COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

FOREIGN AFFAIRS SUBCOMMITTEE

Reference: Review of annual reports 2001-02

MONDAY, 3 FEBRUARY 2003

CANBERRA

BY AUTHORITY OF THE PARLIAMENT

INTERNET

The Proof and Official Hansard transcripts of Senate committee hearings, some House of Representatives committee hearings and some joint committee hearings are available on the Internet. Some House of Representatives committees and some joint committees make available only Official Hansard transcripts.

The Internet address is: **http://www.aph.gov.au/hansard**

To search the parliamentary database, go to: **http://search.aph.gov.au**

JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Foreign Affairs Subcommittee

Monday, 3 February 2003

Members: Senator Ferguson *(Chair)*, Senators Bolkus, Cook, Eggleston, Chris Evans, Harradine, Hutchins, Johnston, Sandy Macdonald, O'Brien, Payne and Stott Despoja and Mr Baird, Mr Baldwin, Mr Beazley, Mr Bevis, Mr Brereton, Mr Byrne, Mr Edwards, Mr Laurie Ferguson, Mrs Gash, Mr Hawker, Mr Jull, Mr Lindsay, Mrs Moylan, Mr Nairn, Mr Price, Mr Prosser, Mr Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thomson

Subcommittee members: Mr Jull *(Chair)*, Mr Laurie Ferguson *(Deputy Chair)* Senators Bolkus Cook, Chris Evans, Ferguson *(ex officio)*, Hutchins, Sandy Macdonald, Payne and Stott Despoja and Mr Baldwin, Mr Beazley, Mr Bevis, Mr Brereton *(ex officio)*, Mr Byrne, Mr Edwards, Mrs Gash, Mr Hawker, Mr Lindsay, Mr Nairn, Mr Price, Mr Prosser, Mr Snowdon and Mr Somlyay

Senators and members in attendance: Mr Beazley, Mr Byrne, Mr Edwards, Mr Laurie Ferguson, Mr Jull and Mr Snowdon and Senators Ferguson, Hutchins, Payne, Senator Sandy Macdonald and Stott Despoja

Terms of reference for the inquiry:

Review of annual reports 2001-02.

WITNESSES

Subcommittee met at 9.05 a.m.

DAVIES, Mr Robin, Assistant Director General, East Asia Branch, Australian Agency for International Development

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

STANLEY, Mr Percy, Director, Virtual Colombo Plan, Australian Agency for International Development

COX, Ms Susan, Manager, Consular Coordination Unit, Consular Branch, Department of Foreign Affairs and Trade

GRIGSON, Mr Paul, Assistant Secretary, Maritime South-East Asia Branch, Department of Foreign Affairs and Trade

JACKSON, Mr William Robert, Director, Consular Operations, Department of Foreign Affairs and Trade

KLUGMAN, Ms Kathy, Director, East Timor Section, Maritime South-East Asia Branch, Department of Foreign Affairs and Trade

NASH, Mr Robert, Assistant Secretary, Passports Branch, Department of Foreign Affairs and Trade

RAWSON, Ms Jennifer, First Assistant Secretary, South and South-East Asia Division, Department of Foreign Affairs and Trade

RICHARDSON, Mr Bill, Director, Australia Indonesia Institute, Department of Foreign Affairs and Trade

ROWE, Mr Peter, Assistant Secretary, North-East Asia Branch, North Asia Division, Department of Foreign Affairs and Trade

SMITH, Mr Rod, Assistant Secretary, Consular Branch, Department of Foreign Affairs and Trade

TANNER, Ms Sue, Assistant Secretary, Market Development and Business Liaison Branch, Trade Development Division, Department of Foreign Affairs and Trade

VARGHESE, Mr Peter J., Deputy Secretary, Department of Foreign Affairs and Trade

CHAIR—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 is based on the annual reports of key agencies within the Foreign Affairs and Trade portfolio: the Department of Foreign Affairs and Trade; the Australian Agency for International Development, AusAID; and the Australia Indonesia Institute. In order to make the best use of our time today, the subcommittee has decided to focus its review on the performance of agencies in delivering

products—that is, actual outputs and expenditures reported in the relevant annual reports—compared with the forecasts outlined in the earlier portfolio budget statements and portfolio additional estimates statements for the year 2001-02.

The five selected topics for review comprise three from the department itself, one from AusAID and one from the institute. The departmental topics concentrate on operational outputs, services to business and consular and passport services, as well as an evaluation of the effort invested in policing in East Timor. The AusAID topic will examine results achieved by the Virtual Colombo Plan initiative. The final topic, which relates specifically to the Australia Indonesia Institute, has been selected to complement the standing committee's current inquiry into building Australia's relationship with Indonesia. There are a number of individual programs within the institute's area of responsibility that are of interest, but in the first instance the subcommittee is seeking an understanding of the broad scope of the institute's work.

On behalf of the subcommittee, I welcome the representatives of the Department of Foreign Affairs and Trade, AusAID and the Australia Indonesia Institute. The hearing will be divided into sections. Although the subcommittee prefers all evidence to be given in public, should you at any stage wish to give any 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 remind the witnesses that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. I invite the department to make a short opening statement before we proceed to questions.

Mr Varghese—We do not have a broad opening statement but, when we get to the 'Services to business' section, we would like to make some introductory comments describing the scope of the program.

CHAIR—Thank you very much. I will ask a broad question to kick off. It must be very difficult to make a broad evaluation, in a sense, because of the changing nature of our international relations and developments in various posts. Is there a hard and fixed formula that you undertake, or are you fairly flexible in the way you approach your evaluations?

Mr Varghese—This is something we have developed over the years, and it is still very much an incomplete project. As you suggest, evaluating some of the more subjective and less predictable elements of international relations is very difficult in terms of hard and fast measures. We have listed a number of performance indicators in the annual report. Many of those are reasonably longstanding, and some are quite precise in being able to measure outcomes—for instance, in the passports and consular area we are able to specify the number of consular cases that we deal with, the number of passports that we issue, the number of notarial acts and so on. Evaluating the quality of an international bilateral relationship becomes a bit more difficult. We do have to retain a measure of flexibility in the way we go about it and try to refine the process as best we can, in effect, every year.

CHAIR—What happens when you throw in a Bali incident or a September 11 incident? It must throw any fixed formulas out the window.

Mr Varghese—It certainly puts a huge strain on the system. Then again, in the case of Bali it is possible to measure and evaluate our performance in some areas, certainly with the consular assistance we have given. One of the features of international relations these days is that you

tend to be a little bit more reactive to developments outside of your control. In that sense, the urgent can often crowd out what we may have preplanned, but that is part of the business we are all in.

CHAIR—I am delighted with the number of members of this committee who have turned up today. Does anyone want pick that idea up?

Mr EDWARDS—I want to compliment Peter and all of those involved in the response in Bali. The feedback I have had from people in Western Australia was that they were very appreciative of the tremendous support and help they were given.

Department of Foreign Affairs and Trade: Services to Business

CHAIR—I would like to take that a little further by moving on to the relationship between your trade division in Foreign Affairs and Trade and Austrade and the way that works. Are you totally satisfied with that particular operation? How do you assess the effectiveness of our trade representation in those places overseas where you are working side by side?

Mr Varghese—I will ask Sue Tanner to comment on the respective responsibilities of Foreign Affairs and Trade and Austrade but, in terms of your overall question about the effectiveness of the current arrangements, certainly from our perspective they work well; we are satisfied with them. The threshold decision that was taken in the late eighties to integrate the foreign affairs department and the trade department has, in our experience, been a very successful venture and one which has had the effect of presenting the government with considered, coordinated advice that cuts across both foreign policy and trade issues. It has also significantly improved our capacity on the ground, in the field, to deliver the government's outcomes in those many issues where foreign policy and trade policy issues converge. The overall architecture of the integration of Foreign Affairs and Trade, both in terms of trade policy and trade promotion, is working reasonably well. But to give you a better sense of the respective responsibilities of Austrade and DFAT in the field, I will ask Ms Tanner to add to that.

Ms Tanner—I guess you could say that DFAT and Austrade have different but complementary roles in promoting Australian economic and trade interests. DFAT is basically the government's principal adviser on foreign and trade policy. In trade policy, it represents Australian national interests to foreign governments including, on occasions, important interests of specific Australian firms. But more significantly, it actually represents the collective interests of Australian industry sectors needing market access. We also provide information on general economic and political conditions to business to improve Australia's standing in key markets, and obviously our overseas posts play a very important role there in that they have very good local knowledge. It is also the lead agency for international negotiations, as you know, and heads of mission are responsible for the coordination of all Australian government activities overseas.

Austrade is the government's trade and investment promotion agency, so it is responsible for promoting Australia as source of high-quality commodities, goods and services. Austrade's key activities include matching identified and qualified business opportunities with domestic capability and providing direct assistance and advice to firms. Austrade also supports and facilitates the marketing activities of firms. It stages exhibitions, it takes trade missions overseas and it develops strategies to promote export activities and opportunities in particular industry

sectors. Where it identifies particular market access issues such as trade barriers, Austrade refers the matter to DFAT. In our experience, the two trade divisions in the department—the Office of Trade Negotiations and the Trade Development Division—work very closely with Austrade here in Canberra and in our state and territory offices. As Peter has mentioned, there is, of course, very close cooperation overseas in missions where Austrade would perhaps have first knowledge of individual firms coming in and exploring a market and where DFAT staff would be able to provide advice on appropriate levels of access, particularly if political access is required.

CHAIR—How flexible are you? Once again, I suppose there would be a number of examples where situations change very rapidly. I think of things like the Asian economic meltdown and the focus away from there, particularly up the Gulf. Is that easy to achieve? Is there enough flexibility within the system to be able to adapt to these crisis situations?

Mr Varghese—If you look at this retrospectively, the response after the Asian financial crisis demonstrated that the system as a whole was certainly capable of reorienting itself towards more prospective markets in the Middle East and in North America, for instance. I think the track record shows that there is quite a large measure of flexibility and, if you like, an ability to rejig in response to very significant developments. Each area of the department and each area of Austrade obviously has a built-in forward program, but I think quite a capacity to readjust and recalibrate as we needed to was demonstrated after the Asian financial crisis.

Senator FERGUSON—There are a couple of statistics in your report which I think require a little further explanation. One is to do with the number of Australian companies supported by the department with advice on market conditions and access to government and private sector contracts et cetera. In 2000-01, there were just over 15,000 services of support. Last year, there were only 9,900. Perhaps you could give some explanation as to why there is such a drop in the number of requests for advice from the department?

Ms Tanner—I suspect, as note 5 mentions, that this figure is necessarily an approximate one. Rather than a change in the number of companies assisted, I suspect it is more a change in the way that those statistics were gathered. I think the department's experience is that a similar number of companies are still being assisted overseas. Certainly, with Austrade's major efforts in trying to double the number of exporters by 2006, there is an increased emphasis on assisting Australian exporters and Australian companies to get ready for export. I do not have an answer on the actual difference, but I suspect it is more to do with the gathering of the statistics than an actual drop in the number of companies assisted.

Senator FERGUSON—Would a change in the gathering of statistics also account for the information in output 1.1 on the number of occasions when the department has contributed to the development of policies by other Australian government agencies? In 2000-01, it was 70; in 2001-02, it was 3,561. That information is on page 99 of your annual report—at 1.1, quantity information. From 70 to 3,561 does seem a bit of a jump.

Ms Tanner—That is right. I suspect that that is the situation, that there is a large increase.

