COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Reference: Foreign Affairs and Trade portfolio - review of annual reports

TUESDAY, 21 MAY 2002

CANBERRA

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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Foreign Affairs Subcommittee

Tuesday, 21 May 2002

Members: Senator Ferguson *(Chair)*, Mr Brereton *(Deputy Chair)*, Senators Bourne, Calvert, Chapman, Cook, Chris Evans, Gibbs, Harradine, Hutchins, Sandy Macdonald, Payne and Schacht and Mr Baird, Mr Baldwin, Mr Beazley, Mr Bevis, Mr Edwards, Mr Laurie Ferguson, Mrs Gash, Mr Hawker, Mr Jull, Mr Lindsay, Dr Martin, Mrs Moylan, Mr Nairn, Mr Price, Mr Prosser, Mr Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

Subcommittee members: Mr Jull *(Chair*), Mr Laurie Ferguson *(Deputy Chair)* Senators Bourne, Calvert, Chapman, Cook, Chris Evans, Ferguson, Gibbs, Sandy Macdonald, Payne and Schacht and Mr Baldwin, Mr Beazley, Mr Bevis, Mr Brereton, Mr Edwards, Mrs Gash, Mr Hawker, Mr Lindsay, Dr Martin, Mr Nairn, Mr Price, Mr Prosser, Mr Snowdon and Mr Somlyay

Senators and members in attendance: Senators Ferguson and Schacht and Mr Baird, Mr Brereton, Mr Edwards, Mr Laurie Ferguson, Mr Jull and Dr Martin

Terms of reference for the inquiry:

Foreign Affairs and Trade portfolio - review of annual reports.

WITNESSES

ATKIN, Mr George, Assistant Secretary, Middle East and Africa Branch, Department of Foreign Affairs and Trade 1

DAVIS, Mr Bruce, Director-General, Australian Agency for International Development 1

DAWSON, Mr Scott, Deputy Director-General, Asia and Corporate Resources, Australian Agency for International Development 2

FERNANDO, Mr Anthony, Manager, America's Regional Office, Austrade 2

FLETCHER, Mr Graham Hugh, Assistant Secretary, Pacific Islands Branch, Department of Foreign Affairs and Trade 1

GRIGSON, Mr Paul John, Acting First Assistant Secretary, South and South-East Asia Division, Department of Foreign Affairs and Trade 1

KERR, Dr Leanne, Formerly Director, Canada, Latin America and Caribbean Section, Americas Branch, Americas and Europe Division, Department of Foreign Affairs and Trade 1

LYONS, Ms Margaret, Executive General Manager, Corporate, Austrade 2

McLEAN, Mr Murray, First Assistant Secretary, North Asia Division, Department of Foreign Affairs and Trade 1

MOORE, Mr Richard, Assistant Director-General, Mekong, South Asia and Africa Branch, Australian Agency for International Development 2

O'KEEFFE, Ms Annmaree, Deputy Director-General, Pacific, Contracts and Corporate Policy, Australian Agency for International Development 2

OLIVER, Mr John Graham, Assistant Secretary, New Zealand and Papua New Guinea Branch, Department of Foreign Affairs and Trade 1

PATERSON, Mr Bill, First Assistant Secretary, International Security Division, Department of Foreign Affairs and Trade 1

PROCTOR, Mr Murray, Assistant Director-General, Office of Review and Evaluation, Australian Agency for International Development..... 2

RABY, Dr Geoff, First Assistant Secretary, International Organisations and Legal Division, Department of Foreign Affairs and Trade 1

RAMSDEN SMITH, Ms Jessica, Manager, Middle East Indian Ocean Regional Office, Austrade 2

RITCHIE, Mr David Alexander, First Assistant Secretary, Americas and Europe Division, Department of Foreign Affairs and Trade 1

SELBY, Ms Julia, Executive General Manager, Australian Operations/South Pacific, Austrade 2

STONEHOUSE, Mr Phillip, Director, India and South Asia Section, Department of Foreign Affairs and Trade 1

STORTZ, Mr Pat, Manager, South Pacific/South East Asia Regional Offices, Austrade 2

THOMAS, Dr Alan Williams, Deputy Secretary, Department of Foreign Affairs and Trade..... 1

TRINDADE, Mr Dominic, Legal Adviser, Department of Foreign Affairs and Trade..... 1

VERSEGI, Mr Peter, Acting Assistant Director-General, Corporate Policy Branch, Australian Agency for International Development..... 2

WETHERELL, Ms Elizabeth, Director, ASEAN, Burma and Cambodia Section, Department of Foreign Affairs and Trade 1

WISE, Mr James Joseph, First Assistant Secretary, South Pacific, Africa and Middle East Division, Department of Foreign Affairs and Trade 1

Subcommittee met at 9.04 a.m.

ATKIN, Mr George, Assistant Secretary, Middle East and Africa Branch, Department of Foreign Affairs and Trade

FLETCHER, Mr Graham Hugh, Assistant Secretary, Pacific Islands Branch, Department of Foreign Affairs and Trade

GRIGSON, Mr Paul John, Acting First Assistant Secretary, South and South-East Asia Division, Department of Foreign Affairs and Trade

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SESSION 1—FOLLOW UP TO THE COMMITTEE'S REPORTS ON THE MIDDLE EAST AND SOUTH AMERICA

CHAIR—Welcome. On behalf of the Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade, I declare open this public hearing. Today's program has been based on a range of topical issues arising from the annual reports of the Department of Foreign Affairs and Trade; the Australian Agency for International Development, AusAID; and the Australian Trade Commission, Austrade. In order to make the best use of the time available today, the committee has decided to focus on selected key themes and issues relevant to the Foreign Affairs and Trade portfolio. Today's discussions will therefore examine recent developments in Australia's foreign and trade relations as well as human rights and overseas aid issues.

We will be conducting the hearing in three sessions. Session 1 will seek updates on responses to two of the committee's recent reports: *Australia's relations with the Middle East* and *Australia's trade and investment relationship with South America*. In session 2 we will examine Australia's relations with the countries of North and South Asia: China, Taiwan, Japan, the Korean Peninsula, Pakistan, India, Sri Lanka and Bangladesh. In session 3 we will examine Australia's relations with countries in our more immediate region. In particular, we will discuss Indonesia, East Timor, Cambodia, Burma, Vietnam and the nations of the south-west Pacific, including Papua New Guinea, the Solomon Islands, Fiji and Nauru.

Although the subcommittee prefers all evidence to be given in public, should you at any stage wish to give evidence in private you may ask to do so and the subcommittee will give

consideration to your request. Although the subcommittee does not require you to give evidence on oath, I should remind you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the parliament itself. Do you wish to make an opening statement?

Dr Thomas—This is a new process for us this year, so we will be happy to see how the committee wants to play that. We do not wish to make an opening statement this morning, but we are very happy to answer any questions that the committee might have.

CHAIR—As none of the agencies have statements they would like to make, we will move straight to questions. Dr Thomas, obviously we would very much appreciate a brief update on exactly what is happening in the Middle East at the moment, to get us under way.

Dr Thomas—I will invite my colleague Mr Wise, who is in charge of the division that is responsible for advice on Middle East policy, to provide members of the committee with that update.

Mr Wise—I will divide this into a number of categories. First of all, everyone is aware, of course, of the situation in the Palestinian territories and the recent events there. The Australian government has been very keen to see a cease-fire secured and some steps taken toward sensible negotiations leading to a lasting peace. There is obviously a long way to go. I am not sure that I can add a lot in terms of general comments to increase your knowledge. It is covered very extensively in the press.

More broadly, though, as far as Australian interests are concerned we put a lot of store in the economic relationship we have with that part of the world. Our trade with the gulf countries has gone up by a dramatic amount, really, over the last several years, especially with Saudi Arabia and the United Arab Emirates. That is something that we continue to give a high priority to in our work. We have plans for a joint ministerial council with Iran in September and we are working on dates with Saudi Arabia and the United Arab Emirates as well—that will be sometime within the next six months or so, we hope.

The other thing to touch on is the effort we put in—more particularly, the effort our International Security Division puts in—in working to do whatever we can in the diplomatic sphere to have the countries of that region comply with the various arms control disarmament initiatives in the international sphere.

CHAIR—Is that being undertaken principally through the United Nations or are there other efforts that we do not normally hear about?

Mr Wise—It is principally done through the United Nations, but we also make bilateral representations whenever opportunities arise.

CHAIR—Do we do that in our own right or with others?

Mr Wise—We do that both in our own right and with others as opportunities and circumstances permit or arise.

CHAIR—Do we have any presence in the Palestinian territories at this time through all the conflict?

Mr Wise—Yes, we have an office in Ramallah.

CHAIR—We have not abandoned that?

Mr Wise—No, we have not. When the conflict was on recently the Australian officer who is stationed there had to withdraw from Ramallah, but he is now back operating from the office there.

CHAIR—During the inquiry that we had into our relations with the Middle East over the last year or two, there was a great deal of emphasis on aid that people believed should be given in the Palestinian territories. Could somebody give us an update on where we stand with those aid programs at the moment?

Mr Moore—We certainly have experienced ongoing difficulties which have intensified during the recent conflict in delivering some activities. As a result, we have increasingly worked through non-government organisations and also the United Nations Relief and Works Agency. I think all parties have found it difficult to deliver effectively during the conflict, but the NGOs, including the International Committee of the Red Cross—to which the government recently made an allocation of additional funding—are well placed to get through even in times of considerable difficulty. We are now relooking at what will be feasible in the medium to longer term because, although the situation has stabilised somewhat, we anticipate that there will be ongoing difficulties. We have one significant bilateral project left. It will be delivered in the Gaza Strip, which is less affected by conflict. Elsewhere, we are essentially working through NGOs and multilateral agencies.

CHAIR—Could you just spell out very briefly what those projects are and whether there have been any new initiatives since we last met for that inquiry?

Mr Moore—We are increasingly concentrating on food security. We believe that that is a niche area where Australia can make a significant contribution, both to boosting the livelihoods of Palestinians and also directly to nutrition and health. We are about to embark on an NGO round where funding will be provided for Australian non-government organisations and their partners in the Palestinian territories to that end.

CHAIR—Thank you.

Mr LAURIE FERGUSON—With Israel's push to change the people it wishes to negotiate with, what is your basic analysis of the leadership situation on the Palestinian side and, if there is a change of leadership, what is your analysis of their ability to contain other forces such as Hamas?

Mr Wise—They are big questions, because obviously the key issue at the moment amongst the Palestinians is the question of leadership. You will have seen the sort of toing-and-froing over the last few days on the whole question of whether there will be elections for a new leadership there and, if so, when. Clearly, Arafat is keen to hold onto power for as long and as

trenchantly as he can, but it seems from our reading of the situation there that he is feeling under considerable pressure. My own view is that the chances of change in the Palestinian leadership arrangements are highly likely but again it exposes the problems in identifying a successor for Arafat. The main contenders are now jockeying for power. It is an unclear, complex situation and it is hard to predict how it will work itself through.

Mr LAURIE FERGUSON—There is also the ability of an alternative leadership amongst those that are perceived as possibilities to contain forces that essentially do not want compromise, even if they do change their leadership.

Mr Wise—Indeed. It is a very tall order, as Arafat himself has found, but also there are the security arrangements in the Palestinian areas where I think—Mr Atkin might be able to correct me—there are 20 different security forces.

Mr Atkin—At the heart of the issue is the credibility of the Palestinian authority as a putative government. All the world is saying that there ought to be negotiations. The Israelis, with some reason, say, 'We have to negotiate with somebody who can credibly deliver on security assurances and demonstrate that they can cope with terrorism and curb the terrorist organisations that promote it.'

Mr LAURIE FERGUSON—There has been a lot of rhetoric about the war on terrorism and all that type of stuff, but one of the articles I read in regard to Al-Qaeda said that a lot of the money was essentially passed through Dubai because they have very strong privacy rules in regard to bank accounts et cetera and that that is one of the fundamental conduits for money for these organisations. Do you know whether Australia has any focus in the emirates—Dubai et cetera—in regard to the passage of money through those places?

Mr Wise—I will ask Mr Atkin to comment, but obviously Dubai and everywhere else is caught up in the broader international efforts since September 11 to have stricter and stronger controls over the flow of money through the international financial system.

Mr Atkin—You are correct, Mr Ferguson, in identifying the United Arab Emirates as one of the areas that were identified after September 11 as needing attention—that the government of the emirates needed to apply attention to its banking and regulatory environment so that flows of money were able to be traced and controlled. Obviously, that is something that Australia and a lot of other governments follow with close interest. I am not sure whether I quite understood the point of your question about Australian involvement.

Mr LAURIE FERGUSON—It was the degree of international focus, including Australia in regard to its operation in international forums and the degree to which the problem is being tackled.

Mr Atkin—It is being tackled, for instance, at the individual national level by the proscription of organisations that are involved in terrorism. The Australian government has considerably extended the number of organisations that are proscribed here. We expect other governments to follow suit, or governments that do not follow suit—

Mr LAURIE FERGUSON—I do not think I am being clear enough. What I am getting at is the degree to which Australia is focused on this issue. Are we pushing the need for transparency in regard to banking operations in that area? Is the international community really taking on this issue? As I have said, my understanding is that a significant part of the money that was utilised in the US operation, for instance, and in the overall Al-Qaeda operation passed through that region.

Dr Thomas—We have been quite active in urging other governments to take up the sorts of legislative measures which we have done in Australia. It is still quite a mixed picture in various parts of the world, but even as recently as last week I attended a meeting of ASEAN senior officials. Again, in the ASEAN regional forum we urged all regional governments to get their act together in this sort of area. It is a very serious issue and we are certainly doing what we can. Both in forums like that and where we see a particular problem we make bilateral representations. We are very aware that the Middle Eastern area obviously is of particular concern.

Mr BRERETON—I would not mind getting a view from DFAT as to the possibility of some other approach in the Middle East. If everything to date has been aimed at confidence building between the parties, what is the potentiality of latitude for an international outside-in, new approach to the Middle East conflict? Does DFAT have a view on that?

Mr Wise—You cannot get away from the need for confidence building. It is a matter of the different mechanisms that you seek to apply to build that confidence. The latest efforts are aimed largely at the convening of an international conference. There is quite a way to go before that can be assured. The United States is leading that effort. It will no doubt involve what is known as the quartet—the United States, the United Nations, the EU and Russia—as the main conveners. The difference now seems to be a greater willingness on the part of most parties to look at what might be the final arrangements in the region and to stake those out—and I do not deny that that is a very difficult and complex thing to do. They will then seek to put in place steps to reach that goal rather than the more incremental approach that occurred previously. However, beyond that I am not sure that there are other things that are in the realm of the possible just at the moment. Mr Atkin may want to add to that.

Mr Atkin—All I would add is that the possibility of an international conference, which is no more than a proposal at this stage, might set up arrangements to introduce a measure of outside observation or monitoring of security between Israel and the Palestinians. That has been mooted. It is at one end of the range. For some time, the Palestinians have been calling for United Nations observers. That is not on the cards in terms of getting United Nations Security Council consensus on that, but it is possible that an international conference might lead to something at the other end of the scale. There has been talk of United States efforts to contribute to security monitoring which, in itself, would enhance confidence building.

CHAIR—Are there any further questions on the Israeli Palestinian situation?

Senator FERGUSON—Last year this committee published a comprehensive report on Australia's relationship with the Middle East and, as yet, we have not had a government response. I just wonder whether Mr Wise or Dr Thomas can tell us when we are going to get that response.

Mr Wise—The draft response is with the government at the moment and I expect that it will be tabled in parliament very soon.

Senator FERGUSON—Before the end of June?

Mr Wise—I would not like to second-guess.

Senator FERGUSON—You would not like to put a time on it.

CHAIR—I cannot tell a lie: I understand it is in the Prime Minister's office.

Senator SCHACHT—Never to emerge again!

CHAIR—I hope we will have it in the next couple of weeks.

Mr BAIRD—I was interested in talking to the Austrade people about the Middle East. There was a proposal for the Overseas Projects Corporation to be the lead partner in winning consortium projects in the Middle East. I was wondering whether you think that might still be necessary, how we have gone in bringing together a range of consultants in the Middle East to look at projects and how successful we have been overall. Do we still need such an organisation?

Ms Selby—Do you mean the former Australian Overseas Projects Corporation that was absorbed into Austrade? It no longer exists as a separate body.

Mr BAIRD—That is right.

Ms Selby—We still have the power, if you like, under our act to be a prime contractor as was the authority of the old AOPC, but there has been very limited need for that for some time. We still work with consultants to help them get projects, but as far as I am aware there is only one live contract in existence under Austrade's prime contracting arrangement. So the need to use that facility has not really been there for some time.

Mr BAIRD—Have we been successful in winning projects which bring together a range of consulting opportunities?

Ms Ramsden Smith—Yes, certainly there has been a lot of success by Australian companies in consulting opportunities in the Middle East, particularly the Gulf countries, in the oil and gas sectors' construction and infrastructure. Where those successes involve more than one Australian company, I would have to have a look at the details of those.

Mr BAIRD—What would be the overall size of the consulting projects that we won in the Middle East last year?

Ms Ramsden Smith—The value of consulting projects can range from a couple of hundred thousand dollars to $150 million.

Mr BAIRD—I understand that; I am talking about the total for last year.

Ms Ramsden Smith—The total of consulting project successes in the Middle East?

Mr BAIRD—Yes.

Ms Ramsden Smith—I would have to get back to you on the exact figure for the number of consulting project successes.

Mr BAIRD—I want to ask the Foreign Affairs people a question in relation to Iraq. To what extent have the embargoes been successful in relation to Iraq and is there an opportunity to look at other alternatives as recommended—I think it was recommendation 10 in the committee's report? What did you think of the alternative so that it was targeted more at the regime in Iraq, rather than at the people of Iraq? Do you have any comments on that?

Mr Wise—You may be aware that the Security Council unanimously adopted a resolution on 14 May which authorises the implementation of a new sanctions regime from 30 May. This improved sanctions regime will go a long way to addressing the problems posed by Iraq's development of weapons of mass destruction. We just have to wait and give that some chance to work. But it will also facilitate legitimate trade with Iraq and help to improve this humanitarian situation. That was adopted unanimously by the Security Council, and it is obviously an initiative that the Australian government supported very strongly.

Dr MARTIN—Again, on trade issues, the 2000-01 annual report that we are looking at here indicates that in the Middle East Austrade has offices in Cairo, Riyadh, Teheran and Dubai, with suboffices in Beirut, Amman, Abu Dhabi and Jeddah. Is that the existing circumstance now, in the light of the comments that Dr Thomas made earlier about how significant trade with the Middle East is for Australia? Certainly, in terms of this annual report at least, it indicates that Australian merchandise exports to the Middle East grew by 44.4 per cent, at a value of $6.8 billion in 2000-01. I am assuming that trade is still going extremely well between that region and Australia. Can you firstly quantify that for us, and also comment on whether the resource base that we have in the Middle East with our offices is adequate enough to meet that increasing trade?

Ms Ramsden Smith—Our office structure network in the Middle East is still the same as it was in this annual report. The value of exports to the Middle East increased last calendar year by around 35 per cent. In terms of the importance of trade with Australia, Austrade's network across the region is certainly increasing in value and importance. However, in some cases where we have, for example, trade consultants in Jeddah and Abu Dhabi, they are single person operations to focus on very specific opportunities in specific sectors. The spreading of those resources in those areas helps us to ensure that we are delivering services to companies and finding opportunities in the areas outside of the major capitals such as Riyadh and Dubai.

Dr MARTIN—Where those representative officers are—operations often staffed by single people—are the indications that there are increasing business opportunities for Australia? If so, does that indicate that perhaps there is a need for Austrade to re-evaluate its present spread of resources?

Ms Ramsden Smith—It is something that we will always be monitoring, in terms of the volume of activity that is happening those areas. For example, in the Gulf area, we are increasing activity with Oman and currently looking at whether more formal representation or more regular program of visits to Oman would be justified, given increasing opportunities in that market. Our resources are commensurate with the level of activity, and demand from Australian companies is always under review.

Dr MARTIN—What are the emerging areas of interest for Australian exporters into the Middle East in some of those markets, as well as our existing markets?

Ms Ramsden Smith—In the existing markets, most of the activity is focused on Gulf countries, with the UAE and Saudia Arabia and traditional export of commodities. A more recent success is with automotive vehicles. Emerging areas related to those are, for example, the processed food sector, the retail supermarket areas of Dubai and Saudia Arabia and the automotive after-market areas—parts and accessories for four-wheel drives and that sort of thing. In Oman, emerging opportunities are in the defence and education sectors. In Qatar, there are infrastructure opportunities, particularly related to the Asian Games.

Dr MARTIN—It strikes me that, again, emphasis is being placed particularly on commodities trade between Australia and the Middle East. Are you confident that enough effort is being put into perhaps looking at other opportunities that exist from high tech Australia into that part of the world, where we may successfully compete against other countries?

Ms Ramsden Smith—Commodities, of course, is an essential part of our trade there—a very important one—and will continue to be. Austrade's efforts, in terms of trade promotion and market development, are much more diversified. We certainly will continue to represent and provide advocacy services to the major commodities. In areas such as ICT, health, education and services in knowledge based industries, we are increasing our trade promotion activities to better reflect Australia's export priorities.

Dr MARTIN—How are we going about that in Australia to interest Australian companies to perhaps focus their attention on those potential markets in the Middle East as opposed to, say, Asia, the United States or Europe?

Ms Ramsden Smith—Ms Selby may want to comment on what Austrade is doing more broadly in the knowledge based industries sector. In terms of how we promote those sectors in the Middle East, there are general trade promotion activities, such as trade missions to the region and seminars in Australia. We recently ran a series of oil and gas seminars around Australia; a lot of the people who participated in those were in areas such as providing software and services to the oil and gas sector. Trade missions to the region increasingly include a number of companies in the ICT area. Vocational education providers and universities are looking increasingly at the Middle East, and we are providing services and promotion in those areas.

Dr MARTIN—One of the recommendations contained in this committee's report on the Middle East—I understand that the government's response is with the Prime Minister at the moment—goes to the question about spreading the load more evenly between our embassies in Riyadh and Abu Dhabi. I presume that is in reference to both foreign affairs and trade issues.

The second part of that talks about Austrade including Israel in the Middle East-Indian Ocean region. Has there been any progress towards doing that? Is that something which Austrade is actively seeking to do?

Ms Ramsden Smith—I am not sure if I am able to comment on the government's response to the Middle East report in advance of its tabling.

Dr MARTIN—I will get the minister's view later, but do you think it is a good idea? Will it enhance your role in the Middle East?

CHAIR—That is a bit hard, Dr Martin.

Mr Wise—I will ask Mr Atkin to comment on that. He was formerly our ambassador in Riyadh, so he is best equipped to talk about it.

Mr Atkin—As the new embassy in Abu Dhabi became established we reviewed the share of the burden, as your committee had identified it as something that warranted attention. In fact, the ambassador in Abu Dhabi is now accredited to Qatar, so that has evened it out somewhat. There are constraints on further shifting around. I could mention, for instance, that we looked at the possibility of him taking responsibility for the accreditation to Oman as well, but it became clear that the Omanis would not accept an ambassador resident in Abu Dhabi. Their view was that, if it was good enough for us to have an embassy in the emirates, we should have one in Oman as well. But we cannot have them everywhere, as you know.

Dr MARTIN—I have one final question going back to newly emerging markets for Australia. Can either the department or Austrade comment on educational services provision, particularly on how well the University of Wollongong is going in the Middle East, with their campus in Dubai?

Ms Ramsden Smith—I know that they have a campus in Dubai. I am not aware of any problems there.

Mr Atkin—They did have a problem with registration for some years. The government was able to be helpful with regular representations at embassy level and a number of interventions at ministerial level. They now have a full registration.

Dr MARTIN—And a full campus?

Mr Atkin—Yes. And they are the first foreign institution to gain that status in the emirates, so it has positioned them even better.

Dr MARTIN—I will give you some information about that later.

CHAIR—I have a brief question before we pass to Senator Schacht. In terms of the issuing of tourist visas out of the UAE, I understand that that went very flat last year. Have we seen any recovery on that as yet?

Mr Atkin—As I understand it, we have seen a considerable recovery, and we could expect to see quite strong flows in the coming peak holiday season—that is, around July and August in the northern summer, when they have been finding Australia an increasingly attractive destination. As you know, the availability of space, with the increase in the capacity of Emirates airlines in Australia, is facilitating that too. So at this stage I think we would assess it as a temporary downturn, as there was everywhere in international aviation travel after 11 September.

CHAIR—Can you hazard a guess as to what a ballpark figure might be—would we be looking at 20,000 to 30,000 coming out this year?

Mr Atkin—Maybe even higher. We can get back to you on that with an estimate.

Mr BAIRD—There is criticism of the activities of Emirates airlines coming into Australia, with government subsidies competing with Qantas—some people claim unfairly. Is the fact that we have reluctantly been handing them air traffic rights a problem in terms of negotiations or relations with UAE?

Mr Atkin—It has not been a particular problem in terms of government policy to allow an open and competitive environment. There are areas of commercial practice that Qantas might resent or complain about and there are some things that are debatable within the airline regulatory framework, and there are mechanisms there for addressing those. I am not sure that it is correct to say that we have been grudging in giving extra capacity. I think that, on the whole, the negotiations that led to the current capacity levels have been relatively straightforward and uncontentious.

Senator SCHACHT—This question about the layout of the annual report may have been asked before I came in. The annual report puts these wonderful pages entitled 'effectiveness indicators' in each section. I think this came in about three years ago because of accrual accounting and outputs and inputs for the budget process but they are all meaningless, aren't they? There is no way that you can come here and say whether you have actually succeeded, failed or whatever on each of those dot points, is there?

Dr Thomas—We do not see them as meaningless. They may be a bit obscure to outsiders.

