolds and Schacht, and Mr Adams, Mr Baird, Mr Bartlett, Mrs Crosio, Mrs Elson, Mr Laurie Ferguson, Mr Hardgrave and Mrs De-Anne Kelly

**Senators and members in attendance:** Senators Brownhill, Cooney and Schacht, Mr Adams, Mr Baird, Mr Bartlett, Mrs Elson, Mr Laurie Ferguson, Mr Hardgrave, Mrs De-Anne Kelly and Mr Andrew Thomson

### Terms of reference for the inquiry:

Review of five treaties tabled on 11 November 1998 and Review of the Protocol concerning the Peace Monitoring Group for Bougainville.

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**Committee met at 9.53 a.m.**

**CHAIR**—Ladies, and gentlemen, let us get under way. We will start by welcoming everybody this morning. The purpose of this morning's hearing is to review all the treaties that were tabled in parliament on 11 November last year and to review the protocol concerning a Bougainville peace monitoring group. I also advise colleagues on the committee that we have witnesses from the Department of Foreign Affairs and Trade and the Attorney-General's Department—Mr Mark Zanker and Mr David Mason—who, as we require them, can act as advisers during the hearing by reflecting on evidence given or asking a question or two of their own.

**MASON, Mr David Johnston, Executive Director, Treaties Secretariat, Department of Foreign Affairs and Trade**

**ZANKER, Mr Mark Andrew, Assistant Secretary, International Trade and Environment Law Branch, Office of International Law, Attorney-General's Department**

**General Agreement on Development Cooperation between the Government of Australia and the Government of the Republic of Indonesia**

**BLYTHE, Mr Tony, Country Program Manager, Indonesia Section, AusAID**

**HUNING, Mr Ernst, Assistant Director-General, AusAID**

**CHAIR**—To start with, I would like to call witnesses from AusAID, the government's aid agency, to assist with a review of the first treaty, the development cooperation agreement with Indonesia. Just as a small formality, although we do not require you to give evidence under oath, these are legally proceedings of the parliament and therefore they warrant the same respect as proceedings of the House of Representatives or Senate. Hence, the giving of false or misleading evidence is a serious matter, although I am sure that is the furthest thing from your mind. Do you wish to make some introductory remarks before we proceed to questions?

**Mr Huning**—If it suits the committee, we would be happy to give a short summary of the nature of the agreement, the context and the process involved.

**CHAIR**—Yes, please.

**Mr Huning**—The proposed agreement is an umbrella agreement under which subsidiary arrangements for specific Australia-Indonesia development cooperation activities will be concluded. A subsidiary arrangement usually takes the form of an individual, project-specific memorandum of understanding, or MOU. The purpose of this agreement is to provide a generic legal framework for Australia's development cooperation program with Indonesia, and thus to greatly simplify and shorten the process of negotiating MOUs for each individual aid activity. Previously, each aid project MOU had to cover not only project-specific activities and responsibilities, but also the generic obligations of the Australian and Indonesian governments in appropriate full detail. This made negotiation of each MOU a time consuming process for both parties.

This agreement will standardise and give covering authority to all subsidiary aid arrangements in areas such as the two governments' respective responsibilities, the privilege and immunities applying to project personnel, and the importation of project equipment. This will streamline the MOU negotiation process since only project-specific information will then need to be included in each subsequent MOU. The obligations under the proposed agreement are generic to all aid activities; for example, the obligations to meet normal project related expenditures, including those related to Australian project personnel on the ground, to sign contracts for the purpose of goods or services financed by the Australian government and required for project execution, to provide the Indonesian government with the names of the Australian firms and personnel and their dependants who are implementing projects, and so on.

There are no foreseeable direct financial costs to Australia as a result of the entry into force of this agreement. The agreement does not specify the amount of aid Australia will provide for Indonesia, presently or in the future. This will be done on a case by case basis in other fora and by other means. In relation to future protocols, the agreement provides for the

negotiation and conclusion of future related legally binding instruments for the protection of foreground and background intellectual property. No legislative changes are required for implementation of this agreement. The agreement will have no regulatory impact either.

On the subject of consultation, information on the agreement was provided to states and territories through the Commonwealth-State Standing Committee on Treaties Schedule of Treaties Action in November 1996. No response was received from any state government in relation to this issue. The Northern Territory government sought additional information about the agreement, which was provided on 17 July 1998. No subsequent response was received from the Northern Territory government. On 9 October 1997, AusAID wrote to the Australia-Indonesia Business Council and to the peak aid non-government organisation body, the Australian Council for Overseas Aid, also known as ACFOA, advising of the intention to sign the agreement and seeking any comment. No correspondence was received from either organisation on this issue. AusAID wrote again to both parties on 3 March 1998 confirming that lack of response would be taken to mean that the council and ACFOA had no comment on the agreement.

The agreement's withdrawal provision is that it shall remain in force until termination in writing by either government on six months notice. Responsibilities of both governments with regard to activities begun prior to receipt of any such termination notice shall continue until completion of such activity. I can leave it at that point and see if there are questions or observations.

**Mr BAIRD**—Thanks for the briefing. I have questions on two items. The first is the question of visas for those Indonesians who are coming from the country. Will they have the same bureaucratic problems as most Indonesians have coming to the country or will this be streamlined? Is it automatic? Do they have a visa waiver as part of it? The second question is: as part of the agreement is there an Australian preference clause for equipment that is manufactured and produced in Australia?

**Mr Blythe**—The treaty makes no changes at all to visa requirements of either country. I think it probably implicitly takes as given whatever those arrangements are. The treaty relates only to aid activities that will be signed through subsidiary agreements, memoranda of understanding between the two governments; it does not affect immigration law as it stands in Australia right now. In relation to procurement, the Australian aid program, like all parts of the federal government's system, has to observe Commonwealth government procurement principles, which are achievement of value for money and fair and open competition in the procurement of goods and services.

**Mr BAIRD**—There is no Australian preference clause? That means that we give the aid and they can buy manufactures from elsewhere? There is no tying of the aid in any shape, size or form?

**Mr Blythe**—As a general rule, we do not give any money to Indonesia. We control the use of Australian taxpayers' funds in the implementation of bilateral development and cooperation projects with Indonesia, and indeed with all other countries, largely through contractors who we tender for to implement our projects on behalf of the Australian

government. So it is extremely rare, throughout our whole Indonesia program, that we are handing cash to any part of the Indonesian government system.

**Mr BAIRD**—But, as part of these projects, is preference given for Australian equipment?

**Mr Blythe**—Only to the extent that the Commonwealth government procurement policy allows.

**Mr BAIRD**—Which means that it then goes to the cheapest tenderer?

**Mr Blythe**—Value for money can mean the cheapest tenderer, but not necessarily. The principle of value for money could mean, depending on technical merit, that a firm's bid which is not the cheapest may be chosen as the successful bid by the tender assessment panel.

**Mr BAIRD**—Do you think that there is a need for an Australian manufactured preference clause?

**Mr Huning**—I think that would probably be a matter of wider Commonwealth government policy rather than something that AusAID would feel the need to strike out for on its own behalf. Senator, if I could just add a small qualification to the comments—

**Senator SCHACHT**—There is nothing in this agreement that prohibits Australia writing a preference clause on individual projects if it so chose; is that correct?

**Mr Huning**—There is nothing that would prohibit it. It would need to raise it under proper notice, but there would be nothing to prohibit that sort of thing being introduced. Could I just add one qualification to the comments from Tony Blythe just then. While we are talking about goods—physical, material, procurements and so on—under the aid program, everything that Tony covered is correct. In relation to the financing of technical assistance, Australian aid money is regarded as tied—that is, tied to Australian sourcing. That is a clear policy and it has been in place for many years. It has been reaffirmed by the government on several recent occasions. There is no international openness about that at all; the sourcing is Australian unless something cannot be met from the Australian expert or consultancy market.

**Senator SCHACHT**—By signing this agreement it naturally continues the agreement of Australia to accept East Timor as the 27th province of Indonesia; is that correct?

**Mr Huning**—This agreement makes no specific reference to the status or prospects or fate of East Timor in any context. It is simply a general agreement with Indonesia as a whole.

**Senator SCHACHT**—No, let me go back one step. By us describing it there in the agreement as the 'Republic of Indonesia', with no caveat, that means—as has been the case since the late 1970s—that Australia accepts the incorporation of East Timor diplomatically into the Republic of Indonesia.



**Mr Huning**—True.

**Senator SCHACHT**—And in view of the shifting feast that is now occurring in Indonesia vis-a-vis East Timor, there is nothing in this agreement that, if there was a rapid change, as may occur, in the status of East Timor, would create difficulties for us providing direct aid to East Timor if it was either an autonomous region or if it was fully independent?

**Mr Huning**—Senator, I think one would need to split the two circumstances you are envisaging—

**Senator SCHACHT**—Okay, let us take the autonomous region for a start.

**Mr Huning**—An autonomous region would still obligate us, working under this treaty, to work through Jakarta—whether that meant on each and every matter or whether that meant in terms of establishing some sort of framework agreement specific to East Timor. Either way it would have to be done in an agreeable way with Jakarta.

**Senator SCHACHT**—If East Timor became independent, then obviously we would have to have a new agreement with East Timor.

**Mr Huning**—That is right and this agreement would have virtually no bearing on that; it would be a matter of direct negotiation—

**Senator SCHACHT**—If it was an autonomous, self-governing region, but stayed within the sovereignty of Indonesia, there is nothing in this agreement that would stop us, other than its being an unusual practice—and it would be unusual, I understand—providing direct financial budget aid to East Timor?

**Mr Huning**—There is nothing in this agreement that complicates any particular form of aid. So any measure to accelerate or start to specialise particular assistance to East Timor would not be complicated by this agreement.