Senator FERGUSON—What sorts of differences? It is all right to say that there is a difference because of the way you collect the information, but what are the differences in the way you collect the information?

Mr Varghese—I would like to point out footnote 11 in relation to those figures. It says:

This figure includes formal contact between departments such as inter-departmental committee meetings ... In previous years, this figure only included responses to requests by other departments for coordination comments on cabinet submissions.

So I think what we are counting in the 2001-02 financial year is different and broader than what we are counting in 2000-01. That, at least in part, explains the very big jump in the number.

Senator FERGUSON—There really is not much point in having comparative figures if they do not bear any relation to each other. It is misleading; there is no point in having them there at all. There are two separate items.

Mr Varghese—The reason for the explanatory notes is to explain changes where the basis for the comparisons has been changed or broadened. I suspect when we put this report together next year we will be comparing that 3,000-odd figure as like with like. Obviously, where we have changed some of the components in what we are counting we need to explain why.

Senator FERGUSON—The point I am making is that there is no point in comparing them at all. It is not even necessary to have that line there. There is no point in comparing two figures if they bear no relation to each other. You could have had two separate lines. I do not imagine that this next one is due to the change in the reporting mechanisms: the number of Australians arrested overseas seems to have increased dramatically, too. Is there any particular type of offence that Australians are being arrested for more than was previously the occasion? There were 649 arrests last year compared with 453 a couple of years ago and 560-odd last year.

Mr Varghese—With your permission, could I ask my colleague who handles consular matters to address that?

Senator FERGUSON—Yes. Mr Smith will know who has been arrested.

Mr Smith—I do not think I can provide an immediate detailed answer to your question. I do not have with me disaggregated figures identifying the specific kinds of arrest cases. But we can look into that, if you like, and provide the committee with that information.

Senator FERGUSON—It is unlikely that there were more Australians travelling overseas in 2001-02, considering world events, and it seems a fairly large increase in the number of offences that may have been committed by possibly a lesser number of people travelling overseas. I do not have the figures in front of me of those who travelled, but if it was 2001-02 there was a fair drop-off, for a while, in Australians travelling overseas.

Mr Smith—I think that there was a slight increase, for the whole year in fact, in the number of Australians travelling. But, again, I will have to check those arrest figures for you.

CHAIR—I would like us to go back to the 'Services to business' breakdown. Has anybody else got any questions on this section?

Mr BYRNE—I have a question. In terms of where these businesses are accessing information, has there been any change in the countries that have been targeted or that you are being approached about for information or contacts?

Ms Tanner—I am not sure if it is possible, but we would need to check which of the country fact sheets, for example, on our web site are most easily accessed. We would also need to check with our geographic divisions who mainly have contact with those companies doing business in those geographic areas. To go back to the earlier question and Mr Varghese's reply, where there are economic downturns in certain regions or countries then there is usually a little less commercial interest in doing business, although I know it is Austrade's experience that experienced exporters are often able to find and maintain their niche markets in some of those countries where there has been an economic downturn. Other companies are interested in taking advantage of cheaper purchases, for example, or they are able to invest in areas where there are opportunities due to an economic downturn. We certainly have a wide range of statistical country information on our web site, but I do not think we are able to indicate at this stage whether there has been a change in a particular country's information being accessed more generally than others.

Mr BYRNE—So you are not aware of any substantive changes in terms of any of the countries being accessed at this point in time?

Ms Tanner—No. In terms of the technology we have, we are not able to identify which countries have the most hits on our web site.

Mr BYRNE—Is this statistic just about hits on the web site or is it about telephone contacts?

Ms Tanner—There is a whole range of information, but I suppose in terms of actual country information our web site is the most important. The information we have is that the following countries consistently rank among the top 10 most commonly accessed pages on the web site: China, Japan, Malaysia, Indonesia, Thailand, the United States and India. Of course, we do have other contact from businesses through posts, through our state and territory offices and through the desks at our geographic divisions.

Mr BYRNE—Would you be able to take on notice—it might be difficult for you to give this to us now—the breakdown of how many people access the web site and precisely what service the department is offering in terms of that? Is it telephone contacts, is it the web site or is it you making representations to other countries? Is that possible?

Ms Tanner—Yes.

Senator SANDY MACDONALD—Peter, you are the deputy secretary and the senior trade official in the department; is that the right way of viewing your position?

Mr Varghese—My responsibilities do not cover the trade policy areas. I have responsibilities for South-East Asia, the South Pacific, the Middle East and Africa on the geographic side and for corporate management on the other side.

Senator SANDY MACDONALD—I think my question is relevant to you. I think all of us are aware of the enormous amount of Chinese goods in our shops, and there has been an

explosion in that over the last few years. What is the level of two-way trade between us and China now?

Mr Varghese—I would have to take advice on that. I have the breakdown here of our merchandise trade with China. Total trade is $A19 billion. That is exports and imports in terms of merchandise trade. In terms of trade in services—and these are 2001 figures—our exports of services were $876 million and imports of services were $449 million, so that is another $1.3 billion.

Senator SANDY MACDONALD—Heavily in favour of the Chinese?

Mr Varghese—The balance on the merchandise side was $3.4 billion.

Senator SANDY MACDONALD—That is a concern, is it?

Mr Varghese—That is a deficit. In other words, they were selling more to us than we were selling to them.

Senator SANDY MACDONALD—That is right. So the trade development area for us in China must be very important. The gas deal and other primary product exports are helpful, but do we have plans to make a special effort with China?

Mr Varghese—Certainly China is a very big market, and therefore we have quite a well-established trade promotion and trade development strategy with China. In relation to the broader question of deficits or surpluses, we tend not to focus too much on individual bilateral deficits or surpluses because they will vary over time and across regions. Obviously, our overall interest is in where the balance comes out on a global level. Perhaps I could ask my colleague Peter Rowe, who has responsibility for the North-East Asian countries, to answer your specific question about our plans for China.

Mr Rowe—I think that part of the explanation for the bilateral deficit is that China is displacing many of the other exporters for processed, manufactured goods that would have been coming from other countries. That deficit exists but, in terms of our own effort, for one country, our exports to China are pretty solid. With the gas deal and the other breakthroughs that we have had, I do not think that we are concerned that this deficit is going to balloon out of control.

Senator SANDY MACDONALD—Thank you. That is a good explanation: their imports are substituting for imports that we took from other countries. My next question is: have other countries—not just Western countries like us, but other countries in South-East Asia—had the same explosive increase in Chinese imports? Wherever you go in the shops, you see ‘Made in China’. They are good products—I am not critical of the quality at all—but they must have made enormous inroads into the market for consumer goods. It does not matter whether it is toys or good quality, cheap clothes: all those sorts of things are all made in China now. It is not something that I have just imagined; it has happened.

Mr Rowe—Other countries express fear that China will take over all manufacturing in the region, but I do not think those fears are too soundly based. As those basic manufactures and processing have moved into China, other countries have gone upmarket and started developing value-added products. Countries like Taiwan, South Korea and Hong Kong were major

exporters to Australia of these goods a few years ago. They are now investing in China while they have gone into other things and other developments. People do express these fears around the region, but I do not think they have yet been realised.

Senator SANDY MACDONALD—There was an interesting article in the *Sydney Morning Herald* just before Christmas which said that the expectation was that the Chinese would make a good quality car for $US2,200. China has the capacity to do that. I know that cars are cheaper now because of the developments in computerisation and so on, but it would make an enormous difference if they could start exporting that sort of motor vehicle.

CHAIR—If there are no further questions on the first topic, we now move on to the next section, which is 'Consular and passport services'.

Department of Foreign Affairs and Trade: Consular and Passport Services

CHAIR—Do the representatives for this section have any opening statement they wish to make at this stage?

Mr Varghese—No. We are happy to take questions.

CHAIR—I want to ask about the situation of assisting Australians overseas because of such things as death, running out of money, arrest or goodness knows what else. In your report, you cited something like 24,000 people who were assisted. In this financial year and in light of things like Bali, have those figures continued to grow?

Mr Smith—The figure that we have for the number of Australians assisted in the first half of this financial year is in fact slightly less than half of last year's figure. It is 11,992. As I say, it is just very marginally less than half. We are not sure exactly why that is. It may be that we will get a larger number in the second half of the financial year, but it is tracking around the same.

CHAIR—Have you got any idea of how much these services cost you?

Mr Smith—We have not produced, I do not think, a global figure for the costs of providing consular assistance. The costs, if you like, are spread across a number of areas of the department's operation—those in Canberra and those in our individual overseas posts that provide consular services.

CHAIR—One thing that has always intrigued me is how you get cash advances out of our agencies overseas. Are there any guidelines on who qualifies for that sort of assistance, and what sort of recovery rate do you get?

Mr Jackson—Consular officers at overseas posts can initially advance $150 to Australians who find themselves in trouble. The $150 is designed to help them get out of their difficulty, to tide them over while they make arrangements to get funding from Australia from family, friends or whatever. If they need a little bit more than that, consular officers in Canberra hold a delegation to provide in the first instance up to $500, and then we can go beyond that in deserving cases. In terms of recovery—

Ms Cox—We do the usual things in terms of debt recovery. We send letters to debtors. We have a reasonable repayment rate. At the moment for the last six months, we have managed to get back around 70 per cent. We also have the ultimate sanction, because the renewal of a passport depends on the repayment.

Mr Varghese—On page 148, there are some more detailed figures about recovery rates. You will see that last year we gave out $121,000—I am rounding these figures out—and we recovered $114,000. So that is a reasonable recovery rate.

CHAIR—Can I move on to the vexed question of travel advisories, particularly in light of some of the publicity that has been generated since Bali. Who exactly gets them? Is there any way that you have of monitoring their use? Is there any way of monitoring their effectiveness? Post Bali, has there been a significant demand for an increase in the travel advisory services?

Mr Smith—The travel advice that we produce—and we produce about 137 country-specific pieces of travel advice and a couple of issue-specific pieces of travel advice—is very widely disseminated. It is available to all through the DFAT web site, and we do have a very substantial number of hits on that site. We get on average 100,000 hits on the consular travel advice pages on the web site. That number changes at times of crisis. For example, immediately after the Bali bombing, those hits were taking place at a rate of about 60,000 an hour, so that is very, very substantial. That of course is only one method of dissemination.

We also provide advice through a fax-back facility. People can call a number at head office and have the particular travel advice that they are after faxed back to them automatically. We are working with the travel industry, and particularly with travel agents, to use the agencies as a mechanism for disseminating advice, and we see that as a critical link in the dissemination chain. The Australian Federation of Travel Agents has been working with us very helpfully to do that.

Your second question was about assessing the effectiveness of travel advisories and the extent to which they are penetrating the Australian market. It is hard to assess that with any sort of detail, but we are doing what we can. Anecdotally, we think the dissemination is very good but it could always be better. Recently we sent out to travel agents—and indeed it is on the web site, so any Australian who accesses the travel advice can respond—a survey asking a number of questions about how useful it is to people. We are seeking feedback on ways in which we can make the material and the travel advisories more user-friendly and more accessible. We are hoping to get good responses, particularly from travel agents, to that survey. As I said, we are always looking for ways in which we can get the travel advice out there more effectively to the travelling community. There has been a lot more interest since Bali. There was an increase immediately after September 11 and that has continued to grow. We have expanded significantly the number of advisories we produce. We are looking at a number of new technologies for disseminating that travel advice.