Senator SCHACHT—Obscure? Goodness me!

Dr Thomas—But we do make a genuine effort to try to assess how we think we have performed against each of those areas. Each year we go through an elaborate process of self-assessment where we consult all our missions abroad and all of our divisions in Canberra. We come up with what we think is a reasonable and agreed set of results against those things.

Senator SCHACHT—But the way in which these are written means that you are not going to go through and find anything in the subsequent pages of the report on each of these dot points—the section we are dealing with is page 57 of the annual report. For instance, take the last dot point of 'trade liberalisation, economic reform, good governance and human rights supported'. You are not going to say, 'We failed on human rights in Sudan or Senegal or Sierra Leone,' are you? No-one in the department is going to own up that they failed on human rights

in some part of the world; it would be like committing suicide as far as their career is concerned, wouldn't it?

Mr Wise—I am not sure how much impact the department can have on the situation in Sudan or Sierra Leone.

Senator SCHACHT—Let's go to the Middle East, then, to Palestine and Israel. Both sides are claiming substantial human rights abuses. You have officers in embassies in both countries. No officer is going to write in and say, 'I'm sorry, I didn't get to that place to see that trial,' or 'We got a complaint but by the time we dealt with it the person had been executed, shot or blown up.' I know I am putting it in rather bold language but what I am saying is that, in this assessment process, no-one from the embassy in Oman or in Tel Aviv would say, 'We've failed in human rights areas,' or 'We could have done better,' would they?

Dr Thomas—I think you will find there are references where we certainly do say that we had hoped to achieve more or that we could have done better. I do not think it is just a list of glowing successes. That is not our intention. We have tried to be critical there and we think that is a fair comment.

Senator SCHACHT—I have raised before at Senate estimates that I think these indicators are basically meaningless. Whoever is here from corporate be warned that, when we get to the corporate section, I will ask about performance pay and whether anyone has had deductions to their performance pay or did not get it because they did not meet one of these indicators in the area they were responsible for. Turning to the section on the Pacific, which is at page—

CHAIR—Don't totally confuse us, Senator Schacht.

Senator SCHACHT—I am looking at the heading and it has the South Pacific, Middle East and Africa all lumped together in the report. I am sorry, haven't we got to the South Pacific yet?

CHAIR—No, that is this afternoon.

Senator SCHACHT—I am sorry; I should stick to your agenda, Mr Chairman.

CHAIR—We have run out of allocated time for the Middle East but we have not touched on Afghanistan at the moment. In terms of the proposed meeting of the council in Afghanistan, which I think is scheduled for June, is there any indication of any hitches to that? Will we see some form of government set up next month?

Dr Thomas—Mr Chairman, for us Afghanistan comes under South Asia, and the relevant divisional head and officers will be here for a slightly later session at 11.30, if that is okay; they are the experts.

CHAIR—That is fine. Thank you. We move now to South America and our trade relationship there. As you know, our committee also undertook a major inquiry, *Building Australia's trade and investment relationship with South America*, and that was tabled in September of the year before last. One of the things that evolved out of that was the

establishment of the Council on Australia Latin American Relations—COALAR. Can you give us an update on the work of COALAR and how well it is going?

Mr Ritchie—COALAR was, indeed, established after your report. It held its first meeting on 27 September last year. There were subsequent meetings in December and March of this year. It is going well in its first year of operation in establishing a program of activity to meet its objectives, which are to raise awareness of opportunities for Australian companies in Latin America, and to raise our own profile in Latin America. So this is COALAR's first year of operation but I think it is progressing well.

CHAIR—Since that report, has there been any indication of a major increase in activity between Australia and South America?

Mr Ritchie—Looking back on the figures, we have had a good stream of ministerial visitors, certainly from us to Latin America, since 1999. We continue with the official relationships. There is a good continuation of the official interchange. For example, last Thursday in Canberra we had talks with the Brazilian undersecretary for political affairs. In terms of seeing a boost in activity from COALAR, there have been exchanges or, at least, visits by the Chairman of COALAR. COALAR has organised a minerals delegation to accompany Mr Vaile to Mexico City on the 27th of this month. It has organised for a journalist from the *Financial Review* to accompany that group with the aim of again increasing the sense, among Australian businesses, of opportunities in Latin America. I would say there have been some early dividends but it is in its first year of operation so it is early days. It has a three-year funding life span so we will expect to see more in the out years.

Senator FERGUSON—Now that COALAR has come into being, I suppose there is no longer a need for WALABAI, which was a very active organisation at the time we went to South America to do that inquiry. They gave a comprehensive submission to our inquiry. I noticed that Martine Letts, a former ambassador, was on the COALAR committee when we were there. She was very active at the time. Can you give us in detail an idea of the sort of activities that are going on? We were aware even then of the emerging possibility of a collapse in Argentina—which has since happened—so perhaps you could update us on the current situation in Argentina. Does WALABAI still exist or has COALAR taken over from the Western Australia group? Can you give us some idea of where things stand at present?

Mr Ritchie—From what I understand, WALABAI still exists. COALAR has not really replaced it but it is certainly a new focus of attention and activity, including for us. We service it as a secretariat out of my division in Foreign Affairs; we see it as playing a very important public diplomacy role. So, while not replacing other organisations, it is fair to say that there is a renewed focus of attention on COALAR.

In terms of Argentina, the situation is still of concern. I do not think there have been any signs of improvement in Argentina—it is bumping along on the bottom, perhaps. We need to keep a steady watching brief on Argentina. It is interesting to see that it has had very little contagion effect on either us in Australia or in Latin America itself. As I said, we talked to a senior Brazilian official last Thursday and it is clear that, while the Brazilians are also concerned—and they certainly have got greater exposure to Argentina than we have—there nevertheless is a degree of insulation in terms of Argentina which is surprising and encouraging, although not un-

precedented. That said, I am sure people in that region certainly do not want Argentina to simply suffer in isolation. They are very concerned and have high-level contacts with the Argentinean government to encourage it along the right road.

Senator FERGUSON—To follow on from that, what effect has the collapse of their economy had on Mercosur, the trading group that they belong to? And what about the strength of the other trading groups like the Andean community? I think Chile are still on their own, as they have half-joined Mercosur—they have not really joined but they are in association with it in some things. What effect has that Argentinean collapse had on all of those other trading groups?

Mr Ritchie—The collapse has had the effect of making Mercosur more internally focused. There is concern about one of its own members and that certainly has an effect on the extent to which it can prosecute its own external relations and ambitions for free trade arrangements. So they themselves are in a monitoring and waiting mode on Mercosur.

Senator FERGUSON—When the Argentinean peso was pegged to the American dollar, that was having some effect on their trading arrangements anyway, wasn't it?

Mr Ritchie—Yes.

Mr BAIRD—On that point, with the collapse of that economy, is it time to consider whether we should still have an Austrade office in Argentina?

Ms Selby—At the moment we do not have an A-based presence in Argentina; we do have local staff, so we are managing our resources. We have not replaced the person who was there before and we have not formally decided that we are not having an Australian trade commissioner there, but we are in a holding position at the moment.

Mr BAIRD—Have the trade figures also collapsed, like their economy?

Mr Fernando—I have not seen the latest trade figures, but I anticipate that Australia's exports to Argentina will collapse. Before I continue further, I should introduce myself: I am manager of Austrade's Americas office based here in Canberra. Up until a year ago I was Austrade's trade commissioner based in Santiago in Chile. Argentina's imports have collapsed by some 50 per cent over the last 12 months. There is no doubt that that will have an impact on Australia with the devaluation of the Argentine peso. It makes Australian exports comparatively much more expensive than they were not long ago; Argentine exports, though, are now much more competitively priced.

I do anticipate that Australian exports will be affected. We were exporting about $100 million in merchandise trade to Argentina, but I do think that Austrade should maintain its presence there. That is the intention of the executive general manager for the Americas region. However, as Julia mentioned, the office has been downsized to reflect the decline in demand for Austrade services there. But we should be there—toughing it through—for the short to medium term until the economy begins to regain strength.

Dr MARTIN—You said that the value of our exports was about $100 million. What did that comprise?

Mr Fernando—Half of it was coal, which was the main item. There were miscellaneous items. I cannot recall the exact breakdown, but I can provide those to you if you wish.

Dr MARTIN—But essentially it is in the primary industry sector?

Mr Fernando—Yes, it is.

Mr BAIRD—This means also that the impact of the Austrade office would not be great. They would have no relationship with that at all. Sometimes I wonder whether, given the status of some of these markets, you would not be better to transfer the resources to another market which is performing much better and where you can have a direct impact.

Mr Fernando—That is a fair point. It depends on the strategic view one takes on different countries. I do not want to be biased, but I think that Latin America basically represents a very large black spot for corporate Australia; it is just not on their radar. The degree to which we are disengaged commercially from the region is totally unjustified when you look at the demand and propensity for Australia to be involved there. My personal view is that we should be there for the long haul and to continue to try to put Australia into focus within the region and also to increase the awareness of Australian companies but taking a medium- to long-term view on things.

Dr MARTIN—Your comments are pertinent not just to Argentina but to all of South America. Would that be right?

Mr Fernando—Yes, they are.

Dr MARTIN—How are our other Austrade offices in other locations in South America performing?

Mr Fernando—We have offices in five countries: Mexico, Brazil, Chile, Peru and Argentina. The demand for services, outside of Argentina, is still very strong and all of our resources there are fully employed in servicing those demands. So that is very good. We have been very active in promoting the region over the last few years. Referring back to the recommendations contained in the joint standing committee's report, I am pleased to say that all of those recommendations that were directly pertinent to Austrade have been actioned, and even more so. Austrade was very pleased to see the formation of COALAR, because we did need a peak industry organisation with senior Australian businesspeople on it to really help us to try to get Latin America on the map, so to speak.

Dr MARTIN—But in terms of the membership of that organisation—and, indeed, the efforts to promote Australian activity in South America—are we focusing on particular sectors at the expense of others that might be an invaluable source of exports from Australia?

Mr Fernando—I would not say that we are focusing on sectors at the expense of others. We are certainly focusing on sectors that we believe that Australia has the opportunity to compete

in. For example, COALAR have identified three sectors where they believe that they can add value to Australian business: mining, environment and infrastructure. Austrade is working in concert with COALAR on strategies to try to encourage Australian companies to become more involved in those particular sectors.

Senator SCHACHT—On this point that my colleagues have raised about our profile in Latin America, I remember that in 1988 or 1989 the Senate foreign affairs committee did a major report on our relationship with South America, and we said exactly the same things that we are saying now. The trade thing has not changed one iota—it is at the bottom of the barrel, and that is not our fault; it is a fifty-fifty thing—but I noticed in the annual report that it is mixed in with the big boys of Europe and North America. It does not even get a full page. It does not even get a table in the annual report in the section that deals with Latin America. There are four paragraphs. That again indicates that we ourselves are not concentrating on Latin America in any way when it gets that amount of coverage: four paragraphs in the annual report. This is something that has been ongoing in my time in the federal parliament.

I want to ask a question about Argentina. The IMF in particular has been dealing with Argentina, on an almost daily basis—and, if you read the reports in the press, who would want to be the IMF representative in Argentina? You would probably drink hemlock every second day and retire, hurt, to the pavilion. One of the reports I saw in the media was about this extraordinary situation where, when the IMF puts loans in, the upper middle class pull the money out into bank accounts elsewhere in the world, so you continue to get the drain against the currency. The second, most extraordinary, thing is that state provinces—what we call state governments—have got around any fiscal discipline from the national government by issuing state bonds which are tradable on the street as currency. Is that correct?

Mr Ritchie—Frankly, Senator, I could not say. It sounds reasonable, but can I get back to you—

Senator SCHACHT—It is reasonably accurate; it is not a reasonable thing to do.

Mr Ritchie—No, reasonably accurate.

Senator SCHACHT—We are represented in the IMF. It is a Treasury appointment. They never let anyone from anywhere else in the bureaucracy get hold of that plum job. It is always handed off as a golden apple to somebody in Treasury for three or four years at a high salary and no taxes—

Senator FERGUSON—Is this a glossary? You are giving a glossary—

Senator SCHACHT—I am. I have been through this argument so many times. What consultation have you had with Treasury over what policies the IMF should conduct in Argentina?

Mr Ritchie—I have not spoken to them.

Senator SCHACHT—Has anyone in the department spoken to them? We have representatives in South America et cetera. Has anybody spoken to them? This is the one area where we have some influence, and I am staggered that you have not talked to them.

Mr Ritchie—It may be that one of the economic divisions has spoken to Treasury.

Dr Thomas—It is also true that we have had a significant number of ministerial visits to Latin America in the recent period.

Senator SCHACHT—The Treasurer—

Dr Thomas—There have certainly been discussions including about financial rescue packages and things like that.

Senator SCHACHT—Do you know whether your minister has had any discussions with the Treasurer as a result of his visit—and Mr Vaile—to discuss what our view should be, expressed in the IMF, about how to deal with the basket case of Argentina?

Dr Thomas—I know that our minister takes a close interest in those sorts of issues, and I would be surprised if he has not. But I have not been privy to them.

Senator SCHACHT—Who is the head of the Latin American desk? Who runs the Latin American desk?

Mr Ritchie—We have Dr Kerr here, who, until a short time ago, was head of the Latin American section.

Senator SCHACHT—Dr Kerr, were you on the desk at any stage since this present crisis broke out in the last eight or nine months? Were you on the desk at that stage?

Dr Kerr—Could you repeat the question, please?

Senator SCHACHT—The present crisis in Argentina started, I think, towards the end of last year.

Dr Kerr—That is correct.

Senator SCHACHT—There were five presidents in four days or something, and that in itself should have attracted some attention, just out of curiosity, from Foreign Affairs—how you get five presidents in four days.

Dr Kerr—We were following it very closely.

Senator SCHACHT—I see. But did you, at any stage, have discussions with Treasury about what policy the IMF should follow in sorting out this basket case?

Dr Kerr—The answer to the question is no, not that I am aware of. However, at the peak of the crisis, late last year and early this year, we were doing daily updates for Minister Vaile and Minister Downer on the situation in Argentina. So both ministers were following developments very carefully.

Senator SCHACHT—Was that copied to the Treasurer?

Dr Kerr—Not that I am aware of, no.

Senator SCHACHT—So Foreign Affairs—

Dr Kerr—I assume that Treasury were doing their own monitoring of the situation.

Senator SCHACHT—This is like the left hand and the right hand not knowing what they are doing. You have people on the ground in Argentina, haven't you?

Dr Kerr—Yes.

Dr Thomas—We do, but we do not have portfolio responsibility for advising the IMF on its financial policy. That is Treasury's responsibility.

Senator SCHACHT—Did Treasury have people on the ground in Argentina?

Dr Thomas—No.

Mr Ritchie—They would read our mission's cable reports.

Dr Thomas—Yes. We would send detailed economic analyses of what is happening in Argentina. That is fed into their briefing, for their representative in the IMF. We do not advise on IMF policies per se.

Senator SCHACHT—What? What are you doing? Surely when a country collapses it has an economic impact on trade, and you have just described that it could go to the bottom and $100 million worth of trade will drop 50 per cent or 60 per cent—and Austrade is part of the department—

Dr Thomas—Yes.

Senator SCHACHT—Surely it must be of some interest what the IMF is doing and what our view should be that we express to Treasury so that their rep can take some action. It is in our national interest, surely.

Mr Ritchie—It is in everybody's interests that Argentina recovers. I do not think that we have seen anything out of the IMF or out of Treasury which would indicate that there is any difference on that point of view.

Senator SCHACHT—But you have not been briefed by Treasury. They have not had the courtesy to let you know what they are doing in the IMF to overcome some of the fiscal structural problems in the Argentinean economy.

Mr Ritchie—No, I have not been briefed by the Treasury. It may be that briefings have been done with our economic divisions or between ministers. I simply repeat that the Treasury would have access to the cable system out of our post, which was tracking the crisis day by day. Nothing in that cable traffic would lead us to think that there was any default or difficulty in policy that was being followed by the IMF.

CHAIR—We are well over time.

Senator SCHACHT—Do you know whether the IMF told Argentina: 'Before we give you a further loan, one of the issues is this lunacy of allowing state provinces to issue tradable bonds to get around the reduction in funds from the central government'?

Mr Ritchie—I know the IMF is being extremely cautious about its policies in Argentina, to the extent that our Brazilian interlocutor last week was of the view that the IMF should be engaged now in a more active way. I am sure the IMF is concerned about the increase, effectively, in the money supply in the country; there can be no doubt about that.

Senator SCHACHT—And has our diplomatic representative in Argentina expressed our view to the Argentinean government that this ought to change because of the damage that is done to our own trade with the country? Has that been done?

CHAIR—We have two more witnesses and we are 10 minutes over time now.

Senator SCHACHT—I would like an answer to that. Have we made any specific representations to the Argentinean government that, because of the collapse in trade that has been outlined here today, we think that they should make some of these changes to their fiscal structure that has created the problem?

Mr Ritchie—We have certainly expressed our concern. They, for their own reasons, would be interested in ensuring that they have a very speedy and effective economic recovery.

Senator SCHACHT—They would say that; you would say that, too. It is a meaningless comment.

Senator FERGUSON—I want to correct one misapprehension that I think Senator Schacht has created. He said there was a report done, in 1988—

Senator SCHACHT—Or 1989.

Senator FERGUSON—or 1989, by the foreign affairs committee—

Senator SCHACHT—It was the Senate.

Senator FERGUSON—and one done in 2000 by the trade subcommittee, actually. The difference may be that, in this case, the government accepted almost every recommendation of the trade subcommittee's report on trade and investment and have put them into place. The report was only responded to in 2001, so it is a bit difficult to have everything in place. I want to correct that for the record. The real question I want to ask is about one of those recommendations. As I remember—I do not have the recommendations in front of me—we recommended that an exchange program for young businesspeople be set up between South America and Australia, with a view to training young business executives so that they could then return to their countries of origin with some sort of knowledge. I think there had been a case in which somebody from Brazil had come over and spent 12 months with a company in Queensland and had then gone back with that knowledge. Do you know whether that recommendation has been put into place or whether it is one of the issues that are being looked at by COALAR? I thought it was a key recommendation.

Mr Ritchie—COALAR is looking at ways of putting that program into action and has asked for information from its various members about exchanges that currently take place amongst the professions. It is on COALAR's agenda.

Senator FERGUSON—There has always been quite a bit of student exchange but never young business exchange. If we are going to increase trade then those exchanges need to be at young business level rather than student level.

Dr MARTIN—Moving just a little north of South America, I was wondering whether Ms Lyons or Mr Fernando could confirm that the Detroit office of Austrade is going to be shut?

Ms Selby—No, it is not going to be shut. There may be some changes, but we will be keeping one person there.

Dr MARTIN—How many are there now?

Ms Selby—Three.

Dr MARTIN—There is still going to be a presence, but it is going to be downgraded to one person?

Ms Selby—Yes.

CHAIR—Thank you very much.

[10.15 a.m.]

Session 2—Australia's relations with North Asia and South Asia

CHAIR—We will move on to session 2 of this hearing, with particular emphasis on China and Taiwan. Dr Thomas, are there no introductory remarks on this section either?

Dr Thomas—No.

CHAIR—In terms of China and Taiwan, I was reading a commentary in an American paper a week or two ago which said that in fact the relationship between China and Taiwan for the next couple of years is going to be pretty good because of the Olympic Games. Is that a cynical approach or would there be some truth in that—that the situation has settled down?

Dr Thomas—From where we sit it is a fairly stable situation, the status quo, and that is how we would like it to be, although there have been some positive indications recently of the two sides talking a bit. There has also been, over the recent period, an enormous increase in links between China and Taiwan economically, in trade and investment, and some of the figures we see are quite staggering in terms of the amount of activity that goes on. But on the political side we do not see much change in the situation at the moment. It is pretty much the political status quo.

CHAIR—Regarding the relationship with China in terms of our trade, there was a headline in this morning's paper about the Prime Minister's mission in the next few days. Could you give us some indication of the areas in which we would be looking at increasing trading opportunities and if there is to be any diversity in the nature of the goods that we are looking at exporting to China?

Dr Thomas—I will invite my colleague Mr Murray McLean, who is the First Assistant Secretary of North Asia Division, to brief the committee on that aspect.

Mr McLean—Australia's trade with China has been growing quite dramatically over the last several years. It is now Australia's third-largest trading partner—that is, when one takes into account the total trade mix of exports and imports. That is a very healthy situation which seems destined to continue and, moreover, is expanding significantly in the services trade area as well. By that I mean the education sector, students, but also the tourism sector since the negotiation several years back of a special preferred destination status for Australia, which means that very significant numbers of Chinese tour groups are now coming to Australia—and that is very healthy.

The Prime Minister, in briefing the press prior to his departure from Canberra last week, did indicate that Australia, together with China, would be launching work on a framework agreement to advance the economic and trade relationship between the two countries. I expect that when he is in China he will make an announcement with greater detail on that, so it is not appropriate for me to add to that at this point other than to say that this framework agreement work is designed to expand our trade and economic relationship beyond the traditional sectors

such as iron ore, wool and wheat—all of which are very important to us. In fact, the agricultural and the mineral commodities that we have been selling there have been strong and growing for the last 30 or 40 years of our trading relationship with China, so we do not dismiss those lightly at all.

The growing development of China's economy—which is the success story of the region over the last 10 years—means that the market is growing larger, and it has been more attractive to foreign investment. The government believes it is timely, therefore, for us to refresh the trade and economic relationship and not to simply sit back on our laurels, as it were.

The idea will be to have a framework agreement which has three parts. There would be a significant amount of trade promotional activity across a full range of sectors, and those sectors would cover new economy areas as well as more traditional areas. With China's entry to the WTO, there have been obviously a considerable number of new opportunities opening up and, by the same token, a few issues arising in respect of quota allocations and quarantine that affect the import into China of foodstuffs and other animal products. These are the sorts of issues that this framework would address as well. In other words, it would address any obstacles or any matters that prevent the smooth development of trade, even in the traditional areas, while giving as much emphasis as possible to the new areas, such as the telecommunications, legal services, financial services, housing and construction sectors—all of which Australia has tremendous capacity to deliver into the China market. Australia is already doing very well, with a number of the big companies well placed to take advantage of the market.

Mr BAIRD—Thanks for the interesting review. I notice that DFAT's annual report contains a highlighted section dealing with the Australian government's promotion of human rights in China.

Senator SCHACHT—I thought you would notice that, Mr Baird.

Mr BAIRD—Could you outline whether human rights will be used in the next Doha Round? Also, can you update the committee in terms of what progress has been made in the Chinese persecution of minorities and religious groups within China?

Dr Thomas—I am happy to take your question on that human rights issue generally; I did not quite understand the bit about the Doha Round.

Mr BAIRD—I am asking whether human rights are going to be used in the context of trade negotiations in the Doha Round.

Dr Thomas—Perhaps I could answer your broader question first, anyway. I am the senior official who conducts our dialogue with China, and I travelled to China for our last round of dialogue late last year. As well as DFAT officials, the delegation consisted of people from HREOC—the Australian Human Rights and Equal Opportunity Commission—some people from the Attorney-General's Department and some people from AusAID, so there was quite a cross-section of people.

Mr BAIRD—By the way, on that, there were quite a few of us who were disappointed that there was no opportunity for parliamentarians to participate in that, because the time chosen was

the time of the election. I think that there are members of this committee who would have liked to participate in that. I just pass that on.

Dr Thomas—That is something we could look at for the next round, because the timing is chosen in consultation with the Chinese as well. It is chosen partly when their senior officials are available and it depends on the availability of some facilities and other organisations beyond the government per se, because the committee likes to go and inspect them. We have had a few rounds of these now, and the sorts of things the Chinese are willing to talk about on the table have certainly broadened and we have found that they have started to become more forthcoming than they were in the earlier rounds. On the last occasion, for example, we were able to mention specific individuals whom we had concerns about—people who were in detention or what have you, whether they were Tibetans or from other minority groups—and the Chinese gave us some responses to those sorts of issues at the time of the meeting. That was quite an advance on previous exchanges where we had had to raise those sorts of things at the margins of the meeting rather than in the main formal sessions. We are reassured by that.

It is a very incremental process. It is partly a matter of encouraging the Chinese to be willing to talk about such things with foreign governments and officials at the table. We are certainly going to persevere with that dialogue. The next round will be in Australia later this year. Also, to the extent it is feasible, we try to involve NGOs. We certainly brief them fully in advance and get some of their concerns which we feed into that process. As last time, we will try to make an opportunity for various NGOs to meet some members of the Chinese delegation when the Chinese delegation comes out here. We have also been encouraged that the earlier dialogues really just involved the delegation leader from China who would speak, and very few others, but, at the last one, we found that other agencies represented on the Chinese side were willing to actually make contributions, answer our questions and so forth. So over a period of years we believe we can build up a fairly constructive dialogue. But we do not expect dramatic progress in any way at all.

Mr BAIRD—In terms of the Doha Round of the WTO, will there be any context of human rights or is that just left to one side?

Dr Thomas—I do not think there is any direct link that I would see. Generally speaking, it involves a mindset about opening up their economy, and that hopefully will filter through to various other areas ultimately. But there is no direct link in terms of the human right linkage with trade issues as such.

Mr BAIRD—Could I ask the Austrade people whether there is someone now within the Beijing office who has a specific responsibility for looking at the Olympic opportunities for those involved in construction activities, servicing et cetera, to be involved in 2008?

Ms Selby—Yes. We have a senior trade commissioner with the office of the Olympics, and Australia's involvement with the Beijing Olympics is a high priority for our office in Beijing.

Mr BAIRD—Is there someone specifically allocated to that, or is that just part of the ongoing role?

Ms Selby—I think one of the trade commissioners, Carolyn Hughes, has the particular running of it under the auspices of the senior trade commissioner.