**Senator SCHACHT**—Mr Blythe said that, for example, with Indonesia none of our aid is budget aid. Is PNG the only country we still give untied budget aid to?

**Mr Blythe**—Yes, it is.

**Senator SCHACHT**—With regard to the financial assistance we have given Indonesia through the multilateral agencies of the World Bank or the IMF, some might say—and last year some people in Australia, for misbegotten political purposes, did claim this—that underwriting loans is in fact giving specific untied financial aid. That is not covered in this agreement?

**Mr Huning**—No, this is the agreement governing the program of bilateral development cooperation finance.

**Senator SCHACHT**—So giving financial assistance to Indonesia in its present economic circumstances through the IMF, the World Bank or the Asian Development Bank is done under those agreements we have with those multilateral agencies. Is that correct?

**Mr Huning**—Yes. In some cases there may not be a specific freestanding agreement; it may simply be the agreements and provisions that we subscribe to as general members of those multilateral bodies.

**Senator SCHACHT**—I see. I have one other question. Is the draft of this agreement significantly different from other development aid agreements with other countries within the region?

**Mr Huning**—No.

**Mr Blythe**—It is quite similar. It is similar, for example, to the agreement Australia signed with the Philippines for the same purpose in 1994—quite similar.

**Senator SCHACHT**—That is all I have, thanks.

**Mr LAURIE FERGUSON**—Obviously the situation has changed markedly with the decline of the Indonesian economy, but I had a recollection that when the Joint Committee on Foreign Affairs, Defence and Trade did an inquiry into Indonesia one of the concerns was the degree to which money in general did not flow to the eastern provinces, not just Timor but also Irian Jaya, Ambon—the eastern section. It made suggestions that Australia's foreign aid program should perhaps take up that matter a bit more strongly. I know it is not part of this agreement, but do you know whether Australia does direct any attention to that?

**Mr Huning**—Our specific area of focus in Indonesia, by virtue of government to government agreements, is in fact the eastern islands, or rather eastern Indonesia, which means the eastern islands and includes Irian Jaya. At a working level that is perfectly accepted by Jakarta and it is fair to say that most of our project aid is in that zone. There are some forms of funding where we contribute to things that have a more national impact, things like capacity building. Some of the policy reform technical assistance we are providing obviously is more relevant to Indonesia as a whole—it cannot be centred geographically in any particular area—but with project aid, NGO funding and so on, we are given a lot of latitude to target the eastern Indonesia area.

**Mr BARTLETT**—Could you just outline the process by which we monitor the effectiveness of the aid that we give Indonesia and just comment on whether you see this agreement as having any impact, either negative or positive, on the effectiveness of the monitoring of our aid programs.

**Mr Blythe**—To take your second question first, this treaty will have no effect on the way we monitor our program development cooperation with Indonesia. It is not really designed to address the issue of monitoring of effectiveness. In terms of doing exactly that task, to reassure ourselves that our cooperation with Indonesia is effective, AusAID corporately has a program of activity evaluations which is planned in advance. We have staff in the embassy in Jakarta, all of whom have the key task of monitoring. We have very

substantial monitoring and reporting arrangements written into all of our contracts with project implementing companies that we hire through tender. We visit from Canberra ourselves and others visit on our behalf. For example, depending on the sector, we might have what we have come to call a technical advisory group, or a TAG, which consists of independent experts, usually two or three—for example, we have a TAG in our health sector program in Indonesia; we have three major health sector activities in Indonesia. The TAG goes twice a year and its task is basically to tell us that, in terms of the technical work those projects are doing, we are getting value for money and the technical work is effective and is being delivered at professionally acceptable standards, which in general in AusAID is not something we are in a position to judge because we are not technical experts in the health field. So we have a very large range of mechanisms to try to monitor the effectiveness of what we are doing. It is a constant part of the life of AusAID to try to ensure that we are effectively monitoring and that we are delivering the best possible aid that we can.

**Mr BARTLETT**—You are confident that that works effectively? Is there ever any feedback from other organisations casting doubts on the effectiveness of that monitoring process?

**Mr Huning**—We occasionally get signals from other quarters. We invariably respond to them, all the way through to field checks and so on, very, very fast. It is normal in the aid world to treat it as a fairly open game and to accept that feedback is going to come, often quite richly, from a variety of quarters. Tony has described the mechanisms we have which would operate even in the absence of criticism or feedback from other quarters. In addition, the post and/or the Canberra desk staff will be tasked to literally follow up on any significant signal from other quarters. So it is a fairly vigorous response.

**Senator COONEY**—Will this agreement be like an infrastructure agreement that other agreements will be dovetailed into? When we get future agreements, will a reader of that agreement have a copy of this available? What I am really asking is: what is the mechanism of this? Will this just be an agreement that sits there while others are made around it? Is that correct?

**Mr Huning**—This is essentially a framework document that makes it much easier for the parties to particular projects and particular activities to refer to this rather than each time negotiate a wide range of government to government special interest issues. Therefore, yes, in all subsequent MOUs this agreement will be referred to but will not necessarily be appended to all those MOUs. It will certainly be referred to and copies would be available for those parties to subsequent MOUs to draw on.

**Senator COONEY**—I have one other question. Article VII(2) talks about intellectual property. I would have thought that perhaps there would be some established framework to protect Australian intellectual property but there it seems that there can be various agreements about the way intellectual property is treated. Am I correct in saying that?

**Mr Blythe**—I must say, Senator, I am not exactly sure about the answer to that question.

**Senator COONEY**—I need not get it now but I would be interested to see what protection is put in an infrastructure or, as you say, framework document to protect Australian intellectual property.

**Mr Blythe**—As Mr Huning mentioned in his opening statement, this proposed treaty does provide for future protocols that will protect foreground and background Australian intellectual property. So, to that extent, this issue has been carefully considered in the drafting and negotiation of this proposed treaty.

**Senator COONEY**—I just wondered. It talks of implementing arrangements. Could those implementing arrangements be framework documents or infrastructure documents?

**Mr Huning**—It might be best if we take this one on notice. We might need to check through with our colleagues in Attorney-General's. There are separate measures under way between Australia and Indonesia about intellectual property. We would work on the basis that they have prevailing force, rather than that this particular agreement in any way has superiority. It would be a question of making sure that this agreement is bound back effectively to those other agreements.

**Mrs DE-ANNE KELLY**—I notice that a lot of the organisations providing aid to Indonesia have expressed concerns recently, and some of them are even reluctant to proceed with aid programs. What problems have they encountered and why are they reluctant to continue some of their aid programs? Is this agreement going to alleviate any of those difficulties?

**Mr Huning**—I would need to have a better feel for which organisations and which concerns you have in mind there. We could name a few typical ones but that might not be the particular ones that have prompted your interest.

**Senator SCHACHT**—You mean the usual suspects!

**Mr Huning**—Your words, not ours, Senator.

**Mrs DE-ANNE KELLY**—I am referring to some of the press releases that have been issued. Apparently, around 27 January there was a meeting of aid donors to debate the scope of the Indonesian economic crisis. At that meeting it was apparently stated that many of them were reluctant to continue with the programs. It does not list who was attending that meeting.

**Senator SCHACHT**—For example, ACFOA is the council of 50-odd non-government aid organisations. Has it expressed a formal opinion?

**Mr Huning**—I can come at that on a variety of levels. Firstly, with regard to the meeting that you have referred to, that sort of thing happens at least monthly amongst donors. It is typically chaired by the World Bank. It is an informal meeting but it actually has quite a strong impact on the coordination of donor thinking in Indonesia. It is a similar practice to what happens in a number of other countries but it has been much more systematised in Indonesia in the last 12 to 18 months because of the stresses and difficulties

of operating there. The basic theme of the concern there is in relation to security; that ever since the crisis has really started to spread its impact across rural and peri-urban Indonesia as much as it has affected its more major centres, obviously things such as theft, the occasional ambushing and interfering with international activities that look relatively more well-heeled, shall we say, than what the average Indonesian livelihood situation is felt to be, there is clearly a pattern of security difficulties.

Most donors have an undertaking—usually a specific legal and contractual one, and always a moral one—to their project staff, to the various people carrying out their activities, to not put them into situations where security cannot reasonably be assured. During the period of this crisis in Indonesia, the capacity of the Indonesian government to ensure a minimum level of security for international project staff and so on has been weakened. It has a whole lot of pressures on its typical mechanisms and resources that really have made its ability to provide a security background to foreign aid activities at times quite doubtful, depending on the particular location in Indonesia.

Also, basic health and medical requirements that we would normally regard as minimum areas of assurance to project staff are also getting doubtful, as indeed they are for indigenous Indonesians. Water supply, transport, provision of pharmaceuticals and medical requirements and so on are all under stress in different parts of Indonesia, to the point of being quite unreliable. That means that this is impacting on the donor community and its operations as well.

**Mrs DE-ANNE KELLY**—Are you saying, then, that concern for the staff associated with donor distribution of aid is the only concern that those organisations have or are there other concerns?

**Mr Huning**—There would obviously be a range of concerns, including the ability for donors to work confidently in relation to assisting Indonesians at the kind of base level that most donors have been trying to target for some time now under the humanitarian priorities. In most donors' aid thinking since the crisis has really set in, where there is doubt of the ability to actually deliver assistance to the intended beneficiaries donors are clearly being cautious and re-examining. If they do not have mechanisms that can get through to the points that they are intending to help, operations are being stalled and rethought.

