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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Foreign Affairs Subcommittee

Wednesday, 30 April 2003

Members: Senator Ferguson *(Chair)*, Mr Brereton *(Deputy 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 Byrne, Mr Edwards, Mr Laurie Ferguson, Mrs Gash, Mr Hawker, Mr Jull, Mr Lindsay, Mrs Moylan, Mr Nairn, Mr Price, Mr Prosser, Mr Bruce Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

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: Senators Sandy MacDonald, Payne and Stott Despoja and Mr Beazley, Mr Edwards, Mr Laurie Ferguson, Mr Jull and Mr Price

Terms of reference for the inquiry:

To inquire into and report on:

Australia's relationship with the Republic of Indonesia, focusing in particular on building a relationship that is positive and mutually beneficial.

The committee shall review the political, strategic, economic (including trade and investment), social and cultural aspects of the bilateral relationship, considering both the current nature of our relationship and opportunities for it to develop.

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Subcommittee met at 9.06 a.m.

DE GROOT, Mr Jack, National Director, Caritas Australia

SCOTT-MURPHY, Mr John, Public Policy and Advocacy Adviser, Caritas Australia

CHAIR—I declare open this public hearing of the Foreign Affairs Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade which is looking at Australia's relations with Indonesia. The subcommittee last looked at the bilateral relationship between Australia and Indonesia in 1993. There have been enormous changes in the political, social and economic landscape of Indonesia since that review. Our focus in this inquiry is in building a relationship that is positive and mutually beneficial. As part of this review we will review the political, strategic, economic, social and cultural aspects of the bilateral relationship, concerning both the current nature of the relationship and the opportunities for it to develop.

We have received a large number of substantial submissions from a range of organisations, including government agencies, schools and universities, non-government organisations with an interest in aid and human rights, and individuals. We look forward to deepening our understanding of the political, economic and cultural dimensions of Australia's relationship with its largest and most influential neighbour. Our histories and cultures are very different and now, more than ever, it is of the utmost importance that Australia and Indonesia have a mature, respectful and mutually enriching dialogue.

On behalf of the subcommittee, I welcome Caritas Australia. Although the subcommittee prefers that all evidence 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 that request. Although the committee does not require you to give evidence on oath, I should remind you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House. I invite you to make a short opening statement before we proceed to questions.

Mr Scott-Murphy—Like our submission, these comments arise directly from the experience of Caritas Australia and its partner organisations in the province of Papua over the last five years. Point No.1, the situation in Papua province is deteriorating. There are two elements to this deterioration. First of all, little or no progress has been made in human development needs. Papuans have a life span of approximately 42 years, probably the lowest in Indonesia. The average is approximately 62 years. The presence of HIV infection has been noted but little has been done about it by government or official aid funds. Our understanding, based on anecdotal evidence, is that HIV is massively present throughout the province. Continued inattention to it will cause many more thousands of deaths, restrict development opportunities, divert essential government funding, and further damage Papuan-Indonesian relations.

Point No. 2 is that army violence and repression have continued despite there being no effective military threat. The Papuan leadership has been deliberately engaging in a peaceful strategy ever since the establishment of the presidium in June 2000. Some TNI operations have clearly been designed to indicate that an active rebel movement exists—for example, the Freeport ambush. In fact, Papuans are demonstrating commendable solidarity around a civil leadership that is focused on negotiating with the Indonesian government, which has generally

been supportive of the special autonomy plan. The attitudes of indigenous Papuans continue to be determined by their collective experience of 40 years of repression and denial of their human rights—in particular, their discriminatory treatment as primitive people, the exploitation of their ancestral lands and arbitrary detention, torture and extrajudicial killings for political beliefs.

Trust needs to be built between indigenous Papuans and the Indonesian authorities. However, trust is being undermined by the deliberate creation of a horizontal conflict through militia groups and the absence of the rule of law, seen through continuing illegal activities of all types. The use of violence and intimidation by Indonesian security forces is preparing the path for civil conflict between indigenous Papuans and migrants to Papua. Papua has a 50-50 mix population. The two communities are not single ethnic entities. They are divided by many factors, but most obviously by the idea of independence. Indigenous Papuans are being pushed steadily into supporting independence because they do not see any other viable option.