Senator PAYNE—The annual report for 2001-02 refers to country-specific travel advice being updated at least every three months. Obviously, I imagine that that changes fairly rapidly when necessary. In terms of the amount of government information that is provided to international travellers—and the things that come to mind immediately are quarantine warnings, drug warnings and things like that—how feasible is it to link the provision of an international airline ticket to the provision of travel advice?

Mr Smith—We are looking at that. Part of our approach is to cooperate with travel agents to see if we can take advantage of the direct access they have to travellers not only when they issue international travel tickets but also when they provide quotes, for example, or respond to general travel inquiries. We hope they will provide that advice directly to their customers when they make an inquiry. That was an attempt to answer your question, Senator.

Senator PAYNE—That is fine. Is that part of your ongoing discussions and negotiations with AFTA?

Mr Smith—I am not sure that I would want to call them negotiations.

Senator PAYNE—Discussions?

Mr Smith—We are certainly working very closely with AFTA—

Senator PAYNE—I understand that.

Mr Smith—and indeed with other parts of the travel industry.

Senator PAYNE—Of course, we should acknowledge at the same time that—to use a hackneyed colloquialism—you can lead a horse to water but you can't make it drink; you cannot force people to take any notice. Even with the best intentions in the world, you cannot force people to read travel advice.

Mr Smith—That is absolutely right. That is why they are called travel advisories. We cannot compel Australians to act. At the end of the day, the decisions that they make to travel or not to travel—or, if they go to a country, where to travel in that country—are entirely their own decisions. However, we see that our responsibility—and it is a very serious responsibility—is to ensure that those decisions are made on the basis of the very best information.

Mr BEAZLEY—I have two questions that relate to the previous questions to some extent. Frequently, the press draw your attention to the fact that there are differences in travel advisories emanating from Britain, America—in one instance, I saw it in one from New Zealand—and us. When each country issues travel advisories that appear to be different, are those travel advisories based on the same information? In other words, do the different travel advisories reflect a different form of intelligence reporting in each case or are they a product of a difference in the character of the advice in relation to threat assessment?

For example, a particular American threat assessment might trigger a particular type of travel advisory response, and the same threat assessment here triggers a different response from the American response. They might arrive at a conclusion of some degree of urgency and, on the basis of the same information, we might arrive at a conclusion of a minor degree of urgency. What sort of coordination and judgments apply in the case of each type of travel advisory that comes out of different countries? It is potentially confusing, because you can access their travel advisories, if you are skilful on the Net, in the same way that you can access ours—as has been pointed out to me by my constituents from time to time when they decide that I can provide them with a travel advisory.

Mr Smith—There is a degree of coordination that takes place, in particular with our key consular partners: the United States, the UK, Canada and New Zealand. Ultimately, the sort of information that we produce in the Australian travel advice is our decision. Intelligence reports, and in particular threat assessments that are done on the basis of intelligence reports, are only one of the inputs for the travel advice. We put the travel advice together on the basis of a number of different sources of information—threat assessment is one source. We also rely very much on the advice that we get from our overseas posts, and our people at those posts are making assessments on a daily basis about local conditions and the impact that those local conditions are having on the safety and security of Australians. The fundamental difference, I think, in terms of the approach that we take and the approach that, for example, the US, the UK and others take is that we make our judgments on the basis of threats to Australians, not to Americans, Brits, Canadians and New Zealanders. There are times when those threats are different. There are times, for example, when there may be information about threats to a specific country's nationals or a specific country's interests. They may or may not have an impact on the safety and security of Australians, but we need to make that judgment as part of the revisions that we do to the travel advice.

Mr BEAZLEY—We had some evidence from our overall committee, which is monitoring the issues entailed in the war on terror, that Australia was beginning to feature much more regularly in the sermons in mosques in Pakistan, and in one or two other places, in their list of those who ought to be legitimately subject to jihad activities. This is a relatively new phenomenon in that we are named, as opposed to being part of a Western generic. Has this sort of statement started to feature more in our calculations in regard to travel advisories to Indonesia, Pakistan or Malaysia, or do we see the threat as a continuum which looks the same as it has for the last couple of years?

Mr Smith—I am not sure that I can answer that question directly, but to the extent that it is a problem, to the extent that those concerns are arising, they will be looked at not so much by the Department of Foreign Affairs and Trade in the consular area but by the relevant intelligence agencies in the assessments that they produce—assessments which, as I said, feed into the travel advisories that we produce. That is one element, but it is one of a number of elements.

Mr BEAZLEY—Have you contemplated developing a capacity for the public to interrogate, if you like, the character of your travel warnings? You produce a general travel warning to a particular area. I get quite a lot of inquiries about travel advice—which, to say the least, is annoying since one or two of my constituents obviously want to lumber me with the personal responsibility for their safety. Have you thought of developing a capacity to interrogate your particular travel warnings so that a person can get to grips with what they really mean? I get inquiries where, for example, people have looked at the travel advisory but then ring us up and say, 'Where do you think we could go in Europe so that we would avoid the bombs?' or, 'What parts of Indonesia can we visit and be relatively safe?' or, 'What particular activities ought we to avoid?' I do not know about other members of the committee but I have had at least half a dozen inquiries like this. That is quite a lot for a member of parliament. When you get about half a dozen in the course of about six months or so, you know there are a lot of things they would like to know.

I am also terribly conscious of the fact that we do not want to stop Australians travelling in South-East Asia. One of the principal objectives of al-Qaeda is to cut off communications between the West and Islamic countries. I do not want to play into al-Qaeda's hands by saying

to people, 'Under no circumstances go to Indonesia.' Al-Qaeda has won a battle if you allow that to happen. Have you thought of developing a capacity to interrogate your site for people who want specific information about the sorts of things they intend to do? It would be an expensive and difficult business and, for the people who actually conduct the site, a very harrowing one because it would intensify the personal obligations of any of those who answer the questions.

Mr Smith—We are certainly very conscious of the problem and of the interest in the community. It is a positive thing to get more information that informs travel advice. Having a facility that would enable people to interrogate the advice would be difficult. We are approaching it from a slightly different angle. We are looking at finding ways of either providing better explanatory material so that people can understand and interpret the travel advice better—it often does use very particular and precise language—or, at the same time, simplifying that language so that the underlying intent and messages in the travel advice are clearer for the travelling public.

One of the problems with a system for interrogation is that we would have to have more detailed sets of information underlying the travel advice. Often that can be very tricky because there are obviously limitations on, for example, what kind of reference we can make to intelligence reporting or threat assessments or, indeed, other forms of assessments that we make which in turn feed the travel advice. So there are some difficult balances that we have to reach. We think the balance we have now is not bad. It can always be better and, as I said, we are looking at ways in which we can do that better. It is an ongoing process of refinement and so on. This is one of the areas where we work very closely with our consular partners. They in some respects take different approaches to their travel advice. A lot of them provide much more detailed information. Interestingly, a lot of the feedback we get from the public is that there is too much information on travel advice; they want simpler messages.

Mr EDWARDS—I want to raise the question as to where we are with our prisoner exchange program. Is someone able to give me some advice on that?

Mr Smith—The prisoner exchange program is principally administered through the Attorney-General's Department. I think they are probably the better ones to ask.

Mr EDWARDS—That is not my understanding. My understanding is that it heavily involves your department.

Mr Smith—It does involve our department but—

Mr EDWARDS—Can you tell me what your department's involvement in the program is?

Ms Cox—The responsibility for the policy and for the implementation and management of the program rests with the Attorney-General's Department. The primary role of DFAT is in our overseas posts providing information to prisoners about the scheme and facilitating their applications as part of that scheme.

Mr EDWARDS—So you are telling me that, if I am to pursue this, I have to go to the Attorney-General?

Ms Cox—They have primary carriage of the prisoner transfer scheme. The prisoner transfer scheme works in both directions; there are prisoners in Australia who want to go overseas. Our interest is in returning to Australia the prisoners who are in jail overseas and providing a consular service to assist them in meeting the regulatory frameworks of both—

Mr EDWARDS—There is a particular situation I want to pursue. It relates to an individual. Perhaps it might be better if I put some questions on notice via the committee. That might be the best way to pursue it.

CHAIR—We could do that, yes.

Mr Smith—We would be happy to take those questions on notice and, as necessary, liaise with the Attorney-General's Department.

Mr SNOWDON—I want to go back to the issue of threat assessments and travel advisories. Is it your part of the department that makes the decision to close embassies as a result of a threat assessment?

Mr Varghese—Our decision to temporarily close the mission in Manila, for instance, was taken by the minister. In coming to that decision, he would have had information in front of him from a number of areas of the department, obviously. The consular branch would be one input, the views of the geographic area would be another and the overall assessment from the intelligence community would be a very important factor as well. So there were a variety of inputs.

Mr SNOWDON—When you have these travel advisories, which may be, as Kim said, to warn people against travelling to, say, Indonesia or East Timor for that matter, what do you do about Australian nationals living in Indonesia or East Timor at the time the travel advisories are put out?

Mr Smith—When there are changes made to travel advice for a particular country, the local mission will do what it can to ensure that those changes have been brought to the attention of Australians resident in the country. There are a number of ways of doing that. We very strongly encourage all Australians in a country to register with the local embassy or high commission. Not all do that. For those Australians who have registered, we have particular means—fax, email and so on—of getting those changes to them. We use other mechanisms—such as through chambers of commerce and other consular networks—to ensure that we get that updated advice to Australians.

Mr SNOWDON—Presumably, people who live in these communities may have a different view about the threat assessment which is being made by the department. I want to go back to Kim's point about interrogating your advisory notes and to the situation in East Timor last year, when the mission was closed. There was a public meeting subsequently, which the head of mission addressed, and I think there were some hundreds of people present. After that meeting there was quite a high level of dissatisfaction with the amount of information that was given to people, because it basically mirrored the general advisory note that was given to them prior to the meeting, as I understand it. What capacity is there to ensure the nationals on the ground have a closer interrogation of the advisories? What notice is taken of their views about those advisories once they have been expressed?

Mr Smith—We get the advisories to expatriate Australians as quickly as we can. We do not, for example, show them drafts. That would not be a practical way of proceeding. But inevitably we get feedback from the local community and obviously take that into account. The meeting that Ambassador Foley held in Dili was a very good way of ensuring that Australians were not just aware of the changes but able to comment and provide feedback on them.

Mr SNOWDON—I am not being critical of the meeting or Ambassador Foley, but I had a number of people ring me after the meeting and say that when they sought to interrogate the people giving them the information they were not satisfied with the responses. They were therefore left to make judgments about whether they should relocate their families back to Darwin or wherever else without having their inquiries properly satisfied. That is why I raise the question. I imagine that it is an issue which often arises in these areas where we determine to close a mission, such as in this case in the Philippines, or in Jakarta or Dili. So I am wondering—and I am supporting Kim's view—about having some process by which people can interrogate the notice and perhaps have some more structured arrangements for engaging with the local expat communities in those areas about the travel advisories before they are prepared.

Mr Smith—There is an ongoing process of consultation and dialogue between our ambassador or high commissioner and the local expats in any given country. The ambassador or high commissioner will very much take account of the sorts of views that are filtering up through the Australian community in forming the judgments that, in turn, form the advice that they give us. Where we have information about a specific threat, which will probably have been based on intelligence material, there are limits as to how much of that we can provide to the Australian community. Again, it is a difficult question of balance, but ultimately there are going to be those limitations. It is very difficult and certainly we are aware that it is the cause of some frustration on the part of Australians, but that is unfortunately one of the limitations that we have to work within. It is why it is important that we manage the whole travel advice process in a way that builds the confidence of the community in that travel advice.