**CHAIR**—I gather that there are considerable misgivings among the large donors about the transparency of the whole budget process in Indonesia. What effect have you seen in the Indonesian aid agency, Bappenas? Has its administration noticeably declined in its quality? Has it been shaken around by the transformation from Suharto to Habibie and so forth, and what shape is it in? Do you still trust it? Did you ever? Why, in that sense, is there not a clause in this agreement asking or requiring of the Indonesian government some sort of transparency? The country is in a mess, the large donors are expressing grave misgivings about the whole budget process. Here we are going with this new agreement and there is nothing in it, as Mr Bartlett said, to require of them some sort of transparency or to show us that our money is being spent properly; why not?

**Mr Huning**—Mr Chairman, as Tony Blythe pointed out a little bit earlier, perhaps what we are relying on very strongly is our basic modus operandi; that is, that under the bilateral

program money in fact does not leave Australian mechanisms and Australian hands. The aid that goes to Indonesia in the huge majority is spent within Australia through contracting and so forth in Australia. So it is rarely a matter of aid moneys going into Indonesian machinery and therefore encountering any difficulties there. Relatively minor exceptions in proportional terms are the small activities schemes run from the embassy. That is a direct funding mechanism to NGOs and similar small organisations, small activities, and they have been decided by a committee, of which the embassy aid team is part, in the country. Because those amounts rarely go to Indonesian government activities but more direct to Indonesian community activities it is, again, not a paramount concern of the transparency or otherwise of the Indonesian government apparatus. Occasionally we will also fund things through NGOs, both Australian NGOs and international ones, such as ICRC. Again, the money would not go through Indonesian mechanisms or Indonesian budgetary processes first and foremost; it would go effectively direct to those NGOs.

**CHAIR**—Can I interrupt you there and ask does Bappenas still have its blue book?

**Mr Blythe**—Yes.

**CHAIR**—The blue book is their priority of projects.

**Mr Blythe**—Correct.

**CHAIR**—So, in effect, we spend our money according to their priorities, not ours. Is that right?

**Mr Blythe**—Yes.

**CHAIR**—So we spend our money according to their blue book and therefore we spend it where they say we wanted to spend it, but you are saying we spend it cleanly.

**Mr Blythe**—Yes.

**CHAIR**—Fair enough. How does that avoid an incumbent government directing us to spend our money where it suits them politically?

**Mr Huning**—Mr Chairman, as an agency operating on behalf of the Australian government we always retain the right to have complete appraisal, feasibility studies, thorough examinations of the setting, the counterparts, the intended modus operandi and any other aspects that are relevant to the quality and probity of a particular activity. Where anything significant does not come through cleanly and satisfyingly in that form of appraisal, projects often die on the table between us. It does not matter how strongly the Indonesian side may be sponsoring it. Can I also mention that a lot of the actual projects that come forward may well be in the blue book but also are often the result of a process of push-pull. As bilateral partners, we exercise quite a bit of selective influence on the other side to suggest what it is we believe should be offered to Australia, what we believe matches our strengths and our strategic interest. It is not as simple as being channelled according to unquestioned leanings and inclinations of the Indonesian government.

**CHAIR**—With an election approaching, and given that it is going to be a fairly ferocious one in some senses, why not have a clause in there at least allowing the Australian side, whose chequebook it is—we are writing the cheques—a little more say in where it goes? If you can see a blatant case of pork-barrelling approaching, why not have a legal right, a legal framework, to say, ‘No, sorry, we prefer Ambon versus Flores because we feel in objective terms it is the right place to put such aid’? I mean, if they say, ‘No, you have to put it over here because objectively it is good,’ but you know very well and all the officials in Jakarta know that that is precisely where perhaps the incumbents need some money. Why should we not recommend that such a clause go in?

**Mr Blythe**—I think the treaty provides for a development cooperation program based on mutual agreement. I think that is probably sufficient to cover your question.

**CHAIR**—I appreciate that but we have to balance it with the fact that we are writing the cheques so we are more aware of that side of it than the diplomatic side. Anyway, I have finished. Are there any other questions?

**Mr ADAMS**—In relation to this, we do not give any of our money over to agencies of Indonesian government. If we were buying some capital equipment—we purchased it and Australia did not manufacture it—we would buy that straight from overseas and import it straight into Indonesia. Would that be the case?

**Mr Blythe**—It depends on the needs of the particular project. For some of our large projects that do involve infrastructure, like water supply and sanitation activities for example, we would buy the pipes and so on either in Australia, or locally in Indonesia, depending on what is the best use of the funds available. Generally, I doubt we buy very much at all from third countries. Certainly, in the Indonesia program I do not think we buy anything from third countries at all. I do not know about other country programs.

**CHAIR**—Are there no further questions? Thank you. We will reflect on our consideration in due course. Many thanks.

[10.30 a.m.]

**Agreement between the Government of Australia and the Government of Ukraine on Trade and Economic Cooperation**

**MANSON, Ms Michelle, Desk Officer, Europe Bilateral 2 Section, Europe Branch, Department of Foreign Affairs and Trade**

**WALTERS, Mr Robert, Director, Europe Bilateral 2 Section, Europe Branch, Department of Foreign Affairs and Trade**

**CHAIR**—Just briefly, I would like to advise you that you are not under oath but these proceedings of the committee warrant the same respect as proceedings in the House of Representatives or Senate and therefore the giving of any false or misleading evidence is a serious matter, although, again, I am sure that is the last thing on your mind. Would you please start by making some introductory remarks, if you wish, before we proceed to questions.

**Mr Walters**—Thank you, Mr Chairman. Perhaps I can draw some of the key points that are within the national interest analysis to the attention of members here today. The agreement has its origins in 1994 when Ukraine asked for the negotiation of a bilateral trade and economic cooperation agreement as the basis for the new commercial relationship with Australia. The signing of the agreement, in March 1998, represents a significant step forward in Australia-Ukraine relations. The agreement demonstrated a commitment of Australia and Ukraine to develop commercial links at a time when Ukraine is moving to a market based economy. Once in force, the agreement will provide an improved institutional framework, including the facilitation and encouragement from both governments for Australian companies conducting business in and with Ukraine.

The two-way trade between the two countries had been improving in recent years from previously extremely low levels, although our exports dropped back in 1998 to \$8 million and total merchandise trade between the two countries was only \$14 million. In 1997, our exports were worth \$12 million and total trade was the same, \$14 million. Nevertheless, we judge that the growing commercial interest in the Ukraine will be further encouraged by this agreement.

The agreement requires the parties to promote bilateral trade and economic cooperation, subject to their laws and regulations, including through the encouragement and facilitation of the negotiation of commercial contracts and development of industrial and technical cooperation. The agreement requires the parties to encourage and facilitate the holding of, and participation in, trade and technology fairs and exhibitions. The agreement does not provide for the establishment of mixed commissions or other regular government to government consultations. The agreement requires each government to encourage legal and natural persons to have due regard to the protection of intellectual property. It also requires the parties to grant each other most favoured nation treatment in all respects concerning customs duties, internal taxes or other charges imposed or in connection with imported goods customs and other related formalities, regulations and procedures in the issue of import and export licences and any provision of foreign exchange connected therewith.



The agreement need not apply to preferences or advantages accorded by each party under an established preference system. The agreement provides for the parties, in accordance with their existing laws and regulations, to be exempt from payment of import duties and taxes on articles for display at fairs and exhibitions, as well as samples of goods for advertising purposes. The agreement requires the parties to encourage, subject to their respective laws, the use of alternative dispute resolution procedures, including arbitration for the resolution of disputes arising out of commercial contracts.

In relation to costs, there are no direct financial costs to Australia of entering into this agreement, although some costs may be incurred in fulfilling the aims of the agreement—for example, in relation to article 2 requiring government encouragement and facilitation of commercial and technical cooperation, trade fairs and exhibitions, and article 8 which requires both governments to encourage investment and technological cooperation, including the establishment of joint ventures. Such costs would be met, as appropriate, from existing resources.

The agreement does not provide for the negotiation of future related legally binding instruments. No new legislation is required to give effect to the obligations in this agreement. With regard to consultation, a copy of the text of the agreement has been sent to all state and territory governments, along with a letter seeking comments and feedback. Of those governments which responded, all are in favour of the agreement. The Western Australian government had sought clarification of some obligations and opportunities for Western Australia arising from articles 2, 3 and 9 of the agreement. These articles have been explained in greater detail to the satisfaction of the Western Australian government. Copies of the agreement were also sent to the Australia-Russia and Newly Independent States Business Council as well as to the Australian Federation of Ukrainian Organisations for communication to their members. We have not received any comments on the agreement. Thank you very much.

**CHAIR**—Thank you. What is the diplomatic representation between Australia and the Ukraine now in overseas consulates? How are they represented in Australia, and likewise we have a consulate in Kiev, I think.

**Mr Walters**—Yes, Ukraine has an honorary consul in Melbourne and our accreditation is through Moscow at this point in time. I might mention that there is a review of representation and accreditation in Europe and that is a review that is being done in consultation and close cooperation with Austrade and with the department of immigration.

**CHAIR**—Is their ambassador to Vietnam accredited to Australia?

**Mr Walters**—To my understanding, Ukraine is accredited directly from Kiev.

**CHAIR**—None of their ambassadors in the Asia-Pacific region have been given responsibility yet?

**Mr Walters**—That is my definite understanding.

**CHAIR**—I heard it from some Ukrainians in my electorate that this might happen, that the guy in Vietnam might be accredited to Australia. You have not heard anything—

**Mr Walters**—It is not something I personally have heard of.

**CHAIR**—Well, you do not take everything these people say for gospel. They like to boast a bit.

**Mr HARDGRAVE**—What are we actually trading with Ukraine; what are they sending to us and what are we sending to them? I do not need a final list, just the highlights.