Mr BAIRD—Have you got any estimate on how much it is worth to Australia so far in terms of contracts that have been written specifically Olympic related?

Ms Selby—No, I am not aware so far of any particular contracts. It does not mean there have not been any; I just have not got that information. I can arrange for it to be provided to you.

Mr BAIRD—That would be interesting. Thank you.

Dr MARTIN—In terms of both the department's and Austrade's approach to the trade relationship with China, and to take further the comments about what the Prime Minister may or may not announce in the next day or so while he is there, how much emphasis are we placing on the eastern parts of China as opposed to the western development regions? Is there an opportunity perhaps for us to be looking at those areas, given the emphasis which in fact the Chinese government is now placing on that? At the most recent Communist Party congress major speeches given by the leadership indicated that that was going to be their priority.

Dr Thomas—It is a complex issue. The real industrial activity is still in the east, though, and that is where the majority of our commercial efforts are directed. We have some aid projects which are directed to the western regions of China, and we have certainly made some efforts to get involved in those parts of the country. But we do not intend, for example, to expand our representation on the ground in the west of China. We have looked at that. We just do not think that that is worth the investment at this stage. So the majority of our activities will continue to be concentrated further east.

Dr MARTIN—From Austrade's perspective?

Ms Selby—I might just mention to the committee that unfortunately our main people involved in north-east Asia are currently in China, so Ms Lyons and I will do the best we can. In terms of specifics on western China, I am not familiar with the details of what we are doing, but we do have a small suboffice in Chengdu, so we are aware that there are opportunities in China outside the main cities, and for that reason we have expanded our network of quite small suboffices. As I said there is Chengdu, and also Kunming.

Dr MARTIN—From what you have witnessed so far with Australian companies endeavouring to become engaged with China across a broad spectrum of things, whether it be in primary industry or expertise that we have in telecommunications or whether it be in education services, financial services and so on, can you offer the committee a view as to whether those companies go in with a short- or long-term view of how successful they are likely to be and whether or not those views are borne out in fact over time?

Dr Thomas—I will ask my colleague Mr McLean to elaborate, but can I just say generally that companies have to go in with a longer-term view in China because people just will not go in and make quick money, if that is what they are after. Most of the sorts of concerns companies have raised with us relate to the legal and other regulatory types of environment in China, protections for companies for their investments and so forth, and much of the government's

effort has been involved in trying to persuade the Chinese authorities to put many of their regulatory systems on a more sort of Western basis, if you like, so that companies can have some confidence that if things go wrong they have got some legal recourse and so forth. That is why Australian law firms and others have been quite active also in that area in trying to regularise that sort of thing. But Mr McLean can give you an idea of some of the successes or otherwise.

Mr McLean—Certainly I would endorse the remarks that Dr Thomas made about the fact that any serious Australian company looking at trade or investment opportunities in China has to not have short-term considerations alone. Obviously it is good to have quick profits but, if they are substantial companies, such as insurance companies, banks or indeed the ALNG consortium, all of these bids are based on the fact that they expect to be in China for 25-plus years. They are very long-term projects, and if we are successful in winning all or any of the LNG contract to China then that will lock in Australia's North West Shelf consortium in the first instance, and potentially others to follow, over what essentially will be a very long-term economic partnership. Of the banks, the ANZ has been there now for 15 years and I believe it is very happy with its experience there overall. Some of the big Australian construction firms such as Leightons and Lend Lease are in there and doing very good business, and clearly those sorts of firms lay their groundwork very carefully and have succeeded in obtaining a number of important contracts. So I think overall there are good stories about investment in China. One hears a lot about companies which go in and lose their skin, but there are equally a number which are doing very well, and generally those ones that are doing very well have not done so simply by luck but by hard work and doing their careful market feasibility and whatnot, before they go in and on a continuing basis.

I also endorse the comment that the legal framework is a very important aspect and I think there are encouraging signs, particularly in the major industrial cities, again particularly on the east coast, that some of the bigger problems of corruption and failure to uphold contracts are, while they are still there, getting less of a major issue, let us say.

Dr MARTIN—Two issues arise out of that. The first is that it begs the question whether size matters in this particular question of trade with an economy like China. Can smaller and medium-size enterprises, for example, get a toehold? If so, are there some secrets that they need to employ; for example, having local partnerships and so on? Secondly, on the rules and regulations, the legal framework et cetera, there is a view that suggests that China's accession to the WTO, whilst excellent in its long-term prospects not only for China but also for the region and for trade opportunities with Australia, will effectively over the next 10 years require China to focus almost all its efforts on getting the rules and regulations and the principles and frameworks in place. Given the nature of the Chinese bureaucracy and the decision-making processes, is that going to be an impediment for Australian companies, industry and exporters to actually getting in there until they bed that down? The final element of that question goes to the issue of the future leadership. What effect will a change in leadership have on those sorts of issues, particularly the general thrust of opening up the economy, pursuing Deng's philosophies and so on?

Dr Thomas—I will ask my colleague to give the main answer, but on the WTO aspect and implementation there Australia has already given a fair degree of technical assistance to China to help it understand what its obligations will be and how they will have to be implemented now

that it is a member of the WTO. Part of the work for Australian companies will involve helping them to do that—holding various workshops, seminars and conferences on what this all means and what they have to do to this law and that law in order to have the sort of regulatory framework that Western companies already have. That will actually be a fair slice of the business, if you like, that Australian companies will expect to get post-WTO. That is one aspect of it. On the others, I will ask my colleague to comment.

Mr McLean—Thank you. If I may, I will build a little further on the point that Dr Thomas was making. We have, for instance, trained I think 150 Chinese trade officials in WTO regulatory systems. These have been extensive training courses, and this is something that several other countries have done. It is an important contribution we have made to developing that level of expertise in the bureaucracy.

If I could go back to the first question: 'Does size matter?' It is certainly important if you are looking at major projects, obviously, but the answer is: no, it does not matter if you have the entrepreneurial skill and the knowledge of the market. There is a particular company set up by two Australians, who I think are about 30, in Shanghai. If any of you have been to Shanghai, you will see their wares. They are postcards distributed as advertising not only throughout Shanghai but now throughout China. This is an extremely successful business which has developed through the entrepreneurial skill of two young Australians who have gone across there. Others are also doing well. Clearly it is important to know the market and to develop the contacts with people in the know. The old theory that you have to have guanxi—or relations—to get an inroad into the market is only partially true. It is important, of course, to be able to work with end users as well as distributors and those who might actually have a decisive role in a decision on a contract, but a lot of it goes to how entrepreneurial people are and how well they have done their work.

On the second issue, we have essentially covered the WTO matter, but I would add another separate point relating to the WTO. The department and the embassy in Beijing are monitoring closely the implementation of China's undertakings that it gave in the course of its accession to the WTO. We are doing that through the course of agriculture-to-agriculture discussions that have been instituted in Beijing and we are also discussing matters such as I mentioned before relating to quarantine issues to ensure that some of the problems that still remain are addressed and the resolution of them that the Chinese promised to undertake is indeed implemented.

The issue, as the Chinese themselves quite openly admit, is that the actual implementation of all of these undertakings requires a huge educational effort throughout China, and this is being done. I think they are very serious about being seen to implement and actually to implement these undertakings, but it is not going to happen overnight. Particular organisations have been set up specifically to train companies and corporations in WTO procedures and the undertakings China has given. I think it will be no great surprise that the implementation will, nonetheless, be very patchy. However, provided the Chinese continue this education effort and the strong orientation they are giving to it, I think that in 10 years time we will probably see a significant lift in the regulatory arrangements and in the adherence to them, as well as adherence to WTO rules generally. There are going to be some problems on the road, of course—nobody underestimates that. If one looks at China in 1979, when the open door policy was first instituted, and then looks at China today, 20 years later, one could have a fair degree of

confidence that in 10 years time their implementation of the WTO accession undertakings will be somewhere down that road as well. I think that is a reasonable thing to say.

The third question was in relation to the political leadership and whether that would potentially have an effect on China's open door policy. One cannot predict the Chinese leadership, just as one cannot predict any country's leadership in the long term. I think it is now totally established that all of the benefits for the Chinese population that have come from the open door policy are so great that even if a total troglodyte wanted to pull the orientation back and slam the door shut, they would not last long. So I think that we can be pretty confident that the path is well and truly set.

Senator SCHACHT—In the section of your report where you talk about trade with China, you have the chart which shows that we have what we would call a trade imbalance with China. I understand that if you add Hong Kong figures to those of the Peoples Republic of China it might get closer, as we have a trade surplus with Hong Kong.

Dr Thomas—It would be very close.

Senator SCHACHT—Is there any reason why we cannot always put that together? I know that Hong Kong has 50 years of separation and difference—one sovereignty, two systems et cetera—but, as I understand it, a lot of what we export to Hong Kong will end up in China anyway. I just wondered whether we could always keep that in balance. There are some troglodytes in Australia who jump up and down about free trade and claim that we are always the losers when, overall, we are a net exporter to Asia when seen in total, compared with being a net importer.

Dr Thomas—The figures certainly could be combined but all the world treats those three entities as three economies—as APEC does, as well. They are in APEC in their own right as economies. Statistically, too, it would be quite hard—

Senator SCHACHT—You might just consider making a comment or a note about it in your annual report on the trade—and the same with Austrade.

Dr Thomas—We could probably at least do that. We could elaborate in a footnote, as you suggest.

Senator SCHACHT—I would like to return to the human rights issue. Concerning the dialogue, you said that a step forward in the last 12 months was that, for the first time, you were able to raise individual names with the Chinese officials.

Dr Thomas—Yes.

Senator SCHACHT—I want to point out that, way back in 1991-92, I was involved in a human rights delegation to China. On both those occasions, we raised them in private.

Dr Thomas—Yes, we have always done that. We have always given them a list of individuals about whom we have specific inquiries. For this last one, we did it at our plenary session, if you like, and they responded at that time.

Senator SCHACHT—They did respond when they were sitting in a room in, of all places, Lhasa, with a list of names. The Chinese official pulled out his cardboard index box and, one by one, told us who got what and how many years they were locked away for. I think that these things ebb and flow a bit about what they are willing to do. I encourage you to keep doing it.

I now want to turn to the particular issue that is hot at the moment: the Dalai Lama's visit to Australia. Is it true that in about last two years the government sent out a policy to all ambassadors around the world that they could not attend meetings of the Dalai Lama when he visited whatever country it may be, unless it was an absolute and total religious meeting? For anything that implied political activity, our ambassadors and embassy staff were told not to attend.

Dr Thomas—I am not aware of any specific instruction that has gone out recently or even in the last couple of years.

Senator SCHACHT—In the last two years.

Dr Thomas—But there are general—

Senator SCHACHT—Can you take that on notice, please?

Dr Thomas—There certainly are general guidelines, which are given to all heads of missions, about our relations with China. When we signed on to the One China policy, it meant that we recognise Tibet as a province of China, as we recognise Taiwan as a province of China. There is a general prohibition on our heads of missions attending any political function involving entities from—

Senator SCHACHT—As I understand it, that prohibition was made very black and white within the last two years; before that, there was some flexibility.

Dr Thomas—Okay, I will check it out. But we would expect our heads of missions to use their judgment in any event and not attend anything which could be seen as giving any political recognition to the Dalai Lama, because we do not.

Senator SCHACHT—When Mr Howard was the Leader of the Opposition, he met the Dalai Lama I think in 1986, and Paul Keating met the Dalai Lama as Prime Minister I think in 1994 or 1995. Is that now seen as a political recognition of Tibet?

Dr Thomas—It always depends on the circumstances. The current Prime Minister met the Dalai Lama as a religious leader at an unofficial meeting.

Senator SCHACHT—At this last visit?

Dr Thomas—No, in 1996.

Senator SCHACHT—What has changed that he cannot meet him this time?

Dr Thomas—He is not in the country, for a start.

Senator SCHACHT—The Prime Minister is not here. That would be the only reason? He could not meet him even as a religious leader?

Dr Thomas—That is a hypothetical question, Senator. If he were in the country and it overlapped, it could be looked at, but there is no particular need for the Prime Minister to meet him on this occasion.

Mr LAURIE FERGUSON—I have a question in a similar vein. The Chinese consulate in Sydney has publicly indicated that the reason that there are no meetings has nothing to do with the Prime Minister being overseas but that Australia has given commitments that, basically, there will not be meetings between the foreign minister or the Prime Minister and the Dalai Lama. Do you think he has totally got this wrong or does it come from someone else, as the Chinese view of the relationship?

Dr Thomas—I cannot speak for the Chinese consulate in Sydney, but all these sorts of visits are considered at the time, as we also deal with visitors, for example, from Taiwan and whether a minister would meet them unofficially.

Mr LAURIE FERGUSON—You can see no basis whatsoever for the Chinese consulate to reasonably have that belief?

Dr Thomas—They can reasonably have the belief that, as a general rule, we would not expect our political leaders to meet the Dalai Lama. Could I also add that, as with many leaders around the world, some of them have met the Dalai Lama but they frequently do not meet him on subsequent visits. They do not see any need to.

Mr EDWARDS—Can you tell me whether any other ministers will be meeting the Dalai Lama in the Prime Minister's absence?

Dr Thomas—No, I am not aware of any ministers on this occasion.

Mr EDWARDS—If they were to meet, would you be aware?

Dr Thomas—Yes.

Mr EDWARDS—So no minister will meet the Dalai Lama?

Dr Thomas—No, we would not expect so. If they were, we would be providing them with some support and briefing.

Senator SCHACHT—Is anyone from the department at any level going to meet the Dalai Lama—the China desk, for example; the North Asia section or branch?

Dr Thomas—It is not confirmed yet, but the Dalai Lama's party have expressed interest in talking to some officials about our human rights dialogue with China and it is possible that he might meet, for example, Alice Tay, the head of HREOC.

Senator SCHACHT—But Alice Tay is not employed directly as an official of the Australian government. She is a member of HREOC but she is not in the Department of Foreign Affairs and Trade.

Dr Thomas—Someone from the department would probably sit in—probably at assistant secretary level or something like that. But the meeting is not confirmed anyway. It may take place but it is not confirmed.

Senator SCHACHT—I want to follow up what Mr Ferguson said. As far as you are concerned, Dr Thomas, there has been no change in the policy of this government compared to that of the previous government, before 1996, about meetings with the Dalai Lama?

Dr Thomas—To my knowledge, no.

Senator SCHACHT—Yet you are going to take one aspect of that on notice—about a circular going out to ambassadors around the world?

Dr Thomas—Yes, I will check that.

CHAIR—You will be able to ask the minister at estimates in two weeks time, Senator Schacht.

Senator SCHACHT—I certainly will ask him. I can assure you of that. They will come fair warned, so—

CHAIR—So we might save some time here. It is just that we have a section and we are due to finish at a quarter to one and people want to ask questions and you are having a fair go.

Senator SCHACHT—On page 30, 'Promoting human rights in China' is in a neat little box. Are you saying that, on the question of meeting the Dalai Lama on issues of human rights, the government has an open mind about whether that will take place or not?

Dr Thomas—Yes.

Senator SCHACHT—I have one last question, which you can take on notice. You may want to provide this in confidence to the committee and I would understand why. How many individual representations, in the year of this report did you make to the Chinese government about individual human rights issues in the People's Republic of China, and what response did you get to each of them?

Dr Thomas—We would be happy to give you that on notice, if that is all right.

Senator SCHACHT—Mr Chairman, I think they can provide that in confidence. I accept that, sometimes, publishing somebody's name actually gets them into more strife.

CHAIR—That is fine. Thank you, Dr Thomas.

Mr LAURIE FERGUSON—I just have one point. Our background notes refer to an Amnesty report about Uighurs in western China. I have not read that report but I am aware that we have taken a number of Uighurs in on refugee/humanitarian grounds. There have been reports that the Chinese authorities, like those in a lot of other countries around the world, are using international terror concerns to allege that Al-Qaeda and other groups have been involved with the Uighurs, in arming and training them et cetera. To what extent is Australia aware of efforts by the Chinese authorities—changes that they have made in regards to the way they respond to regions like that, and overall clampdowns under the pretext of security concerns about international terrorism?

Dr Thomas—It has of course always been a security concern for the Chinese. We have not seen any new evidence that there has been any particular crackdown since September 11 on these groups as such, but we have taken the opportunities of dialogues we have had with the Chinese to make clear the point that we would be very concerned if they were to in any way use the cloak of combating terrorism to try and repress groups domestically, for other political reasons. We have registered that point with the Chinese but we have not done it on a basis of any specific evidence coming to hand that it would happen. But there have been some comments and allegations publicly that this may take place.

Mr LAURIE FERGUSON—Would it be too difficult for the department to investigate a bit further? I know they have made allegations that people have been trained and armed et cetera, and it is my understanding that they have taken some measures. Could someone come back to me later on that?

Dr Thomas—As I said, we are not aware of anything but we can certainly check and see if there is any more information on that.

Senator FERGUSON—We were talking about the WTO before. I want to ask a question about the WHO, because I understand that Taiwan have been running a campaign now for a considerable length of time regarding their possible accession to observer status at the WHO. I know that some of my colleagues have been lobbied by them in relation to this issue. Their argument, of course, is that they would be net contributors—because of their ability and the work that they may be able to do in assisting the World Health Organisation—rather than being people who are served by the World Health Organisation. Are there any major countries in the world, that you know of, that are supporting their application for observer status?

Dr Thomas—There are no major countries that we are aware of. You would expect some of the countries with which Taiwan has official relationships to do so.

Senator FERGUSON—So the US isn't?

Dr Thomas—No.

Senator FERGUSON—And our position is that we are not as well?

Dr Thomas—Our position is that this is a specialised UN agency and therefore there are political recognition issues involved with that. It is something for China and Taiwan to work out. If China were to agree to it, we would not have a problem with it. If a consensus emerged amongst all members that Taiwan were to be admitted, we could go along with it as well. But we will not be advocating that publicly.

Senator FERGUSON—Do you know whether Taiwan contributes to the World Health Organisation in any way?

Dr Thomas—I do not have details on that.

CHAIR—Thank you very much for that. We will move on to the second part of session 2, which is Japan and the Korean Peninsula. Could you give us a brief update on the present economic situation in North Korea, particularly on their food shortages and some of the other difficulties facing the population? Could you also give us some reactions to President Bush's statement about the axis of evil and where North Korea might fit into all of that?

Dr Thomas—I will take the second question first, and I will then pass to my colleague Mr McLean to talk about the North Korean economy, which remains pretty much as grim as ever. On the axis of evil speech, although we have re-established relations with North Korea we do have some serious security concerns about the behaviour of that regime, and we have registered those concerns with them. We have made it very plain that the bilateral relationship will not be taken any further forward except in tandem with some genuine movement by them on security issues, in particular the missile proliferation issue.

So, while the 'axis of evil' is not the sort of language we would necessarily have chosen to express that, to some extent we have shared the sentiments that that speech contained. Because we are in this region, and because we have a particular relationship with that part of the world, we have seen it as being in our mutual interest to move a bit further in terms of recognition and to re-establish embassies and so forth. But we do very much share the sorts of concerns that were in that axis of evil speech about North Korea developing its missile program in its own right and what that means for a build-up of arms in that region. Also, its sale of missiles to third countries continues to concern us.

Mr McLean—I do not have a specific brief on the North Korean economy other than to say that there is no question it is an economy that remains in difficulty. That is probably the best way to put it. The outflow of refugees across to China is a fair demonstration of the state of the economy. North Korea has always been a country that has been affected by natural disasters, purely because of its geography. In terms of the organisation of the economy, anything that has been done by the current regime to worsen it is hard for us to assess. I offer the AusAID people to talk about the extensive food aid humanitarian assistance that Australia is giving to North Korea.

Mr Dawson—We watch the food situation in North Korea very carefully, mostly through the World Food Program, which has a large presence there and carries out extensive monitoring. I think we could say the situation continues to be precarious. It does move up and down a little bit

season-by-season. I think the projected shortfall in food this year is of the order of 1.5 million tonnes. A large part of that will be met through international contributions through the World Food Program, and North Korea really will be relying upon bilateral assistance to bridge the rest of that gap. Our experience and the experience of other international agencies working in North Korea has been that over recent years aid, particularly with better targeting of food aid towards vulnerable groups, has made a difference particularly with malnutrition amongst children. But, as I said, the situation changes from year to year and continues to be precarious.

Mr BAIRD—Dr Thomas, in terms of South Korea, I am wondering what the implications are of the resignation of Kim Dae Jung from his own political party. Is it a prelude to his standing-down as President, so it is not going to have major consequences? I am also wondering about the impact of that on the sunshine policy. Where are we likely to see that travelling? Would you comment on that first of all, please.

Dr Thomas—I do not think the resignation per se will have a big impact this year. Everyone is aware that the presidential election is due in December. He will not be standing at that election in any event, so his period in office is strictly limited—and in a sense the sunshine policy is very much his policy, so he has to operate with that election hanging over him, knowing that there is very limited time. The opposition—if you can call them that—in South Korea will not call it 'sunshine policy' or 'engagement' but they will not have a diametrically opposed policy. Both aim for reconciliation or reunification of the peninsula in the long term. There is a slight nuance in difference in terms of how you do it and the pace at which you do it, but we do not think that will have a big impact. Kim Dae Jung has always had a fairly shaky coalition of supporters in the national parliament anyway, so I think he can continue for the period of his office, which is quite short. What was the other part of your question?

Mr BAIRD—There are two parts—his resignation from the party and the sunshine policy.

Dr Thomas—We have done what we can to support that sunshine policy, as have a number of European countries who have re-established relations as a show of solidarity with the south, to try to keep the north-south dialogue process going. It has definitely stalled. It had been completely slowing down over almost the last nine months. There have been a couple of positive signs recently. Kim Dae Jung was able to send a special envoy to the north for talks, and they actually took place. There are also indications that the North Koreans will start to talk again to the United States and this special ambassador at large—Pritchard—is going to speak to the North Koreans in the near future. I think that is set up to happen very soon—next week or so. So there are a couple of signs and indications there, but it is still very precarious.

Mr BAIRD—I have a question on Japan. I noticed a report in the paper this morning talked about encouraging signs from the preliminary votes at the world whaling conference as Japan did not seem to have enough votes. Nevertheless, it was still signing up the small Caribbean countries and places such as Mongolia in exchange for aid provisions. So the likelihood of Australian and New Zealand waters becoming a sanctuary for whales is in doubt because of Japan's policy of signing up relatively obscure countries for their votes in exchange for aid. To my mind this is pretty offensive to us as Australians, but we recognise Japan's overwhelming importance in terms of our trade interests, especially as the dominating force in North Asia. Do you have any comment on that?

Dr Thomas—All I can really say is that Japan are very much aware of the quite serious difference we have with them over the whaling issue; they do not have many allies in terms of the line they take on whaling generally.

Mr BAIRD—Countries like Mongolia and Swaziland.

Dr Thomas—The sorts of countries you pointed to and the sorts of tactics they employ are what they have had to resort to, to get friends in that area. We register our differences with them at all points and try and persuade them along a different path, but so far they are sticking to what we think is a fairly indefensible policy.

Dr MARTIN—My questions also relate to Japan, but I have one question about North Korea and its food supply. I had the great fortune to be there in North Korea about 18 months ago, although I am not sure that is how I would describe it now, having come back. One of the issues that was raised with us during the course of that visit was food distribution processes from donor countries like Australia, the United States and so on, and the question of corruption and food supplies being hoarded, warehoused and so on. Can you provide the committee with some information as to whether that process is still undertaken and how the aid we provide, particularly in food supply, gets through to those people most in need?

Mr Dawson—Almost all Australian food aid is provided through the UN World Food Program, so we rely on the monitoring mechanisms of the WFP for our assurances that it is reaching the intended beneficiaries. The World Food Program would have by far the largest presence in North Korea: they have something like 50 international staff and a much larger number of locally engaged staff. It would certainly be fair to say that the arrangements for their monitoring of the distribution of food aid are less than ideal and less than you would expect in most other countries; but the World Food Program have taken a decision that they will not provide assistance to areas that they cannot monitor.

There have been improvements over recent years in terms of the degree and nature of their access to the areas where they operate so that they can monitor, and recent monitoring missions have certainly not thrown up any doubts that assistance being provided through the WFP is in any way being diverted. Most of the concerns about diversion probably come from the fact that people see that the military is very well fed; but that does not necessarily mean to say that that comes through international aid. Essentially, the military will be taking the first share of domestic resources but that does not raise any questions about the effectiveness of the distribution of international food aid.

Dr MARTIN—I will turn now to Japan and, again, in the first instance I use as a reference volume 1 of the *Annual Report 2000-2001, Department of Foreign Affairs and Trade,* page 28. It talks under the heading 'Japan' about a conference being held in Sydney to talk about Australia and Japan into the 21st century, and that was held in 2001. It talks about the department in Australia and the Japanese government commissioning parallel studies investigating specific means of enhancing trade and economic relations. It then talks about a report on strengthening economic relations—SER—being released at the conference, recommending that certain things happen. It then talks about the possibility of that SER and conference and further discussion leading to the conclusion of a trade and investment facilitation agreement.

We now see that Japanese Prime Minister Koizumi has talked about some sort of enhanced trade relationship with Australia—when he left Japan he talked about an FTA but when he got here he did not let the words cross his lips. We also see issues about the possibility of an ASEAN plus three, plus Australia and, possibly, plus New Zealand being created and Japan, again, assuming some sort of role in pressing that forward. We read about FTAs in newspapers, particularly before Prime Minister Koizumi arrived and while he was here—and even after he left. They are now referring to trade pacts between individual countries and Australia. Would you tell the committee what exactly is the department's recommended course of action at the moment in dealing with Japan and trying to better our trade relationship? Do you have a view about the various outcomes suggested since at least 2001, when those conferences were held, through to the TIFA concept, through to an FTA and through to a broader ASEAN plus three, plus two grouping? Exactly where does it all go at the moment?