In its submission, Caritas Australia makes six recommendations to the Australian government. I will make some additional comments on these recommendations. Recommendation No. 1 is on Indonesia's security dominated policy. As long as the Indonesian security forces are able to keep Papua hidden from outside scrutiny, human rights violations will continue. Reducing the military involvement in the province is crucial to making progress in both developmental terms and human security terms. A deliberate effort needs to be made to open the province up to outside attention and investment. Australia can help in this by establishing a special focus on Papuan development needs and following this up through bilateral and NGO programs and making regular official visits to the province.

Recommendation No. 2 is to encourage Indonesia to withdraw the Kopassus troops and reduce the TNI numbers. The Australian government should not renew military training cooperation with the TNI and, in particular, the Kopassus special forces until there is genuine independent evidence of a change in attitude and practice. Indonesian military forces in Papua are not under effective civil control and are currently engaged in human rights violations as well as the creation of militia units.

Recommendation No. 3 is to offer Australian development assistance for peace building, reconciliation and human rights. The Papua province has some special development needs. These include the need to repair damage to communal relationships through a deliberate program of peace building and reconciliation.

Recommendation No. 4 is to encourage Australians to visit Papua and encourage Papua New Guinean cultural institutions to enhance Papuan relations with Melanesia and Australia. There is little contact between PNG and Papua except between those people living directly on the border. Consequently, rumour and bias tend to predominate in discussions about Indonesia. Some rumours are wildly speculative and harmful to the cause of better relations. Similarly, there are few contact opportunities between Australians and Papuans. More regular contact would improve relations by generating a more accurate understanding and reporting of events.

Recommendation No. 5 is to encourage a strong and independent civil society. Australian government assistance can help this best through encouraging the Indonesian government to reduce the militarisation of Papua. Under current conditions, civil society is prevented from

engaging on certain social and political issues for fear of being targeted as subversive or as pro-independence.

Recommendation No. 6 is to support HIV work. Australian government policy should adopt a strong focus on fighting HIV infection in Papua through AusAID and United Nations assistance. A comprehensive approach will require most of the above recommendations to be carried out. AIDS is endemic in Papua. Only a major campaign will succeed. This will require complete cooperation from the Indonesian government, health systems and civil society organisations.

CHAIR—Thank you very much. I apologise for my late arrival. There is a bit of a problem on the Eastern Distributor at the moment.

Senator PAYNE—Mr Scott-Murphy, in relation to the HIV issue, which you raised in your oral presentation and written submission, in terms of Caritas's involvement on the ground, what is your experience of the barriers to effective implementation of both NGO and AusAID style programs, and what are the best approaches to take to try and remove those barriers? I think it is fair to say that AusAID and NGOs funded through AusAID have been making some progress in the region, particularly in Indonesia, but, as you say, they have much further to go, and Papua is a case in point.

Mr Scott-Murphy—The most significant barriers in the Papua province are the Indonesian government's lack of involvement in the issue and the lack of resourcing to their health system. The doctors in charge of the general hospitals in Jayapura and Merauke, whom I have visited and talked with, are completely at their wits end as to how to deal with it, because they have no means of testing for or even establishing the prevalence of the infection apart from anecdotal evidence. The non-government organisations that are organised around HIV are very few. They are only located in major centres. It is very difficult in Papua to get out of the major centres, simply because there are transport problems. The lack of infrastructure is a major impediment as well. The Australian government has not had a strong involvement in HIV in the province of Papua. There was a major effort in eastern Indonesia, but it did not include the province of Papua.

Mr BEAZLEY—Before I ask about something in relation to the TNI—I have experience with the TNI—what do you attribute the relatively high levels of infection to? I know there are one or two sentences in your report about HIV-AIDS, which you point out is so much worse in Papua than elsewhere.

Mr Scott-Murphy—I believe it arrived there very early through the visit of Thai fishing vessels, particularly in Merauke and the southern ports. Another factor is that there is a predominant sex industry in most of those centres along the coastal areas, particularly in Timika, where a large number of foreigners are present. Due to the lack of human development opportunities, many women throughout Papua engage in the sex industry on a part-time basis and will travel to an urban centre from outlying villages to earn some money before going back home. The lack of transport infrastructure would normally prevent HIV spreading, because it usually spreads along transport routes but, due to the nature of the sex industry, that is an important factor. There are cultural aspects to it within the Papuan community, where they share partners. There is also great reluctance to discuss matters of sexuality and HIV. I think they are the major factors.

Mr BEAZLEY—That is pretty comprehensive. Thank you for that. Following on from that, do your activities in Papua bring you at any point of time into collision with Kopassus operations, or are they obvious to you, as opposed to a product of your discussions with friends, associates and others in religious activities in the province?