**Mr Walters**—I am not sure what I can give in the way of highlights, other than to note that there has been some diversification, but it is, as I mentioned, at such very low levels with \$8 million of exports from Australia to Ukraine in 1998 and \$6 million of imports. The department does prepare commodity details for our trade with various countries; it is not one that ranks in terms of something that they have prepared and it is not something, I must admit, that I have sought to identify.

**Mr HARDGRAVE**—So it is just general trade?

**Mr Walters**—General trade.

**Mr HARDGRAVE**—We send things to them and they send things to us and we have got a \$2 million surplus in our favour?

**Mr Walters**—Yes. It has diversified a little bit in recent times.

**Mr HARDGRAVE**—Okay, good. Thank you.

**CHAIR**—It sounds like a very good agreement.

**Mr BAIRD**—What does this agreement mean? Are we going to start to see an office established, following on from the chairman's question? My suspicion is that if you actually looked at the trade you would probably find there is one chunk of it that is accounted by meat or aluminum or something which goes right outside of anything that Austrade or Foreign Affairs would be directly involved in. Are we going to see trade fairs, participation in the Ukraine and multiple visits? It is small beer and if this means that we are going to see lots of activity for a pretty small amount, then one would question it. What are the actual implications of this?

**Mr Walters**—I should note that a number of the countries that are in central Europe or were previously part of the then Soviet Union did request framework agreements—which we have concluded with some of them—soon after the transition at the end of 1991 with some of these countries. That, I think, is seen by those countries as important to have a framework between the two countries. I might mention in the case of Ukraine that Ukraine is not a member of the World Trade Organisation. It is applying for membership at the moment. Certainly we would look at this in terms of where Austrade's resources—if I can speak for Austrade to that extent at least—are best expended. I am sure that Austrade would weigh up

the costs-benefits very much in terms of any trade exhibitions and fairs. Nevertheless, they would be on the lookout for ones where they might be able to contribute in a small way, or at least promote or encourage businesses they are aware of who have got an interest to participate in an event.

**Mr BAIRD**—So it is more symbolic than anything else?

**Mr Walters**—I think it is probably more symbolic. As I say, Ukraine is not a member of the World Trade Organisation and therefore it is not accorded most favoured nation treatment in any legal sense at the moment, but this would give that at least.

**Senator COONEY**—Can I just ask you a question, following on from Mr Baird. In article 2.2 it says:

In encouraging and facilitating activities under Article 2, Contracting Parties should encourage legal and natural persons to have due regard to the protection of intellectual property in their commercial relations.

Following on from Mr Baird, there is in a certain sense not a great deal at stake, but if our intellectual property was at stake there would be some concern. Yet article 9.2 says:

Any dispute between the Contracting Parties relating to the interpretation or implementation of this Agreement shall be resolved, without unreasonable delay, by friendly consultations and negotiations.

If the Ukraine is not a member of the World Trade Organisation, that may leave some Australian parties very vulnerable if there is no legal framework to protect intellectual property, or indeed any property.

**Mr Walters**—I think that is true in so far as Ukraine is not a member of the World Trade Organisation and therefore it is not a signatory to the trade related intellectual property agreement, part of the Uruguay Round outcome. So companies would need to be cautious on that point, at least if they had any intellectual property involved. And, beyond the friendly consultations, they would be, if need be, encouraged to go to some independent parties to negotiate. Companies would need to be mindful at the outset.

**Mr HARDGRAVE**—What are the implications of this for your dealings with another newly independent state—I think it was Kazakhstan in its treatment of Telstra? In negotiating these sorts of things, did our stand on those matters assist in getting these nations that are starting to get in place systems that they did not have to have until just a few years ago to at least understand the fulfilment of obligations with other nations?

**Mr Walters**—Yes, it would be my presumption that that did, in the case of Kazakhstan, send an important message that we, Australia, and Telstra were not happy with the way their own particular investments had been dealt with. In the case of Ukraine, there is no particular difficulty that we see as raising a need to stop ratification.

**Senator BROWNHILL**—Could I just take you up on the point that you made a moment ago, in a reply to a question from Mr Baird, that it is only a symbolic type situation. I would have thought that some of the countries, especially in central Europe, and people who want to trade with them, like to have these agreements in place before they actually start to trade.

So it would, I would have thought, add to trade between the countries, rather than just being symbolic.

**Mr Walters**—I certainly did say at the outset that we would see this as a useful mechanism to promote trade interests in both directions. I did not mean to belittle it in that sense by saying it was largely symbolic. There is a symbolic nature to it, but at the same time we would hope that that would encourage business in the respective countries to look at the opportunities for trade. There is certainly a large Ukrainian community within Australia that hopefully would take some heart from this agreement.

**Senator BROWNHILL**—It is nice to clear that up a little bit. It just sounded a little bit flippant—well, not flippant, but a little bit pushing it away in the previous reply.

**CHAIR**—Okay, it sounds like a pretty good agreement. Thank you kindly.

[10.45 a.m.]

**Agreement between the Government of Australia and the Government of Malaysia concerning the Status of Forces**

**BLEAKLEY, Mr Peter, Director of Agreements, Defence Legal Office, Department of Defence**

**O'CONNOR, Mr Feargus, Executive Officer, Malaysia, Singapore, Brunei Section, International Policy Division, Department of Defence**

**Mr O'Connor**—Mr Chairman, I am appearing in place of Mr Scrafton who has been detained.

**CHAIR**—Thank you. We do not require you to give evidence under oath, but I will advise you that these are proceedings of the parliament and they have the same legal status and require the same respect as such proceedings. The giving of any false or misleading evidence is a serious matter and may be regarded as a contempt of the parliament. Would you like to make some introductory remarks?

**Mr Bleakley**—Perhaps I will start. Each of the SOFAs that Australia has concluded is different according to the individual circumstances of the country concerned. Nevertheless, they all follow a standard theme of coverage for visiting forces and the scheme of the provision in this SOFA is not exceptional in comparison with the others. I will not actually go through the NIA, the national interest analysis; I think it provides a fair coverage of what is in the agreement. However, I will draw to the committee's attention one feature of the agreement, which is its relationship to the earlier five-power defence arrangements treaty, concluded on 1 December 1971. That actually provided some status of forces or SOFA type coverage for Australian visiting forces in Malaysia. This new agreement complements that and in article 2, paragraph 2, it actually states that the agreement will not apply in relation to activities which the parties mutually determine in advance in writing are to be conducted pursuant to the earlier treaty. In fact, the earlier treaty will remain in force, covering mutually determined five-power defence arrangements, or FPDA, and the new agreement will apply to everything else for Australians in Malaysia, and to Malaysian visiting forces in Australia.

I am happy to take any questions at all on the legal aspects, but perhaps before we do that I might ask Mr O'Connor to talk about the Malaysian-Australian defence relationship to some degree.

**Mr O'Connor**—Thank you, Mr Chairman. Australia and Malaysia have had a very long-term defence relationship, going back to colonial times. Although it has obviously changed in its tone a lot since then, it remains very close. This delivers a number of benefits to Australia. We enjoy a very high level of access, both to their senior defence civilian policy people and also to senior echelons of their military. In practical terms, we also have a very high level of access to the Royal Malaysian Air Force base at Butterworth which we use to fly maritime surveillance flights out of. It was also used recently in the evacuation of Australian personnel from Indonesia. As a token of the very close relationship we have with

Malaysia, Australia was the only country that was able to use Butterworth for that purpose; everyone else had to queue for a place in Singapore. So there are direct benefits.

It also gives us a foot in the region, and an accepted foot in the region. All of the other countries in South-East Asia are more than happy with our presence there. Given that Malaysia is a key member of ASEAN, we consider that to be very important. As an expression of that very close relationship there are large numbers of our people up in Malaysia, defence personnel, and similarly large numbers of their people down here. At any one time, there are approximately 200 ADF personnel in Malaysia and over 100 Malaysian defence force personnel down here. For that reason, we certainly are in favour of having SOFAs to regulate that very high level intensity exchange.

**Mr ADAMS**—Are the personnel covered under this agreement in Butterworth and other stations in Malaysia?

**Mr O'Connor**—That is right. We have about 15 ADF personnel on long-term attachment scattered throughout Malaysia, teaching at corps schools and providing project assistance.

**Mr ADAMS**—Sorry, I did not hear the number.

**Mr O'Connor**—Fifteen. Then at Butterworth there are six people at the integrated air defence system headquarters, 35 at RAAF support unit, eight assisting with the maritime surveillance flight that I mentioned before, and 130 infantry providing a rifle company. That adds up to just under 200.

**Mr ADAMS**—What about the exchange; how many Malaysian personnel do we have in Australia?

**Mr O'Connor**—At any one time a bit over a hundred. There are 11 on long-term attachments here, instructing at our corps schools and staff colleges, and on courses about a hundred.

**Mr ADAMS**—Thank you.

**Mrs DE-ANNE KELLY**—Thank you for a very good briefing. I would like to ask you some questions that my constituents continually ask me, so they will be fairly blunt. I notice that we have SOFAs with the United States, Papua New Guinea and Singapore. Are there any other countries that we have similar agreements with?

**Mr Bleakley**—There is one that has been set up with New Zealand, and in fact tabled, and it will come before the committee shortly.

**Mrs DE-ANNE KELLY**—Just a second question. I notice back here in annexe I, under rights and facilities and training, it gives authorisation to use predetermined land and sea areas and airspace facilities for training or exercises. Do we have any other countries that use our facilities in such a way? I will be specific, because my constituents are specific with me: do we allow Indonesia to have such rights?

**Mr Bleakley**—All those rights are determined on a case by case basis. We have no similar agreement with Indonesia, no.