Dr Thomas—Certainly the sorts of activities and events you have outlined have all led to where we have arrived since the Prime Minister's visit. As far as we are concerned, things are still very much on track towards looking at a new economic agreement with Japan. In fact, when Prime Minister Koizumi was here it was referred to in the public remarks that a possible FTA down the track is still something that both governments are aiming for in the longer term. What is important from our perspective is that the process has now been set in train whereby the Secretary of DFAT will go to Japan next month. Dates have been set for an initial set of very senior official discussions, setting out a timetable to look at what would be the components of such an agreement, exactly what its boundaries would be and how we would define it. We may not be able to get to an FTA straightaway. You would be well aware that the agricultural issue is the main point of contention but, in the longer term, it is still something we will aim for. In the interim, you mentioned things like TIFAs and so on. They are really matters of nomenclature as much as anything else. We are aiming for what we call a 'trade and economic agreement' with Japan; that remains firmly on the agenda. As I say, officials will be entering into discussions on that.

As to the other grouping that you mentioned, the wider ASEAN regional groupings that Prime Minister Koizumi was talking about, those ideas are very much welcomed by us, especially as he certainly included Australia specifically in some arrangement that he had in mind. But it seems to us that those ideas are still relatively unformed and they have a fair bit to go before being fleshed out as to what they mean in practical terms. But we are very keen to work with the Japanese as they flesh that out.

Dr MARTIN—I guess my point is that we have the Japanese proposing a particular regional grouping, if you like, or trade arrangement. We have China proposing something as well. You can talk about the semantic differences between them but, at the end of the day, it is probably about economic and security relationships in the region anyway and China wanting to develop as a superpower to rival the United States and to spread its influence throughout the region and so on. But from Australia's perspective, from the department's perspective and from the perspective of adjunct organisations such as Austrade et cetera, when we are talking about how we as a country want to enhance our economic wellbeing, what is our thinking about the concept of something like an ASEAN plus three, plus two, or an ASEAN plus three, plus one? That is not for a minute suggesting that we should not continue to look at an FTA with Japan or that we should not pursue an FTA with Thailand, or Singapore or whatever we might be doing. What is our thinking about that as a concept? Should Australia be doing more to try to enhance our

thinking in that respect so that it might be complementary to what Japan or China are doing and so that we do in fact end up with an economic grouping, if you like, that will be to the benefit of us all?

Dr Thomas—We encourage that sort of thinking; we are very positive about it. That is why we welcomed Prime Minister Koizumi's speech when he gave it in Singapore in January. As I say, the Japanese themselves are very much driving that process at the moment, and we are doing what we can to feed our views into it on how that grouping or some form of it might evolve.

Dr MARTIN—As you have said, unless agriculture is part of the whole thing, it is not an FTA. Mark Vaile said that on the *Sunday* program as well, and realistically we accept that.

Dr Thomas—That is in terms of the bilateral agreement that we are seeking with Japan. We are pursuing that, but it is a quite separate bilateral exercise, apart from what Japan is looking at—some sort of broader regional economic or other grouping, which we would also be interested in being part of.

Dr MARTIN—But any broader regional economic grouping clearly must look at the strengths of each of the economies that are going to be part of that and the comparative advantage that those economies would bring to any of those agreements. It would seem to me that what you are talking about is probably getting to a mini-WTO type of structure or Doha Round structure that might exist regionally so that those various issues are on the table. Clearly, agriculture is going to be important not only for Japan and Australia but also for China, the Philippines and any number of the ASEAN countries. Therefore, it has to be considered as part of it. Surely we are not going to pursue something that leaves out such a significant sector of all of our economies. If we are talking about a regional grouping, we have to be looking at the way in which trade barriers across all those different components of everyone's economies can be eliminated so that free and open trade can occur between us. That is a laudable aim, is it not, that we should pursue?

Dr Thomas—I would argue that that is what we are doing. It is important that you do not see these arrangements or activities that are springing up as mutually exclusive in any way. For us, the main game is in Geneva—the new WTO Round; the Doha Round. That is the No. 1 priority. Beyond that, we are looking at a series of arrangements with some economies which have shown a willingness to negotiate with us on a shorter time frame in certain areas where we think we can get a faster result than could be achieved in the general round. None of the arrangements we are entering into would be in any sense exclusive or fall short of WTO type commitments. They will be WTO consistent or WTO plus—indeed, even better than you might get in WTO arrangements. You need to see our efforts for the WTO round in Geneva, various bilateral FTA and other arrangements we are pursuing, and being plugged into whatever regional groupings as quite consistent, but it would be remiss of us if we did not pursue all those tracks at the same time. In many instances it is simply a matter of different timetables and time frames for some of these issues. For Australia, of course agriculture is always going to remain very much part of the agenda.

Dr MARTIN—That is true, but in the case of Japan specifically, other areas, particularly in the services and trade area et cetera, are becoming extremely significant, are they not?

Dr Thomas—Yes.

Dr MARTIN—And as a consequence the effort we have to put into that has to be just as great.

Dr Thomas—It would be. That is also why, for example, our FTA negotiations with Singapore are taking longer than Japan's and Singapore's negotiations. We want a proper, comprehensive FTA with Singapore.

Dr MARTIN—What are we doing?

Dr Thomas—That means it involves all trade.

Dr MARTIN—We do not touch on Singapore in this at the minute but, as you have raised it, what the hell is the hold-up with the Singapore and Australia FTA? After the period of time that has been expended by DFAT and government ministers in trying to procure that FTA, where agriculture virtually does not exist as part of the issues that seem to have knocked over a few of the others or least put some barriers in their way, why can't we conclude it when a number of other countries have?

Dr Thomas—I would rather wait until the officers are here to deal with the detail, but I can say in general terms that the decision was taken that we wanted a good agreement which did not sacrifice any of the interests we were seeking, and we were prepared to put in a longer time negotiating the agreement to get the right outcome rather than have a quick and dirty agreement. There have been some hold-ups in some of the service areas like banking, telecommunications and so forth but there has been significant progress in our last round of negotiations. We would still hope that it is wrapped up maybe by the end of the year.

Dr MARTIN—I find it interesting in one of those sectors that you have mentioned, telecommunications, that SingTel has bought out Optus here, so there do not seem to be any problems in reverse in sorting out some of the difficulties, but there seem to be some difficulties the other way around, with Australian access into some of the market share that might exist in Singapore. Is that a reasonable comment?

Dr Thomas—I would rather not get into the detail. We are in the middle of negotiations on this, and we are making progress. That is all I can say. Better a good agreement than a quick agreement.

Dr MARTIN—For example, SingTel, by its purchase of one of the telecommunications companies in this country, has access to the satellite that controls all intelligence gathering. There does not seem to be a problem one way, but there seems to be a problem the other way in us being able to conclude the FTA when, seriously, agriculture is not part of the equation. I am not just picking on telecommunications, but I think that applies across a range of service areas—for example, you mentioned banking as well. They are both Western economies, both highly developed, both have the British rule of law et cetera, and it strikes me that in this day and age not to be able to conclude things—I hear what you say about wanting a good agreement, not a quick and dirty one, but after six years one would have thought that we would have been there.

Dr Thomas—It is 1½ years.

CHAIR—If there are no further questions, we might move on to the next section, which is South Asia: Pakistan, India, Sri Lanka, Bangladesh and Afghanistan.

Mr EDWARDS—I have some questions in relation to Afghanistan. Dr Thomas, there were reports over the weekend of a fairly big blue involving coalition forces, including the SAS. There were also reports that this was a blue between opposing warlords. Can you update us on that situation?

Dr Thomas—I do not have much detail to give on the military situation but I will call on my colleague Mr Paterson, who is head of our International Security Division, and he may be able to shed some light on that.

Mr EDWARDS—If it was purely part of the war against terrorism, I would not have asked the question, but it seems to me that we have reached the stage where were are spilling over into things involving the various warlords, and that goes beyond the military question, I guess.

Mr Paterson—I think it is fair to say that we rely very much on advice from the Department of Defence on this. At this point we accept their assurance that, indeed, the involvement of Australian forces was very much directed against an Al-Qaeda and Taliban threat and not caught up in a dispute amongst warlords. But it is really for them to comment on the detail of that sort of incident at that level rather than for this department.

Mr EDWARDS—I am a bit sympathetic to that response but by the same token, if there is now a situation involving coalition forces being used one way or another in support of the opposing warlords, it goes well beyond just a military situation, and I would have thought that your department would have been right on top of that.

Mr Paterson—Thank you for your comment. The Australian role is confined to action against Al-Qaeda and the Taliban. Obviously, in the murky situation that exists in Afghanistan, it is conceivable that other elements might get drawn in, but the Australian forces are not brokering disputes between the various factions in Afghanistan. That is not our role; they have no mandate to do that. If that were to happen, it would simply be inadvertent as part of their operations against Al-Qaeda and the Taliban.

Mr EDWARDS—Thanks. I must say I am only going on the media reports. Part of the reason for asking that question is that I understand that in recent months we have put roughly about $41.3 million into a range of activities—food aid, mine clearance and those sorts of things. Is that money going in as part of a pool? Are Australian NGOs actively involved in any programs relating to this money? Can we also get an update on the situation in relation to mine clearance in Afghanistan and how that is being interrupted by current events?

Mr Grigson—Your number is right; it is $41.3 million. It was our second highest response ever to a humanitarian crisis. I will ask Mr Dawson from AusAID to help you with the details of that donation.

Mr Dawson—The donation includes a range of payments to a range of international and local institutions. They include mostly the UNHCR for assistance with resettlement of displaced persons, the International Organisation for Migration for similar assistance, the International Committee of the Red Cross Afghanistan Appeal for food aid and non-food supplies, and specific assistance through a range of UN agencies including UNICEF, for example, with child immunisation and the United Nations drug control program. There has been a contribution of $500,000 for mine clearance and other mine activities as well. In relation to Australian NGOs, there was a total of about $2½ million announced, including donations to CARE Australia, the Australian Red Cross, UNICEF Australia and Oxfam Community Aid Abroad.

Mr EDWARDS—Would it be possible to get a copy of a list of those institutions that the funds have gone to and how much each individual organisation received?

Mr Dawson—Certainly.

Mr EDWARDS—Can you tell me whether the money that has gone towards the land mines has come out of the Destroy a Minefield budget or some other area of funding? Can you give us an idea of how effective these programs are on the ground in the face of the military activity that is taking place?

Mr Moore—In regard to the demining activity, our contribution there would be counted under our mine action commitments. It has been funded from within the humanitarian emergency allocation that AusAID has. In regard to effectiveness, as Mr Dawson said, a large component of this funding went to food aid through WFP. Although there have been many difficulties in getting food to affected communities, it is generally agreed that a major famine was averted towards the end of last year. A lot of the credit goes to WFP and, in particular, local staff for keeping the food moving despite the conflict and despite winter making that exceptionally difficult. All of the partners through whom we have chosen to work in Afghanistan have good reputations for targeting the most affected communities and for delivering. We deal with these partners in many parts of the globe and we assess their capabilities and systems and select them on that basis.

Mr EDWARDS—The only other question I have got is in relation to the production of opium. Can we get an update on what the current situation is and what programs, if any, are being put in place to entice poppy grows into alternative crops?

Mr Grigson—I would have take that on notice, Mr Edwards.

Mr Moore—In regard to the latter, we are certainly well aware of links between alternative income generation schemes and the resort to opium production. We support the United Nations drug control program, which is active in Afghanistan. One of the major considerations is to ensure that we get seeds to farmers to allow them to replant wheat crops to provide an alternative to opium production. We have been in discussions with the Australian Centre for International Agricultural Research and also with the international body CIMMYT, which deals with wheat production, and we are looking to assist them with getting the right seeds into the hands of farmers so that planting can begin as soon as the climatic conditions allow.

Mr EDWARDS—One final question: can you give us some idea as to whether the various warlords are interfering with these programs? Are the programs going on despite them or with their support?

Mr Moore—I think I will have to defer to my DFAT colleagues on that one.

Mr Stonehouse—I think I would have to say that we are not very aware of what activities the warlords might be undertaking at any given time but we do not have any information to suggest that, to the extent that these programs are going on at the moment, there has been any specific interference.

Mr EDWARDS—Can I suggest, Mr Chairman, that this is an area we need to come back to visit. This is a fairly significant amount of money and I think we need to know just how effectively it is being spent on the ground. I am not critical of any of the programs; I just want to know that the money that we are spending is getting through to those areas that need it most.

Mr Stonehouse—Can I perhaps add that the Afghan Interim Authority recently passed a decree on the eradication of narcotics production and trafficking and has already conducted some activities to curtail narcotics production in certain parts of the country. Those measures are not very popular obviously with the farmers that are living by the production of narcotics, but the Afghan Interim Authority has indicated that it is quite serious about this. It is a small step but it is a first step, and it is asking the international community to support this by crop substitution programs, seeds and things like that.

Mr BRERETON—I have a question for DFAT. What is the current assessment of the prospects for a further deterioration in the security situation between India and Pakistan? What is your view as to the real potential for major conflict now?

Mr Grigson—You will not be surprised to know that we are deeply concerned about the recent reports about increased tension. The Indians have responded very angrily to the recent terrorist incidents. The Pakistanis continue to deny publicly that they are linked to that. Our position, and I think the position generally of the international community, has been to encourage India and Pakistan to continue to talk to each other about their differences. It is clear that this is a time for increased dialogue, not reduced dialogue. In terms of predicting the future, I would be hesitant to do that, but I would say that we are deeply concerned about developments in that part of the world.

Mr BRERETON—Would you see this as a critical position at the moment or one that is becoming critical? How would you characterise it in terms of conflicts we have seen between these two countries over recent years? How would you rate the present situation?

Mr Grigson—Given the consequences of any conflict between those two countries, we are always concerned at times of increased tension. Looking over the previous years, this is one of those times when I think tensions are higher than they have been in the past, and as a result we are deeply concerned about that.

Mr BRERETON—Higher than they have been in the past?

Mr Grigson—They are higher than some other incidents; not as high as other times. It is difficult to make judgments because each circumstance is unique. The present circumstance is one that gives us reason to be concerned.

Mr BRERETON—Just concerned?

Mr Grigson—As you know, the consequences of a conflict between those two countries do not bear thinking about. The world is relative, and in talking about India and Pakistan concern about tensions is not something to be taken lightly.

Mr BRERETON—You would be more concerned now than for how long?

Mr Grigson—I beg your pardon?

Mr BRERETON—You would be more concerned now than for a period of time, for the last couple of years or for the last five years?

Mr Grigson—I think that is right. Given the prospects for conflict between those two countries and given the tensions that we are seeing at the moment, we are as concerned as we have been for some time. We have seen other instances in recent times of tension. We have made our position clear at those times and we are doing the same now.

Dr MARTIN—Could I ask a couple of questions, firstly, about our trade representation in India and, secondly, about prospects for the future. In the annual report of Austrade, it would seem that the New Delhi office is the only office of Austrade. There are a number of suboffices in Mumbai and Chennai and there are trade consultants in Hyderabad and in Bangalore. I am just concentrating on India at this stage and not on the surrounding countries as well. Given India's economic performance, is that a resource which we are effectively using, and do both Austrade and the department see India as an underdeveloped market for Australia? If that is the case, are there any reasons why that might be so, such as perceptions by Australian business entities of difficulty in dealing with a country such as India? Perhaps we can start with Austrade.

Ms Ramsden Smith—We have 31 staff based in India. Our head office in India is based in New Delhi and is headed by a senior trade commissioner. We also have a trade commissioner and a consul general based in Mumbai and an office of three people in Chennai. Outside of those, the locations are, as you mentioned, Bangalore and Hyderabad and also Kolkata. We have a very dispersed network in India, and that reflects the nature of the different markets and opportunities within the country. We feel our resources in India are significant and reflective of the opportunities there. It is obviously an important market and a growing market. India has been a market of enormous potential for many years and will continue to be, and there are a lot of emerging sectors in areas like film and entertainment, ICT and biotech, where we are constantly running trade promotion activities and so on. So, yes, it is important, and we have a large network there. Our trade consultants based in Hyderabad, Bangalore and Kolkata will be in Canberra next month, and I was hoping that they might be able to come and brief the committee on opportunities in those areas.

Dr MARTIN—What about from DFAT's perspective?

Mr Grigson—I would like to add that India is not an easy market, but our exports grew 32 per cent last year. I think that is a sign that, over time, Australian exporters are coming to terms with the potential there.

Dr MARTIN—That seems to be a message, though, that has been around for quite a number of years—both under the former and present governments. I am concerned about the potential that may well be there for Australia and that we are not focused enough on it, and I wonder if there are any strategies. I know that the department released earlier this year or late last year the report on Australia-India relationships, *India: new economy old economy*.

Mr Stonehouse—The East Asia Analytical Unit report on the Indian economy was released just after the elections last year. I am not really qualified to speak to that report; if there is anyone here from the unit, they would probably be better placed. That report was designed to encourage Australian business to look very seriously at the potential in India. It identified a number of sectors—IT, for example—where we can get actively engaged.

Dr MARTIN—Bangalore is supposed to be the next best region in terms of IT et cetera, isn't it?

Mr Stonehouse—I think so.

Dr MARTIN—It is Silicon Valley transposed to India.

Mr Stonehouse—That is right.

Dr MARTIN—If that is the case—and that report has been around for about six months now—has either the department or Austrade seen increased interest from Australian exporters who want to access, or to look at ways in which they can access, the Indian market? If not, is that a factor of them not being aware of (a) the report's existence or (b) the promotional activities in Australia to try to interest people in getting into India?

Ms Ramsden Smith—I believe there has been increased interest by Australian companies, as I said, in emerging sectors like biotech, ICT and film and entertainment. It is in those areas that we are running trade promotion activities, such as a biotechmission to India in October and a series of seminars on the film industry in India to promote Australia's capability. So, yes, we are promoting awareness of the opportunities and there is Australian company interest. However, India's potential as a market has always been balanced by the often very difficult environment that can be presented to companies doing business there. For that reason we have to be selective about not overselling the opportunities and the potential of India, but instead promote very specific and well-targeted opportunities to companies that have the capacity and the ability to deal with the environment in India.

Dr MARTIN—I am interested in that environment; it is apropos of my earlier comments about Singapore, given the nature of the legal system and so on. I would have thought that some of the impediments that exist in places like China or Japan, from a legal perspective, do not exist in economies like India's. But in one specific area, education exports, people have said to me that there is an enormous market and enormous potential for Australia in India but that one of the inhibiting factors—as seems to be the case in a number of other countries in Asia—is the

visa system and immigration requirements. Has that been the experience that either Austrade or the department has found from talking with educational providers in Australia, at both university and school levels?

Mr Grigson—Visas generally are an issue for the education sector, as you know. We talk continually to DIMIA about a range of countries; that would include India. No specific case has been brought to my attention regarding India, but it is something we watch very closely and are in continuing contact with DIMIA about.

Dr MARTIN—From Austrade's perspective?

Ms Ramsden Smith—Only that whatever visa regulations we have in place do not tend to dampen the interest from the Indian side to come and study in Australia, and growth in that market has been continuing over the last few years.

Dr MARTIN—Has much interest been shown by the Australian tertiary sector in trying to access that Indian market?

Ms Ramsden Smith—Our general understanding is that there has been, but DEST and Australian Education International have a counsellor based in New Delhi who has the primary focus on that sector in India so I do not have details.

Dr MARTIN—Finally, in this country there is of course the Australia-India Business Council, as I think they are called, which works towards promoting opportunities for Australian businesses in India. How successful are organisations like that and, from a government perspective, what needs to be done to try to give them a bit more direction? How do they feed into the government, to Austrade and to DFAT, in bringing forward ideas as to how the economic relationship between Australia and India could be enhanced further?

Mr Grigson—We find that those business councils that we have not only with India but with many other countries very useful. The two aspects that we try to establish as quickly as possible, and as far as possible, with all countries is to give them direct access to ministers—that often happens around the time of joint ministerial meetings—and to seek their guidance on those issues that concern them most in accessing those countries. One of the key outcomes of meetings with those business councils is that they often come up with very specific examples of things that you can follow up on. That, to us, is very useful because we simply do not have the capacity to get that intelligence from business without their assistance.

Mr BAIRD—I have a couple of trade questions and then a couple on human rights issues. I will roll the trade questions together, which are as a follow-up to Dr Martin's comments. Firstly, in relation to the promotion of Australia as a place to have films shot, I understand that one of the big issues is that of visas to bring whole crews out. At the time I was visiting India, that was the major complaint. Has that situation changed? Secondly, in relation to the rebuilding of Afghanistan following the war, what opportunities have been identified for Australian companies? The third part of my trade question relates to the visits of Messrs Vaile and Alston late in the year 2000, which is mentioned in your report on page 43. How successful was the special IT mission that was carried out in late December 2000 by Senator Alston, with a whole

number of others? Should we be having similar ones as well? Those are my three issues in relation to trade. My human rights questions will follow.

Ms Ramsden Smith—The main focus for our activities in the Indian film area and in promoting Australia's film capability have centred around Mumbai and the Bollywood sector. We have worked very closely with the DIMIA office based in Mumbai, which is from where large groups of Indian film-makers come out to Australia. We have a very good relationship with them. Where there are large groups, we assist with coordination of documentation for visas and such where it is in the interests of the business opportunity.

Mr BAIRD—Does it remain a problem?

Ms Ramsden Smith—I have not heard of any problems in relation to bona fide groups of Indian film visitors coming out to Australia.

Mr BAIRD—I was with a former tourism minister in India in a past life, and we were surrounded by all these film producers who harangued him at some length on the issue. This was a couple of years ago. I wonder whether it remains a problem. Apparently Bollywood was very interested in having a lot of crews come out. I would be interested to find out. That is part 1 of my question.

Senator SCHACHT—Could you take on notice how many people have been issued a visa specifically for the Bollywood producers and film-makers to come to Australia over the last three years?

Ms Ramsden Smith—Sure. On the second part of your question, there are opportunities arising from the reconstruction efforts in Afghanistan. They are selective, and they are related primarily to multilateral funded projects and so on. Our senior trade commissioner in Islamabad has made two visits to Kabul to meet with key contacts in ministries there and also with multilateral personnel.

There has been a success story already, which related to an infrastructure project that is still commercial-in-confidence. So success in that area is starting, but they are selective. The efforts in Afghanistan are still very much focused on the humanitarian efforts ahead of moving onto reconstruction in areas where Australia has particular expertise: social infrastructure, financial services infrastructure and so on.

CHAIR—Who is most selective? Is it the UN administration, or are the local bureaucrats starting to get into the act?

Ms Ramsden Smith—Sorry, the opportunities are selective. There are a few areas where Australia has particular capability and expertise to assist in Afghanistan's reconstruction efforts, so it is not across-the-board opportunities. Turning to the third part of your question regarding the outcomes of visits in late 2000 by Ministers Vaile and Alston, just very quickly, we had 16 companies visit with Minister Vaile and we are currently still working with eight of those. We have had export impact results of about $50 million. From Minister Alston's visit, we are still working with six out of the 14 companies who went with him, and the results are around $19 million in terms of Austrade verified export impact. There are other trade missions planned for

later this year, and we will expect a significant focus on ICT again in that area, as well as newly emerging areas, such as biotech related areas.

Mr BAIRD—It sounds good. Finally, I have two questions on human rights issues: firstly, as to the participation of Ahmadis in national elections to be held in Pakistan in October this year, I understand they are being excluded. The second part refers to Bangladesh, the persecution of the Hindu minority.

Mr Stonehouse—On the question of exclusion of Ahmadis from the elections in Pakistan, I do not have any specific information on that, although we are concerned by the violation of human rights of Ahmadis in Pakistan and we regularly draw our concerns to the attention of the Pakistan government, but I was not aware that they were being specifically excluded from the elections which are due to take place in October and for which preparations are already in train. As far as allegations—

Mr LAURIE FERGUSON—On that point, I think the allegation is that the rolls are being designated on religious grounds, and the regime does not regard the Ahmadis as Muslims; therefore they do not fit into a number of the alternatives.

Mr Stonehouse—I was not aware that that had a political ramification. The way that we have addressed concerns about Ahmadis in the department is very much from the point of view of discrimination against them as a religious minority and not as a political minority, so I would have to take that on notice.

Mr BAIRD—Yes, it is a classification issue, so I would be interested if you could do that.

Mr Stonehouse—I will have to take that one on notice.

Mr BAIRD—The human rights committee is looking at that particular matter.

Mr Stonehouse—On Bangladesh, there have been allegations that the Bangladesh government has undertaken some sort of systematic discrimination against religious minorities. We looked into those allegations earlier this year and, from the information that we have got, the impression that we have is that it does not sustain the allegation that there is a systematic campaign against religious minorities in Bangladesh by the Bangladesh government. Rather there seems to have been, after the elections last year, some realignment or readjustment within the local political power bases that may have had, if you like, the outcome that some religious minorities, perhaps connected with the previous government, have suffered some harm or some difficulty. We are naturally concerned about any kind of violation of human rights. We monitor it, we watch it very closely, but our impression up to this point is that this is not something that we can attribute to a systematic campaign by the Bangladesh government.

Senator FERGUSON—While on that, is it not the Sunni law that is causing the concern? Christians and others can be persecuted—not randomly—but there is evidence of some sort of systematic persecution of people under the blasphemy law in Pakistan?

Mr Stonehouse—I was talking about Bangladesh.

Senator FERGUSON—Sorry.

Mr Stonehouse—The discrimination that was alleged was very much at the local level, I think, so it was not linked to any particular legislative provision.

Senator FERGUSON—Sorry; I thought you were talking about Pakistan. It is Bangladesh.