Mr Scott-Murphy—We work through our local partners there, so we have no presence on the ground ourselves. Our local partners are mostly church organisations. The Indonesian Catholic Church is an intrinsic element in Indonesian society and is recognised in the Constitution. It has been there longer than the Indonesians and is highly trusted by Papuans. This means that in certain situations—for example, hostage situations—the church is often called upon to mediate and solve problems that have been created by the security forces. They are often able to do that. Consequently, the security forces have, in some ways, come to rely on the church to get them out of trouble in certain circumstances. The mission aeroplanes that are used to communicate with the Highlands are also used by government officials and security people at various times.

There is a relationship there. They know how each other stands, and they get on in a very Indonesian way. They know where they differ, and the security forces need the church in various ways. A somewhat humorous anecdote is that the security forces often give the Bishop of Jayapura a present at Christmas time, because they understand that Christmas time involves giving presents. But the bishop usually absents himself from Jayapura at this time so as not to be able to receive the present. However, when I was there once, the present to the people of Papua was a patrol boat of some form, and so, when I was talking to him, he said he was not sure how he was going to absent himself from the receiving of the present.

Mr BEAZLEY—With regard to the TNI and Kopassus in particular, is it the perception of the church and your organisation that military activity, such as clashes, is on the increase in Papua? Is Indigenous revolutionary activity of a military character declining, has it plateaued or is it increasing—and is that increasing TNI interest?

Mr Scott-Murphy—The military activity does not appear to conform to any particular pattern. It appears to be very opportunistic and more related to an individual local commander's needs than any central direction. It would be a mistake to look upon the TNI as centrally directed in a place like Papua. All sorts of opportunities arise for military people in Papua—money-making opportunities and career advancement opportunities which they like to take advantage of.

At various times there is certainly an increase in the involvement of Papuan people. For example, around the time of the East Timor crisis, with President Wahid's openness to Papuans in allowing them to use their flag and so on, there was an enormous increase in Papuan interest in this and almost a cult that independence was going to arrive with the raising of the flag in the new millennium. Of course, this—the mere fact of talking about it and people gathering together—incites a lot of military activity. But it is rather haphazard, and it is generally not centrally directed, in my experience anyway. It relates more to opportunistic things happening.

Mr BEAZLEY—There was quite intense OPM activity in the 1980s. Is that disappearing, or is a different tack being chosen by those interested in independence or autonomy? What is your impression of that?

Mr Scott-Murphy—The impression I gain of the OPM is that it scarcely exists as an organised force. It has quite clearly been infiltrated by Indonesian intelligence, and so, whenever clashes occur, they are as likely to be a creation of the TNI as anything else because that is another opportunity for career advancement and for money making. There may well have been more activity by OPM people back in the eighties, but, as a group, it was also divided in those days, too. There were two clear factions which at certain times were fighting each other.

I do not think you have quite so clear factions now. It is more likely to revolve around one or two individuals who still continue to maintain an armed conflict sort of model. But, in general, people have adopted the desire of the Papuan movement's leadership to have a peaceful strategy, because they see more benefit from getting international attention and, to do that, they want to show that they are not using armed force. I think that is a generally accepted tactic. There may well be some individuals who do not adopt that and there may be people paid by TNI not to adopt that. That is my understanding of their attitude.

Mr BEAZLEY—With regard to the self-autonomy proposition, are you detecting a willingness on the part of the Indonesians in any way to shift downwards the TNI presence? Is the TNI presence stable or is it increasing with the business opportunities that more decentralisation might create? What is the pattern you detect of TNI deployment in the area?

Mr Scott-Murphy—I do not think we are detecting any change. They regularly move people out with a great fanfare and move them, or a new lot, back in again. I have not noticed any significant change really. There will certainly be enhanced money-making opportunities with special autonomy, but that has not arrived yet really, so we have yet to see what impact that is going to make.

Senator STOTT DESPOJA—Mr Scott-Murphy, you have outlined a number of ways in relation to health, good governance and human rights in which Australia can play a role, and one would argue that, as a good neighbour, that would be our role and responsibility. But I wonder whether there are other implications or consequences for Australia if we do not—not only in those areas that you have outlined. Would you argue that there are any security implications from unrest in Papua for Australia? Is that an issue?