**Mrs DE-ANNE KELLY**—Have there been instances where other countries have used our facilities in that manner?

**Mr Bleakley**—It would be on a case by case determination. I could not tell you across the table now.

**Mr O'Connor**—Singapore does have very high level access to Australia. Indonesia would be at a much lower level than what we do with Malaysia.

**Mrs DE-ANNE KELLY**—By the way, asking these questions does not imply that we do not enjoy good relations with those countries—obviously we do—but people ask the questions. When we have personnel here using our airspace facilities for training or exercises, how do we ensure that our technical expertise—things that obviously we want to keep as the province of Australia—do not become general knowledge to our neighbours, and, at the moment, friends? What security is in place?

**Mr O'Connor**—It is, of course, built into the arrangement as such. As for on the ground, it might be the case that the foreign force exercises by itself. That is the case with the Singaporeans at Shoalwater Bay training area; they are allowed to operate only when they are the only unit there. In the case of Singapore, for instance, they have expressed interest in flying close to some of our facilities up in the Northern Territory and we have indicated that that probably would not be appropriate. So one approach we take is to keep them at arm's length from anything really sensitive and/or to ensure that they are the only unit in the vicinity.

**Mrs DE-ANNE KELLY**—That is quite fastidiously done?

**Mr O'Connor**—Yes. In the case of the Singaporeans, we have a security arrangement whereby liaison personnel from our defence forces have an unfettered right of access to the Singaporeans while they are exercising. An example at Shoalwater Bay is that the Singaporeans fly a kind of pilotless plane, called a remotely piloted vehicle, which is designed to gather battlefield intelligence. Our ADF liaison officers have the right to go and open the black boxes, and indeed get a copy of all the data that the pilotless plane collects as soon as it touches down.

**Mr HARDGRAVE**—Could you give us a reflection on the alternative or the opposite to what we have just been talking about, and that is Australia's access to Malaysian military infrastructure, particularly at Butterworth. I went up there about 15 years ago with Greg Chappell and Jeff Thompson and a few other people that TAA put together for a cricket match—the Butterworth base beat the former Australian superstars, Mr Chairman. So there is a pretty good esprit de corps up there. I went up there and played for Channel 7 and filmed the disgrace of Thommo and Marsh and Lillee and all these people losing. Anyway, it strikes me that Australia probably is in a unique position in Malaysia in respect of the sort of access that we have there to, if you like, their infrastructure and their facilities. While we were

there, F111s were flying in from Amberley just as a matter of course, an everyday event seemingly. Is that a fair comment?

**Mr O'Connor**—It is a very high level of access, and not just at places like Butterworth but at their defence headquarters. We have currently an army lieutenant colonel who reports directly to their assistant chief of staff for operations and training. So we have people actually attached directly in their headquarters, and that is not reciprocated; there is no Malaysian officer in a similar position in Australia.

**Mr HARDGRAVE**—All around it is a pretty good arrangement, is it not?

**Mr O'Connor**—It is, yes.

**Mr BAIRD**—Just a brief question: you asserted that the relationship between Australia and Malaysia was very strong. Sometimes we do not necessarily get that impression with some of the comments of their head of government. Can we be assured that this is a strong and high level relationship?

**Mr O'Connor**—Yes, we can. The distinction is often made between comments regarding the relationship at the political level and the relationship at the military level. There is certainly no exchange of brickbats at that level and the relationship is very close, as exemplified by positive gestures over us evacuating personnel through Butterworth. That track of our bilateral relationship seems to go on unhindered, regardless of what might happen at the political level.

**Senator BROWNHILL**—Perhaps it is because so many Malaysians have been tertiary educated in Australia and gone back. It is a wonderful relationship.

**Senator COONEY**—I was just looking at the national interest analysis, which says:

. . . conditions for the presence of Malaysian and Australian visiting forces on issues including jurisdiction,—

I take that means legal jurisdiction, does it?

**Mr Bleakley**—Yes.

**Senator COONEY**—It continues:

claims, immigration requirements and custom duties.

Are we paying attention to the quarantine issues in these agreements?

**Mr Bleakley**—Yes. A visiting force has to comply with the local law in terms of quarantine; they have to comply with quarantine requirements.

**Senator COONEY**—I could not see anything in the agreement that referred to that. Is this a sort of a template agreement or is it one that you have to work out each time the issue arises?



**Mr Bleakley**—We very, very much have to work it out each time.

**Senator COONEY**—Very much worked out each time?

**Mr Bleakley**—You have to work it out each time. It does not really follow a template as such, but there is a standard theme, if you like, in terms of coverage.

**Senator COONEY**—I am not saying this in any derogatory way, but it is not, as it were, on a word processor and you just change what is there?

**Mr Bleakley**—Regrettably not, no. It actually requires quite a deal of drafting and negotiation. It actually was initiated about 1992, I think, and it has taken us quite a while to get to this stage.

**CHAIR**—Terrific, many thanks.

[10.59 a.m.]

**Agreement with France relating to the movement of nationals between the two countries**

**GREGG, Mr Peter, Director, Europe Bilateral Section 1, Department of Foreign Affairs and Trade**

**METCALFE, Mr Andrew, First Assistant Secretary, Border Control and Compliance, Department of Immigration and Multicultural Affairs**

**STANLEY, Ms Karen, Director, Entry Strategies, Department of Immigration and Multicultural Affairs**

**ACTING CHAIR (Senator Cooney)**—I am acting as chair, Mr Metcalfe. With regard to that formula that you have heard the chairman reading, I think I have seen you giving evidence before so you understand the thrust of it and I am sure the others do as well. In short, tell us what this agreement is about, and then we can ask questions.

**Mr Metcalfe**—Mr Chairman, thank you for the opportunity to appear before the committee—and I can assure you that we have had the words at the beginning before. The agreement, simply put, is to allow Australian travellers travelling to France visa-free entry, providing they are going for short-term periods. The agreement allows, in return, French travellers coming to Australia easy access. Essentially that is achieved through the extension of the electronic travel authority to French nationals.

I can give you some details about the entry of French citizens to Australia and some details on the electronic travel authority, and I think my colleague from the Department of Foreign Affairs and Trade, Mr Peter Gregg, will be able to provide more elaboration on issues relating to the travel of Australians to France.

**ACTING CHAIR**—I could not but call on Mr Baird first in this situation.

**Mr BAIRD**—Thank you, Senator Cooney. It is also Mr Metcalfe I met in my other role. I congratulate you on concluding this, but I have not changed my tune just because I have come into the parliament. Is this the first of the visa-free requirements you had with individual countries, based on the ETA?

**Mr Metcalfe**—There are a number of other countries, Mr Baird, which have granted Australia visa-free status.

**Mr BAIRD**—I know, no thanks to us, like the USA.

**Mr Metcalfe**—On the basis of the electronic travel authority.

**Mr BAIRD**—Can I just make a correction. According to the consul-general in Sydney, a spin has been put on it that it was because of our electronic travel program, and he said that had absolutely nothing to do with it. The cost of going through the visa process was simply

the main factor; it had nothing to do with the electronic travel authority. That is from the consul-general based in Sydney. I suspect this is the first one that has actually hit this Treaties Committee. I have a strong base on this: I think we are living in the past, the other members of the committee. I think we are the only country in the Western world that has had this universal visa requirement, so if you are in Japan, Vietnam, Cambodia, the old eastern bloc, you need a visa to come to Australia, and nowhere else in the world, which militates against Australia's tourism interest. In Mr Tanner's recent book, he says that tourism is one of the future industries, so this is seen as one of the worst examples of government bureaucracy in Australia today in terms of blocking the progress of Australia's tourism industry; there is no doubt.

New Zealand exempted 32 countries at one stroke and here we have one country put forward. Why the heck can we not be a bit progressive? And why was France put forward? We do not have this in terms of the USA. Americans need to come to Australia, the Brits need to come to Australia, and here we are singling out one country, which I might point out has had a particular case regarding the detonation of a nuclear device close to our shores, and we are giving it an advantage that some of our other partners have not had. I am all in favour of this requirement. The French have been after it for some years and have been very happy to do it. But we have just singled out one country, which is a very timid approach, instead of taking it across the board.

**ACTING CHAIR**—It is a policy issue, I suppose.

**Mr Metcalfe**—There were a number of comments made by Mr Baird that I might respond to. I might take the last comment first. There is no singling out of France in this respect in that what has happened is that France has become, I think, the 28th or 29th country to be granted access to the electronic travel authority. The only reason that we are here today is that the French in fact require their visa-free arrangements for Australians travelling to France to have the status of a formal agreement or a treaty. Hence, there has been an exchange of letters between the foreign minister and the French ambassador and—

**Mr BAIRD**—Through you, Mr Chairman, can I just clarify which other countries today have this same visa-free access as France has now been given by this treaty?

**Mr Metcalfe**—Mr Baird, France is not being granted visa-free access to Australia as a result of this agreement. If you have a look at the wording of the agreement, particularly paragraph 5, you will see some very careful words used. It states:

Citizens of the Republic of France shall be able to enter Australia, on presentation of a valid national diplomatic, service or ordinary passport, not bearing a visa, for stays of up to three months.

The words 'not bearing a visa' are critical. It does not say that they do not require a visa in the form of an electronic travel authority; it means that the passport does not bear a physical visa label, which—

**Mr BAIRD**—So they require an electronic travel authority?

**Mr Metcalfe**—The quid pro quo is that Australians have obtained visa-free entry for France and Australia has granted the electronic travel authority to French citizens. That has satisfied the French that our electronic travel authorities are in fact equivalent to visa free, while at the same time we believe we maintain the attractions and the benefits of a visa system, particularly relating to the provision of advanced biographical data on travellers to speed their processing through Australian airports, as well as the fact that we can check the Movement Alert List for persons of concern as known terrorists or other people who may be of concern to Australia. That checking can occur offshore.