Mr BAIRD—I notice that there is no mention in DFAT's report about human rights issues being raised. Does that mean that they have not been raised or that they were not considered important enough to mention in your report?

Mr Stonehouse—In Bangladesh?

Mr BAIRD—Yes.

Mr Stonehouse—I think the answer to that is that if we were concerned we would certainly raise them, as we raise everything, but certainly in relation to the specific allegation against the current Bangladesh government we have not, to my knowledge, raised our concerns because our impression is that it is not a matter that can be attributed to their activities but rather is a local level problem. But if our view changed then naturally we would raise those concerns.

Mr LAURIE FERGUSON—I make two points. The first is Pakistani human rights. The Musharraf government obviously has a lot of brownie points with the US for being pretty reliable in regard to recent events, but there seem to be a lot of candidates for Australian concern internally in Pakistan with regard to human rights. There was an article last week about another woman who is up for stoning for adultery after being raped by one of her family members. There are the issues of the blasphemy laws, restrictions on other religions recruiting people, the conflict between the Shiah and others et cetera. On what areas of human rights issues would Australia focus with regard to Pakistan? What would probably be the three most prominent issues that we raise?

Mr Grigson—We would take a broader view. We would be concerned about abuses of the civil, political or religious rights of any minority in Pakistan. In that context, we would be cautious about choosing one case over another. The Pakistani government would be under no illusions about our views on human rights and our expectations that the rights of minorities are protected.

Mr LAURIE FERGUSON—It is all right to say we are interested in broad civil rights, but it is a different country from another country. What would be the three areas where Australia tends to get pushed internally, in our political system, by representations from individuals?

Mr Stonehouse—It is fair to say that the two areas where we focus are very much in response to the concerns raised by the Australian public. They are the discrimination against Christians pursuant to the blasphemy laws and the discrimination against the Ahmadis. There is quite an active Ahmadi community in Australia that regularly makes representations to us and to the minister. We raise the concerns of both of those with the Pakistan government.

Mr LAURIE FERGUSON—My second point is that I take a slightly different strain from some of my colleagues in regard to the facilitating visas issue when I see the prominence of Pakistani claimants for refugee status in Australia who have come here on the basis of false academic backgrounds. I was recently involved with the case of a Sri Lankan dance troupe. It was internationally renowned but on previous visits to Norway and New Zealand a large number of the crew had claimed refugee status. They all wanted to come here—about 30 of them this time.

Senator SCHACHT—Can they dance?

Mr LAURIE FERGUSON—That is doubtful. They all seemed to be related to each other.

Senator SCHACHT—The 'Last Tango in Sydney'!

Mr LAURIE FERGUSON—With regard to DIMIA, and its interface with DFAT, Australia is dealing with a major example of breakdown. We have had 1,000 or so Timorese here for a number of years and essentially we are now facing up to what we should do with them. My recollection is that that had a bit to do with DFAT's performance, at a post where there were no DIMIA people, on the issue of visas for tourists. At posts where you do not have DIMIA—and I know they are referred back to places where they do have DIMIA—what interrelationship is there between the two departments to ensure that DFAT is on top of the issue of visas and the danger of claims in Australia by refugees et cetera? Are you confident that the cultures are fairly similar?

Dr Thomas—It is not a matter of whether our cultures are similar. DFAT officers who do DIMIA work at posts where DIMIA are not represented are certainly fully briefed in Canberra, before they leave the country, on what their responsibilities would be. In addition, there are usually more permanent locally engaged staff who work for DIMIA on the DIMIA side, whom these DFAT officers supervise. So there is some continuity there. Nowadays, too, everything is online and it goes straight back to DIMIA. It is a very simple matter to check anything. DIMIA really are represented in places where there is a very heavy workload. It is as simple as that. Where there is a lesser workload that does not warrant the cost of a full Australian based representative, we do it on their behalf and we charge them for it, but we do it well and we do it properly.

Mr LAURIE FERGUSON—You said that they do some training. How long will that training for DFAT officers take?

Dr Thomas—I do not know off the top of my head, but certainly they are fully briefed by DIMIA, and there are various ways of auditing that from time to time and checking on that performance.

CHAIR—Mr Hicks and Mr Habib are allegedly in Cuba at the moment. Have we any updates on the status of their situation? Is there any indication as to whether we may be able to have it resolved or whether they are coming back to Australia?

Dr Thomas—I will ask one of my colleagues, Mr Dominic Trindade from our International Legal Division, to brief members of the committee on that.

Mr Trindade—I probably should start by saying that this matter is principally the responsibility of the Attorney-General's portfolio. It involves issues of law enforcement and intelligence investigations into the activities of the two men. As was announced by the Minister for Foreign Affairs and the Attorney-General, I think in a joint release late last week, Australian officials have had access to the two detained Australians in Guantanamo Bay in Cuba for law enforcement and intelligence purposes. It is not proposed that the nature of the investigations and discussions they may have had with the two men would be made public or that any detail would be provided, given the sensitive nature of those investigations and the national interest considerations that would come into play there. I expect that the foreign minister and the Attorney-General will probably be in a position to comment on other aspects of the visit if they are able to—for example, on the welfare of the two men who have been detained.

Regarding the longer term prognosis for the two men, obviously there are matters which are still the subject of investigation. The issues relate to whether they have committed any offences under Australian law. That would then dictate issues such as whether it is likely that they would be returned to Australia to face Australian prosecution. Again, those are matters for the Attorney-General's portfolio to comment on. In terms of the situation with the United States, the United States is also looking at the possibility of these men being dealt with under military tribunals that the United States is establishing to deal with persons who have been taken in Operation Enduring Freedom.

Senator SCHACHT—Following on from that last question, I know that Hicks and Habib are both Australian citizens.

Mr Trindade—That is correct.

Senator SCHACHT—Would it be possible—whether the government chose to do this is another question—for us to legally ask them to be extradited back to Australia so that we could deal with them under our own civil law and/or military law?

Mr Trindade—I think the extradition laws would probably again be a question for the Attorney-General's portfolio. My understanding about extradition laws is that you have to have a case against them under Australian law. There are other issues about 'dual criminality', I think they call it. The jurisdiction in question has to have a similar offence. It can be quite a complicated question. I would not be able to speculate.

Senator SCHACHT—Put it around the other way: they were captured by the American soldiers in Afghanistan, as I understand it.

Mr Trindade—Our understanding is that Mr Hicks was detained by allied forces in Operation Enduring Freedom. I am not personally aware of the exact circumstances.

Senator SCHACHT—If they were captured by Australian forces, would we have handed them over to the Americans or would we have brought them both back to Australia to face charges in Australia?

Mr Trindade—One part of that question, I think, would be a matter again for the Australian Defence Force or the Defence portfolio to answer.

Senator SCHACHT—You do not know whether there is an agreement in the present conflict in Afghanistan that anyone who is captured is handed over to the Americans, no matter which one of the allies captured them?

Mr Trindade—My understanding of that is that different members of the coalition have their own rules or instructions as to what they do with persons who are detained—whether they are handed over to the custody of the Afghan interim authority or whether they are handed over to the custody of the United States military personnel. I am not able to speculate on what might happen in a hypothetical situation involving Australian personnel.

Senator SCHACHT—Does Australia have a set of instructions to its forces in Afghanistan about what we should do? You said that some other countries may have a set of instructions.

Mr Trindade—As I said, I am not aware of what the rules of engagement for Australian personnel would be. I would have to get the Defence department—

Senator SCHACHT—Surely someone in DFAT here might know.

CHAIR—Maybe we could get that followed up.

Dr Thomas—It is really a matter for the Department of Defence and the rules of engagement. You would have to pursue it with them.

Senator SCHACHT—Okay. My other question goes back to something Mr Ferguson asked about human rights in Pakistan. Mr Stonehouse said that the major issues that are raised by the Australian public deal with blasphemy and Christian groups in Australia concerned about the treatment of Christians in Pakistan under the Islamic law of that country. First of all, has Pakistan made representations to us that a number of our state governments still have blasphemy laws—you can be charged for being blasphemous against the Christian church and the law in Australia—operating under our state constitutions?

Mr Grigson—Not that we are aware of.

Senator SCHACHT—I hope that never arises, but you never know with some tin-pot governments—state governments, that is. The other issue is about representations. Mr Ferguson raised the issue of a woman who may be sentenced to be stoned to death for adultery. In Australia adultery is, for some Christians, a sin but it is not illegal and does not suffer a criminal penalty. I suppose a lot of sections of the population would probably say, 'Thank goodness for that.' Because Australia has a policy against the use of the death penalty, is that a case you would make representations on because a death penalty is being imposed, because stoning is a cruel and torturous form of death penalty, and because in our culture adultery may be a sin, but it is not a criminal offence?

Mr Grigson—Certainly we would make representations on the basis that it involved the death penalty. As to your last point—it may be a sin but not a crime—I do not think we would include that in the representation that we would make.

Senator SCHACHT—You would do it purely on the fact that the penalty seems a little excessive—using diplomatic terms?

Mr Grigson—We would make representations on the basis that we oppose the death penalty.

Senator SCHACHT—But not on the fact that there is a criminal penalty in that country for adultery.

Mr Grigson—I think the key issue in this particular case would be the death penalty, and that is the line that we would take with them as being—

Senator SCHACHT—Do you think it is an abuse of human rights for someone to be penalised for adultery?

Senator FERGUSON—You are asking for an opinion.

Senator SCHACHT—In terms of human rights, about what our culture believes is reasonable—

Senator FERGUSON—But I do not think the department—

Senator SCHACHT—The department makes the representations. I am just trying to find out what you think is reasonable and what is not reasonable to raise. You made it clear, which is good to hear, that you would make representations about the death penalty automatically.

Mr BAIRD—This is just on the death penalty. The US embassy—

Senator SCHACHT—In the previous government we did make representations to the American government over the use of the death penalty in the United States. I presume you might still be doing it.

Mr Grigson—We still do.

Senator SCHACHT—What I am trying to find out is: where a crime has a penalty—not the death penalty—where a person is locked up or has their freedom taken away, do we make any judgment? Our culture says adultery is not a criminal offence but a moral offence, for which we do not penalise people, so do we make any judgment, even though we know it is a sensitive issue in a Muslim country, about a person being locked up for adultery?

Mr Grigson—I think that, in the broad, it is a matter of local law and we would look at cases as they come up. Certainly in this case, I think the penalty is not something that we support and we would make our representations on that basis.

Senator SCHACHT—I have one last question. In countries where they have Islamic law—in particular in the Middle East and Pakistan—could you take on notice the number of individual representations we have made about our concern about the implementation of Islamic law that led to the death penalty or other forms of imprisonment or mistreatment that we believe

led to the death penalty or other forms of imprisonment or mistreatment that we believe is abuse of human rights?

Mr Grigson—All right.

CHAIR—Thank you very much.

Proceedings suspended from 12.10 p.m. to 1.17 p.m.

Session 3—Australia's relations with the immediate region

CHAIR—We now move to session 3. In this session we will begin with Indonesia. Dr Thomas, do you have an opening statement?

Dr Thomas—No.

CHAIR—I will lead off by asking how the Australian-Indonesian ministerial dialogue is progressing. Have we seen any major increases in any sort of parliamentary contacts between Australia and Indonesia in recent times?

Mr Grigson—As you know, we have a continuing dialogue, both with ministerial visits to Indonesia and more formally in the Australian-Indonesian ministerial forum. The forum is due to be held this year; we are currently talking about dates in the second half, and it looks like that will come to fruition around September. We expect a very good roll-up from the Indonesian side and certainly Australian ministers will be eager to attend. The last time that forum was held was in 2000 and 17 ministers attended all together: 11 from Australia and six from Indonesia. So that forum is well established.

In terms of parliamentary contact, the embassy in Jakarta has an ongoing dialogue with them at all levels, from very senior members of the parliament down to the average members of parliament. That is an ongoing part of the post's work. We have not seen an upturn or a downturn really in that contact; they take that as a very important part of their work.

CHAIR—How would you best describe the relationship then at the moment—cordial, lukewarm or still a bit chilly?

Mr Grigson—I suspect there are elements in the Indonesian parliament that will take opportunities to make some capital at our expense, but that is the nature of domestic politics. We do not see that it affects the nature of the dialogue to any great extent. We try as hard as we can to be professional and businesslike with members of the Indonesian parliament. I think to a large degree we get the results that we need.

Dr MARTIN—I noted some commentary about the recall of the Indonesian Ambassador to Australia. He has gone back to take up a position within the department that heads bureaucracy; is that right?

Mr Grigson—That is right, he has. He is following in the tradition of Indonesian ambassadors to Australia being promoted to senior positions. He is going back to be the Secretary-General of the Indonesian Department of Foreign Affairs.

Dr MARTIN—When is that effective from?

Mr Grigson—I think he has taken that position up already. He will be shuttling backwards and forwards over the next couple of months until Indonesia appoints a new ambassador.

Dr MARTIN—There was some media commentary that perhaps a member of the parliament and Deputy Chairman of Golkar, Theo Sambuaga, might be appointed to that position. Are you able to indicate whether we have heard—

Mr Grigson—We have had no names put to us formally by the Indonesians at this point.

Dr MARTIN—I think that was from Lindsay Murdoch, who is not allowed to go back there. But I think he mentioned that Theo was a likely candidate, and he commented that perhaps they were going back to appointing political people as opposed to people from the bureaucracy.

Dr Thomas—We will have to wait until we get the official nomination, Dr Martin, because we obviously do not speculate on those sorts of appointments. We will receive an official request for agrément in due course.

Dr MARTIN—And 'in due course' is what? Around the same time as when there is a swap over?

Dr Thomas—It is really up to the Indonesian government to submit a name.

Dr MARTIN—In terms of our trade with Indonesia, notwithstanding the difficulties of the relationship government to government over the last short period of time, how do the department and Austrade view Indonesia as an existing market and the potential that is there? I would like some comments in respect of that in a comparative sense with other markets that we have been talking about this morning. For example, where would Indonesia fit, as against India or other countries of ASEAN, in terms of the accessibility and the way in which we perceive it as being a good market for Australia in the future?

Mr Grigson—Dr Martin, we approach the markets on an individual basis really in terms of looking at the opportunities they provide. Trade with Indonesia has grown to its highest point ever. Merchandise trade is at $7.1 billion. Australian companies maintain 400 offices in Indonesia, so they obviously think there is some future there. The great challenges facing Indonesia of course are on the economic front, and many of those impact on investors, including certainty in the legal system, protection of investment and those kinds of issues. We have raised them with the Indonesians in discussions. The Indonesians are well aware of them themselves. I think the potential for the Indonesian market is enormous if they can repair those issues that are preventing investment at the moment.

Dr MARTIN—So the coldness perhaps of the relationship in a political sense, as usual, has not impacted upon our abilities to be good trading partners?

Mr Grigson—Certainly I think the bilateral relationship in general is in reasonably good shape. Those fundamental links—trade and education—are very strong. As I said, the trade level is now $7.1 billion in merchandise trade. Indonesia provides the most of any students studying in Australia—more than 17,000. That is all in very good shape. I do not see any reason for any particular aspect of the relationship to impact on that.

Dr MARTIN—What do we need to do, though, to build on that growth and that really substantial market that exists to our north?

Mr Grigson—I think one of the major issues is providing them with support to get those structures right that encourage investment—a major part of the development assistance program with providers in governance—and we continue to do that. We work with the IMF and other international bodies to try to get the engagement with Indonesia right. As I said, bilaterally we encourage them to go down the path of reform wherever we can. It is a tough issue for them; they know that. I think different parts of the system are more committed than others, but there is a general understanding within Indonesia of the need for change.

Dr MARTIN—Do you think that the IMF got it right in their response to Indonesia's difficulties in the Asian economic crisis?

Mr Grigson—I think we have moved past that now. The IMF and Indonesia have made good progress towards a relationship where they understand each other's position and understand each other's problem. You can see that in the way that that relationship is going forward.

Dr MARTIN—So you are saying it did not originally but that it is improving now. That is good.

Mr BAIRD—I have two questions. The first relates to the Moluccas. I get circulated material—I do not know whether other members of the parliament get this circulated to them—from a group called Christian Solidarity Worldwide, who claim that 10,000 Christians have been murdered in the Moluccas by the Muslims in that area. They are writing constantly, wanting support et cetera. I would be interested to know the veracity of those claims and what input we may be making in that area.

Mr Grigson—We take a very close interest in those regional issues in Indonesia. We have made clear our concerns to the Indonesians on numerous occasions, including as recently as this month. In the Moluccas we estimate deaths at perhaps up to 5,000. It is difficult to tell, because access is difficult to gain to that area. We were encouraged by the agreement that was signed earlier this year, but unfortunately there has been some recent violence that would suggest that that it is not all that we had hoped it would be. It is sufficient to say that it is something that remains very high on our radar and we watch it very closely.

Mr BAIRD—So, when you say that you monitor it closely, do you make regular representations on it as well?

Mr Grigson—We do. There was a discussion this month between the post and the foreign ministry about the issues involved in the Moluccas. We encourage the Indonesian government, when we can, to do everything they can to settle the situation.

Mr BAIRD—I have a question regarding the Bali conference on asylum seekers that was held in February 2002. The first part of my question is what the success has been in terms of the outcome of that conference. Secondly, I am interested to know how many people you understand to be currently located in Indonesia in refugee camps. Thirdly, to what extent have the discussions with Indonesia been curbed because of changes that have happened in Australia? And what is the nature of the dialogue between Australia and Indonesia? A general briefing on that issue would be useful.

Dr Thomas—In terms of the actual outcomes and follow-up to the Bali conference, Dr Geoff Raby is on his way up here at the moment and he was the senior departmental official who helped organise that entire conference and put it together. He would be best placed to brief the committee and he will be here in a few minutes. But perhaps Mr Grigson could go on to answer the other parts of the question.

Mr BAIRD—Fine.

Mr Grigson—Certainly our dialogue with Indonesia has been very positive on this. They understand that the issue of illegal migration is a problem for the region and they have a series of issues that confront them in terms of people moving illegally between Indonesia and other countries, and so they understand the substance. There is also a clear understanding in Indonesia of the importance of the international perception of them and how they deal with this issue. So that together has as added up to a very positive approach from them. As you know, the minister has visited the embassy and continues to talk to them on a very regular basis about these issues, and they have been very cooperative.

CHAIR—Haven't the Indonesians begun a program of sending some of the illegals home?

Mr Grigson—I will have to leave that to Dr Raby to answer.

Mr BAIRD—All right. One further question, while waiting for your expert witness to appear: how is the matter of freedom of the press settling down after the ban on Lindsay Murdoch? Are there any further indications of tensions existing?

Mr Grigson—No. Apart from that one case, we have heard nothing further. And you would have to say that the Indonesian media itself remains quite robust.

Senator FERGUSON—Following Mr Baird's question about the Moluccas, can you give us an update on what is happening in Aceh, Sulawesi and West Papua? Now that East Timor gradually seems to be fading as a concern off that part of the map, I think there is more concentration on what might be happening in those other areas that are of our concern anyway.

Mr Grigson—Certainly. Perhaps I will start with Aceh. An agreement was signed last week by the government and the secessionist movement to bring about a cease-fire. That will lead, we hope, to democratic elections for an autonomous government in Aceh. We have made it clear to all sides that it is important that they take the opportunity provided by the autonomy package passed by parliament to try to bring about a resolution of their differences there. Again, we take a very close interest. Ambassador Smith visited Aceh this month, and I know that the post has on two separate occasions this month raised the issue of Aceh with the Indonesians at different levels.

In Papua, the situation remains calm although tense. We have again been encouraging all those involved to take advantage of the autonomy package that parliament passed. We see that as the best way forward for both parties. You will know, of course, about the killing of Theys Eluay. We have welcomed President Megawati's commitment to investigating that. There have been some arrests on that front, and we are hoping that that will provide some forward movement in that area.

You also asked about Sulawesi. The Malino accord signed in mid-December appears to be holding. It is an uneasy peace. The post last visited there in January, and again we have been speaking to the Indonesian government about Sulawesi and the issue of violence there, as recently as this month.

Senator FERGUSON—In each of these areas, is any form of referendum to take place to determine whether they want autonomy or not, or has it just now been imposed on them?

Mr Grigson—It hasn't essentially been imposed on them. But I have to say that in Aceh and Papua there has been an acceptance in key parts of the community—but not, I would say, across the community as a whole—that this is one possible way forward for them. The implementation of autonomy in both Aceh and Papua will be the key, and we have been encouraging the Indonesian government to take up that opportunity.

Senator FERGUSON—Papua is a slightly different case: with transmigration, half the population now is probably Indonesian anyway. I wonder whether there would be the same pressure. There is pressure from the indigenous—for want of a better word—Papuans, but I imagine that transmigration means that there is now a solid core of people who are very happy to stay within Indonesian as it is.

Mr Grigson—The numbers on that differ. From memory, the figures are that 45 per cent of the coastal population is probably non-indigenous—it is a little hard to say—and may well be happy to remain as part of Indonesia. There should be no misunderstanding, though, on the part of people in Papua: the Australian government is very clear that the territorial integrity of Indonesia is our very firm policy, and we see it in both Indonesia's and Papua's great interest to make the autonomy package work.

Senator FERGUSON—I do not understand the extent of the autonomy package. I presume that foreign affairs, defence and all such matters are to be covered by the Indonesian government, but how far does the autonomy package go, as far as ruling their own destiny is concerned?

Mr Grigson—In Papua or in Aceh?

Senator FERGUSON—In both of them.

Mr Grigson—In Aceh it allows for a resources distribution, in that 70 to 80 per cent of resources generated by the province of Aceh will return to Aceh. In Papua, similarly, there is a resource share. I do not know the number off top of my head, but there is some control given to the region over the use of those resources.

Senator FERGUSON—What about education and that sort of thing?

Mr Grigson—Certainly in Aceh a system of courts will be introduced for Muslims, and that will allow an autonomous operation of the legal system there, although Indonesian Law will remain extant. As for Papua, I would need to check on the education and the legal front for you.

Senator FERGUSON—I would imagine that the approach to education in Aceh and Papua might be quite different, depending on who was doing the teaching.

Mr Grigson—I do not have enough detail about that to comment for you.

Mr EDWARDS—What is the current situation with the military program that was suspended some three years ago?

Mr Grigson—We never cut off military ties completely with Indonesia. We maintained them throughout the difficulties we had with East Timor. We are taking a gradual approach to military links. What we are trying to do is look for areas of common interest. A good example would be maritime surveillance where we both gain from cooperation. We are working our way forward on that. I have to say that both we and the Indonesians are keen to find areas where we can work together, and progress has been good on that front.

Mr EDWARDS—Have we extended any training programs or reinstated any training programs back in Australia?

Mr Grigson—There are a number of Indonesian officers in Australia on various programs—staff college exchanges—and I know that various ADF officers visit Indonesia to discuss, again, maritime surveillance, search and rescue and that kind of issue.

Mr EDWARDS—I have one general question relating to emergency funds for Australians travelling abroad. I am happy to leave that if other people want to pursue things on Indonesia.

Senator FERGUSON—I have just one point on one of Graham's questions. There are some areas of training where the Indonesians have not been, for want of a better word, re-admitted—such as intelligence courses. There were some courses in Queensland, weren't there, where they were involved. I cannot think just where.

Mr Grigson—We take a case-by-case approach to proposals for training and cooperation. There are certain areas that are still out of bounds. One of those would be, for instance, institutional links with Kapassus.

CHAIR—The emergency funding question from Mr Edwards, can you deal with that?

Mr Grigson—I think that might be a consular issue.

Mr EDWARDS—I was going to ask Dr Thomas, actually. In relation to the emergency funds which are accessed by Australians travelling abroad when they get into financial difficulties, and I am trying to remember the figures, but I think it was about $121,000 that you lent out over the period covered by the report, of which you recovered about $46,000. Do you pursue the amounts that are outstanding with individuals? Have you changed the criteria for eligibility for these emergency funds? I note that the number of people who are accessing them has declined. Is this the current situation? I am happy for you to take some of those on notice.

Dr Thomas—I will have to take some of those questions on notice, but certainly when people are advanced those funds—and we do regard them as an advance—they are required to sign undertakings that they are aware it is an advance, a loan, if you like, from the government. It depends on the circumstances. If people are in a life and death situation in a war zone or something and there is no money and we give them money to get out, we would not require those sorts of undertakings. But someone who has simply run out of money in Singapore because they have spent all their dough we would expect to sign that undertaking, and the government would pursue it, within reason. We then make a judgment in the end as to resources spent recovering these moneys versus not, but the general expectation is that people should repay advances, except for, as I say, more extreme situations when you are evacuating from countries and things like that where a different approach is warranted. It is looked at on a case-by-case basis.

Mr EDWARDS—How much of that $120,000 which you have advanced would you expect, for instance, to get back?

Dr Thomas—I could not answer that off the top of my head. I can find out what has been our experience for the past couple of years.

Mr EDWARDS—Could you find out what the outstanding figure has been for the last five years?

Dr Thomas—Yes, sure.

Mr Grigson—Could I backtrack for a moment on Aceh and Papua. I have some details of the autonomy package. For Aceh, the division of oil and gas revenue is 70 per cent to the province and 30 per cent to the central government. The division of agriculture and fisheries revenue is 80 per cent to the province and 20 per cent to the central government. Those ratios will remain effective for eight years, after which time the split will revert to 50:50. There will be the implementation of Islamic law for Muslims, including the creation of an Islamic court system in Aceh, and the direct election of the provincial governor by the people. There is also a requirement in that package for the provincial police chief and the provincial prosecutor to be approved by the governor. In Papua there is a change to the province's name from Irian Jaya to Papua, as you know. There is a right to use the Papuan flag, symbol and anthem in conjunction with the national flag, symbol and anthem as reflections of Papuan culture and identity, although not sovereignty. There is the creation of an upper house of the provincial parliament, consisting of tribal, religious and women's representatives in equal thirds, and new financial arrangements for the government which will see the provincial government gain 80 per cent of forestry, fishery and general mining revenue and 70 per cent of oil and gas revenue.