Mr Scott-Murphy—I always hesitate to speculate on the future. The point I think we make in our submission is that the province of Papua is heading for some form of civil conflict, and the most likely form that would take would be between the Papuan and the non-Papuan communities in some way. With army involvement in that, the Australian public is going to perceive it in just the same way that they perceived East Timor, as a case of military brutality in a military dominated state. The public is not going to see this in a complex or sophisticated way. I think that is going to damage Australian relations with Indonesia very severely just as East Timor has. That to me is the most significant danger arising out of conflict in Papua with regard to Australian interests.

Senator STOTT DESPOJA—That is exactly what I wanted to know; thank you.

Mr LAURIE FERGUSON—You remarked on the lack of civil control over the armed forces. Could you give us a bit of a flavour of the civil administration—the size of it and the degree to which they might have started to recruit Indigenous populations and the longer term

transmigration populations? Do they move everyone in or do they only move a certain strata in? Give us an idea of the nature of the administration.

Mr Scott-Murphy—We do not have a lot to do with the Indonesian administration. It is no different from those in other parts of Indonesia, though. There are large numbers of civil servants—five or 10 times as many as are needed for the job. It is important to recognise that, of the migrant communities that come into Papua, there are two distinct strands. Firstly, there are the transmigration groups. They are generally poor farmers and they do not cause many problems, to be frank. They certainly occupy an area of land which would be owned by various tribal groups, but they are poor farmers and they simply want to farm and earn a crust. But most of them are unable to do that because the conditions are not appropriate for their style of farming or the area of land is too small, so either they abandon it and go home or they sell it to a local person and go home and set up a street stall in their home village.

The other group of migrants is what they call spontaneous migrants in Indonesia. They are mainly commercial people, they are there to earn a dollar, and they create a very vibrant commercial environment, but they are also the ones the Papuans dislike the most because they are very discriminatory in the way they operate.

The administration is as ineffective in Papua as it is in other parts of Indonesia. The people are just trying to earn a dollar out of their time in Papua. Some of them have lived there quite a long time and have probably established some identity with the place. The governor is a decent guy, from all accounts, and is trying to do his best in a situation where it is never clear what is the role of the territorial administration and what is going to be the special autonomy plan—whether it is going to be three provinces or one. There are so many unknown and difficult factors for civil administration. You would have to be glad you are not part of it.

Mr EDWARDS—Another submission we received points out that, according to AusAID's financial report of 2002, in the financial year 2001-02 the federal government's overseas aid budget was $1,725 million. Of this amount, only $95.1 million was directed to development projects run by Australian non-government development organisations. The submission goes on to say that this means that just 5.5 per cent of the overseas aid budget was channelled through more than 60 NGDOs, and it points out that three privately owned for-profit commercial consultancy companies were each given a greater share of the aid budget than all NGDOs combined. Do you have a view about that?

Mr De Groot—We do have views on the potential of NGOs to deliver. I think that the points that Mr Scott-Murphy made earlier about West Papua and the churches' intrinsic makeup within the fabric of Indonesian society but particularly within the province of West Papua gives us an ability to do fairly effective development work, to analyse the local needs of people, and to work with them and skill them up. All of the work that Mr Scott-Murphy has referred to in training church, justice and peace workers in documenting human rights violations and training around HIV-AIDS awareness is fairly effectively done.

I think there is a lot of room for NGDOs to gain more of the pie because of that effectiveness, particularly when those NGOs have very strong partners on the ground. The question of the effectiveness of private contractors in gaining contracts with government is probably not as well articulated within the sector as a whole at the moment. The impacts on, say, other parts of the

aid program, particularly in PNG, and how effective the private contractors have been, as opposed to some of the NGOs, are up for grabs at the moment. In answer, we would like to see more accountability and effectiveness measures on everyone in the aid sector—NGOs and private contractors—and more successful stories told of what private contractors have delivered and then actually demonstrate how the communities have taken on responses to development needs at the local level.

Mr EDWARDS—On a dollar for dollar basis, do you feel that NGOs can better deliver in areas like Papua—particularly given the massive problem of AIDS confronting the area?

Mr De Groot—As far as I know, in the ANCP program of AusAID, working through the NGOs, there is no government money going into West Papua. All the money that is sent by NGOs—and, in our case, all of the Caritas money—is privately sourced funding. So, dollar for dollar, we are actually far more effective. There is no government money, as far as I know, going into West Papua at the moment. As you know, there have been some changes made recently to AusAID's criteria for funding programs in Indonesia. Particularly in the contested areas of Aceh, Ambon and Papua, there is a requirement to get the Republic of Indonesia endorsement and then AusAID endorsement before any funds are sent. It seems that in the case of Caritas that is a technical issue because the reality is that all of our money has been privately sourced.