**Mr BAIRD**—But you can still do the checking at the airport, as other countries do. Is it not true that the tourism industry does not regard the electronic travel authority as the same as visa free? In a number of countries there is a charge made for the issuance of electronic travel authorities. So, while you glide over it quickly and say it is being regarded as such, I think it is just the sheer pressure, that France has been after it for some time and is prepared to say, ‘Okay, it is close enough.’ But, in terms of the Australian tourist industry, it does not provide the same advantages.

**Mr Metcalfe**—Well, Mr Baird, I think you are far better able to represent the interests of the Australian tourist industry.

**Mr BAIRD**—I used to.

**Mr Metcalfe**—But certainly on the representations received from the industry, they maintain that the visa is an area of concern. The government has reiterated on a number of occasions, including recently last week by the minister, that Australia has a visa requirement and that Australia intends to maintain the visa requirement. The task of the department is to ensure that the visa requirement operates as smoothly and as effectively as possible and we believe the ETA, which now covers 95 per cent of all tourist and short-term business visitors from those countries which are ETA eligible—and indeed three-quarters of all travellers to Australia are for tourism—come here on electronic travel authority. We believe that provides benefits, while at the same time minimising risk.

Just to clarify the point, you also referred to some comments—and I had not heard them before—from the American consul in Sydney. It is our understanding—and I can certainly check this point—that the Americans did regard the electronic travel authority as providing sufficient benefits to their nationals as to allow them to provide reciprocity and visa-free access to Australians. Indeed, Japan has done the same. Late last year, Japan provided visa-free access to Australians on the strength that it was satisfied that the ETA was providing similar levels of access to its nationals.

**Mr BAIRD**—Yes, at just a small charge—

**Mr ADAMS**—Have we got any evidence before us about this consul, this American consul?

**Mr BAIRD**—Oh, no. I have no evidence before me about this. Is it fair to say that there are health and quarantine considerations in not having visas?

**Mr Metcalfe**—The checking for health, quarantine and other issues is not done at the visa issue stage; it is actually done on questions asked on the inward passenger card which is completed by travellers on an aircraft or upon arrival in Australia. That is where they are asked those particular questions.

It might be useful to the committee if I just made a few comments about what the ETA is. The ETA essentially is an electronic system whereby a person who is from an ETA eligible country is able, through their travel agent—providing the travel agent is one of the 20,000 or so linked up to the relevant systems—to initiate a request electronically. That request is run across various computer systems, and particularly our Movement Alert List, to ensure that the person is not one of the 50,000 or so persons or possessing one of the 900,000 or so travel documents of concern, on the basis those documents are lost, stolen, or otherwise misused. That is able to provide an answer within a number of seconds as to whether the person has authority to travel to Australia. Issues such as quarantine questioning, customs questions and other immigration questions, such as a direct question of whether the person has a criminal record, are asked about on the passenger card.

**Mr ADAMS**—If there has been past reference to those matters, that would come into the visa application, would it not?

**Mr Metcalfe**—That is taken into account in the entry decision at the airport. The basis of the ETA being granted to 29 countries—and as of 1 July this year it will be extended to Hong Kong and Taiwan as well—is that those countries are high volume traditional source countries which present very low risks of overstay or other concerns as far as immigration is concerned.

**Mr BAIRD**—You mentioned Japan and the coverage there and the agreement. Is it not also true that the average amount that is charged for a visa from Japan, for the processing of it, is \$40 to \$50? When you consider that if the Japanese want to go to France, for example, they do not have to pay anything, and the prices to come to Australia, it is a very competitive business, and if you have a family of four that is \$200 as an additional surcharge before you start. So it sounds good and it certainly is an improvement on what we had before and I congratulate the department on what they have done on this, but it certainly still remains an impediment.

**Mr Metcalfe**—Mr Baird, yes, there is a fee, I understand. The market is currently charging a fee of around \$40 to \$50. That figure has come down from \$60 or \$70. I might stress that there is no Australian government charge associated with access to the electronic travel authority, and indeed the transaction costs associated with the ETA are borne by the Australian taxpayer. The travel market has determined to put a price on the grant of the electronic travel authority. That is the market operating and that is something the travel industry is probably better able to answer questions about than I am.

**Mr ADAMS**—I just want to pick up one point there. You said the electronic transfer agency—what does the A stand for in ETA?

**Mr Metcalfe**—Electronic travel authority.

**Mr ADAMS**—There is a cost to that authority being issued and that is picked up by your department?

**Mr Metcalfe**—There is a transaction cost of, I think, \$1.75 per electronic transaction. That is picked up by the department.

**Mr ADAMS**—So we are going from where the cost was being met in the past to carrying a cost; is that what is occurring?

**Mr Metcalfe**—I think a better way to answer that is that the cost in relation to electronic travel authorities is borne by the Australian taxpayer and that is on the basis that we are talking about high volume, traditional tourism markets where we are anxious to do everything we can to ensure that the visa requirement is not seen as an impediment. Surveying by the travel industry and questioning of travellers to Australia indicates that the visa issue is a very small concern to people's experience of travelling to Australia. Of much greater concern are costs associated with the cost of actual travel on international airlines.

**Mr BAIRD**—That is a pretty bald assertion, Andrew. I have not seen any surveys in the three years that I was at the Tourism Council that would verify the statement you have just made. In this inquiry you are asked to make comments and they are supposed to be absolutely accurate. If you are able to table a survey which indicates visas are a small requirement, then you should do so. You have just made a statement; if it cannot be backed up, then this committee does not view that highly. I would have thought that De-Anne Kelly, who comes from an area that gets much of its livelihood from tourism, would view with concern the slump in Australian visitor numbers. When you start to look at the reasons for it, you see that there are a number of reasons, not the least of which is the collapse of a few of the South-East Asian economies. But this is one of the impediments as well and people making decisions have got to have a charge as well. We are really reflecting the interests of visitors to Australia and the Australian tourism industry.

**Mr Metcalfe**—Certainly, Mr Baird and Mr Acting Chairman, I was commenting in relation to some survey material that I had read recently. I will try to locate that material and certainly make it available to the committee.

**Mrs DE-ANNE KELLY**—I would like to reiterate what Mr Baird has said, particularly as the Whitsundays, which is in our area, is a long-haul destination. It is a really long-haul one because you have to get into Cairns or Brisbane and then take a domestic haul, so time and cost are of the essence. Any way in which we can reduce the impost on visitors certainly goes to assist us. As Mr Baird said, there has been a fall-off in international visitors to Australia. We are now finding in our area that we have a very price sensitive market, which is young backpackers who come out here to dive particularly. They are finishing university or study and every dollar counts. It really is a great impost on us. I would just like to ask you about the countries that you believe you have extended visa-free status to. Is Germany one of those?

**Mr Metcalfe**—Yes, Mrs Kelly. Essentially, to pre-empt your question, France, and Spain—and indeed the Vatican City—were the other countries that obtained the ETA on 1 July last year. That, with a couple of exceptions, has extended the roll-out of the ETA to

western Europe. The ETA is also available in North America, the United States and Canada, and in a number of countries in Asia, particularly South Korea, Malaysia and Singapore. As I said earlier, the government decided last year to extend it from 1 July this year to Hong Kong and Taiwan.

**Mrs DE-ANNE KELLY**—But the cost is still there, is it not? I think, as Mr Baird said, you have got \$40 or \$50 per visa.

**Mr Metcalfe**—That is a cost charged by the travel industry; it is not a cost charged by the Australian government. While we can encourage the travel industry to reduce their costs for providing a service which comes to them free and where the amount of data entry and other issues is completed within a number of seconds, ultimately it is up to the travel industry as to whether a \$50 fee is justified for a small amount of work.

**Mr BAIRD**—But it is not the Australian industry that is making that charge; it is the travel agencies on the other side who have got the choice of whether they are going to send them to Hawaii or France or Spain or whatever. If they have got increased workloads to send them to Australia, they decide the charge is worth while. It just provides them an opportunity to do so.

**Mr ADAMS**—But we have already got a subsidy coming to this cost through the department. We have got the cancutters in your electorate subsidising your tourist operators on the Whitsundays.

**Mrs DE-ANNE KELLY**—I do not know about that, Mr Adams, but I will not argue with you. I have finished my questions, thank you.

**Senator COONEY**—Mr Chair, I have one question that Senator Schacht wanted me to ask. Does the department see any problems arising because of overstaying from overseas French regions—that is probably the best way I can put it—as distinct from metropolitan France?

**Mr Metcalfe**—That is an important question, Senator.

**Senator COONEY**—Senator Schacht had to go to another meeting.

**Mr Metcalfe**—Well, on behalf of Senator Schacht I think that is an important question. The extension of the ETA has happened not only to metropolitan France but also to places such as French possessions in the South Pacific. It is an area that will be carefully monitored. I think that, based upon data we had prior to the decision being made, there were no particular concerns. But, as with performance across all countries and their overstay rates, it is an area that we will be continuing to pay attention to.

**Senator COONEY**—Is the department anxious to appear non-discriminatory right across the board, given its multicultural position?

**Mr Metcalfe**—The answer is yes.

**CHAIR**—Are there any further questions? If there are no further questions, thank you kindly for giving evidence this morning.



[11.20 a.m.]

**Agreement on health services between Australia and the United Kingdom of Great Britain and Northern Ireland**

**BURNESSE, Mr Mark, Director, Medicare Eligibility Section, Department of Health and Aged Care**

**RAYNER, Mr Craig, Adviser, Medicare Eligibility Section, Department of Health and Aged Care**

**CHAIR**—Welcome, gentlemen. You will not be required to give evidence under oath, but these are proceedings of the parliament and they warrant the same respect, so the giving of false and misleading evidence is a serious matter. Would you like to make some introductory remarks before questions?