Mr BEAZLEY—On a completely different area, have you any idea of the number of passports that have not expired that either are lost or have been stolen at this point in time?

Mr Nash—We lose about 30,000 passports a year. There are approximately 7.7 million current passports in circulation. Hopefully the bulk of those are in the hands of the bearer.

Mr BEAZLEY—Some of those losses must be cumulative, because passports are valid for about five years—

Mr Nash—Ten years.

Mr BEAZLEY—If one goes missing in a particular year, chances are that there are still six or seven years left on the passport. You could get a cumulative position of 400,000 or 500,000 valid passports out there that are in someone else's hands. Is that the case?

Mr Nash—Every time we become aware of a passport being lost or stolen it is cancelled in the system, so it could not be used for travel.

Mr BEAZLEY—To what extent do you, in your examination of the causes of the disappearance of 30,000 passports, make an assessment that says 'product of a well-organised

activity'—in other words, that there are groups of people in particular countries or around the globe who have a particular interest in stealing Australian passports? Do you come to the conclusion that there are such people out there or do you see it as a phenomenon that is essentially catch-as-catch-can?

Mr Nash—It is something which is very difficult to get an accurate handle on. Of those 30,000, about 20,000 are lost in Australia. We suspect a lot of those are simply lost in people's homes. About 10,000 are lost overseas. Of those 10,000, less than 10 per cent subsequently turn up as being fraudulently used. We can only conclude from that that the vast majority of them are simply lost, and lost forever in most cases. Relatively few that turn up have been misused. We do not want to draw too many conclusions from that, though, because sometimes forgers and fraudulent users are extremely good, and we can only hope that we know most of such users.

Mr BEAZLEY—Of the people who become fraudulent users or who are fraudulent users, do you make an assessment of what type of people they are? Are they criminals who are simply looking for a clandestine way to travel internationally, are they terrorists who are looking for opportunities to get from country to country with a relatively clean passport or clean background or are they just mischief-makers who basically see this as an opportunity when they have one of these passports in their hands to travel anonymously for any particular set of purposes?

Mr Nash—You can only suspect that they are some of all of the above. However, the most common one is that the passport will be sold to somebody who tries to use it to enter Australia for purposes of illegal immigration. They are by far the largest proportion of the ones that come to our notice.

Mr BEAZLEY—That is interesting.

Senator SANDY MACDONALD—It would be unlikely, if someone could buy or steal a passport, that they would not try and use it to enter Australia. It would be very unlikely, providing the forgery was satisfactory, that it would not be able to be used. Is that a fair comment? How do you advise other countries that the passport has been cancelled? Do you have a systematic approach to advising, say, the British government that a particular Australian passport has been cancelled?

Mr Nash—Yes, we do. It is very much a mechanical process. We are looking at the moment of ways of taking that online and doing it electronically. Particularly in the South-East Asian region we have been consulting with countries about sharing information in that area.

Mr BEAZLEY—Are we under pressure from the United States or others to improve the character of information contained in our passports; in other words, introduce a biometric component to it and find different sorts of things—thumb prints, for example—that might be placed on it to further enhance the identification of the possessors?

Mr Nash—The United States has passed legislation that requires every visa waiver country—Australia happens to be one of 28—to have a biometric identifier, or to be more correct a program for a biometric identifier, to be placed in the passport by October 2004, and those countries that do not comply will no longer enjoy visa-free entry to the United States.

Senator SANDY MACDONALD—New passports?

Mr Nash—New passports.

Senator SANDY MACDONALD—Not existing passports?

Mr Nash—Not existing passports.

Mr BEAZLEY—What would it cost us to upgrade the passports to produce the sort of data the Americans want?

Mr Nash—We have preliminary figures only at this stage but it is of the order of $20 per passport.

Mr BEAZLEY—Is that right? That is not terribly expensive. What sort of data and what process would be required to be put in place to achieve that standard?

Mr Nash—We are at the moment conducting research and development into facial recognition as a biometric identifier and are at the moment probably world leaders in that area.

Senator SANDY MACDONALD—What other methods of biometric identification can you use? Eyes or iris?

Mr Nash—Iris and also fingerprint, which is one favoured by the United States. With fingerprint, then it is a question of whether you use both thumbs or all 10 fingers.

Senator SANDY MACDONALD—Is coded DNA a biometric?

Mr Nash—Yes, it is.

Senator STOTT DESPOJA—On a different subject, in relation to the responsiveness to a consulate crisis, you have mentioned in particular that with September 11 counselling was made available to traumatised Australians—I presume that was to families as well as friends. Can you either let me know now or take on notice as to the take-up rate of that counselling, how long it was provided for and who provided it? Was it provided through Centrelink? I understand Centrelink provided the counselling for the families of Bali victims. I am happy to put that on notice because I am not entirely sure who is the best person to ask.

Mr Smith—We will have to take that on notice and get back to you.

Senator FERGUSON—On a different subject, and that is your services to state and territory governments—which, by the look of your table, seem to have increased dramatically in the 12 months since the previous reporting period—firstly, is it possible and, secondly, is it difficult to get a breakdown of to which those countries those services were provided? I notice that your general report talks about visits to China, Japan and the Republic of Korea, and it seems to me that many state governments are concentrating their efforts in China. Is it possible to get a breakdown of where those services were provided?

Mr Varghese—Can we take that on notice?

Senator FERGUSON—I do not want you to do it if it is going to take too long, but it would be useful information, I think.

Mr Varghese—We will see whether we can provide that.

Senator FERGUSON—There is one sentence in your report that looks like it has been written by an MP coming back from a study tour! Page 116 of the report mentions:

- visits to **Denmark**, **Italy** and **Spain** by several state premiers and other state ministers, including to examine a range of social, economic and environmental issues.

I reckon that is the best catch-all I have ever seen. There have been some visits to Chile and South America, and I am interested to know where the various state governments are making these visits, because I think it would give us some indication of where issues relating to trade in particular are being concentrated.

Mr Varghese—We can certainly provide that information.

Senator PAYNE—Following on from that, given how many of those delegations nominate the pursuit of trade opportunities or investment interests and development opportunities as their purpose, is there any accounting for the results of such visits that DFAT support?

Mr Varghese—In terms of our own systems and whether we follow through?

Senator PAYNE—Yes; does Austrade pursue that?

Mr Varghese—Again, I will take that question on notice.

Mr BYRNE—With reference to your figures on consular services provided to Australian travellers in 2001-02, are there significantly fewer Australians travelling overseas as a consequence of September 11 and Bali? Has your department picked up the data it collected for 2002-03? Are you experiencing a drop in the accessing of services at this time?

Mr Smith—I do not think we have figures that we can provide you with now. The figure for the number of Australian travellers in table 11 on page 135 of the annual report is taken from exit data from Australian airports—it is provided by the ABS, so in effect it is the number of individual departures from Australia. At this stage we do not have the figures for the first half of this financial year.

Mr BYRNE—Do you have any anecdotal evidence?

Mr Smith—I do not think we could say whether there has been an increase or a decrease.

Mr BYRNE—Can you take that on notice and provide us with the figures for that six-month period?

Mr Nash—I can add there that passport issue rates are down by about 10 per cent on projections. That figure usually gives some indication of a trend in the number of people travelling.

Mr EDWARDS—I will put my question on notice. I would like to know the status of the application for a prisoner transfer from Thailand made by Mr John Doran, an Australian citizen. The application was lodged with the Australian embassy in Bangkok.

Mr Varghese—We will take that on notice and get back to you.

CHAIR—We will now move to the next section: 'Support for policing in East Timor'.

Department of Foreign Affairs and Trade: Support for Policing in East Timor

Senator PAYNE—Can you please outline for us Australia's current involvement—either through the AFP, the state police or your department—in support for policing in East Timor?

Ms Rawson—I will start off, if I may, Senator Payne, and perhaps ask my colleague from AusAID to elaborate on any particular points. The primary Australian support for policing in East Timor is the Australian contribution to the United Nations police contingent. Since 1999, over 600 Australian police have served in East Timor. That contribution has been from both the Federal Police and a range of state police services. The current number of Australian police serving in East Timor with UNPOL is 55, and that includes the deputy commissioner of operations. In brief, the other support provided by the AFP—and I can only speak in brief; you would need to ask the AFP for further details—has been the facilitation of East Timor's membership of Interpol—which happened in October 2002, I think—and the provision of forensic training to the East Timor Police Service. It is also looking in the coming months at providing bomb search equipment and training, some police boats and UN police operations training. That would be primarily under the auspices of the Law Enforcement Cooperation Program.

AusAID has provided English language training to the Department of Police and Emergency Services officials. It is deploying a technical adviser to help build an East Timor Police Service development program—what is called a 'road map'—as part of the East Timor National Development Plan, and it is also looking at providing a civilian law enforcement adviser. The defence department, through AUSBAT, has recently concluded training the first intake of 60 East Timorese border police in patrolling techniques, and a second group will begin training shortly. That is current and tentatively planned assistance.

I should add that, in November of last year, a joint UN donors assessment mission was undertaken in East Timor to look at the East Timor Police Service in some detail. Australia did play a role in that through AFP and AusAID. The final report from that assessment mission has not yet been completed. I think it is expected to be handed into the UN some time this week or next week.

Senator PAYNE—Who is producing that?

Ms Rawson—It is a joint UN donors assessment mission report. But certainly the preliminary findings from that mission, as we understand it, emphasised the need for strategic

policy development, standardised processes and systems, better training and better interagency linkages as well as the need to look at resource and infrastructure shortfalls.

Senator PAYNE—Ongoing involvement and priorities are outlined in the interim strategy—which, as I understand it, is currently in a review process and due to be completed relatively soon. The interim strategy is the allocation of $150 million over four years, and the review will determine the future of that. Can you comment on whether policing and law enforcement will be a prominent part of that review?

Ms Rawson—I will need to defer to my colleague from AusAID to answer that in more detail. But there has been a strong commitment from the government; both the Prime Minister and Mr Downer have said that Australia is prepared to provide further assistance in policing to East Timor.

Senator PAYNE—In addition to that, have the disturbances at the end of last year had any impact on those considerations?

Ms Rawson—Certainly the commitment that the Prime Minister and Mr Downer made was following on from the disturbances in Dili in early December last year, and so certainly in that sense there is a clear connection. I will ask whether Mr Davies has further to add on the interim strategy.

Mr Davies—You asked about the review process for the interim strategy. As you correctly said, that strategy relates to the period of disbursement of the $150 million pledge. We are in the relatively early stages of reviewing that strategy. We have undertaken some internal work, looking back at the effectiveness of our humanitarian assistance and at the other interventions we have made in a range of development sectors. We are now beginning to undertake the forward-looking component of that review in close consultation with the East Timor government.

As my colleague has said, clearly policing will be a central focus of our planning. The Prime Minister has made a very clear commitment that Australia stands ready to help if that help is asked for. There was a donors conference on 9 and 10 December in Dili at which law and justice issues were discussed in some depth. It was generally agreed among all key donors to East Timor that there needed to be a more effective, coordinated approach to assistance to the law and justice sector. That covers all three pillars of the sector: not only the police but also the court system and the correctional system.