Mr EDWARDS—If this committee were to visit Indonesia would you recommend that we went to the areas you are talking about?

Mr Scott-Murphy—Very definitely. It is extremely important that outside official groups visit. The American ambassador has visited as has the European Union and so on. It is very important to demonstrate, particularly to the TNI, that they are under scrutiny and I think those visits save lives, at a basic level, and they increase people's understanding and awareness. It is difficult for an official visit to get away but they can still seek meetings with local people and we could assist with that if necessary.

CHAIR—In relation to that change of policy—and while you may not have been directly involved with it—do NGOs get much notice of a change coming up?

Mr De Groot—I think that particular one may have been first headlined in about October last year and it was a straight change in the guideline; it was not enunciated through the normal consultative processes that AusAID was experiencing a problem. But I think the aid agencies have said, 'Well, if that is the level of accountability needed at the moment, we will adapt to that. We don't think it is that necessary but if that is the accountability measure in place, okay.'

CHAIR—But the NGOs made no approach to AusAID regarding that; they just copped it sweet?

Mr De Groot—No, there were approaches to review that. There were a few suggested changes and the ones specific to Indonesia were discussed and then adopted. Other changes were suggested by AusAID and, after negotiations with the NGOs, thought by AusAID not to be necessary to adopt. There was consultation on some of those.

CHAIR—From your knowledge, were there many projects that were affected by that change? Did any fall over?

Mr De Groot—I have not heard, in the NGO sector—particularly in Indonesia—of anything falling over because of those changes. Naturally, in some of these areas where there is conflict or displaced communities and a lot of contest between Indonesian authorities and local peoples, it is often difficult to deliver good development programs anyhow. So you have to work through good indigenous partners, and usually they are fairly small programs. As far as I know none have fallen over because of those changes.

CHAIR—From your point of view, how twitchy do the Indonesian authorities get when they are subjected to media criticism in Australia?

Mr De Groot—We hear they get twitchy. From our perspective in Caritas, our way of working is through the Catholic Church locally and the Catholic Church's development agencies throughout Indonesia. I suppose the twitchiness comes about when NGOs are thought to be criticising Indonesian sovereignty or Indonesian policy in whatever field and have no local presence or understanding. And that is an easy accusation to throw at times. As we have said earlier, we are intrinsic to the make-up of Indonesian society and sense ourselves to be well inculcated within the Indonesian reality. We do not get that sense of twitchiness directed at the Catholic Church, our partners, from Indonesia so I cannot make any more comment. I notice you have other submissions to talk through later in the day where you might get other experiences articulated.

CHAIR—That is why I asked.

Mr De Groot—Mr Scott-Murphy might have more experience in that area.

Mr Scott-Murphy—I might just comment that that sort of twitchiness is a Jakarta phenomenon. It does not necessarily apply out in the sticks, where they honestly do not care what they think in Jakarta—even the local authorities. It is a very diverse and, in many ways, decentralised place and the game of politics at the centre can be quite irrelevant out in Merauke or Kalimantan.

Senator STOTT DESPOJA—Could I have some clarification on the media issue. I take your point, Mr De Groot, about wanting to hear more positive stories, and you do refer in your submission to lobbyists pursuing an anti-NGO agenda. You said 'Australian lobbyists'; I wonder whether you are specifically referring to the IPA or to any other body.

Mr De Groot—That is certainly the one that has raised the issue of the role of NGDOs the most in the media in recent times. I do not think that is a well-constructed debate at the moment.

Mr PRICE—This may have already been covered, but to what extent, given the experience of East Timor, have lessons been learned and what changes do you think need to be made as a result?

Mr Scott-Murphy—There has certainly been a less assertive TNI as a result of East Timor and a withdrawal in many ways from that sort of activity of East Timor, and a number of civil

society organisations have leapt into the space that has been vacated, in a sense. Politics is quite different now with the withdrawal of TNI, even from the parliament, and that is all an improvement. There is much more openness to many of these issues than there was before. You still get the wild rumour statements from certain politicians, but at a more general level I think there is much greater openness.

Mr PRICE—Are you talking about the Australian side or the Indonesian side?

Mr Scott-Murphy—The Indonesian side. There is much greater openness to voicing things in public.

Mr PRICE—I meant the wild statements.

Mr Scott-Murphy—The wild statements are in Jakarta.

Mr BEAZLEY—That is actually discussion of affairs in Jakarta. What about operations of TNI and government officials in the province?