**Mr Rayner**—Yes, thank you, I will be brief. This is a bilateral health treaty that has been operating since 1986 which offers immediate medical treatment to travellers from the UK in Australia. It covers a large travelling population. We wanted some technical amendments, simply to bring it up to date. One of the amendments more clearly defines the level of hospital care people can have in Australia; the other one is to complement changes in domestic legislation.

**CHAIR**—What are those particular changes; what is the scope of the care?

**Mr Rayner**—The first one simply defines the level of care as that of a public patient in a public hospital. The agreement between the two governments covers treatment in the public health system; so to avoid confusion with public and private hospitals we need to make that clear in the treaty.

**CHAIR**—What is the limit of that; what cannot you get? Surgery, other than emergency surgery?

**Mr Rayner**—It means the treaty does not cover you for any treatment you receive in a private hospital.

**CHAIR**—Oh, I see.

**Mr BAIRD**—I do not mean to dominate questioning but I am just interested, and I think I asked this when you put up New Zealand as well: how do you cost out how much this is going to cost us? As I recall the figures, there are 350,000 who come to Australia and 650,000 who go to the UK.

**Mr Rayner**—In 1997, 400,000 Britons came here and 320,000 Australians went to the UK.

**Mr BAIRD**—That is pretty similar.

**Mr ADAMS**—Any figures on the age of those people?

**Mr Rayner**—No.

**Mr BARTLETT**—Just following from that, what is the evidence on the access of medical services by travellers in either country? What is the record in terms of the number of visits to hospitals?

**Mr Rayner**—In 1997, about 32,000 people enrolled in Medicare and used the system, which is about seven or eight per cent of the Britons travelling here.

**Mr BARTLETT**—What about Australians in Britain?

**Mr Rayner**—We do not have the figure.

**Mr BARTLETT**—Would it not be worth while having that figure to be able to effectively evaluate the benefit or cost of this to Australia?

**Mr Burness**—We have had some discussions with the UK. These agreements are based on average utilisation so we are looking at a group of people, age range, et cetera. They have not indicated anything to us which would suggest that they have an extensive use or an absolute minimal use below what we have been discussing with them. The figures we are talking about are similar. We have not actually sat down and exchanged detailed data with them.

**CHAIR**—Is there any indication as to what ailments each group of nationals is more often treated for? Do Brits get more sunburn here and we get chilblains over there? I would be interested to know what we are treating them for most often, and vice versa.

**Mr Burness**—Next time we talk to them we might raise that with them and see if we can get a spread of the exact details.

**Senator COONEY**—Is there any checking on the quality of the services in the public hospitals in each country?

**Mr Burness**—We do, through the WHO, World Health Organisation, have various groups of people that are travelling backwards and forwards, as well as what we do in the departments. The national health system has a very good reputation, both internationally and nationally, and we have no reason to believe there was any change in that over the course of the history of this agreement since 1986.

**Mr ADAMS**—How does this cut into your own private health insurance that you take for travel? Do you utilise that? Most people take private health insurance as they travel. This is over and above that, I take it?

**Mr Rayner**—We recommend they still do take private health insurance. It complements the agreement. The agreement does not cover you for travel between countries or for stopovers, or if you end up in the private health system in the other country.

**Mr ADAMS**—The extra costs end up in that.

**Mr Rayner**—Yes.

**Mr BARTLETT**—Just following my question about relative costs with Britain, have we done any costing with the similar relationships that we have with these other countries? Is there a net benefit to Australians or a net cost? It just seems to me rather strange that we would pursue these treaties if we have not done full costing of the impact.

**Mr Rayner**—We base them on similar numbers travelling between the countries and the health systems offering similar benefits and on the principle of average utilisation and the fact that the travelling population is usually fit anyway.

**Mr BAIRD**—That is definitely not the case with New Zealand where they have twice as many people visit us as vice versa.

**Mr Rayner**—True. We have got the trans-Tasman arrangements coming in there.

**CHAIR**—I suppose there is that consular issue of being able to look after your own nationals in another country.

**Mr BAIRD**—I still think that the question that Terry asked is a valid one in terms of presentation of this treaty. There should be some evaluation of the cost. I agree with you that overall it is a good thing to do.

**CHAIR**—If there are no further questions, many thanks.

[11.27 a.m.]

**Protocol concerning the Peace Monitoring Group for Bougainville**

**CLARKE, Air Commodore Kerry Francis, Director General, Joint Operations, Department of Defence**

**MICHELL, Mr John Stewart, Acting Director, Papua New Guinea Section, Department of Foreign Affairs and Trade**

**RERDEN, Colonel Malcolm, Former Chief of Staff, Peace Monitoring Group, Department of Defence**

**RITCHIE, Mr David James, First Assistant Secretary, South Pacific, Africa and Middle East Division, Department of Foreign Affairs and Trade**

**POLDEN, Mr Stephen Granado, Manager, United Nations and other overseas commitments, Australian Federal Police**

**ROOKEN-SMITH, Mr Dereck, Director, Infrastructure and Reconstruction, Papua New Guinea Branch, AusAID**

**CHAIR**—You are not under oath today but these hearings are proceedings of the parliament and warrant the same respect as proceedings of the House of Representatives or the Senate. Do you wish to make some introductory remarks before we go to questions? Can you give us an idea of who will make the remarks and who will answer questions.

**Mr Ritchie**—I will, Mr Chairman, but my colleagues are very happy to answer questions. Just by way of introduction, the committee considered last year the agreement establishing the then Truce Monitoring Group on Bougainville, an agreement between New Zealand, PNG, Australia, Fiji and Vanuatu which established the neutral Truce Monitoring Group. As of midnight on 30 April last year, the truce on Bougainville became a permanent and irrevocable cease-fire. As a result of that, the Truce Monitoring Group metamorphosed into a Peace Monitoring Group for the island and we concluded a protocol to the existing agreement which just makes that amendment. The protocol actually makes some quite minimal changes to the existing agreement. For example, it substitutes the words ‘Peace Monitoring Group’ for ‘Truce Monitoring Group’ in quite a lot of places, and also takes into account a slight expansion of the terms of reference of the Truce Monitoring Group, now the Peace Monitoring Group, which resulted from the Lincoln University Agreement in January 1998 and some consequential changes which came through in the cease-fire agreement that was signed in Arawa on 30 April last year.

The protocol was signed with the parties to the existing agreement—that is, Australia, New Zealand, Papua New Guinea, Fiji and Vanuatu—on 29 April last year. Mr Downer wrote to the committee at the time begging the committee’s understanding for the fact that we needed to have the protocol in place to ensure that Australian monitors could be deployed on Bougainville as of 1 May. Perhaps that is all I should say by way of introduction, Mr Chairman.

**Mr ADAMS**—How many personnel do we have there at the present moment?

**Air Cdre Clarke**—We have 307 mixed ADF and civilian monitors running at the moment. That is last week's figure.

**Mr Ritchie**—That is not Australian personnel; we have only about 245 to 250 Australian personnel. The rest are New Zealanders and Pacific islanders.

**Mr ADAMS**—Do we still follow the process that there are no weapons?

**Mr Ritchie**—Yes, all of our monitors are unarmed.

**Mr ADAMS**—So there is one central area for the arms—

**Mr Ritchie**—We do not have arms; they are completely unarmed. There are no arms on the island.

**Mr ADAMS**—I think I heard the foreign minister say that we were putting money into aid programs. Can you give us a rundown on what is happening there?

**Mr Ritchie**—Certainly. I will ask my colleague Dereck Rookan-Smith from AusAID to comment on that.

**Mr Rookan-Smith**—We have a very large and growing aid program on Bougainville. It has, I suppose, been evolving along with the peace process. In the early days, in 1997 when we were allowed access to the mainland of Bougainville, we were able to basically work through NGOs. We had a large activity with the Red Cross that was delivering reconstruction packs around the island, and also medical equipment. Over time we have been able to complete infrastructure work in the north of the island. On the island of Buka we have just finished an 84-bed hospital and we are building two schools, one on the island of Nissan and one in Talena which is the northern part of mainland Bougainville. We are now mounting various reconnaissance missions into mainland Bougainville to look at future quite large infrastructure activities. One that will start in the near future will be a road rehabilitation program. That has been keenly welcomed by people in Bougainville, partially because of its importance in re-establishing transport on the island—it is a very difficult island to get around—but also because of the potential for local employment on road regravelling and basic high labour content in road work.

I could go on at some length about the various projects. I think at last count we had something like 30 or 40 different activities on Bougainville, some, for example, involving Radio Bougainville, helping to re-establish Radio Bougainville so that communication can spread throughout the island. The main focus has really been on emergency rehabilitation and health and education and, to a lesser extent, infrastructure, because the actual planning for infrastructure work takes a little longer and requires a fair bit of negotiation with landowners for access to sites and for assurances that the areas are safe. As we build up infrastructure work, we are very conscious that we need to take security very much into account because we will have a lot of equipment in one place, which could be something of a target.

**CHAIR**—Have there been incidents, even of a minor sort, that you would regard as hostile?

**Mr Ritchie**—One of the concerns we have, Mr Chairman, is the law and order situation on the island, although it is a lot better than in some other parts of PNG. There are a lot of young people—young men in particular—who were fighters who now do not have any fighting to do. Although the island is dry, they get home brew and other things and there are a lot of law and order incidents relating to that on the island. Whenever the commander of the Peace Monitoring Group comes across one of these incidents, he will immediately report it to the parties, and they have been quite good at following through and trying to punish in some way those responsible. As Dereck said though, the law and order situation is one of the many things that affect the degree to which we can deliver aid on the island. Where, for example, we are rebuilding a health post or something and the vehicle happens to get stolen, or taken for a few days, as is sometimes the case, it affects the safety of that project and we have to think long and hard about whether we should continue it.