We will base our assessments and future planning on several joint exercises that have been undertaken between donors and the government. One of those is certainly the joint assessment mission that my colleague referred to in relation to policing. A second is a separate joint assessment mission that took place last October in the area of corrections. A third area is support for the court system more generally—and the UN is working with the government at the moment to establish a framework for coordinated assistance to the court system. Specifically, in terms of policing, Australia has played a very central role in the joint assessment mission. We contributed a key consultant as a team member, and that person has played a very substantial role in coordinating the work of the mission and in drafting the report.

Senator PAYNE—Was that an AFP consultant or an external person?

Mr Davies—It was a private consultant, an ex-Victoria police person who has extensive experience working on AusAID projects, particularly in the Pacific. That report, as my colleague said, is due to be submitted to the government and the UN very shortly, in the next week or two. At the same time we are already moving ahead to assist the government with its own priority-setting processes regarding the police force by placing a consultant—indeed, the same person—in Dili for a period of six weeks to assist in prioritising and sequencing the government's actions in relation to the police force for the coming year. We expect that the recommendations of the joint assessment mission, combined with the outcomes of this technical assistance exercise that we are now supporting, will provide a very strong basis for Australia's future planning and also a strong basis for coordination among donors.

Senator PAYNE—Coming straight back to basics, notwithstanding all of the contributions and efforts, we are starting from an extremely low base, though, aren't we?

Mr Davies—Yes, I think that has been widely recognised. We are starting from a low base in terms of skills and training and a very low base in terms of equipment and resources for the police force.

Senator PAYNE—I heard what Ms Rawson had to say about the contributions that we are making in the area of skills and training. But—you will forgive me for not being a police expert—if we are starting from such a low base and we are looking at pretty basic technical and civilian law enforcement advice, donating bomb search equipment at the same time seems to me to perhaps have a component of 'cart before horse'.

Mr Davies—I think my colleague might need to comment, but my understanding is that that equipment has been passed to UNPOL, not to the East Timor Police Service.

Senator PAYNE—That makes more sense. In terms of the capacity or scope for exchange between Australian police forces and the ETPS, what level of exchange is possible? Do we have any assessment of that?

Mr Davies—I do not think I can comment.

Senator PAYNE—By 'exchanging police', I mean bringing East Timorese police to work in Australian police forces.

Ms Rawson—I am not aware of any plans for doing that.

Senator PAYNE—Would that be an initiative worth considering?

Ms Rawson—What need to be considered are, as we have said, the fairly low skills base we are starting from, the language issues that there would be and also the sense that one of the key issues for the police service is to build up an identity as the East Timor Police Service. The recruitment has taken place from many quarters in East Timor. It is important to build up the culture of being an integrated police service, and I am not sure that at this stage of the process exchanges would provide much in that regard. But, as I say, I have not discussed it with the AFP and do not know whether that issue has been under consideration at all.

Senator PAYNE—I think it is an interesting issue. For example, I met two East Timorese policewomen in Australia last year who were here for the international conference on Women and Policing Globally held in Canberra. They were here at the invitation and with the financial support, I think, of the Australian Federal Police. Their English was a hell of a lot better than my Tetum or Portuguese and we managed a reasonable sort of exchange on how valuable they found the experience and how 'affirming'—for want of a better word; it is not one I use very often—they found the opportunity to meet with women in policing from around the world. Theirs is a small police force, even in its early days, and there is a reasonable opportunity to identify people with potential. That is how these two women were identified and brought here. It gave them an opportunity to see how a cohesive, fully developed police force works, so it should not be underestimated.

Mr SNOWDON—Could you give me an idea of how many East Timorese police have been through the police training college in Timor since it was established? Could you tell me what the period of training is for each of the police?

Mr Grigson—The number is about 1,500. The total East Timor Police Service strength is 2,285. The structure is: a superintendent; about 217 at what they call the 'sub-inspector' level; a couple of senior agents; 1,316 at the agent level; and 749 recruit agents, both in service and just out.

Mr SNOWDON—Does the joint assessment mission that has been referred to address an evaluation of the outcomes of the police training system?

Mr Davies—I believe so. The report has not yet been released but it has focused on training issues.

Mr SNOWDON—Will it be particularly looking at the incident which occurred late last year and the performance of the police in that incident?

Mr Davies—The mission took place during 18 to 30 November, which was just before that incident took place. I do not know whether it will be retrospectively redrafted to take account of that.

Mr SNOWDON—I submit to you that it would be a rather benign report if it did not. I have been informed, by people who were in East Timor at the time of the incidents, that East Timor police reacted to the civil disturbance by trying to disguise their occupations and that basically they did not want anything to do with the civil disobedience. I am wondering, therefore, if you can ensure that an evaluation of those events is included in whatever assessment is being done. The evaluation should refer back to the training that the police were given at the police training college.

Mr Davies—My foreign affairs colleagues may also wish to comment, but I believe that the principal opportunity for Australia to do that would be in its discussions with the UN on its response to the report and the recommendations that it may make on that report.

Mr SNOWDON—Forgive me, but if you have not done the evaluation how are you going to respond to the report?

Mr Davies—I am quite sure that the team has evaluated the quality of training and will have identified some of the shortcomings that may have been factors in the events in East Timor.

Mr SNOWDON—But in terms of the Australian contribution—when you are in this discussion after you get this draft report—what consideration will be given to these events?

Mr Varghese—I would like to make an observation. I think the primary purpose of the assessment mission is to look at the institutional requirements for the setting up of an effective East Timor police force. Therefore, they will be focusing on a whole range of issues. I would not imagine that that particular incident—while I am not saying it is totally irrelevant to that broader question of what the institutional gaps are and how to plug them—would be the primary focus of the terms of reference of the assessment mission. There are, of course, East Timor government-generated inquiries into the incidents of early December, and I am sure the outcome of those would be something which would be taken into account. But if you are suggesting that the assessment mission itself conduct a 'post mortem' on those particular incidents, I am not sure to what extent that would really fit with its current focus. I am not saying it is irrelevant to its current focus—

Mr SNOWDON—I appreciate that.

Mr Varghese—but I am not sure that it is a neat fit.

Mr SNOWDON—Let me put it this way: one of the institutional strengths must be the training.

Mr Varghese—Sure.

Mr SNOWDON—If the training is not appropriate or sufficient to meet contingencies that might arise after people have graduated, it seems to me that there is an issue. I would have thought there was a direct relationship between the performance of people in stressful situations and their training; that is why I asked the question. Perhaps you could come back and tell us what they are going to do. Would you also inform me of what role Australia played in the setting up of the police college? I visited the college, and I know there are Australian officers in the training team.

Mr Grigson—The academy is a joint United Nations-East Timor Police Service facility. I think we have provided trainers over time, but it has largely been run by the commissioner at the time.

CHAIR—Excuse my ignorance, but what is the relationship these days between the East Timor police and the military? Is there any coordination between their activities?

Ms Rawson—The East Timor Police Service and the East Timor Defence Force are separate entities. At the moment, the East Timor Police Service is under the command and control finally of the United Nations, so it is an integral part of the UN's responsibility for internal stability in East Timor, together with the East Timor government—but the defence force and police are separate.

Mr BEAZLEY—Related to that, I want to go into the relationships between the Australians in particular and more generally all in the UN forces, the activities of the police force and the problems they are confronting, as I have seen one or two references to that in the media. Basically, as I understand it, the Australian forces have responsibility for probably the most sensitive part of the border in terms of people who come across it to create mischief or who may later create mischief, even if that is not their intention immediately when they come into East Timor. To what extent do we accept responsibility for law and order issues that arise in Timor with respect to people who may have got in across the border that we are responsible for and are supposed to keep under guard? How do we interpret an action by a member of the former militia who may have got into East Timor and started to create a bit of mischief? Do we regard that as part of the entry process which we monitor, or do we leave that simply as a civil problem, when we might have had some responsibility for the person being there? At what point does the crossover occur from it being a piece of mischief created by the act of border-crossing to being a piece of mischief that is regarded as indigenous and not our responsibility?

Ms Rawson—With regard to the first part of your question, Australia, as such, does not have responsibility for the internal or external security of East Timor. The responsibility for those security issues rests with the United Nations and the East Timor government. As part of the overall United Nations operation, Australia, as you know, contributes to the peacekeeping force and, as I said previously, is part of the UN police service. As you say, the Australian battalion in the peacekeeping forces is located to a large extent along the border area. It is a very porous border. It is my understanding that it is not easy to be aware of all movement in and out of East Timor across the border, and to some extent some of that movement, particularly over the past year, has been related to various smuggling operations. So there certainly is movement there. To the extent that the United Nations has the responsibility for ensuring internal security, together with the East Timor government, certainly a lot of effort is put in by the peacekeeping force to monitor movements and to make sure that, if there is movement, it is benign. But, as I said, it is a very porous border and it is very hard to keep track of all movement.

Mr SNOWDON—On a totally unrelated matter: I am sorry that we did not give you any notice of this question but, given your position in the department, I wonder if you could advise us of the current position on the ratification of the Timor Sea Treaty?

Ms Rawson—The South and South-East Asia Division does not have carriage of that issue in the department, so I cannot answer that question.

Mr Varghese—My understanding is that we still have not finished all of our processes for ratification of the treaty, but of course our intention is to ratify.

Mr SNOWDON—I understand that, but how quickly will that happen?

Mr Varghese—I cannot put a timing on it at this stage.

Mr SNOWDON—Will it happen in the next fortnight, in the next month?

Mr Varghese—I would be guessing if I responded.

Mr SNOWDON—Would you come back to us with the time scale that is envisaged?

Mr Varghese—Certainly, I can get back to you on that.

Mr SNOWDON—I understand there are contracts which require at least one of the participating business partners to affirm supply by mid-March. Is that correct?

Mr Varghese—I would have to take that on notice. Let me get back to you with our best estimate on timing.

Mr SNOWDON—But it is correct to say that the East Timorese have ratified?

Mr Varghese—That is right; that is my understanding.

Mr SNOWDON—Thank you.

Senator PAYNE—Mr Davies, you referred to the review of the interim strategy. I want to check on the time frame you alluded to there. Is it a long-term process that we are talking about?

Mr Davies—To some extent, it is dependent on the wishes of the East Timor government. We have undertaken internally the backward-looking component of that review, as I said earlier, but in terms of planning our future strategy—at the moment we are operating with an interim strategy, as you know, and we are now moving into a long-term strategy—we are working with other key donors and the government. The government is keen that all donors march in locked step and do not get ahead of the government's own planning processes. At this stage our intention is to have completed the strategy process by the end of the year at the very latest, and perhaps a couple of months sooner than that.

Senator PAYNE—When you say 'other key donors' you mean NGOs and—

Mr Davies—No, I am thinking primarily of the other key bilateral donors—Japan, Portugal, the EU and so on.

Senator PAYNE—As Ms Klugman knows, I was at an education conference recently which canvassed the issue of the non-government contribution to support for East Timor. I know this is not a police issue, so if you would just indulge me momentarily. There is a lot of goodwill from non-government groups—in this case, the Australian Catholic University and a number of other education organisations—in wanting to assist in that process, but they are very concerned about how they might make a contribution to the interim strategy review and how their proposals and concepts might be able to help in the building process and be taken into account. There was an AusAID representative at that meeting—for which the organisers were very grateful, and her contribution was excellent—but I would be interested if you, Mr Davies, could take on notice in relation to those questions the issue of what process is available to those outside government who are making significant efforts to contribute to the building of East Timor, to work with AusAID and to be considered as the strategy develops.