Mr BAIRD—Dr Raby, I understand you were the organiser of the conference in Bali that dealt with asylum seekers and illegal migration—people smugglers, et cetera. Could you brief the committee on the outcome of that particular conference in practical terms and the success in which people smuggling out of Indonesia has been curtailed as a result of this conference and by measures in Australia. There is a third part to it. How many refugees are currently located in Indonesia at the moment?

Dr Raby—On the first part, we judged it to be a very successful conference. Its primary objective was to raise the political profile of the issue of people smuggling across the region and to get governments to focus in policy terms on how to address the problem. We managed to secure 38 ministers from 36 countries, including not only those nearest to us but also those from quite a distance away, namely the source countries of Pakistan and Afghanistan. That was regarded as quite a feat. It is the first conference of its type that brought together the source, transit and destination countries in this way.

The primary objective was to raise the political profile of this issue. So many ministers came from such a critical group of countries and were prepared to endorse the chairman's statement by acclamation to the effect that much greater regional cooperation was necessary to address this problem, to acknowledge that it was a major problem for the region and that governments should move where they have not moved—and that is in most cases to move quickly to criminalise this activity. That was a primary and an immediate outcome. Following that meeting, we had a senior officials meeting, which established two working groups to pursue follow-up: one to take this issue up in existing regional forums to raise its profile at international forums; the other to put in place a framework of cooperation that would lead to practical measures such as governments legislating to criminalise people smuggling and enhanced more effective border management approaches, methodologies and so on.

The working groups are off to a reasonably good start. There will be a coordinating meeting at the end of this month. Thailand is the chair of the more significant of the two groups, which is the one to try to strengthen policing and legislative frameworks in the region. That work is now beginning, and there is the outline of a set of activities which, by the time of the next conference in about nine months time, will see more effective policing across the region and possibly a much stronger legislative framework as countries move to basically follow up the sorts of commitments they made in Bali.

The immediate impact on people smuggling as it has affected Australia is difficult to judge. We would not wish to lay too great a claim to the conference itself—it was part of a number of responses. But I think the important point about the issue of people smuggling to Australia is that there has not been a boat arrival since the first week of December—the longest uninterrupted period. I think the conference helped to reinforce the sorts of effective actions that have been taken on enhanced border protection, essentially seeking to frustrate the claims of people smugglers that they could deliver people to the migration zone of Australia. The conference, through raising the profile of this issue, probably helped to warn off not so much the smugglers but the possible customers of smugglers and to send out a very clear message that governments were determined to address this illegal activity.

On the third part of the question, I do not have figures at hand but I can say that recently there have been some numbers of Afghani asylum seekers, or illegal immigrants, in Indonesia that have been returned to Afghanistan. At the Bali conference a joint press release between Australia, Indonesia and Afghanistan was put out which indicated that the three governments were prepared to work cooperatively for the voluntary return of Afghanis.

Mr BAIRD—Who was funding their return? Was Indonesia funding their return?

Dr Raby—No. These are questions that would be better directed to DIMIA but, as I understand it, the returns were funded by IOM, which is an international migration organisation.

Mr BAIRD—So what would be a rough estimate of the numbers of refugees in Indonesia at the moment?

Dr Raby—It would be somewhere in the order of 3,000, I think. I would have to take that on notice, though, to get you the exact number.

Senator SCHACHT—You said that from December there have been no more illegal boats trying to come to Australia. I assume that part of the reason was that it was the cyclone monsoon season—you would not want to be in a rickety boat in the Timor Sea or somewhere like that anyway, would you? It is the least likely period in terms of weather for people to come across, isn't it?

Dr Raby—Yes, for part of that period but, as I understand it—and again, I would have to double-check—there have always been some boats that come across in an opportunistic way, even during the cyclone season.

Senator SCHACHT—At the same time, how many people have arrived at the barriers at our airports with false papers and have then claimed to be seeking refugee status?

Dr Raby—You would have to direct that to DIMIA, I'm afraid.

Senator SCHACHT—They do not inform you about that?

Dr Raby—Not as a matter of course, no.

Mr BAIRD—I have a question, which was raised at the Amnesty meeting last week in the parliament, about the extent of human rights abuses that are going on in Papua. To what extent are you are observing this and what action is being taken by Australia in that regard?

Mr Grigson—As I said, we tend to watch the regional spots in Indonesia very closely. The embassy in Jakarta last visited Papua in February to look at the conditions on the ground there. I know that, as recently as this month, they discussed concerns about the situation in Papua, including human rights violations by all parties. It is difficult to be precise at all times about issues there because we do not get a report of everything that occurs, but we do watch it very closely. We have noted, for instance, the presence of Laskar Jihad there and we have raised that with the Indonesian government.

CHAIR—I would like to move on to East Timor, if I can. But, as a bridge, can anybody give us an indication of how our own program for the return of the estimated 80,000 East Timorese still in West Timor is developing?

Mr Dawson—I think that the figure is now probably somewhat fewer than 80,000. I think that the most recent figures from UNHCR are more in the order of 50,000 to 55,000. In terms of support for the return, in February Minister Downer made an announcement of a package of

assistance for those returns valued at $6.6 million. That package was principally focused on assisting voluntary repatriation through UNHCR and the work of the International Organisation for Migration, but it also included a commitment to a special fund that had been set up, which was designed to assist in the payment or part payment of pension liabilities for former Indonesian civil servants who were among that displaced population, in an effort to get them to return and, by so doing, to take a large number of people with them. Over the last few months, in the lead-up to independence—and with the successful presidential election and the new transitional administration in East Timor—there has been an increase in the rate of return. One could only assume that the recent events in East Timor would encourage that to continue.

Senator SCHACHT—Are the overwhelming majority of those 55,000 people genuinely scared of returning to East Timor? They might have been on the wrong side; they might have been pro-Indonesian, public servants or they might have been seen that way; they might have supported the regime commercially. Or are any of them still being held there under the influence of the pro-Indonesian militia?

Mr Dawson—It is very difficult to say, but I think it would be a mixture. In some areas there are probably some people who do not have a serious interest in returning. The likelihood is that there are some others whose circumstances in the camps may still be preventing them from returning.

Senator SCHACHT—You have no idea of the proportion.

Mr Dawson—No, not really.

Senator SCHACHT—We need to find out what the proportion is. Are we attempting to identify those in the camps who do want to genuinely return but are being held under some fear so they do not want to identify themselves by going back? Do we know which camps they are? Do we know it because the militia are still operating informally in those areas?

Mr Dawson—The indications are that some of the camps closer to Kupang may have those sorts of security problems associated with them more at the moment than some of the camps which are closer to the border, from which there have been more returns.

Senator SCHACHT—What discussion have you had with Indonesia about curtailing the campaign of fear or implied fear from the militia? I presume that in the long run Indonesia would not want them permanently camped in West Timor as a drain on them and probably as a destabilising influence.

Mr Grigson—You are absolutely right, Senator. We have been talking about this issue with the Indonesians over a long period of time. They are in the same boat as us; they do not wish those camps to remain in place any longer than absolutely necessary. Certainly the locals in West Timor are very eager for those camps to be closed. They see the camps as competing with them for resources and, indeed, there are occasions when the displaced people have been illegally occupying land and those sorts of problems. There is no doubt that the Indonesian government understands the importance of getting the camps closed. At a provincial level, we have had good cooperation with the authorities. They have done what they can to provide security and encouraged—

Senator SCHACHT—Does that include the Indonesian armed forces?

Mr Grigson—Yes, it does.

Senator SCHACHT—Are they genuine about that?

Mr Grigson—As far as we can tell, the senior leadership of the armed forces in West Timor are eager to do their very best to maintain security around the camps.

Senator SCHACHT—And for the people to leave?

Mr Grigson—Correct.

Senator SCHACHT—Do the camps have UNHCR representatives in them or running them or is an NGO running them?

Mr Grigson—They do.

Senator SCHACHT—What is the balance in the administration of the camps or are they totally managed by the Indonesians?

Mr Grigson—There are certainly international bodies present but I could not give you the details of the proportion. I do not know whether Mr Dawson can.

Mr Dawson—Our understanding is that principally the camps are being serviced by the Indonesian authorities to the extent that any food distributions are going on. My understanding is that the UN has not resumed a presence.

Senator SCHACHT—Either directly through AusAID or the Department of Foreign Affairs and Trade or with the sponsoring of some of our NGOs, can we get regular access to those camps to see what is going on?

Mr Grigson—There has been a visit recently to West Timor by the post in Jakarta. I would need to check on the dates for you. I think it was one of the AusAID officials from the post that went down—

Senator SCHACHT—And they went to the camps specifically?

Mr Grigson—I would need to check for you. They certainly went to West Timor.

Senator SCHACHT—But you do not know whether they went to each of the camps?

Mr Dawson—They would not have gone to each of the camps but I believe they went to some camps.

Mr LAURIE FERGUSON—Will our new ambassador to East Timor have responsibility for West Timor?

Mr Grigson—No, he will not. That will be handled out of Jakarta.

Mr LAURIE FERGUSON—What is the nature of the seeming tensions between Gusmao and Fretilin?

Mr Grigson—I would not like to speculate on that. I think one of the challenges ahead for East Timor is managing the democratic process. As you know, politics can be a difficult business when there are differing views. Certainly, to date we have seen no sign of tensions that have affected the way East Timor is run. We hope that continues in the future, but it remains to be seen how that will shape up.

Senator SCHACHT—In their government structure in East Timor, will they be establishing an example of independent public servants like yourselves who serve whoever is the elected government, or is there a trend to start filling the top of the public service—and right down through it, because there is high unemployment and a shortage of jobs—with political allies, friends et cetera? That could create a completely politicised bureaucracy and make it impossible to have a democratic process and a free change of government after an election.

Mr Grigson—This soon after independence it is too early to tell. As you know, under the previous administration many of the positions would have been filled by the UN and by East Timorese employed by the UN. How they are filled in the future, and the process over time, remains to be seen.

Mr Dawson—I think it is the case that all the positions that have been filled to date have been filled on merit, and there has been no indication that the administration would take any different approach in the future.

Senator SCHACHT—That is an encouraging sign you have seen?

Mr Dawson—Yes.

Mr EDWARDS—East Timor is a poverty-stricken country and I get the impression that the United Nations is keen to move on. How does East Timor secure its financial security into the future? To what degree will it rely on the United Nations and Australia and other countries? How do the East Timorese go about putting in place the structure that is necessary for them—public service, the whole lot?

Mr Grigson—There are a couple of points in that question. The first thing to say, on the subject of the UN's intentions, is that the UN sees East Timor as one of its successes, so one of the issues for it will be to make a judgment about when it has made sufficient progress and is able to leave. I think it is fair to say that the UN will not be precipitate in making that decision but that, at the same time, it will not stay longer than is necessary. In terms of the financial future of East Timor—as you know, the international community has provided very substantial donor support. We have recently signed the agreement on the Timor Sea, which will provide East Timor with funds over time. The key issue for them, however, will be fiscal discipline, as it is for all governments these days. Decent policy will provide good outcomes. We have been encouraging them across the board, through our programs—not only in areas such as health and education, but in governance. We have been encouraging them to establish a basis for the pri-

vate sector to operate. There are some very tough decisions to be made and that will require discipline. Their government is in no different position to any other government in the region.

Mr Dawson—The issue of the financing of government was a major issue looked at an international donors meeting I attended that was held in Dili immediately before independence. The projections are that, within three to four years, through petroleum revenues, East Timor should be able to finance a level of budget that it is now putting in place, but that there will be a financing gap for the next three years.

Senator SCHACHT—Will the gap for the three years be $A50 million a year or $A100 million a year? What are we looking at?

Mr Dawson—The gap, I think, totals about $US80 million to $US90 million over three years, and this has been a major subject of discussion at a succession of meetings. As you would well appreciate, many donor countries are not very excited about providing budget support without a clear exit strategy for that and without a clear national development plan and budget process against which to do it. There has been a lot of work amongst the international community over the last year and a half to put those things in place. At the meeting in Dili last week the international donors were clearly supportive of the budget framework which had been put in place for next financial year and out years following that and also strongly endorsed a national development plan which had been prepared and which has a very strong pro poor emphasis. On that basis, there were a number of donor pledges made at that meeting. Those pledges would certainly seem to indicate at this stage that the financing gap will be able to be successfully bridged, and in that context the Australian delegation was able to make a pledge of up to $A24 million over three years as part of the contribution to that financing.

Senator SCHACHT—With the financing for the public sector, targets have been set so that, if they get into strife over lack of employment opportunity, they just start adding people to the public payroll. So they will end up with all the aid money or direct budget money endlessly employing more public servants without them necessarily doing anything productive for the community; they are just given jobs to make work.

Mr Dawson—The levels of public sector staffing have been something which has also been a regular subject of discussion amongst the international donor community. The East Timor transitional administration reduced substantially the size of the public sector from Indonesian times from in the order of 25,000 to 30,000 to a ceiling of, I think, about 12,000. That has not been reached yet. Again, all the indications are that the administration fully understands the importance of staying with a fairly lean public sector. These sorts of issues—the composition of expenditures, the progress against clearly verifiable tasks under a national development plan, cost recovery—are all things which donors have made clear they will want to see regular reports of progress against before continuing to confirm pledges of financial support.

Mr EDWARDS—Do the pledges that have been made live up to the expectations of the East Timorese?

Mr Dawson—From all of my contacts with the East Timorese leaders at the meeting, they were very pleased with the result.

Mr EDWARDS—Great. To what degree is East Timor looking to Portugal for advice and assistance these days?

Mr Dawson—Portugal, like Australia, Japan, the United States, the United Kingdom and the European Commission, is a major donor in East Timor. They have got a particularly significant involvement in the education sector. Certainly East Timor looks to them as one of a group of key donors.

Mr EDWARDS—Will Portugal have a large degree of influence in the future policy development of East Timor?

Mr Dawson—That is something I could not speculate on.

Senator SCHACHT—For example, in the education system is Portuguese the second language? Is it compulsory?

Mr Dawson—Portuguese is one of two official languages.

Senator SCHACHT—English is not.

Mr Dawson—English and Indonesian are two working languages.

Mr BAIRD—What will be the focus of Australia's involvement with East Timor during the next 12 months?

Mr Dawson—The primary objective of our assistance over the last two or 2½ years has been on building East Timorese capacity to administer their own affairs, and that continues to be the major theme. We have worked in a number of areas, including governance, economic and financial management and democratic institutions but also in areas related much more to the delivery of basic services—health, education, water supply and sanitation—and also in trying to promote productivity in the private sector and productive areas of the economy, particularly development in rural areas, where most people live.

Mr BAIRD—I presume none of the aid we are providing is tied to Australian supply?

Mr Dawson—The aid is contracted and delivered in the normal way as for the rest of the aid program, which includes in some cases technical assistance that will be Australian and New Zealand sourced.

Mr BAIRD—Do the details of the aid package that we set out specify it being provided by Australian organisations—both public and private sector—or is it just an untied amount?

Mr Dawson—In our discussions with the East Timorese it is quite clear that something like technical assistance will be technical assistance delivered by Australia. That is, it is precisely the Australian content of that technical assistance which is attractive to the East Timorese, because they know the sorts of skills that we have—the sort of expertise that we have—and that is exactly the sort of expertise that they are seeking.

Mr BAIRD—What about our trade people? How do you plan to exploit the opportunities in East Timor of this aid funding and of the role of NGOs?

Mr Stortz—Austrade has been active in promoting East Timor opportunities for Australian companies since October 1999. We held a seminar here and over 500 companies attended. We have had a fairly comprehensive web site maintained and updated since then, and it does get a reasonable amount of usage by Australian companies. The main opportunities for Australian companies really come out of the Asian Development Bank program, which is essentially for infrastructure, or the World Bank program, which is focused on social services. There is a decline in the private sector component of that. It has been reasonably prospective for Australian companies in supplying the UN forces there, but with the declining of those numbers we suspect that there will be a decline in Australian commercial engagement in the private activity. The ADB and World Bank opportunities are directly available through two web sites. Most Australian companies who inquire about opportunities are referred to those web sites as a source of information.

Mr BAIRD—Are your Austrade interests serviced out of Darwin? Obviously, the ADB's are done out of Manila. Where do you service them from?

Mr Stortz—We have a national manager for multilateral procurement in Sydney, who is a prime source of contact. We maintain market visits through our national manager in Darwin and he works very closely with some contacts in East Timor as well as with the Northern Territory government.

CHAIR—With our aid program and the promotion of the Austrade program, how do we determine what projects we are going into? One of the criticisms has always been that sometimes in these situations you tend to get some double-ups. You may find that you go in on a specific project and a similar project may be not quite as good or indeed it might be absolutely wasted; it might come through an NGO. Has the coordination of these projects in East Timor been pretty good? The other thing is this: how well have we done with our share of the action of UN contracts over the last couple of years? Was there any foundation to the criticism that, with the UN being a club, perhaps we were not getting what we should have been entitled to as contracts were going to various European countries in particular?

Mr Davis—In answer to the first question, a number of considerations are taken into account. In the case of East Timor, the story has been quite good in terms of those in the broader donor community working well with each other, often taking part in joint missions which establish the broad set of priorities and areas where we may then get engaged through joint or parallel activities.

We took a decision quite early on that, given the size of our support, it was not sensible to be spread over all sectors. The areas that Mr Dawson has already mentioned were the key ones that we decided we wanted to be engaged in. In most cases we did that through identification of activities and the sorts of projects we might get engaged in through these joint missions, often led by the World Bank.

Mr Dawson—Just to add to that, the East Timor authorities have set up a donor coordination unit. Ms Catherine Walker, an officer from AusAID, was instrumental in helping to get that unit

operational and training the members of that unit. That is the mechanism through which all donors operating in East Timor now submit and discuss proposals for activities. That helps to avoid duplication. On top of that, the cabinet of the second transitional administration itself took a very close interest in donor funded activities and had commenced a process of approving the more significant of those activities.

Senator SCHACHT—Is it correct that the Asian Development Bank has a program—post-independence—of investment? Will the Asian Development Bank, and/or the World Bank, be providing assistance to East Timor by funding various development projects, not humanitarian projects?

Mr Stortz—Yes.

Senator SCHACHT—I am interested in the tendering process, particularly in relation to the Asian Development Bank. Can we be confident that the tendering process for those projects will be totally open and transparent whereby if an Australian company is the best bidder it will get the contract, and not according to some internal mechanism of sharing it out according to other arrangements that has occasionally occurred in the past?

Mr Stortz—My understanding of the operations of the ADB—and we have a trade commissioner based in Manila who services Australia's interest in ADB projects around the region—is that it is based on a number of factors including price, their ability to supply, their track record, and their timeliness—the prospect of them being able to meet the time frame for the particular project.

Senator SCHACHT—Are you confident that the evaluation of the project at the end be done as a proper, transparent, independent assessment, and not as an in-house bank checking on themselves, which often leads to the bureaucracy of the bank defending itself from past errors?

Ms Selby—That is not really our area of expertise.

Senator SCHACHT—Treasury have the guernsey again for the Asian Development Bank, haven't they?

Mr Grigson—They have indeed.

Senator SCHACHT—I think Dr McCawley went up there for a while and he was very good. I think it has slipped back to the old ways when Treasury had their fingers on it. I think a former Liberal Treasurer from South Australia got the guernsey for three years, didn't he?

Mr Davis—He was alternate executive director; he was not the executive director.

Senator SCHACHT—Who is the executive director now?

Mr Davis—The executive director now is Mr Steve Sedgwick.

Senator SCHACHT—Goodness me! They look after themselves, don't they? Mr Sedgwick from Treasury?

Mr Davis—No. He was most recently the secretary to DETYA.

Senator SCHACHT—That is a breakthrough, that Treasury did not automatically get it. That is an issue I have been fighting for a long time. Does the department, and particularly AusAID, have discussions or regular contact with Mr Sedgwick to ensure that there is proper transparency in the tendering process of the projects—such as those coming up—and also in the evaluation of the project at the end by the Asian Development Bank?

Mr Davis—We, along with Treasury, are in very regular contact with the office, yes.

Senator SCHACHT—You are confident that the processes of, now, the Asian Development Bank are above board in all these areas?

Mr Davis—As far as I can tell, they are above board, yes.

Senator SCHACHT—Thank you.

CHAIR—Have we any idea what the UN contracts are worth to us?

Ms Selby—Yes. The figures that we have from the UN transitional administration show that in 2000 it purchased goods and services worth $US18.4 million, or about 29 per cent of total purchases, from Australia. We believe that a further $US8.8 million was sourced from Australia by other agencies.

Senator SCHACHT—Which was the next biggest country? We got 29 per cent; who got the next biggest?

Ms Selby—East Timor itself, according to these figures.

Senator SCHACHT—How much did the Japanese get?

Mr Stortz—The figures we have, which are on the UNTAET, show that, based on purchases out of both New York and Dili for the financial year ended June 2000, Japan got just under $US60,000.

Senator SCHACHT—But that was to the end of 2000.

Mr Stortz—June 2000.

Senator SCHACHT—On another area briefly: since the independence celebrations, some commentators—I am not sure I agree with them, but I will put the question in their terms—have talked about Australia's strategic interest and where East Timor may go as an independent country for its own interests; for instance, alliances and strategic arrangements. Are there any

countries that Australia would have concerns about if they reach an agreement to have some sort of landing rights or basing rights, on a part-time basis, using East Timor?

Mr Grigson—That is entirely hypothetical. We would need to see the terms of any such agreement. I think it is sufficient to say that the East Timorese in the region broadly understand that East Timor's security depends on its relationships with its neighbours—Australia and Indonesia. I am pleased to say that, as evidenced by the trilateral meeting between the three of us in February, people's instincts generally seem to be positive on that front.

Senator SCHACHT—If in five years time the projections for the funding of the economy and the running of the government do not match up as optimistically as we have said here, and someone turns up in Indonesia—Taiwan, the People's Republic of China, Libya, Iraq, North Korea—and says, 'We'll chuck in an extra $100 million a year, or $50 million a year. We want your vote at the United Nations and we want to use your facilities from time to time.' That would be of concern to Australia, surely.

Mr Grigson—Certainly any activity in our region of strategic interest draws our attention, but I am afraid my crystal ball is not that precise. I would need to see the details of the case at that point in time.

Senator SCHACHT—Going back to November 1975, before the Indonesian invasion, in the period of the sacking of the Whitlam government, the then Leader of the National Party, Mr Anthony, made a public statement—which I did not think was helpful in the atmosphere—saying, 'We don't want East Timor to become another Cuba.' I suspect that was probably used as a good excuse by some Indonesian forces to say, 'If Australia thinks that, we had better look after it ourselves.' You do not think there is any climate around that that could be suggested in the future?

Mr Grigson—All I can say is that, in the current circumstances, the East Timorese understand the importance of getting along with their neighbours Australia and Indonesia and the signs have been positive on that front. I really cannot predict what might happen in the future.

Senator SCHACHT—Are the East Timorese going to join what is left over of the non-aligned group or any of those groupings in the United Nations informal political arrangements? Obviously they are going to be in the group of Asian countries; we are in the western European grouping. There is the leftover of the non-aligned movement which, ironically, was chaired by Indonesia for a number of years. Do you know whether they will line up in those sorts of areas?

Mr Grigson—No, I do not. I do not know where they are going to line up; I do know that they are keen to join ASEAN. But I do not know what their plans are for the UN groupings.

Senator SCHACHT—They are a very poor country that cannot afford to have ambassadors all around the world—and even the UN might be a bit expensive for them in New York. Do you know whether they will use other countries? Have they requested Australia to represent them in diplomatic and consular work elsewhere in the world?

Mr Grigson—No, they have not. They are still thinking about where they might put their initial embassies, but they have not come to us with any such request.

Senator SCHACHT—It was some time ago so I am a bit out of date on this now but I think some very small countries of the South Pacific and elsewhere—in the Caribbean, I think—occasionally used other organisations to represent them in the United Nations that were running their own agendas, which almost ended up being a semiscandal in a way. Do we know whether East Timor will be able to put a dedicated team of their own people into the UN?

Mr Grigson—The UN is on their initial list, and we have offered them some training along that front.

Senator SCHACHT—Finally, we still have a defence arrangement where we train Indonesian soldiers—even through the ups and downs of the relationship over the last X number of decades. Will we make the same offer to East Timor to train their military people at our staff colleges at the Defence Force Academy or at Queenscliff, or even at places like Canungra? Will we make the same offer to them, within reason, in view of their size for the training of their military?

Mr Grigson—As you know, we are heavily involved in the development of the East Timor defence force. Defence is trying to create a program that will provide them with a sustainable defence force over time, and that will be one of the issues they will consider when doing that.

Senator SCHACHT—But has there been an agreement reached about them coming to Australia to be trained?

Mr Grigson—I do not have the details of the defence program.

CHAIR—We are doing it already.

Senator SCHACHT—No. We are training, but in relation to Indonesia it was sometimes controversial that we brought their senior officers to Australia to do staff training. It was claimed that some of these people went back and ran some of the more unsavoury aspects of the Indonesian army in the abuse of human rights. The argument was that, if we trained them here, we could at least give them a start in understanding human rights. That was the argument to balance the other. I want to know whether there has been any suggestion or discussion that we bring them to Australia to give them access to more sophisticated weapons systems training and understanding and, on the staff training side, to give them the opportunity to learn about the broader issues of military justice and management and about human rights.

Mr Grigson—Those sorts of issues are part of their training in East Timor. Certainly, I have seen no suggestion that we are planning to provide them with sophisticated weapons systems training.