Mr Scott-Murphy—They continue mostly as per usual. There does not appear to be much change in that at all. I have not detected any change.

CHAIR—Thank you 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 necessary corrections to errors of transcription.

[9.47 a.m.]

SMITH, Mr Slater, General Manager, Credit Policy and Risk Management, Export Finance and Insurance Corporation

THIRLWELL, Mr Mark, Senior Economist, Export Finance and Insurance Corporation

CHAIR—On behalf of the subcommittee, I welcome you both. Although the subcommittee prefers that all evidence 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 committee does not require you to give evidence on oath, I should remind you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I invite you to make a short opening statement, if you wish, before we proceed to questions.

Mr Smith—We do not have an opening statement. We have made a submission and we are quite happy to answer questions on it. I might just say that, since we wrote the submission, there have been no particular developments that we would like to update.

CHAIR—What are the conditions in terms of Australia's trading relationship with Indonesia today? Where does Indonesia fit in with EFIC's scheme of things in terms of its ratings? How sound, in your opinion, is that relationship?

Mr Smith—I will break that up a bit. I will talk to the relationship first. The relationship is very sound from a trading perspective. EFIC itself has a very sound relationship with the Indonesian government, its central bank and its ministry of finance, as well as with one of its major importing organisations, which is a private sector organisation, importing Australian wheat. I might get Mr Thirlwell to talk about how EFIC rates Indonesia.

Mr Thirlwell—We have a rating scheme in which we rate country risk on a scale of one to six, one being best or lowest risk and six being worst or highest risk. Indonesia scores a five in that category, so it is right at the high-risk end of the scale. In terms of other countries in the region, that would put it on a par with Vietnam, Cambodia. To give you an idea of relativities, the Philippines would be rated a four on that scale of one to six; Korea would be rated a two; Singapore is rated a one; and Thailand is a three. That is the spectrum down.

We do not have a formal quantitative model as such to produce that rating score. We use a mixture of quantitative and qualitative factors. It is a similar process in that sense to that of the major rating agencies, like Moody's and Standard and Poor's, which follow a similar methodology, although we are rating trade payments risk and they are rating bond risk. We do not necessarily come to the same conclusions as they do, but we tend to broadly do the same sorts of things. The quantitative indicators are sort of broad macro-economic style indicators. They are things like debt ratios, debt to GDP, reserve coverage numbers, current account financing gaps, budget deficits and public debt ratios—the fairly standard gamut of country risk indicators. The qualitative side is obviously slightly more judgmental, but we try and factor in things like political risk, regulatory risk and institutional factors. They are put together with the

quantitative numbers and we get the rating out of that. We then try and benchmark that rating against other people who are doing the same kind of job. So we double-check to make sure that we are not horrendously out of line or, if we are out of line, that we have a good reason for being so.

The people we benchmark against are, on the one hand, the major rating agencies—Moody's, Standard and Poor's and Fitch—and, on the other hand, the people who rate risks that are more similar to the kinds we are looking at. Specifically, the OECD has a formal country risk model which is set up with export payment risk in mind. We benchmark quite closely against that. Then there is Dun and Bradstreet, another rating agency. They look at trade and investment risk more specifically than the bond risk that the commercial ratings agencies look at. Again, we benchmark our rating against those. It is a stress test or a test to make sure that our ratings are not hugely different to the views out there or, as I say, if they are, that we have a very good reason to justify why we are out of line.

Mr PRICE—Don't the Americans have a similar organisation to your own—and the UK?

Mr Thirlwell—Yes.

Mr PRICE—Do you take regard to those at all?

Mr Thirlwell—Another benchmark that we use is the Berne Union average. The Berne Union is the collective of export credit agencies. One of the tasks that we do is go in and collect the individual ratings of Berne Union country members. We aggregate them into an average. It is a slightly complicated process because they all rate on slightly different rating scales and slightly different scores. But we try to normalise them, and then we compare the average rating that comes out of that process with ours. That is another benchmark test that we run. But part of that is made easier because quite a few of the Berne Union members rely on the OECD risk model that I mentioned earlier. So they sometimes either take the score directly from that or they take it and make adjustments to it. We use that as a check, and we have accessed the inputs into that. In fact, when Asian countries are covered at the OECD country risk experts meeting, our chief economist attends.

Mr PRICE—Is your five in the ballpark or is it significantly different?

Mr Thirlwell—We are pretty much right in the middle of where most people have their rating.

CHAIR—You have alluded to the established trade that is going on. Are you coming across many new initiatives? Do you think there has been an attitude abroad in the last few years that maybe Indonesia is a bit too hard?