Mr Davies—Perhaps I can try to answer that briefly now. We are in the process of drafting an issues paper which will form the basis of consultation with interested stakeholders both in Australia and in East Timor. That should be approved within AusAID within the next two

weeks, and then we will be approaching ACFOA, individual NGOs and other interested parties to consult on the basis of that.

Senator PAYNE—I think we would be interested to hear how that progresses. Thank you very much for your assistance.

CHAIR—Thank you for your time today. We will now move to our next topic, the 'Virtual Colombo Plan'.

Australian Agency for International Development: Virtual Colombo Plan

CHAIR—To start with, could you give us the range of projects that you have initiated during 2001-02? Do you have any evaluation of these projects? How have you reached those evaluations?

Mr Proctor—The answer to that is quite a wide-ranging one, so I will pick the more substantial aspects. The announcement of the Virtual Colombo Plan by the minister was to provide $200 million over five years, primarily through existing programs of the agency. There are a range of countries that are doing things, and I will cover key points on that in a moment. In addition to that, there were some specific commitments to join a number of World Bank related activities. The first was the Development Gateway Foundation, which we are now a member of. An Australian sits on the board of that foundation. We have provided $8 million as part of our total contribution to achieve that membership. Australia has also been the first OECD country to launch its own local development gateway. In fact, the Development Gateway Foundation is based in Washington, but the logic of it is that there will be country gateways in all countries oriented to development issues. There are currently some 50 country gateways. As I said, we are the first OECD member to have initiated one, and that was in September last year.

The other activities under way have been to help, jointly with the World Bank, establish a distance learning centre in Ningxia, China, and the Global Distance Learning Network—GDLN—centre within the World Bank's office in Dili. Those have been quite successful, particularly the Ningxia centre, which is very active. The government committed $6 million to the African Virtual University to provide Australian content, and that is being finalised at the moment. We have worked with the University of the South Pacific to digitise their library holdings. There is an Internet law reporting project under way. Preparations have been finalised for a three-year distance education support program in conjunction with the University of the South Pacific.

There are many others, but perhaps some of the more substantial ones are programs of virtual scholarships for Papua New Guinea. We are funding two programs. One of those is to upgrade the qualifications of teachers at bachelor level and nurses. That is being done through distance education, with 80 virtual scholarships involved in these two activities. There are also another 80 scholarships planned for upgrading teacher qualifications to Master of Education level in PNG. Associated with that, there will be five learning centres set up in various parts of Papua New Guinea, including Medang. These will be fully equipped centres with computers, other IT learning equipment and such.

In addition to all that, and in conjunction again with the World Bank, we are funding the establishment of a global development learning centre in Port Moresby. This is a centre that has IT, Internet and videoconferencing facilities, so it is much more substantial. In fact we have

been involved with the bank on a number of these global learning centres. It is a network. There is one in Australia, at the ANU. That is not funded by the Australian government. That was a commercial decision of the ANU to join this network around the world, obviously as a provider rather than a recipient of development material.

There are courses on computer network management and health in Tonga, and in Kiribati there are courses on setting up computer networks and technical skills, and so it goes on. There have also been a number of pilot activities that we have directly funded from our area, including high-level dialogues with the ex deputy head of our Reserve Bank and with counterparts in the region. There were management series online curriculum development courses at the University of Southern Queensland.

In addition and finally, there are two interesting things, I think. In working with the World Bank we have been pressing to have a stronger survey of needs for development information through these new technologies. We jointly conducted a survey of user needs for the region both through Internet and videoconferencing arrangements. We have trialled the use of new technologies such as high-quality CD-ROMs to provide information in, say, training surgeons in cleft palates and other matters for Australian volunteer surgeons who go around the region performing those procedures at the moment. There are quite a lot of wide-ranging activities. In the foreseeable future there will be an increased use, too, of Australian volunteers who will focus on helping other countries use these technologies.

Senator STOTT DESPOJA—You mentioned ANU—and I understand the distinction between being a provider as opposed to being the recipient. Are there other universities in Australia assisting? Who else is involved? Are there any other tertiary institutions?

Mr Proctor—Yes. In fact they can all be involved of course. ANU just happened to reach an agreement with the World Bank to be part of the network. All universities are able to access this global network through the particular technical protocol. In fact, when we go and seek project managers or, in our case, pilot activities, that is open to a wide range of institutions. It is by no means limited to ANU, but ANU have been early providers and of course, with the National Centre for Development Studies, tend to be quite oriented to this area.

Mr Stanley—In fact there is training starting today on HIV-AIDS, being delivered by Sydney university directly to Vietnam to the Development Learning Centre.

Mr Proctor—A lot of institutions have talent in this area. For instance, I picked the University of Southern Queensland as one example. It is a world leader in the provision of education through Internet based teaching. Similarly, there are institutions in Perth, and in fact all capitals, that are specialists in this.

Senator FERGUSON—I notice in your annual report where you announce what your key outputs are you talk about:

- improving the capacity of the University of the South Pacific (USP) to deliver distance education activities by strengthening USP's regional centres, its online library services, and building capacity of USP personnel. .

Can you just expand on that and give us some idea of what has actually happened there? With all its difficulties, the University of the South Pacific is not that easy with the countries so far

apart. How successful has your online library service been, for instance, and all those other things?

Mr Proctor—I will pass to Percy Stanley, if I could, on the detail, but we have had a range of discussions with USP, not all of which have come to fruition yet. For instance, we have had discussions on improving their access to high-speed Internet and other communications and we are having ongoing discussions about improving the ability to communicate with other campuses around the South Pacific—but that is to the future at this stage.

Mr Stanley—Unfortunately I do not have the details of progress in the South Pacific because, as my colleague mentioned before, responsibility for management of programs rests with the individual countries themselves. I can get back to you on that and provide you with more details on exactly what has happened, but my understanding is that progress has been quite substantial. The University of the South Pacific is very happy with where it is with Australian assistance and the establishment of distance learning. There was already a tradition of distance learning within the South Pacific, because this is how the USP delivers a lot of its courses through the regional centres. This is one of the reasons why the USP is interested to have additional assistance and to look at additional assistance from Australia—because of the success of projects that have been undertaken up to now. I will take that on notice and give you a bit more detail.

Senator FERGUSON—Is it still a fact that many students who can afford to, or who have the opportunity to, prefer not to use the University of the South Pacific but to go to an Australian university or somewhere else? Does that mean that many of their top students are not using the University of the South Pacific but instead are coming to Sydney, Brisbane or some other university?

Mr Stanley—I could not answer that.

Senator FERGUSON—How many campuses are there?

Mr Stanley—Five.

Senator FERGUSON—Where are they? There is one in Fiji.

Mr Stanley—Yes, Fiji, and they are distributed among the Melanesian islands. I know there are five. Again, I do not know exactly where they are. I know there is one centre in Papua New Guinea itself.

Senator FERGUSON—What about Noumea?

Mr Stanley—I do not think so, because Noumea is—

Senator FERGUSON—French speaking.

Mr Stanley—Yes.

Senator FERGUSON—And so are some of the other smaller islands. It just seems to me that the University of the South Pacific is a wonderful concept but that it will be very difficult in practical terms for it ever to be successful. I will be very interested to hear some of your responses. I would like to know how many campuses there are and how many students who you would normally expect to become students of the University of the South Pacific choose to study elsewhere, partly I guess because of the recognition of the degrees they get when they go elsewhere.

Mr Proctor—We will seek our colleagues from the South Pacific branch to give us the details. I think it is inevitable, because the better students do tend to travel, as you have implied. What the Virtual Colombo Plan initiative more directly can do—apart from improving the ability of academics to provide online and distance based education—is help upgrade the quality of those physical communication links, which are fairly limited at the moment. You cannot have a full two-way dialogue, for instance. A lot of this is not going to be at that level of high technology, but even to have wider access to the Internet, for instance, can do a lot for the capacity of people to study across those very scattered islands of the South Pacific.

Senator FERGUSON—It must be a dilemma for them to determine whether or not it is better spending more of our aid money or more of their finances on the University of the South Pacific when you have situations such as the Solomon Islands at present, where I think the literacy rate amongst women is down to 20 per cent. I think they were the figures we were told just prior to Christmas. It makes you wonder about priorities—whether or not the University of the South Pacific is more important than actually getting basic education to many of those outlying islands where it currently is not possible for the general population to receive it.

Mr Proctor—I must say that I think you would find—certainly in the Australian aid program—that the vast majority of money actually goes to basic education. In fact, the primary focus of the education part of the Virtual Colombo Plan is to improve basic education. So much of this is about developing intermediaries, as you have heard—like teachers, nurses and the other side of health—to be able to better teach within their countries. Clearly, you are not getting to the basic education needs of a country through new technologies such as this at this stage.

Senator FERGUSON—How do you work with the local education department—and I will use the Solomon Islands as an example—in the provision of basic education? Obviously, you have a budget of your own to use. I understand that the budget last year in the Solomon Islands allocated a bit over $18 million of their own money for the education department, and they spent $1.2 million of the $18 million, which is what I would call a considerable shortfall when you consider where the money went. I am just wondering how you would coordinate your aid spending when you know that you are working in a country where the department itself is simply not spending any money at all. I see that as a real difficulty in you getting your priorities right, too. I may be overdramatising it, but I would hate to think that some of your money found its way into their government coffers.

Mr Proctor—With the exception of people who come to Australia on scholarships, almost all our education assistance would be provided through projects which are agreed with the particular country's government in line with their priorities but also, of course, in line with ours; for instance, they will be mostly basic education and improvement. With a bigger project, the Australian aid program will contribute to the project through technical advice, equipment et

cetera and some funds, but they will be under the control of the project. The part the government will provide through their own budget will be agreed. This does not get around the problem if there is some social collapse, as I think has probably occurred in the Solomons in terms of teaching. I appreciate your point that if the recipient country is not dispersing its planned amount of money, it makes it more challenging.

Senator FERGUSON—How closely do you work with the churches?

Mr Proctor—I could not answer that in terms of the Solomons. In Papua New Guinea there has been an increasing tendency to work with church schools because in some provinces they can be providing up to 80 per cent of the education and health services. They are really into health as well and they are quite substantial providers. In those circumstances, yes, the Australian aid program has helped to upgrade schools run by various churches in PNG. I suspect that is probably the case in the Solomons too, but we should find out and give you the facts.

Senator FERGUSON—It seemed to me that your work there was concentrated on training and education at TAFE level. But our very brief observations were that the churches were providing a lot of the basic education in those areas because nobody else was doing it. I am not suggesting that you were not, because we saw some aid work in the opening of a technical and further education building in Vanuatu. But it was certainly in those areas that the churches were providing a lot of basic education where there was little being provided by the government.

Senator PAYNE—Mr Proctor, did you just say that 80 per cent of education on health services was being provided through the churches?

Mr Proctor—In some provinces at some times in Papua New Guinea. Certainly I would not claim that for the entirety of the country but in some of the more remote areas that can be the case.

Senator PAYNE—Does that have any impact on education about HIV issues? Do the churches provide information on that area of health?

Mr Proctor—I will check with Mr Stanley. My experience when I was involved with the Papua New Guinea program was that some of the churches are extremely involved in that. I do not think that there is an easy answer to that question.

Mr Stanley—I do not believe that there is an issue about HIV-AIDS education in Papua New Guinea through the churches.

Senator PAYNE—So they do provide it?

Mr Stanley—Yes.