Senator SCHACHT—No, I am sorry, I will put it another way: someone in Australia might want to sell them a submarine—perhaps from South Australia—but I do not think they would really need it, or a weapons system. We have a broader range of sophisticated weapons and I am talking about giving East Timorese officers an understanding of what a helicopter gunship can do to you and what a destroyer can do to you. Finally, we did have a long-term program of supplying patrol boats to the small countries of the South Pacific. Has there been any request

that, if that goes to a new phase, East Timor could be the recipient of one or two patrol boats to help preserve their fishery rights?

Mr Grigson—Our focus has been on the land portion of the East Timor defence force. One of the problems with providing large-scale capital items is, as you know—

Senator SCHACHT—Is servicing them.

Mr Grigson—Yes, and I think our defence department would be very cautious about that.

Senator SCHACHT—After the experience in the South Pacific, I understand.

Mr Grigson—Certainly, in East Timor's case, I would be hesitant to say that they had the capacity to maintain them over time.

Senator SCHACHT—Have they therefore made any request for us to assist them in protecting their maritime economic zone—fisheries et cetera? There are plenty of other people around the place illegally fishing. We have the problem ourselves.

Mr Grigson—Not that I am aware of, but I could find out for you.

CHAIR—We will move on now to the nations of the South Pacific, which is the third section of this particular session.

Dr Thomas—Could I make a clarification of one point I made this morning about the Dalai Lama? I notice that the ABC has decided to misrepresent my comments.

Senator SCHACHT—Goodness me! Did you ring Mr Kroger?

Dr Thomas—They claim I said that we had created a rule that ministers would not meet the Dalai Lama, period. I did not say that. I said that on this occasion no ministers were scheduled to meet the Dalai Lama and there should not necessarily be a general expectation that the ministers would feel the need to meet the Dalai Lama, but that is quite different from saying that there is some blanket prohibition on such meetings. We do not have any such rule. I just wanted to clarify that for the record.

CHAIR—I am sure that the *Hansard* will clarify that, too.

Senator SCHACHT—We'll send a copy to Mr Kroger for you, and he and the board can—

Mr EDWARDS—It is one way of finding out exactly what the policy is or not.

CHAIR—We now move to this section on the nations of the South West Pacific. I guess a subject that is close to the heart of this committee is that of the situation in Bougainville. I was wondering if we could start with an update of just where we are in Bougainville at the moment and then move on to some sort of briefing on the preamble to the New Guinea elections.

Mr Wise—The situation on Bougainville is that the necessary legislation to put the Bougainville peace agreement into effect has passed through the Papua New Guinean parliament—the two stages that it had to go through—which was a major achievement. The peace agreement itself was signed, I think, on 30 August last year. Senator Ferguson represented the government at the signing. The outstanding work to be done on Bougainville now is very much related to weapons disposal. When the United Nations mission on Bougainville certifies that a proper weapons disposal program has been concluded, that will trigger arrangements to put in place an autonomous Bougainville government. They had an optimistic expectation that certification might be possible by mid-June. That is likely to slip a bit, but on the whole the situation on Bougainville remains a very promising one.

Regarding the elections, could I just very quickly say that Papua New Guinean elections are always very difficult to predict. If my memory is right, this year, at this election—they have elections every five years—for the 109 seats there are 3,150 candidates, which is 793 more than last time. There are 43 parties; there were 18 last time. In 19 of those seats more than 40 candidates will be contesting, and in one of them—the Oro province, which used to be called Northern Province—there are 61 or 62 candidates for that seat. That is the largest number—

Senator SCHACHT—It is first past the post, isn't it?

Mr Wise—It is first past the post this time, yes. Next election, they will move to a preferential system. This election will, again, be first past the post. The election will be in the last two weeks of June. Normally the government would be formed mid-July. The current Prime Minister and all former prime ministers are standing. Beyond that, it is very difficult to predict the outcome.

CHAIR—There were some concerns regarding the state of the electoral roll and there were suggestions that this might collapse the whole process, to a degree, in terms of court challenges. Has there been any resolution of that?

Mr Wise—There is a resolution to the extent that the government's challenge in the courts did not proceed. It is also worth bearing in mind—I am not sure what the statistics were for the last election—that there are always disputed returns; there is a whole system of having a court of disputed returns. It is very difficult in a place like Papua New Guinea, where so much of the electorate is so remote and so inaccessible, to get together a really good electoral roll. The electoral commission there, with strong support from AusAID, has put a lot of effort into that but all parties—and when I say 'parties' I am not necessarily talking about political parties but about everybody who has had anything to do with the PNG electoral system and the PNG electoral roll—acknowledge that it is not perfect. But, as they have done in previous elections, they will do the best they can with the resources they have.

Senator SCHACHT—We know this problem with the electoral system: if you have 60 or 40 candidates running and it is first past the post, if you get enough of your family and friends to vote and you get two or three per cent you can actually win the seat at that level, and that is why you have preferential voting. The big issue that I am interested in about preferential is whether, in a country where there are still difficulties in literacy, they are going to have a full preferential system. Is somebody in a seat where there are 40 candidates going to have to vote from one to

40 by number like we do in Australia, or will it be optional? Is a tick in the box still going to record a registered how-to-vote card for that candidate for the distribution?

Mr Wise—As far as I know, the details of the system they are likely to adopt have not been sorted out yet. I am not sure whether or not it is true, but I am pretty sure it is going to be an optional preferential system and there will be no need to fill in all 61 boxes in Oro. But, as far as I know, the actual detail of how they are going to work their preferential system has not been worked out.

Mr Oliver—We could get much more detail on that if you wanted us to look into it.

Senator SCHACHT—I think that would probably be a useful bit of information. All of us around this table have had experience of voting systems. We know what the existing problem is but there are two problems: any system that requires further numbering down in squares is going to be very difficult. The other problem, if there are registered how-to-vote cards instead, is the ability for corrupt dealing and for people to run dummy parties in a different form and then get registered how-to-vote cards—we have a few problems with that in Australia but they are peripheral compared with what I think may occur in Papua New Guinea—which would form a new and different level of corruption and rorting of the system. I do not have an answer to it.

Mr Wise—I take your points. I would add, though, that I would not underestimate by any stretch the sophistication of the Papua New Guinean electorate. Papua New Guineans are very good at politics and understanding their political system, and that is why they manipulate the current system so effectively. You can see by the number of candidates—

Senator SCHACHT—So if you had to put, say, at least one to 10 out of the 60—it is optional but you have to put four or five preferences in—and you had to use arabic numerals to make it work, you think that they would cotton on to that pretty quickly.

Mr Wise—Yes.

Senator SCHACHT—That is good to hear.

Senator FERGUSON—The only thing, of course, is that they may follow the Indonesian line where there were 48 parties in the last election and only turned out to be 10 at the next one; only the 10 that got the most votes were allowed to contest it. I think you are crossing the bridge before we get to it.

Senator SCHACHT—But any information you have that you could supply to the committee would be interesting.

Mr Wise—There is a new law being passed in that parliament and we can get you a copy of that.

Mr BAIRD—I note that AusAID's annual report said that Australia and New Zealand were going to take steps to improve the coordination of aid distribution. Could you bring the committee up to date on what has been done in that regard?

Mr Davis—I will make some comments on that and then Ms O'Keeffe might like to supplement them. We have been working closely with New Zealand over the last three years on this. We started off with a joint study of ways in which we could work towards harmonising the approaches of our aid programs from the planning stage, the consultation with individual recipient governments and through to implementation.

Some of the early returns that we have already are to have joint consultations so that we are not overburdening small bureaucracies by each wanting to go in and do our own consultations. We have undertaken a number of joint missions. We are starting to look at the scope for working through each other's systems in particular sectors in particular countries and we are also looking at the scope, in some of the smaller island states in particular, of whether it might be possible for, say, us to work through the New Zealand system or vice versa. So the early stages of trying to work through a greater sense of harmonisation have been, I think, pretty effective and certainly something appreciated by the individual countries themselves.

Ms O'Keeffe—I would like to add that, in terms of any harmonisation approach that New Zealand and Australia might want to adopt, it is not going to work unless the partner country in the Pacific, be it a small country like Tuvalu or one of the larger ones like Samoa, is actually very much an active partner in the whole process. To date, as Mr Davis has just said, we have had very positive responses from the countries that we have approached. It is a different way of dealing with the delivery of aid and it is one that certainly does hit the right note in these countries.

Mr BAIRD—In terms of trade activities in Papua New Guinea, is Australia the No. 1 import country for Papua New Guinea?

Mr Stortz—As far as we know, yes, we are; we have not got the very latest statistics on that.

Mr Wise—Yes, I think we would be the largest source of imports.

Mr BAIRD—What is the mix of imports?

Mr Wise—There is a broad range of products that we export to Papua New Guinea. Over the last few years, they have, because of the export of oil, in fact exported more to Australia than we have exported to them, which is a change on what the trend was up until a few years ago.

Mr BAIRD—Do you have trouble getting exporters into Papua New Guinea?

Ms Selby—There is quite a bit of interest, particularly from Queensland; a lot of Queensland companies are very active in PNG. Some companies are less interested because of security issues or whatever; it is not the most attractive market for Australian exporters.

Mr BAIRD—On that issue of security, I noticed in the report that security and law and order are amongst the major challenges facing Papua New Guinea. What are we actually doing to assist them in terms of this question? Do we have advice coming through from the AFP or the police force in each state? What actually is happening in that regard?

Mr Davis—Since 1993 we have had a major police project in Papua New Guinea working at building the capacity of the PNG police force and that has been, I think, quite a successful activity, particularly in terms of providing the opportunities longer term for a much greater home-grown capacity within that force. Overall, it has proved to be a relatively disciplined force over the period and at a couple of times during particular crises has come through quite well. But this is a very long-term activity that I envisage we would need to stay engaged with for some time longer. Obviously there are other aspects to the law and security area—not least their defence force, which we do not deal with but the Department of Defence does.

Senator FERGUSON—I have a question to ask as a follow-up to that. What is the morale of their defence forces like at present? I understand that there has been an ongoing problem with morale, redundancies and all those sorts of things.

Mr Wise—It varies depending on the part of the Defence Force. In some elements of it, the morale is better than in others. The PNG government has instituted a range of reforms for the PNGDF, which Australia is helping to fund, and those are leading to retrenchments. The PNG government announced that they want to get their force down from roughly 3,300 to about 2,000, and we are helping with that. That will go a long way to tackling some of the morale problems that they have, and there are some other changes being made to the way they run their affairs which should help as well. That said, because of the very tight budgetary situation as much as anything else in PNG, it is going to remain very difficult for the PNG government to keep the morale of the PNGDF at a level which provides some comfort.

Senator FERGUSON—Tight budgetary situation is a euphemism for going backwards pretty fast, isn't it?

Mr Wise—In terms of the straight budget, last year the PNG defence force and defence department—I think jointly—received 90-something million kina in its budget. In this year's budget, I think the allocation is 54 million. That gives you some idea of the budgetary constraints that they are operating under, and that obviously flows through to the resources they have available to pay themselves to exercise, train and all those sorts of things. To go back to Mr Baird's earlier question about Australia as a trading partner for Papua New Guinea, we are still the largest trading partner. We account for 29 per cent of PNG's total exports and 21 per cent of total imports.

Senator FERGUSON—I will direct questions to Mr Davis, but I am wondering whether anybody can tell us accurately what the situation is in PNG in relation to HIV-AIDS—as I understand things are serious and, for a long time, were kept pretty well under the hat—and what AusAID's role is in funding medical supplies et cetera.

Mr Davis—I will start and then I will get Mr Versegi to add to that. We have been particularly worried about the prevalence of AIDS in Papua New Guinea and have commissioned recently some significant work to look at that issue. It is pretty unclear exactly what the level of AIDS is at the moment, but we are quite confident that the statistics are much worse than those that are published. Conservative estimates are that somewhere between 10,000 and 15,000 people are already infected with HIV and that the infection rates are increasing annually by 15 to 30 per cent—pretty remarkable figures. We have started a major AIDS project in Papua New Guinea. It will be a $60 million, five-year activity and focuses on providing

information, counselling, community care, policy and legal support, surveillance and evaluation and support for the National AIDS Council.

Senator FERGUSON—Does that $60 million come out of AusAID's budget or is that the additional allocation that the government has put in for AIDS purposes?

Mr Davis—No. It is funded out of the annual allocation for Papua New Guinea but goes to meet part of the government's $200 million overall commitment for AIDS.

Senator SCHACHT—On the $60 million over five years, you mentioned counselling. Could you please read through again what you are going to spend it on?

Mr Davis—Counselling, community care, policy and legal support, surveillance and evaluation, clinical and laboratory services and support to the National AIDS Council.

Senator SCHACHT—Are you going to provide such simple things as condoms?

Senator FERGUSON—Perhaps if they finish the report and go into that afterwards.

Senator SCHACHT—Sorry. You mentioned the things you are going to do. Are you going to provide condoms, which seem to be—whether or not they are used—part of the education program? There is no use giving an education program when there are no condoms available for safe sex practices.

Mr Davis—Provision of condoms also forms part of our AIDS response.

Senator SCHACHT—Good. What part of the budget is spent on providing condoms?

Mr Davis—I do not know the answer to that. We can get you that detail.

Senator SCHACHT—I hope it is significant and not just the odd couple of hundred going up every year.

Senator FERGUSON—I am sorry, I had interrupted Mr Davis when he was in the middle of answering a question to find out where the $60 million had come from.

Mr Davis—That is the main substance of the response.

Mr EDWARDS—This relates to a question that was asked earlier in relation to the morale of the PNG defence forces. What is the general stability of the defence forces like?

Mr Wise—As we have seen in the last little while, firstly and most graphically with the Sandline incident and then, in March last year, with the mutiny in the PNGDF, the morale and the stability of the Papua New Guinea defence force is fragile to say the least. It is of concern to the PNG government and to the Australian government as well. That is why we have already committed $20 million to help with the first phase of the retrenchment program. PNGDF reform is its full title, because it does not all concern retrenchments. Some of it is to be spent on

improving some of the facilities at the barracks and so on, to try and keep morale up in that area as well. Once this first tranche of $20 million is expended there will be scope for further discussions with the PNG government about possible further Australian assistance. I underline that it is a matter of some genuine concern.

Senator SCHACHT—Going back to the AIDS program for the $60 million, that is a substantial commitment and I am very pleased to see the government committing that money. How much of it, though, is actually educational, to prevent the spread of AIDS by encouraging the adoption of safe sex practices, and how much of it is a matter of trying to deal with it after people are infected?

Mr Versegi—My understanding is that the priority is centred towards prevention activities. We see that as the most cost-effective means by which to prevent the spread of HIV-AIDS. There is some element of counselling and follow-up, but it is not a large proportion of the program compared to prevention. For instance, there is not a huge budget for drugs and treatment at this stage. There was a debate that expensive retrovirals are probably not appropriate for PNG at this stage, and that simpler drugs to stop some of the more opportunistic diseases like TB and malaria are a more effective use of money than the more expensive treatment drugs at this stage.

Mr EDWARDS—I have a question in relation to the Kokoda Track. Can you give us an update as to the possibility or likelihood that Australia may get access to some areas of significance along the track? Can you give us a general update on what is happening?

Mr Wise—As you would know, the track was closed for parts of last year and earlier this year because of the law and order situation there. In fact, we had a consular warning put out advising Australians to stay away because it was very unsafe. The high commission was involved in lengthy negotiations with the landowners up there and the provincial government and the national government. The situation now is that the track is open. People can walk along the track with the support and encouragement of the local communities.

Mr EDWARDS—Are there any ongoing negotiations to try to get de facto Australian ownership or control of some of the areas where there were significant battles and where I understand they are still turning up human remains?

Mr Wise—They are really questions more for the Department of Veterans' Affairs. PNG obviously is a sovereign country. We will not be able to get ownership or control in the sense that we can control a situation in our own country, but I know there has been some work done along the track.

Mr EDWARDS—That is 'ownership' in inverted commas.

Mr Wise—Yes.

Mr EDWARDS—Similar to Anzac Cove.

Mr Wise—Yes. There is work being done along the track to have points where there can be commemorative establishments, buildings and whatever of various types, and rest houses for

people walking and so on. Mr Oliver may have some additional information on that, but it is an area where the Department of Veterans' Affairs has been more actively involved through our high commission. I should add also that I think it is the Rotary club—one at least or maybe more than one of the service clubs in Port Moresby with a fairly large Australian membership—that has been doing some work there as well. As far as development activities along the track, the region does of course benefit from AusAID's programs. They do give some focus at times to that region as well. John, did you want to add anything?

Mr Oliver—I have very little to add, other than that I think it would be useful to follow up with the Department of Veterans' Affairs because, from memory, I think they do have a small program which is focused on the establishment of commemorative plaques and other activities along the track, and they have been working on that recently, so there may well be some additional information there if you want to follow up with them.

Mr EDWARDS—Mr Chair, I raise the question because the issue was raised in the parliament last year by one of your colleagues. There is a significant amount of interest in the Australian parliament on the issue, and I do take the point that perhaps we should be pursuing the Department of Veterans' Affairs. My next question next year will be to ask you how many of you have actually walked the track.

Mr Wise—I regret I have not.

Mr EDWARDS—You have got 12 months.

Senator SCHACHT—We want you to do the full track, not jut a little section.

CHAIR—Mr Wise, could we move now next door to the Solomon Islands. Could you give us a quick update on what the situation is there?

Mr Wise—In brief, the situation in the Solomon Islands is worrying. They did have elections late last year and they were observed by a range of organisations and countries, and those elections were very heavily supported by Australia in particular, and by other donors as well. We were very keen for those to come. It is true that the Solomon Islands now has a legitimate government in the way that it did not have before those elections because, as you will recall, the Sogovare government came into being in rather unusual circumstances. That said, the Kemakeza government headed by Sir Allan Kemakeza does not really have the capacity at this stage to be able to make its run in the Solomon Islands generally, especially in the area of law and order. As I said, it is a very worrying situation.

Donors met late last year and came up with four basic conditions that they asked for. Given the usual sorts of donor requirements, these are really pretty minimal conditions for the new Solomon Islands government. One was to stop the practice of remissions on the payment of duties and import taxes. The second one was to have a more transparent system for compensation payments for Solomon Islanders disadvantaged in some way through loss of property or other disadvantage during the conflict. The third one was to come up with a credible transparent budget. The fourth one was to give the highest priority to really tackle the law and order situation. On the question of duty remissions, the government did move very quickly and now the Solomon Islands government does have in place arrangements to collect duties and

therefore improve its revenue base for imports. The response to the others has been variable. They are working on a more transparent system of compensation but really have a fair way to go. The budget has been tabled and passed, and it is certainly an improvement—the budget as a document—over the previous budget of the Solomon Islands government, but there are still lots of questions hanging over that budget. But perhaps most telling of all, despite a rhetorical willingness by the Solomon Islands government, no real progress has been made as far as improving the law and order situation is concerned.

CHAIR—Do we still have a monitoring team there?

Mr Wise—The international peace monitoring team was inserted after the Townsville peace agreement in October 2000. The Townsville peace agreement was designed to stop the inter-ethnic conflict. The international peace monitoring team was to go in to support the indigenous efforts of the Solomon Islanders—they have their own peace monitoring council and they have a department in their own government which is called the Department of Reconciliation and Peace—with a twofold mandate: one was to help general confidence-building in the community and the other was to be responsible for the collection and storage of weapons. Regarding confidence-building, it has done its job. The collection of weapons, which is obviously difficult for an unarmed unit, was really left to the initiative of the militants and ex-militants themselves, and it has had mixed success. Roughly 1,300 weapons have been collected, but there is known to be somewhere between 400 and 450 serious weapons—either military or commercial weapons—in the community unaccounted for and not turned in.

The law and order situation in the Solomon Islands has moved from being one of ethnic conflict between the Malaitans and the people of Guadalcanal to one of basic criminality. The violence and the lawlessness you have now is of a general type; it is not between the two communities as a rule. Some of the most recent violence has been intra-Malaitan violence in Honiara rather than between the Malaitans and Guadalcanalese. But you do have a police force which is still either unable or unwilling to arrest known murderers. It is as blatant as that. We have to work with what we have—AusAid, I am sure, will be happy to give you the details—but we are working in that sector to try, through training, technical advice and so on, to lift that performance, but it is a very complex, fraught situation and any change is going to be gradual only.

Senator SCHACHT—I do not know whether they knew you were going to be here today, Mr Wise, but *Four Corners* last night had a 45-minute program done recently in the Solomon Islands which seems to agree with most of what you said, although they probably saw it a bit more dramatically. The thing that disturbed me—apart from the violence—was the fact that the corruption in the governmental process seems to be completely out of control. There was an example of a village which defended itself against one of the so-called militant groups, then got fined and had to pay money to the militant group as a settlement, but under the guise of the government. This just seems to me to be a variation of the 16th century Mafia in Sicily—a protection racket. Is there any way out for this—to build back into the government process the message that, if they continue in this way, it will just get worse and worse?

Mr Wise—You would hope there is, but because the issues go very much to the nature of the culture and the society of the Solomon Islands, it is really going to need home-grown initiatives from the Solomon Islanders themselves. Unfortunately, I did not see the program last night, but I have read the transcript. I am not sure that it came through in the program, but there is a very

large group of people on the Solomon Islands—in the peace monitoring council, in civil society and in the community broadly—who are sick to death of the standover tactics and the violence.

Senator SCHACHT—I thought the thing was fair. A number of those interviewed seemed very moderate and very articulate in explaining the problem and their concern and their commitment to a civil society. Then they interviewed some of the others with bandoliers round their necks and so on, which is not an encouraging sign for the tourist industry or an investor.

Mr Wise—Yes. What we are trying to do is help those organisations like the peace monitoring council and civil society, both in the general sense and in that they have a network there called Civil Society as well. Through those groups we do what we can to give them encouragement—

Senator SCHACHT—If it gets bad enough, would we get to the stage where we have to say, 'We are a considerable aid donor to the Solomon Islands in bilateral aid, several million dollars, isn't it'—

Mr Wise—It is going to be over $30 million in this current year, isn't it?

Ms O'Keeffe—Perhaps I could take up on this particular point. In terms of the support generally that James has been alluding to, basically the aid program that we have in the Solomons is aimed very much at supporting the basic services and the development of civil society while the political process—and we all know it is going to be a very difficult and arduous political process—is worked through. I did happen to see the program last night and it was highlighting the enormous difficulties and problems that the country is facing. However, having worked with the Solomons now for several years, I have to say that it is better than it was 18 months ago. For a person who did not know what it looked like 18 months ago, you would say it looks pretty horrible now. But, for example, we have a substantial law and justice program. We have been working with the police and there have been some achievements in the police force since we started working with them. They are not visible to people who have just walked in from the outside, but for those who have been working in the country now for some considerable period of time there have been improvements. I would also like to point out that prior to June 2000 the police force even then was not a police force we would be proud to call our own.

Senator SCHACHT—Is there a line in the sand where you say, 'We are just putting good money after bad, even on the development of the civil society, when the governmental structure is consistently falling apart under the influence of its own corruption and its own attachment to supporters who are violent'?

Ms O'Keeffe—We have been working with other donors now for the last two years in getting, if you like, a consolidated approach to work with the government of the Solomon Islands. Again, it is slow and it is incremental, but we are about to have another donors' meeting in June where we will come together as major donors with the government of the Solomons. At this stage I would not want to say we are optimistic, but there has been some movement on the four benchmarks that James referred to. There has been a budget that has been passed. There has been an arrest in connection with one of the more high-profile murders that occurred recently. There has been movement on the remission side. So at this stage we need to, if you

like, give the government of the Solomon Islands an opportunity to show to the donors that they are moving ahead in difficult circumstances.

Senator SCHACHT—Last night the program showed a man who was a New Zealander who was murdered and they interviewed his widow. Everyone knows who committed the murder but the person has not been arrested because he is connected somewhere in the system to somebody else. That is not the one you are referring to?

Ms O'Keeffe—Yes, it is. That person has been arrested.

Mr Fletcher—The police minister announced on Friday that the arrest had been made but in fact it has not. We have been pushing for them to arrest that person but, although an announcement was made that the arrest has happened, it has not.

CHAIR—As there are no further questions on the Solomons, could we move on to Fiji and what is happening there two years after the coup.

Mr Wise—The situation in Fiji is that there was an election held which was very much a free and fair election observed and the results are well known. The outstanding issue there is the question of constitutionality of the government. Under the 1997 constitution the leader of the largest party was supposed to invite into the government any other party which secured more than 10 per cent of the seats. The Fiji Labour Party did indeed secure more than 10 per cent—I think it was 38 per cent.

Senator SCHACHT—Of the seats?

Mr Wise—Yes. Prime Minister Qarase did not, in the end, include the Fiji Labour Party in the government. The Fiji Labour Party has challenged that in the courts. The most recent court decision upheld the case of the Fiji Labour Party and said that the government should include the Fiji Labour Party in the government. The government is appealing that decision and it will go to the Supreme Court. There is speculation as to when that might take place—they need to assemble a court, which is usually made up of prominent judges from around the region—but there has been some talk that it may be as early as next month.

What is important to note is that the government—the Fiji Labour Party as well, but especially the government, which is the more critical one in this case—has publicly committed itself, most recently on 10 May, to abide by the court processes. That said, if the Supreme Court does uphold the decision of the lower court it will be a very difficult period politically for Fiji as they try to accommodate that decision.

Senator SCHACHT—Our government policy, of course, is to support the constitutionality of what the court will uphold?

Mr Wise—That is right.

CHAIR—The other issue that I would like to raise is the situation in Nauru as to money laundering and the difficulties that they have undergone with the OECD knocking them out. Can you give us any update on that and on what effect it has had?