Mr Smith—We have supported a lot of capital goods type businesses chasing business in Indonesia. In the last three years or so, no-one has been able to win business which we have been able to then go on to provide the finance facilities for. We are talking now about medium-term finance supporting capital goods exports. After the Asian crisis and the fall of Suharto, Indonesia basically shut up shop and there was a dramatic decline in business activity. The banking sector ceased to function. Given that when we provide finance it is often for only a

part of a project, we never got to the position of making our finance available, possibly because the balance of the finance—the local finance for civil works or whatever—was just not available from the local banking system. There was a short, sharp shock. Whilst things are gradually improving, the combination of what happened to the economy and the IMF prescription has meant that there have not been as many opportunities as there used to be. I might go back even further and say that, even when the place was booming, the vast majority of our activity was related to the now defunct DIFF scheme, which mixed aid grants with EFIC credits. Even before Suharto's departure, Indonesia relied a lot on quite a wide availability of soft funding to get its major projects under way.

Senator STOTT DESPOJA—In your submission you refer to present discussions on a range of projects, notably in the telecommunications and ship sectors. Can you elaborate for the committee on what that entails, particularly in relation to what you are looking at in telecommunications.

Mr Smith—Those discussions are obviously commercial-in-confidence between ourselves and the exporters involved. Some of those discussions are in fairly early days, and some are more advanced. I think the ship sector is a bit more advanced than some parts of the telecommunications sector. I do not have details on the projects with me, and some of those details would be commercial-in-confidence, but I could send what details we can to you.

Senator STOTT DESPOJA—That would be great. Please take that on notice and send what you are able to. I am curious.

Mr Smith—I will send you what we can.

Mr BEAZLEY—As Indonesia moves to establishing a somewhat different constitutional arrangement with more regional autonomy and financial authority at a local level, you are anticipating a change in the pattern of export activity to the area and more demand for infrastructure type products associated with the new local governments. Have you detected if there is any interest in the Australian business community in getting involved in this, and is there any interest in interesting you in supporting them getting involved?

Mr Smith—Regionalisation has certainly been an issue as far as risk is concerned, as have the new regulatory environments that companies have had to deal with in contemplating doing business in regional areas and the whole new set of relationships they have had to pursue in order to win business. How the regions are funded has also been an issue in terms of, again, the regional finance which can support the balance of the projects. There is probably more talk than action at this early stage. Some of the mining houses would obviously be continuing to pursue opportunities which will be affected by regional regulatory approvals, and there have been some risks attached to that. We have seen some developments in the tourist sector as a result of regionalisation, in terms of transport and tourism in one of the regions, but that did not proceed either. We are seeing a bit but, as I say, I think the rapid development in regional autonomy heralded something which has not really happened yet as far as EFIC is concerned.

Mr BEAZLEY—Given your current levels of exposure—out to 2021, your paper says—would you describe your attitude to opportunities presented in Indonesia as extremely

unenthusiastic at the moment? Would you rather that those who sought your services looked elsewhere?

Mr Smith—We keep an open mind. Our appetite is not great on our commercial account—as you know, we run a commercial account, and then we operate on the government's behalf in the national interest account. We have had a modest availability for medium-term finance, which we have not been able to use, because those opportunities have not crystallised. In that sense, you could say that we have more capacity than we have used so far, but that is quite a small capacity. If we were hit with anything large we would probably have to consider the proposal on its merits, but then perhaps we would invite the government to consider whether it wanted to provide support in the national interest. But you are right: given the very large proportion of our book that is tied up in Indonesia, we would not have a great deal of appetite.

CHAIR—When you are putting together your ratings, does the old vexed question of corruption come into your calculations? Can you give us some sort of indication as to whether there has been a decline in corruption since the fall of the Suharto regime? Are things picking up?

Mr Smith—In terms of our transactional activity, because we have dealings on the short-term trade finance side—with the export of wheat, for example—and we have projects that have been under completion, which we had already provided finance for and which were still under completion after the fall of Suharto, we have not had any instances where we could identify corruption in the manner in which those transactions were concluded. We do not have any practical experience to share with you about the transactions we have been dealing with, on the corruption side.