CHAIR—I want to come back to the relationship with Papua New Guinea, because it seems to me that so much of the concentration of the program is there. May I ask you about your relationship with their Department of Education and the government. How effective are they now? I noticed that the ANAO audit report made special reference to AusAID's contract management and made a number of recommendations as to how that could be improved. Would

you be applying those same audit requirements to the projects in New Guinea or indeed to any of the moneys that may have gone through the department in New Guinea?

Mr Proctor—Yes, certainly we would. Last year's ANAO report was quite useful. We have a wide-ranging program of audits of our projects and the ANAO have flagged a number of areas that need consideration, although I think they were generally reasonably satisfied with the way projects were run. Certainly we would apply the same standards across our countries. Where there are individual projects there are quite simple issues. Where there are, for example impressed accounts, which provide funding into the recipient government activities, these are more substantial accounts but they certainly have quite strict management arrangements. In answer to your question about the Department of Education, my feeling is that the education department is one of the more efficient ones in PNG. In fact, PNG has seen an enormous increase in participation in education in the last 10 years. It is one their success stories that is not often publicised. It is a department that is quite easy to plan with and to undertake projects with.

CHAIR—Thank you very much indeed for your time today.

Australia Indonesia Institute: Program Funding and Performance

CHAIR—I have a letter here from Mr Bill Richardson, Director, Australia Indonesia Institute, regarding today's hearings. I will have that circulated to the committee now. Do you have an opening statement you would like to make, Mr Richardson?

Mr Richardson—I don't, Senator. The letter that you have just distributed contains a one-page summary that we intended to provide the committee with some background that would normally have been such a statement.

CHAIR—To kick us off, I was wondering whether or not you could give us a potted history since 1989 of some of the successes and the failures and the general flow of the relationships.

Mr Richardson—That is a very broad question. I will certainly try. Since 1989 the institute has attempted to expand people to people links between Australia and Indonesia, increase the level of understanding and increase the number of people within each country that have an understanding of and a commitment to the relationship. Some of our most successful programs are very long running. The Australia-Indonesia Youth Exchange Program has just done its 21st program. Under that program, groups of young Indonesians and Australians spend two months in Australia and then two months in Indonesia. It is clearly one of our longest running and, we think, most successful programs.

In more recent years, as things have changed within Indonesia, the board has attempted to change the focus of its activities to take account of the changed social and economic situation. So we have initiated a civil society program where we have attempted to strengthen the NGO system. We are providing assistance to journalists. For instance, at the moment we are running an investigative journalism program for some Indonesian journalists in Western Australia. We are also attempting to look to the future and we have initiated the Australia-Indonesia Young Leaders Dialogue, which held its first meeting in Bogor last year. In fact, one of the members of the committee here participated in that. Hopefully we will have a second one later this year. The activities are aimed at established links and at creating new links, particularly looking to the young and the, hopefully later, influential people across a very broad spectrum.

CHAIR—Did I see that some 36 projects are currently under way?

Mr Richardson—In our last annual report, we reported that we funded 36 projects out of 101 applications. Many of those would be finalised. We are also running a number of projects that have been approved for this year.

Senator FERGUSON—What is your total budget?

Mr Richardson—In 2001-02 we received $900,000.

Senator FERGUSON—The youth exchange program involves 18 people aged between 20 and 25 from each country. That is older than the normal youth exchange programs that I have been involved with. What sorts of costs come out of your institute? Are the fares covered? Is it at no cost to the young people that are involved?

Mr Richardson—We provide all of the costs of the program, with the exception of spending money for the Australian group within Indonesia. I understand the Indonesian department of education provides some funding for the Indonesian group to cover that. Otherwise, we cover the entire project.

Senator FERGUSON—The reason I ask is that I would imagine, for those coming from Indonesia to Australia, unless there were some sort of funding while they were here, it would be very difficult for there to be a broad field to pick from in Indonesia. It would only be those that were at a certain socioeconomic level that could afford to come.

Mr Richardson—That would be correct. The program is run under the auspices of an MOU with the Indonesian department of education, which undertakes the selection process of the Indonesian group. Generally, we have a very broad representation in that group.

Senator FERGUSON—What sorts of young people are you looking for? Students or young people starting careers?

Mr Richardson—It actually covers all of those, plus more. This year, we had teachers of Indonesian language at the primary and secondary level, we had university students, we had people who had just left university and had yet to take up employment and we had people in employment. It is intended to be a very broad range.

Senator FERGUSON—Have those that are to do the exchange in 2003 been selected yet or have you called for nominations?

Mr Richardson—No, we have not. We are about to go into the tender process for a coordinator for that program, and then we will advertise for applicants.

Senator FERGUSON—Would you expect any lessening in the number of applicants or reluctance from Australians in the post Bali situation?

Mr Richardson—Based on the reaction of the participants for the last AIYEP, no.

Senator STOTT DESPOJA—I think Senator Ferguson has pre-empted what I was going to ask. I notice that, in the document provided to us, you have said that the reciprocal visit was suspended. I was wondering if that was for a particular reason—economic or security—and I was also going to ask if you anticipated either any diminution in the number of applicants or an impact on this year's program as a consequence of, particularly, the events in Bali.

Mr Richardson—It was not taken for financial reasons. The board of the institute considered it would be inappropriate for us to fund the travel of Australians to Indonesia while the department of foreign affairs' travel advisory recommended against it.

Senator SANDY MACDONALD—I guess it goes without saying that, post Bali, your work is more important than ever. My questions go to the future, particularly for this year. Do you have plans for increased visits this year? Can you outline any plans that you might have to expand the relationship this year? Are you aware of any coordinated government response to building the Indonesian-Australian relationship, particularly now, post Bali, and in future?

Ms Rawson—With regard to the broader issue of the bilateral relationship, as you would know the Australian government has had both before and post Bali a very strong commitment to continuing to build a strong, positive and mutually beneficial relationship with Indonesia. The cooperation between Australia and Indonesia, between our respective police forces, on the Bali investigation has demonstrated that a strong relationship and strong cooperation works to the benefit of both countries. The commitment was there and continues to be there, and we have a very good example in the Bali investigation of the way Australia and Indonesia can work together extremely closely on very sensitive issues to get a result that is of benefit to both of us.

Senator SANDY MACDONALD—On that point about the joint police investigation, I would agree with you. There is no doubt about that. That gives ample opportunity for increased cooperation between Australia and Indonesia. Would there be plans, for instance, for ongoing forensic training of Indonesian police officers because of the relationship built last year? When the heat of Bali dies a little bit, the rebuilding of the relationship with Indonesia is absolutely imperative. I want to be comforted that a considerable amount of effort is being put into rebuilding the relationship. I am great believer in not only exchanges of parliamentarians and officials, people who have the capacity to capacity build, like the officers of our parliament, but particularly—and this is where the responsibility of the Australia Indonesia Institute comes in—in youth exchange and in the building of the sorts of friendships and connections that will make a hell of a difference as the years go by. I want to be comforted that it really is a priority within the department and within the government to make very substantial and public commitments this year and onwards that that relationship is going to be rebuilt.

Mr Varghese—It is a very high priority for the government. The relationship with Indonesia is amongst our most important bilateral relationships. When you look at the structure of it, it is also quite a broadly based relationship covering a number of areas: there is not just political and economic dialogue and cooperation; increasingly there is the people to people side, the education side and, even with the current international environment being what it is, the tourism side. In terms of the department's priorities, Indonesia features very prominently. In relation to the AFP, undoubtedly the investigation into Bali has been a terrific example of cooperation, but the AFP has an ongoing program with Indonesia, which predated Bali, under its Law Enforcement Cooperation Program in the region, which includes a training element and quite a

bit of contact between the AFP and POLRI. I am sure that relationship will continue to develop irrespective of the Bali investigation.

Ms Rawson—That area of police cooperation is part of the Prime Minister's commitment of $10 million over four years to various aspects of cooperation with Indonesia to combat terrorism.

Senator SANDY MACDONALD—You have not really answered my question, though. Do you think there is a lot of movement going on underneath the water to rebuild the relationship? We might hear more about it as the year goes by, such as particular initiatives. There is a whole range of things that might be looked at.

Ms Rawson—It is not under the water, but one example is that we are very busy at the moment making arrangements for the next Australia-Indonesia Ministerial Forum. We are hoping that that will be held within the coming months. It will involve not just a range of ministers from both Indonesia and Australia but will draw together a lot of work that is done by many government agencies on both sides—Indonesia and Australia—in a whole range of areas and also draw in private sector involvement.

Senator SANDY MACDONALD—But surely one of your answers to me might be: 'We are delighted with the speculation that Megawati is coming to Australia.' Is that something that is going to occur? I think you should make that point.

Mr Varghese—There are no plans for a visit by President Megawati at the moment. Obviously there is a standing invitation for her to visit.

Senator SANDY MACDONALD—There has been some speculation that she is coming.

Mr Varghese—There were some comments I think attributed to her husband about a possible visit in the first half of this year, but our understanding is that there are no specific plans for her to visit in that time.

Mr BEAZLEY—This is actually related to some of the things that Senator Macdonald has been talking about. The institute was conceived at a time when the environment between Australia and Indonesia was relatively benign. There are now inside Indonesia quite prickly political forces, some of them actually directly aimed at Australia, others conducting themselves in an ideological ambience which has the potential to be quite hostile. Has the institute in its relationships with the department, or the institute itself, sat down and had a ground-up review of its priorities in the light of this new environment? It does seem to me that, with a very small exception there, good programs are just rolling along in as normal a way as can be made for them or else taking minor adjustments to fit the new environment. Don't you think it is time for a ground-up look to see whether or not what the institute is doing is meeting current contemporary needs of Australian foreign policy objectives in what is a much more difficult situation than we have had for some considerable time?

Mr Varghese—I think the institute is very conscious of the fact that it is operating in a different environment, both in terms of the bilateral relationship and the regional and international situation. If I can just give you one example, the institute has a program in mind of encouraging visits to Australia by prominent Muslim leaders. The thinking behind that is very

much for the institute in its way and Australia more generally to be strengthening the hand of moderate Islam in Indonesia at this particular time. That is not the sort of issue which would have appeared on the radar screen two or three years ago. From our point of view, it is a very welcome development on the part of the institute. I think it is a program which will make a good contribution not only to increasing the level of understanding in the Australian community about the nature of Islam in Indonesia, which by and large remains a very moderate force, but to giving the leaders of the Indonesia's Muslim groups a much better idea of what Australia is on about and what our attitudes are to Indonesia and to Islam in the region. I just use that as one example to show that the institute is obviously thinking about the new environment and looking at its own programs to see how they can be adjusted to help in that.

Mr BEAZLEY—On the subject of the excision of East Timor from Indonesia, for which we appear to be carrying some of the weight in Jakarta, is there any effort by the institute with their contacts with the media and other elements in the Indonesian community to get a different interpretation into the heads of the Indonesians? You see mention of East Timor showing up in various jihadist critiques of Australia and a suggestion as to why we should be a target. It seems we have never really got through to the Indonesians that they initiated that process, not us; that what followed in the liberation of East Timor occurred for one reason only, and that was that they determined that that should take place.