Mr Wise—As far as I understand the situation, the Nauru government did, in fact, introduce legislation which they thought, having got technical advice, would meet the requirements of FATF as far as anti money laundering legislation is concerned. That was introduced in August last year. But there still remain questions in the mind of the FATF—I am not sure whether it is about the legislation or about the capacity of the Nauru government to implement that legislation. They remain listed as a country which still has mechanisms in place that can allow money laundering.

Mr Fletcher—In January this year the FATF applied some measures against Nauru. Those measures are for OECD members to implement. As far as we know, there has been some effect on Nauru banking transactions in relation to the US and to Europe. Essentially, the measures are so that countries can monitor and be very careful with any transactions passing to or from banking entities registered in Nauru. Many sensible banks were probably doing that anyway. As far as we know, there may be some disruption or inconvenience caused to the sector but Nauru is still able to do business.

Mr BAIRD—Could you update us on the Pacific solution? Do you see acceptance on Nauru for holding refugee claimants?

Mr Wise—On Nauru, as far as the offshore processing centre is concerned, the level of acceptance by the government and by the people of Nauru has been quite good. You will recall that, when the first asylum seekers reached Nauru, there were Nauruan dancing and singing groups there to welcome them and so on. Even though Nauru is a small place, both of the processing centres are isolated from the main residential parts of Nauru. When the Nauruans want to, they go to the camps and engage in a netball game or some volleyball or soccer. I think the women go up and exchange ideas on needlecraft and all those sorts of things. So the relations between the two communities have been quite okay.

In Manus as well, a lot of effort has been put into ensuring that the local communities do not feel disadvantaged by the arrival of the asylum seekers. Indeed, because the infrastructure has been improved to meet the requirements of the asylum seekers, the infrastructure therefore for the local inhabitants has also been improved.

Mr BAIRD—The other thing I was going to ask about was the future of Tuvalu. Do we have an update on that?

Mr Wise—Yes, there has been some media coverage—some of it has been fairly inflammatory—about the future of Tuvalu. My colleagues may have more of the actual data to hand than I have, but there has been some monitoring of sea levels in Tuvalu. I cannot remember now whether the data shows that the sea levels have declined slightly or have stayed the same over the last 10 years.

Senator SCHACHT—After being to Tuvalu and to Kiribati, there is not much margin for error if the sea is rising.

Mr Wise—No, there is not, but in fact the land has been rising most recently.

Senator SCHACHT—The land has been rising? Can you tell us about this geological phenomenon, that the land is rising?

Mr Wise—A shifting of tectonic plates will do it for a start.

Senator SCHACHT—The plates are rising underneath, I see.

Ms O'Keeffe—We actually have a regional project throughout the Pacific which looks at sea level rise and also geodetic measurements, which is the measurement of the plates. As far as Tuvalu is concerned, there has been an indication of a rise of something like 0.9 of a millimetre per year over the past nine years, but the scientists that we have working on the project would—

Senator SCHACHT—It is not exactly Mount Everest rising up, is it?

Ms O'Keeffe—No, it is not. Scientists would hasten that that may even be an exaggerated trend in terms of longer term trends, because the project has not been going long enough to get a true indication of what may be happening.

Senator FERGUSON—Currently you would have to say that the water level is not rising. That is the key point based on your figures, isn't it?

Mr EDWARDS—But it might not be rising as fast as the island is growing.

Ms O'Keeffe—As I was saying, the project has not been going long enough to get a true indication of what the trend may be. You will find that throughout the Pacific some countries have actually experienced a fall in the sea level. Nauru is an example of that; in fact, they actually have more land than they used to. Again, it is in measurements of millimetres. Tuvalu has actually had a rise, but again it is very small and it does not indicate a long-term trend at this stage.

CHAIR—We now move on to the final section this afternoon, which relates to Cambodia, Burma and Vietnam.

Mr EDWARDS—I refer to some private correspondence I have in relation to Vietnam in which your department, Alan, says that Australia and Vietnam have developed a 'warm, wide-ranging and constructive bilateral relationship that has broadened over the past few years to include a modest level of defence cooperation'. I largely agree with that. Would you like to expand on where Australia and Vietnam are going in terms of trade relationships generally?

Mr Grigson—Our relationship with Vietnam, as you have just described, is a positive one. We look for opportunities again to push forward areas of common interest. That is not to say that we do not have our differences on items such as human rights but I think that, in general, it would be fair to say that it is quite a positive relationship.

Mr EDWARDS—The point is that Australia has a good relationship with Vietnam, one that we hope we might be able to use to influence some of these questions on human rights. For instance, can you give the committee a run-down on some of the smaller indigenous

populations? How are things going? Are they getting a fair go now, or are they still being persecuted?

Mr Grigson—With human rights in Vietnam we take the approach that we have had a list of 22 identified cases that we have pushed over time; 18 of those have been released since 1998. We have recently added another six cases to the remaining four, so we have a list of 10. In terms of the minority groups more broadly, as issues come up we make our views known. I would need to get some details for you on the exact nature of the representations.

Mr EDWARDS—Can you tell me exactly what is happening with the Montagnard people who are stranded, as I understand it, in camps in Thailand? I understand the Thais want them out but the Vietnamese do not want them back.

Mr Grigson—I would have to get the details on that for you.

Mr EDWARDS—Some Australian businesses have done quite well in Vietnam in recent years and some have been burnt. Unfortunately, some of the bigger ones have been burnt and are now a little cautious about going back. What is the current business environment like? Have we seen improvements in relation to the lack of regulation and the lack of accountability?

Mr Grigson—Vietnam remains a challenging environment for any business, Australian or otherwise. The issues are the same as those you find often across South-East Asia: legal certainty, enforcement of contracts and safety of investment. Since the financial crisis there has been also been a downturn in Vietnam's economy, so we saw a tailing off in interest in doing business there. I think the key issue for the Vietnamese is reform to the extent that it gives investors some basis for certainty about the safety of their investment.

Mr EDWARDS—We have a number of delegations coming down from Vietnam. It seems to me to be an increasing number and it seems to me, too, that the age of the delegates is much younger.

Senator FERGUSON—That is because you are getting older, Graham.

Mr EDWARDS—It probably is, but I think it indicates to some degree a changing of the guard. Is that becoming apparent?

Mr Grigson—In Vietnam, in broad political terms, as people are getting older we are seeing others move up through the ranks. I would be hesitant to pinpoint any particular change but I think the comment you make is a reasonable one.

Mr EDWARDS—You may be aware that the National President of the RSL suggested earlier this year that it is time for an official visit. I assume that means an official visit by the RSL. I understand that the national president has written to some of the ministers, including the Minister for Veterans' Affairs, seeking support for that initiative. Can you tell me where that is at the moment?

Mr Grigson—No, but I can find out for you.

Mr EDWARDS—Thank you.

Senator SCHACHT—On that same issue of follow-ups, on and off over the last 15 years Vietnam veterans have been asking for negotiations with the Vietnamese government for the return of the original cross of Long Tan, which I saw on a visit in 1988. In part of a collection of memorabilia from captured Americans in a small village war museum there it was—the original cross. I understand the local village people are loath to part with it because so many of their people were killed in that battle. Has there been any indication in any discussion of some form or other in recent times between Foreign Affairs and the Vietnamese government about sharing the cross so it could spend half a year or a year in Australia and half a year or a year there, or about providing in return some other assistance to the local village? If I remember it correctly, the village is not exactly in a rich area. The assistance could be in education or health services. I do know that the Vietnam veterans community quite rightly has a very strong attachment to what the cross stands for, in the number of Australians who were killed there. But also many more Vietnamese were killed in that battle. I just wonder if there has been any follow-up, ongoing discussion.

Mr Grigson—I do not have a recent brief with me but I would be happy to find out for you. I would not like to mislead you on that.

Senator SCHACHT—Mr Edwards raised the issue of military discussion or cooperation with the Vietnamese. Can you give us a bit more detail of what level that is at?

Mr Grigson—I am afraid I cannot. I would need to find out from Defence where we are up to on defence cooperation.

Mr BAIRD—You mentioned various human rights cases. Is the case of Father Nguyen Van Ly one of the ones that you have been following up? As I understand from the information that we have had, he was sentenced to 15 years on charges that he had undermined the country's unity and violated a government order of administrative detainment. He was convicted at a two-hour trial without the presence of a defence lawyer or independent witnesses. So I am wondering if he is one of the people whose cases you are pursuing. Obviously it must be right at the top of your agenda.

Mr Grigson—Yes, he is. He is on our list, I am happy to say.

Senator SCHACHT—Is he a Catholic priest?

Mr Grigson—That is right.

Senator FERGUSON—Is religion generally repressed? We here get the impression that there is some suppression or repression of religious bodies. Is that so?

Mr Grigson—To the extent that religious bodies have an impact on the political environment, the government in Vietnam watches them very closely.

Senator FERGUSON—Wasn't it a fairly predominantly Roman Catholic country prior to 1975?

Mr Grigson—Certainly in the south it was.

Senator SCHACHT—There were several million Catholics in the south.

Mr Grigson—That is right.

Senator SCHACHT—But overwhelmingly it is still a nominally Buddhist country. I have a question based on a comparison. In respect of human rights in Vietnam and China, both countries still have a structure of a one-party communist state; Laos is probably similar. Given the evolution of market economies in whichever way they have occurred in both those major countries, Vietnam and China, do you have any sense of which country is further down the track of being less repressive on issues of religious freedom, freedom of speech et cetera?

Mr Grigson—It is difficult to make those sorts of comparisons. As I have mentioned before, we take it case-by-case and do not think about it structurally in terms of comparison of countries. We have goals in each of those countries and we pursue them as opportunities arise.

Senator SCHACHT—Do you have any idea of how many political prisoners—like this priest—there are in Vietnam?

Mr Grigson—My colleague tells me that estimates vary. It is about 100.

Senator SCHACHT—I have noted what Mr Baird has read out about 'threatening the unity of the state'. A very similar phrase is used in China about threatening the sovereignty of the socialist state. That is what they get you for, and that can mean anything that they choose it to mean. I presume there is the same process in Vietnam.

Mr Grigson—Correct.

Senator SCHACHT—On the other question about the Vietnamese army, do we have any information as to the size of their armed forces? Some years ago it was called the best army in South-East Asia by far; it kept winning wars. Has the army demobilised large numbers or is it still a significant force?

Mr Grigson—We will get you a number.

Mr Moore—I could add that we have been working on a number of fronts with the government of Vietnam to assist its modernisation reform processes, including improving the structure of its national accounts and the transparency of its budget. There has been some considerable progress in that regard, with one major exception, and that is that the largest item of expenditure is still not published and that is, indeed, defence spending.

Mr EDWARDS—I raised the question of the Montagnard people in Thailand. I understand that there are also about 1,100 Vietnamese people who have been stranded in some sort of camp in the Philippines for a couple of decades. I understand that there is still an impasse: the Vietnamese authorities do not want them back. I wonder whether any of those Vietnamese

people in the Philippines have applied to come to Australia. Is it possible to find that out? I am particularly interested in those who may already have families in Australia.

Mr Grigson—That is an issue for DIMIA, and I am happy to pass the question along.

Mr EDWARDS—I would appreciate that.

Senator SCHACHT—The bridge over the Mekong Delta that we built under the aid program in South Vietnam: you will remind me, Mr Moore, of the name of it in a moment.

Mr Moore—The My Thuan Bridge.

Senator SCHACHT—Thank you. Has that proved to still be a considerable success? Is there a recognition that, although it is a big infrastructure investment—it was one of our biggest investments in Vietnam in development aid—it is a major improvement for the Mekong area?

Mr Moore—Very much so. It has succeeded on a number of fronts. It is the activity that the government of Vietnam point to repeatedly as a model of what can be achieved. So they certainly see it as a great success and they ask others to emulate it, not least because it came in under budget and early. We have been monitoring the success of the bridge in facilitating people movement and product movement, and the latest figures that we have suggest that in excess of 60,000 people per day are crossing, and that is above expectations.

Senator SCHACHT—It is not a toll bridge, is it?

Mr Moore—Yes, there are tolls.

Senator SCHACHT—I see. But that money is collected by them—it doesn't come to us, to Transurban or someone; it goes to the Vietnamese government?

Mr Moore—That is correct. It is for ongoing maintenance.

Senator SCHACHT—Compare that bridge with the one we built between Laos and Thailand. There is always some argument that it never got the traffic, because it was an international bridge: is that still the case?

Mr Moore—I think the utilisation of the Mittaphap Bridge between Laos and Thailand continues to be below what is optimal—although, to be fair, the Lao authorities have extended the hours of operation of the border facilities and, clearly, there is more traffic now; but it could take additional traffic.

CHAIR—Could I move on to Myanmar, Burma. There have been some interesting developments there over the past few weeks. Perhaps you would give us an update on what is happening.

Mr Grigson—Certainly. While limitations on opposition political activity in Burma remain a concern, there have been some positive developments over the past year or so. The most

significant is obviously the outcome from the dialogue which has seen the release of Aung San Suu Kyi on 6 May. After her release, she said that the dialogue had advanced beyond the confidence building stage, and an SPDC spokesman has said that the dialogue would restart soon. No specific timetable was mentioned for that.

Senator SCHACHT—Has she travelled outside Rangoon—or Yangon; whichever way you want to put it?

Mr Grigson—Yes. She has visited a suburb of Rangoon which was some distance from the city, but she has not tested the limits of her release further than that.

Senator SCHACHT—And all the evidence is that she is still not only the figurehead leader but effectively the leader of the National League for Democracy?

Mr Grigson—Certainly I have seen no suggestion of any substance to the contrary.

CHAIR—Is it true to say that Burma's economy has virtually collapsed and that this has forced the issue?

Senator SCHACHT—It has never grown; it has been like that for 30 years!

Mr Grigson—It is difficult to know why the Burmese government has entered into dialogue, but it is fair to say that the Burmese economy bumbles along the bottom and there is no great potential there at this point.

CHAIR—And there is no foreign investment?

Mr Grigson—Foreign investors are loath to enter Burma for all sorts of reasons at the moment.

Mr BAIRD—I note that you do not provide a listing for it in your documents. Burma and Cambodia do not rate a mention. Are they off the scale or so low?

Ms Selby—Trade is incredibly low. We do not have representation in Burma.

Senator SCHACHT—Do you have a locally engaged representative—some sort of nominal official?

Ms Selby—We did have, but he died about 18 months ago. We have not replaced anyone in the embassy; we use consultants.

Senator SCHACHT—For 15 years, the Burmese community in Australia campaigned to get rid of that position. I do not think they ever expected the bloke to die to achieve the abolition of the position. But the position has not been replaced?

Ms Selby—No.

Mr BAIRD—What is the success of AusAID with regard to human rights in Burma? What success has it led to?

Mr Moore—Are you referring to the human rights initiative?

Mr BAIRD—Yes.

Mr Moore—Predominantly, it has involved the delivery of a number of workshops providing training for mid-level officials in international norms, principles and practice. To date, seven workshops have been conducted, and about 151 participants have taken those courses. The feedback that we have had from the course presenters from our embassy in Rangoon and from the participants suggests that they have been successful against their objectives of encouraging greater knowledge and awareness and fostering a bit of discussion and debate. On that basis, it is proposed that two more workshops be offered later this year.

Mr BAIRD—When was the last one run?

Mr Moore—From memory, the last one was in September or October last year.

Senator SCHACHT—But you do not get to the level in these workshops with the Brigadier Khin Nuynts of the world running military intelligence at the level that has run the regime, do you?

Mr Moore—One of the interesting things about the workshops is that each of them has been opened by the minister for home affairs, who has taken a personal interest. It has been his involvement and his willingness to foster dialogue that has encouraged people to enter into the workshops in the appropriate spirit.

Senator SCHACHT—I will come back to that point in a moment. Has the embassy been able to have a meeting with Aung San Suu Kyi since her release?

Mr Grigson—The ambassador, Trevor Wilson, met with her on 10 May.

Senator SCHACHT—Can you give us any indication of the issues? In particular, did Aung San Suu Kyi express any view about the workshops that we have been conducting?

Mr Grigson—The ambassador spoke to her about the dialogue that had been taking place. She was not very forthcoming about that, which we understand. He was one of the first of four or five ambassadors to see her.

Senator SCHACHT—So she was not in a position to express a view? She was not fully briefed and did not know enough about it herself? Did the ambassador brief her about what we were doing in that dialogue?

Mr Grigson—She expressed some ambivalence about the workshop, which is her right, but we think that the workshops are worth continuing with to chip away at that level.

Senator SCHACHT—It is six of one and half a dozen of the other. We cannot say that the dialogue led to Aung San Suu Kyi being released.

Mr Grigson—We cannot say that, but at the same time we cannot say that it did not.

Senator SCHACHT—Well promoted, Mr Grigson. You will get a bonus this year for that answer!

Mr EDWARDS—I want to turn to the question of Aung San Suu Kyi's request that nations who may be considering giving further aid or assistance not do so pending further improvements in a whole range of things in Burma. Can you confirm this? Is it correct to say that Aung San Suu Kyi has called for greater moves toward democracy in Burma before various aids are reintroduced?

Mr Grigson—Our position on the assistance we provide is that we think it contributes to the process in Burma. We are not naive about the extent of that effect at all and never have been. We understand where Aung San Suu Kyi comes from on some of these issues.

Mr EDWARDS—Can you help us perhaps get a better understanding? That is why I am asking the question.

Mr Grigson—I have to say that I think she is not the only player in this, and we see some advantage in the assistance we provide. Certainly we would take her views into account, but they are not the be-all and end-all.

Mr EDWARDS—What are those views? That is what I am basically asking you.

Mr Grigson—In terms of assistance to Burma?

Mr EDWARDS—Yes.

Mr Grigson—I know that in the past she has taken that position. I do not know what she has said since her release.

Mr BAIRD—Can I follow that up. That is a very interesting comment you just made, Mr Grigson, that she is not the only one in the game—

Mr EDWARDS—Exactly. That is why I want to pursue it, if we can.

Mr BAIRD—and that you listen to other people. I thought she was the main game there and that her views would be pretty significant. It sounds as if you are downplaying her role, which surprises me somewhat.

Mr Grigson—Not at all. She is the main game in town, and I think most of the efforts to bring change in Burma have been focused on her. That is not to say that she is the only game in town.

Senator SCHACHT—What are the other names in town?

Mr Grigson—For instance, we see that our human rights workshops provide some incremental benefit to the process of change over a long period.

Mr BAIRD—Hang on; that is not what was being said. You were saying that other people are the other games in town. What are you saying? Are you saying there are other things that are important, such as the workshops, or are you saying there are other people who are important?

Mr Grigson—No. I am saying there are other things that are important, such as the workshops.

Mr BAIRD—That is quite a different thing.

Mr EDWARDS—I want to come back to the point of the question. Can you confirm that what I put to you is actually the position of Aung San Suu Kyi?

Mr Moore—I can relate some comments from a press conference that Aung San Suu Kyi gave following her release, and she was specifically asked about this. I think she pointed to existing NLD policy and said that it is retained. She underlined, 'Our policies with regard to aid have not yet changed,' so there is some suggestion that the NLD will be reviewing all of its policies, and none of us know what will come of that.

Senator SCHACHT—Was there any suggestion in the discussions that took place—and I am not asking you to comment about what she told the ambassador, but elsewhere generally—when she was in the dialogue privately with the regime over the last several months, about what the parameters were on both sides of that discussion so that in the end the regime felt they could release her or let her have freer travel and she felt she could enter into that agreement without looking like she sold out the democracy movement by reaching some arrangement with a regime that has, as we all know, an appalling record.

Mr Grigson—She did not make any direct references to that sort of thing.

Senator SCHACHT—Have there been any other suggestions—not from her—reported in South-East Asia of other undertakings that may have been given on either side or of some understandings that have been reached?

Mr Grigson—The decision making and dialogue processes have been opaque. We have not been a party to those. I have seen no reports of those sorts of undertakings.

Senator FERGUSON—In fact our decisions on matters do not necessarily have to reflect the wishes of Aung San Suu Kyi, either.

Mr Grigson—Our decisions on human rights workshops and development assistance are based on what we think can best contribute to change in a positive way in Burma. We accept that change will be a long-term proposition; we do not expect it to happen quickly. We are not

naive about the outcomes of any specific event, but we do think that over time it is worth trying to chip away at those kinds of activities.

Senator SCHACHT—How many people who for political reasons have been either detained or convicted by the regime are in that wonderful prison called Insein—an appropriate name, I suppose—outside Rangoon?

Mr Grigson—My colleague tells me that reports vary, but numbers range up to several thousand.

Senator SCHACHT—Are most of those held in the Insein prison outside Rangoon or are they held all over Burma?

Mr Grigson—There are prisoners in different parts of Burma.

Senator SCHACHT—I see. Does this include people who from time to time have been conscripted against their will by the army up in border areas to be porters and assist in military activities? They carry equipment, dig trenches and build facilities for the army in their activities against the various ethnic minorities and those who operate on the border itself.

Ms Wetherell—I think that would be consistent with what we know about Burma and the human rights situation there, although we have no separate knowledge.

Senator SCHACHT—Are there still significant refugee camps along the border inside Thailand with ethnic minorities from Burma as well as Burmese themselves?

Ms Wetherell—Yes, there are.

Senator SCHACHT—Do we know what the numbers are?

Ms Wetherell—AusAID might like to answer that.

Mr Moore—We have an assistance program that attempts to reach refugees in camps in Burma. My recollection is that the number of people that we are providing assistance to, directly and indirectly, is in the order of about 133,000, but I will need to double-check that to be sure.

Senator SCHACHT—Do most of those camps have any UNHCR recognition or monitoring?

Mr Moore—Yes. The UNHCR is actively working with the refugees themselves in terms of camp organisation and the facilitation of services.

Senator SCHACHT—The Burmese government, which is now called the peace and order council, or something like that—

Ms Wetherell—It is called the State Peace and Development Council.

Senator SCHACHT—They have changed their name from SLORC. Do they still claim that those camps are bases for military activity that goes across the border back into Burma?

Ms Wetherell—Yes, they still do.

Senator SCHACHT—I understand that there is possibly some evidence that some of that activity is coming out of those camps?

Ms Wetherell—Possibly, yes.

CHAIR—I would like to move on to Cambodia, because we are on the home stretch.

Mr EDWARDS—Can we get an overview of the landmine situation in Cambodia?

Mr Moore—We have been providing support to the Cambodian Mine Action Centre for a number of years. It has been the largest body that has attempted to deal with the mine problem. There have been a lot of other players too, including international NGOs such as the Halo Trust and others.

Mr EDWARDS—And including some good Australian NGOs?

Mr Moore—Yes. I believe the Red Cross and others are involved as well. We make a substantial commitment, which I think totals about $33 million over several years. At the moment, on an annual basis, we are contributing about $4 million. We have done a lot of work with the Cambodian authorities to improve the functioning of the Cambodian Mine Action Centre. There was a bit of criticism some years ago that it was rather high cost and perhaps a bit featherbedded. A lot of work has gone into trying to train a lot more de-mining experts so that we can clear land, particularly agricultural land, faster.

Mr EDWARDS—Can you tell me what the situation is currently? How much land for that $33 million have we reclaimed? How many acres have we reopened in the last 12 months? How many do we expect to reopen in the next 12 months?

Mr Moore—I can get you those statistics. I do not have them to hand.

Mr EDWARDS—Are we winning? Are we starting to see some headway?

Mr Moore—As you well know, it is one of the most mined countries on earth. The task is enormous. At current rates of clearance I think it is still going to be decades before all of the land is cleared. Therefore lots of attention is going into priority setting, trying to clear the mines around the most productive agricultural land and around health centres and schools, but it will be a long time before all the mines are removed, if ever.

Mr EDWARDS—When you provide that additional information, can you also give us as accurate a picture as you can as to the casualty situation, say, over the last 12 months? My final question is this: is there any evidence to show that some of the money that Australia and other

countries have put into landmine clearance in Cambodia has been diverted into people's pockets or to other areas not related to mine clearance?

Mr Moore—I spoke a few minutes ago about problems with the Cambodian mine action centre. We were amongst the first to detect problems with the administration of the centre, with the potential lack of accountability—at least up to our standards—and we have taken action to restructure that centre. I am not aware of any Australian funding being misappropriated, but we certainly had concerns about the institution overall.

Senator SCHACHT—I will just ask about where the Hun Sen government is. Four years ago, in 1997 I think it was, there was what you would call some sort of civil disturbance, some would call it an inverted coup or whatever, and ongoing from that there has been consistent discussion about violence and intimidation by the present government. Has there been any improvement, or is it still a steady picture of intimidation and corruption, and is the transparency nowhere near what we would have hoped would have been existing by now since the peace process of 1992?

Mr Grigson—It would be fair to say that violence both political and otherwise remains a continuing issue in Cambodia. As you know, at the beginning of the year there were commune elections held. The holding of the elections was a positive step. On the day they were held they tended to be very peaceful but, as you know, in the lead-up to that there were killings of candidates. The government says that they were not politically motivated but they have taken on board the need for an investigation into them. We with other donors and interested parties have made clear our position on that.

Senator SCHACHT—What level of support, if any, are the Khmer Rouge still able to gain either politically or genuinely around the place, or have they basically disappeared?

Mr Grigson—I think you will find that the level of political support for the Khmer Rouge in Cambodia is close to zero. Over many years they have been deteriorating from a political force into remnants of banditry.

CHAIR—Dr Thomas, I most sincerely thank you and your team for being with us today for what has been a fairly long and gruelling session. We very much appreciate the evidence you have given and your cooperation. It has been most useful indeed. If there are any matters on which we might need additional information the secretary will certainly be in contact with you. We will send you a transcript of the evidence to which you can make necessary corrections of grammar or fact. As Hansard may wish to check some details concerning your evidence, could you remain for a short time after I close so the reporters can speak with you if necessary. Again, thank you very much indeed. I also thank Hansard staff, and all the other witnesses, for being with us today.

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

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

Subcommittee adjourned at 3.50 p.m.