**CHAIR**—Is there an economy in Bougainville; are there any markets for trading agricultural goods?

**Mr Ritchie**—The irony of the conflict on Bougainville for nine years has been that it really is one of the richest parts of PNG. Leaving aside the mine, it was the principal source of cocoa and other exports from PNG. It is an absolutely beautiful island and really ought to be a tourist destination; it is a really glorious place. Of course, we do not want to stop people from coming to Australia, but it has great potential in that regard. It is, generally speaking, a very rich place, but I would have to say the economy is almost non-existent on the island. There are some very low level trade stores and other things that are opening up and local markets have grown. It is a very small economy, but growing nevertheless. Scrap metal and other things come out a lot. The colonel might have some observations on this.

**Col. Rerden**—I think it is fair to say that there is a huge potential for an economy, a reasonably robust economy, in Bougainville, but at the moment it is a latent potential because of the conflict. What is emerging are very rudimentary efforts on the part of individuals to establish some sort of business enterprises and to develop businesses, mainly with other PNG companies, through Rabaul or Port Moresby.

**CHAIR**—A man came to my electorate office and asked for some aid funds to start a factory to broil down the cartilages of sharks and powder them on Bougainville, because it was said to be effective against cancer. I congratulated him on his idea and sent him to the stock market to raise money. I said if it was so good he would make a million dollars; he did not need the aid budget. So there are no substantial enterprises—or you said there were a few that looked like starting.

**Col. Rerden**—The nature of the businesses at the moment tends to be in the trade of goods where people will bring in some goods to sell to the locals, and then limited export off the island of cocoa, copra. There is a bit of trade at the moment in sheet metal and scrap metal, which is a direct result of the conflict where the buildings were destroyed. They are stripping the buildings and that is being shipped out through Rabaul as well. But it is fairly

low level and it tends to be based around the strength of the individuals there who have been able to organise some sort of link back into PNG through Rabaul or Port Moresby.

**Mr Ritchie**—But there is nothing organised, even with cocoa exports—people are basically going into areas that were once plantations and just pinching cocoa.

**CHAIR**—So the plantations have all become overgrown?

**Mr Ritchie**—Absolutely. Just to rehabilitate the plantations alone on the island would be an enormous task.

**Mr ADAMS**—The economic future—what is coming out of that?

**Mr Ritchie**—Yes?

**Mr ADAMS**—There is a consultative process, is there not, of reporting to a consultative committee and making reports. Have there been reports and are they looking at the economics?

**Mr Ritchie**—There are two aspects to that. The first is that there is still a very fragile peace process so you have got a long way to go to try to bring the parties together and actually build some sort of provincial government or provincial administration that involves them all. They have not yet tackled issues like disarmament and other things which are really very sensitive issues. There really is a very substantial political process still to be gone through on the island. On the other side of things, we have always thought that it is very important, if the peace process is to be successful, to deliver a peace dividend to people on the island to show them that it is actually delivering something. AusAID has been a bit shy in blowing its own trumpet, but in the last 18 months it has delivered 30,000 family packs to most families on the island, 700 village reconstruction packs—they are basically timber and hammers and things so people can rebuild their shelters—medical supply kits, things of that nature, and schools. So, slowly but surely as this sort of thing is restored, an economy will pick up. I would hate to say that that is more a secondary issue than the political question at the moment which they still have to work through and it is still very fragile on the island.

**Senator COONEY**—You have been asked about the economy. If the economy picked up would that provide employment for the people who were soldiers before?

**Mr Ritchie**—One of the things that we are very keen to do as well, and AusAID is also, is to employ locals. The PNG government has been very keen that we do not just fill a vacuum on the island by sending in lots of foreigners. A lot of the aid projects on the island, particularly the big infrastructure projects when these pick up, will be employing local youths and bringing them back into the work force and letting them earn some money. AusAID so far has directly employed about 300 people on various activities and about 3,000 or 4,000 locals on road reconstruction work—just picks and shovels and things like that.

**Mr BAIRD**—Is this a kind of infrastructure deal, David? Is it one-off or are we providing the opportunity for ongoing work?

**Mr Ritchie**—Definitely we want to do the ongoing stuff. The first thing to do is to ensure that people can rebuild their lives quickly and actually see an immediate dividend. The state of the destruction on the island is enormous—basically everything was destroyed on the island. That goes not just to the infrastructure and the plantations and everything else, but right through to the local chiefly systems and everything; they were just totally destroyed. There is no structure on the island at all. The first thing is to try and help people to rebuild—there are a lot of displaced people and refugees who need to get back to their villages and so on—and just guarantee them peace and let them get on with their lives. The second thing is to provide them with an opportunity for their children to go to school and then, slowly but surely, we are starting work on some of the bigger projects that are required to rebuild the economy. They cannot export cocoa in any sense until they have sorted out the ownership of the cocoa plantations, restored all the trees, crushing facilities, roads, wharves, the whole chain through. There is no economy at the moment, other than people pinching bits of cocoa or developing little lots and taking it out of the island.

**CHAIR**—Are there any Chinese people there doing business?

**Mr Ritchie**—Very few, I think.

**Col. Rerden**—I cannot think of any, with the exception perhaps of around Buka where there were a few merchants. There are very few elsewhere on the island.

**CHAIR**—Is there much wild game in the forests? Do they support themselves in a subsistence sense with agriculture plus a bit of hunting and gathering?

**Col. Rerden**—Like most tropical areas, it is reasonably easy for subsistence sustenance in terms of animals and basic agricultural means. To a degree that is impacted on by the incredibly harsh terrain that the people have to live in and the difficulties that that presents in trying to prosecute any sort of real agricultural means. Most of the island is volcanic and very hilly, very, very steep, so the villagers have to cut terraces out on the sides of the hills to put in even basic crops. It is very difficult to have large scale crop operations, to get beyond subsistence level, without some significant influx of capital to allow the infrastructure that needs to support that happening.

**CHAIR**—What sorts of animals are in the forests?

**Col. Rerden**—Pigs are the main animal that they would hunt in the forest.

**CHAIR**—Birds?

**Col. Rerden**—They are very adept at hunting birds and there are quite large birds that live in the rainforest.

**Mr BARTLETT**—How severely did the conflict affect the basic subsistence activities of the villagers? Is the structure of the villages still basically intact and are there sweet potato gardens and so on? Is that still basically functioning or has that been all disrupted as well?



**Col. Rerden**—Throughout much of the conflict people were forced to leave their traditional village areas because of allegiances to one side or the other. So there are many villages where they have been completely displaced from their home area and they have had to either be in a mobile means or they have been resettled elsewhere on the island. There is a fair degree of disintegration almost of the village system in some areas because of those dislocations.

**Mr BARTLETT**—Is that part of the aim of the peacekeeping program, to restore that village structure and restore those communities?

**Mr Ritchie**—In essence, by giving people peace, by just stopping fighting, we are providing conditions under which they can go back to their villages and go back to their home lives. Then, through the aid program, we try to provide reconstruction kits and other things so they can get local agriculture going and rebuild their homes and things of that nature, and have a place where they can send their kids to school and get medical treatment. That all encourages people to go back. More than anything else, it is just the absence of fighting, and the longer that goes on, the better. Having said that, just to add to what the colonel said, one of the big problems on the island has been people who are traumatised by the fighting—young men who for nine years have been fighting and do not know any other skill. Then there are the chiefly systems in the villages; the whole traditional structure has been totally destroyed. In quite a lot of the places, one side or the other has come in and removed the traditional chief—killed him in some cases—and they have to try to rebuild that whole traditional structure again. It was a mess from the beginning.

**Mrs ELSON**—Are there still groups that remain outside of this peace process?

**Mr Ritchie**—Yes, there are. Francis Ona sits in the middle of the island, around Panguna, and holds himself aloof from the process at the moment. That is not a big issue. He is not actually delaying the process or interfering in it in any way.

**Mrs ELSON**—He is not gathering support, is he?

**Mr Ritchie**—He has got a very small group of supporters. It is hard to quantify them but we think of the order of 200 or 300 out of the total population on the island. At the moment he is sitting in his no-go area and not going, and as long as we stick clear of it we are relatively untouched.

**Mrs DE-ANNE KELLY**—Is Papua New Guinea, then—and Bougainville—reasonably secure, and I ask specifically with regard to the Chevron gas pipeline, which I am sure you would be aware of. That is to come out of the highlands and, presumably, to a processing facility on sea and then down the eastern coast to Queensland, we hope. What are the prospects of that being secure?

**Mr Ritchie**—I think actually very good. I had the privilege of going to Katubu in December last year with Mr Fischer. The area is completely secure. Apart from anything else, it is way out in the middle of nowhere and I think the company has done a very good job in employing local people and it deals with the villagers very well. There is a base area at Katubu and we flew a helicopter down the pipeline to have a look at all that area. It is

mainly jungle. There are some villages in amongst it, but I would say it is probably one of the more secure parts of PNG and, like you, we very much hope that the pipeline will be up and running very soon.

**Mr ADAMS**—Would you say that that was probably done better than the original Bougainville agreement was done?

**Mr Ritchie**—I think it is fair to say that all the mining companies have learnt a great deal from the Bougainville experience over the years in dealing with landowners and so on—a lot.

**Mr BAIRD**—And on the environment we hope as well.

**Mr Ritchie**—And the environment as well.

Resolved (on motion by **Mrs De-Anne Kelly**):

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

**Committee adjourned at 11.49 a.m.**