When the UN force was first put in place the relationships between the Indonesian forces in place and exiting and the Australians were very good. There were few clashes and the situation was handled sensitively. If Indonesia had not arrived at the conclusions that it did, there would be simply no question of the Australians actually being there. When the Australians were actually inserted, it was not a product of a discussion between the Australians and the Indonesians but a position that was negotiated between the Americans and the Indonesians immediately prior to a particular APEC meeting in Wellington. It seems to me that we are carrying too much weight, that it has entered into a mythology amongst various hostile elements in the show and that it is a mythology that has to be corrected before it becomes so deeply embedded that it just remains a permanent pain in the relationship between us. Having had to wear the pain of its incorporation for 30 years, it would be a bloody good thing not to have to wear the pain of its separation for the next 30 years. Do these things strike the institute as something that they might give contemplation to or do they regard them as a problem for everyone else in the department to handle?

Mr Varghese—I certainly share your view that there remains in Indonesia a lot of misunderstanding about Australia's role in the independence of East Timor. Some of that is based on just an incomplete understanding of the facts, some of it is based on a willingness to accept some rather outrageous conspiracy theories about what Australia's position was. There is no question that that sentiment is still there in parts of Indonesia, and it is something that we will need to work with as we rebuild the relationship. It is a part of our general advocacy program on the ground in Indonesia to convey a more accurate sense of where Australia is coming from on that. I think the institute, to the extent of its own programs, including the youth exchange program, its program with journalists, its exchanges with leading editors and its own calls that it makes in Indonesia, helps to reinforce that. But having said that, of course we are also looking at building a relationship for the future, and I suppose a balance needs to be struck between that and how much time we continue to dwell on the issue of East Timor. I think it is important to the extent that there are some rather seriously inaccurate views about Australia's policy positions that need to be addressed, but there is also the question that we want to move

this relationship forward and move beyond the inevitable rift that occurred over the East Timor issue.

Mr BEAZLEY—I would agree that that is absolutely sensible, that you would want to move it on. But when there are others in the Indonesian system who are determined to add it to the mythology, it seems you cannot actually move it on, that you actually have to address the nonsense that they are talking through. I think it is terribly important that the moderate Muslims conducting the debate in the various villages around Indonesia actually have in their heads an accurate picture of what occurred then, what motivated Australia and the rest of it, because quite clearly this sort of issue as to why Australia ought to be bombed or in some way punished is being continually raised in their discussions with the extremists. It was identified by bin Laden almost immediately after September 11, it is featured in subsequent JI and al-Qaeda propaganda and it is beginning to show up in sermons in Pakistan about the character of Australian society and what we mean in the South-East Asian field of jihad. While that persists it seems to me that there has to be a counter argument out there to put into the heads of people who may not otherwise be inclined to be friendly to Australia but who actually need a point or two to argue when they get to hear these sorts of messages delivered about us.

Mr Varghese—I think the exchange programs do give us an opportunity to do that, to correct any misperceptions that are still lingering. I think it is particularly so with the leadership of the large Muslim organisations. It is an opportunity to talk to them directly and for them to see first hand that what is happening will hopefully have some effect. None of this is going to change from one or two conversations, but it is obviously something that we need to work on over time.

Mr BEAZLEY—In these exchange programs, do we directly address that point? What is going on in relation to the Muslims is very good indeed, but I would imagine that what is being conveyed there is part of the move-on process, which is: 'Look, we have no hostility to Islam. We tolerate Islamic practice here in Australia; they are fully integrated into the Australian community,' and likewise. It becomes a sort of Basil Fawlty 'don't mention the war' proposition—that is, you jump over it and get on with other things when some of these fellows actually need in their heads what it is that that set of events means. The whole show on East Timor deeply hurt a lot of people who were friendly to Australia and to the military and a lot of people in the media in Indonesia who otherwise were reasonably disposed to Australia. I am not sure that the Basil Fawlty 'don't mention the war' approach is actually going to cure that.

Senator PAYNE—Mr Varghese may want to respond, but I also have a contribution to make which is relevant.

Mr Varghese—I was going to ask Paul Grigson if he could comment.

Mr Grigson—I expect Senator Payne and I are going to say the same thing. What you raised was a topic at the young leaders dialogue and was addressed in that forum. More generally, when we provide material to the institute for their visits, those sorts of topics are quite specifically addressed.

Senator PAYNE—I was going to both make a couple of comments and ask a question in relation to some of the work of the institute. Before either Senator Macdonald or Mr Beazley raised this issue, I had written down in relation to the dialogue from Bogor—in which I think five Australian parliamentarians participated; from the coalition, the Labor Party and the

Australian Democrats—that I thought it was most valuable for its diversity and its frankness. It was valuable for its diversity because the 24 participants came from both the ADF and TNI, from education, from media—both journalists and owners—from academia, from business, from politics, from indigenous communities and from religious organisations. So it was not at all, if you like, the usual suspects being lined up. Of the Indonesians, a significant number were from outside Jakarta, so they did not have just that focus.

The point about frankness—and I think it is worth relating this anecdote briefly—was that, at the initial meeting of the dialogue, which was over a dinner on the first night, a couple of participants were asked to make speeches. One of the Indonesian participants began his remarks by telling us that basically there was no reason for us to be there, that we were simply stuck with each other geographically as neighbours and that there was not much we could do about that except perhaps pull the plates apart, that we had 'taken' their brothers from them in terms of East Timor and that, really, he had been sent there, he would endure it and then he would go away. You can imagine, in a dinner environment where everybody is being polite and there are ambassadors, that that was a fairly confronting experience to begin with.

Mr BEAZLEY—Sounds like it would have been worth while going to it!

Senator PAYNE—The engagement between the representative of the ADF and the representative of TNI was very interesting in that entire discussion. This is the point that I want to make: the issue, having been kicked into the middle of the field on the first night, by the end of the two days had been exhaustively discussed and the gentleman who made the initial contribution had changed his position. These were 12 young leaders from Indonesia. They were not just participants of the Habibie Centre but were from right across the board; there were very influential up-and-coming journalists who were, to a person, impressive and very serious about their jobs. I think the engagement was particularly effective.

In relation to the work of the institute, I am sorry that Senator Sandy Macdonald is not here because I agree with the point that he made that there is a great deal of activity and that a lot of it is extremely important and extremely productive. But I think it is poorly promoted and that there is a distinct lack of awareness amongst both members of this parliament and the general Australian community about the level of engagement and exchange between Australia and Indonesia and about the effectiveness of many of the activities that occur not just through the institute but also through academic institutions, through high schools, through anything you could possibly wish to mention. I think an audit of that—an audit which is made public—would be an extremely valuable contribution to this discussion and to this debate. Then, as soon as people start to say, 'Relationship in decline. Very difficult position in which Australia finds itself,' we would be able to counter that and say, 'You don't know the half of it.' We can, to a degree, do that now: we can look at the Australia Indonesia Institute annual report. But that is so far from being the full story that I think there is a lot more to do in that regard. Whether it is the job of the institute or the department is perhaps a different question, and it is one for you to settle, not us.

Flowing from that, I also want to say that the report made to the two foreign ministers at the end of the Bogor conference was conservatively comprehensive. I think both of the ministers were, depending on your perspective, either quite confronted or quite overwhelmed by the depth and detail of the group's contribution. I am not sure whether there has been any follow-up of or a response made to those recommendations. They were very practical recommendations. They

were recommendations that 24 people under 40, who are regarded as leaders in their field—and I will exclude myself from that—thought would make a real difference to our relationship. We have had no feedback, as I understand it, on that. I have met with the chairman of the institute since the exchange, but there has been no feedback on those specific recommendations.

In terms of ongoing engagement and of building relationships, to be able to say to the interlocutors on both sides, 'These are the responses; what do you think of this?' would help in continuing to build that relationship. I would be interested to know where the institute—or the foreign ministers, for that matter—is up to in that process. That is my question, and thank you for that time, Chair.

CHAIR—I should think so!

Senator PAYNE—You are inordinately generous to me—as ever, Chair.

CHAIR—That is true.

Mr Richardson—Thank you for that expose on the young leaders dialogue.

Senator PAYNE—I could give you an expose, Mr Richardson; that was just a comment.

Mr Richardson—We also thought it was very valuable. We have received a very comprehensive report from the Habibie Centre and the Australia Asia Institute in Sydney. The recommendations are very wide-ranging and actually take in quite a lot of organisations within Australia—they are much broader than just the institute or DFAT. We are looking at ways to disseminate that information. We will be putting some recommendations up to the minister, and there will be something coming out for the participants prior to the second dialogue.

CHAIR—I want to get back to some more basic information. One of the things in the report that grabbed my attention was that between December 2000 and June 2001 there were four different directors of the institute. Is that usual? Why did that happen?

Ms Rawson—Perhaps I could start off answering that. I am not sure what the history before 2000 would show of the movement of directors, so I cannot say whether or not it is usual for there to be that many moves within that period of time. However, I can say that overall the department and others in that sort of position would wish to have people undertaking positions for longer periods. I think two years is the usual base period for staying in a particular situation.

In a department where there are movements overseas, you have to look at priorities as they change overall. Then inevitably you are in a situation sometimes where the two-year period is not able to be realised. I do not know the specific reasons here why people moved on—though I think in one case somebody took up a position outside the department on secondment and somebody went off on a posting to East Timor. So it is one of those situations where, inevitably, you have to be able to take account of the fact that people will be going off on overseas postings, will be looking at positions outside or, for operational reasons within the department, will need to be moved.

Mr Grigson—That is right. The institute secretariat sits in my branch. Mr Michell went on posting to East Timor. Ms Hoogstad took a position outside the department. Dr Lee, who is an Indonesia expert, filled the spot for three months before Mr Richardson arrived. Bill has been on deck since June 2002. It may or may not ease your mind, but I have been the branch head for that entire period, so there has been someone in place for that whole time.

CHAIR—Can I ask you about the arts and sports program? That was a bit of a joint venture, wasn't it, with Australian Volunteers Abroad?

Mr Richardson—Many of our projects are joint ventures. In fact, we try very much not to be a sole provider to projects. Some we initiate ourselves, but many of our projects are actually in response to grant applications. Some we will fund completely. With some we will look for collaborative ventures. I am not familiar with how many projects there were under the arts and sports program, but quite a number of projects were run. Many of them were run with other organisations.

CHAIR—And to all intents and purposes, they were quite successful?

Mr Richardson—Yes. However, I should point out that the board accepts that, if we are going to provide seed funding to projects, if we are going to encourage innovative and creative projects as a way of broadening our engagement, there is a level of risk and we accept that not all projects will succeed or will achieve all of their objectives.

CHAIR—The only other thing I was going to ask relates to the administrative expenses for 2001-02. I noticed that those expenses totalled about 14.7 per cent of the funding. Is that figure usual?

Mr Richardson—Yes. Pure administrative expenses would make up perhaps three per cent or a little over three per cent, and then the balance is taken up with board costs. The annual report specifies those costs.

CHAIR—I saw the board costs were $63,000, but they had their visit. Is that roughly how much it costs to run the board every year?

Mr Richardson—That particular cost was for the board meeting held in Indonesia. It included travel to Jakarta and then to Makassar, in South Sulawesi, where the meeting actually took place. In association with the board travel, they of course undertook a wide program. They met President Megawati Sukarnoputri. In South Sulawesi, they had a wide-ranging program, including the opening of a new project, an Australian studies resource centre.

CHAIR—As there are no further questions, I thank you all for your attendance here today. If there are any matters on which we might need additional information, the secretary will certainly be in contact. The secretary will also send you a copy of the transcript of your evidence, to which you can make any necessary corrections. Once again, thank you very much indeed.

Resolved (on motion by **Senator Payne**, seconded 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 11.44 a.m.