The way in which our finance is dispersed, when we do provide finance, is that that finance is subject of course to the completion of his contractual obligations by the Australian company who is involved as an exporter. So we are funding the payments that are due to him from the Indonesian side, and our disbursement then creates a loan between ourselves and the Indonesians. We need to be satisfied that the contractual work has been completed, so we get sign-offs from the exporters involved as evidence that the project has reached that particular stage of completion. The Indonesian buyer must also evidence acceptance that that work has been completed. There would need to be a fair degree of collusion involved for both of those sign-offs. I am not saying that that does not happen, but we do what we can to evidence that the money is being spent on actual physical activity in accordance with the original contract that we decided to finance.

CHAIR—Is the fact that we play the game pretty cleanly generally an advantage or a disadvantage to us? Does that put us behind the eight ball?

Mr Smith—That is the only way we play it because Australia has signed on to various international agreements on corruption. I suppose it philosophically depends on how you define winning or losing. We take the view that, once you step into corruption, it is a bit of a slippery slope, and nobody wins anyway, so we steer well clear of it.

Mr PRICE—I will just turn back to your ratings. Apart from the economic indicators, what sorts of structural changes would cause you to change from, say, a five to a four in the risk assessment?

Mr Thirlwell—Clearly, the economic indicators are a big part of the constraint, in the sense that Indonesia is a highly indebted economy with big external financing needs. It has been reliant upon Paris Club support in the past; it has had three Paris Club reschedulings, which have affected us, so that has been a constraint on the rating; and it has been reliant on the IMF and other official donor support. So that is a fairly significant constraint on the move from a five to a four.

In terms of the structural issues, there are two sides to that. One side would be looking at things like the health of the banking sector. The rating agencies—for example, Moodys—provide reports on average banking sector financial strength across a banking system. They do that for countries like Indonesia, which is basically rated right at the bottom of their ranking in terms of financial systems strength. We would try to track that. And we would try to track signs that banking sector health and also corporate sector health was improving. A large portion of the corporate sector is heavily indebted; it is in large arrears to commercial creditors. We try to track signs that that situation is improving, that the structural health of the economy is getting better. Those sorts of things would push us towards an upgrade, I think.

In terms of some of the softer factors, we try and look at—it is pretty hard to take them into account in a rigorous way; things like Transparency International corruption scores. A lot of the big political risk agencies out there provide indicators—and they are very subjective indicators—of what they think political and social stability is like, and we track those. I also look at signs of significant improvement in them over time. We have seen, I think it is fair to say, quite a big improvement, relative to the situation two or three years ago. They would be something else that we would factor in to the rating. The bulk of the constraints are probably on the economic side, but also tied in with the banking sector and corporate sector weakness.

CHAIR—There being no further questions, I thank you very much indeed for your attendance here today. If there are any matters on which we need additional information, the secretary will write to you. We will also send you a copy of the transcript of your evidence.

[10.08 a.m.]

BROOKS, Mr Graham Leslie, Former Chairman, AusHeritage Ltd

ROACHE, Ms Anna Mary, Board Member, AusHeritage Ltd

CHAIR—On behalf of the subcommittee, I welcome you to our hearing today. Although the subcommittee prefers that all evidence 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 committee does not require you to give evidence on oath, I should remind you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I invite you to make a short opening statement, if you would like, before we proceed to questions.

Mr Brooks—I would like to take that opportunity, thank you. Good morning, senators and honourable members. Perhaps I will open by congratulating the committee on the inclusion of culture in such an inquiry. From our perspective as professionals in this area, it is a great window of opportunity that such an issue has been put on this sort of agenda. I will take a moment to introduce Ms Roache and me and AusHeritage and then I will give you a quick summary of the paper.

I am a Sydney based heritage architect and the former chairman of AusHeritage. I was part of the original AusHeritage board when it was set up, and I will go into that in a moment. I am currently the chairman of another international cultural tourism committee which is organised by the international conservation movement. It was in that capacity that I took part in a UNESCO mission to Indonesia, from which I returned last week, which looked specifically at the issues at the Borobudur World Heritage site. During that time I had the opportunity of meeting with the Minister for Culture and Tourism and the governor of West Java; I will go into some of their thoughts a bit later. I am lucky enough to have some fairly hot experience as to what is going on up there.

Anna is a director of AusHeritage; she is our Sydney based heritage consultant. She was involved at one stage with the World Bank and has retained some good contacts there. She spent about 10 years involved in the education of professionals in this area, she has hosted parliamentary delegations from West Java and she has undertaken a lot of training missions with professionals from Indonesia. So we have a long, solid contact there.

As some of you may be aware, AusHeritage was established under the Labor government as part of the national cultural heritage creative industries export program, through the department of arts. It survived the change of government and was launched by Senator Alston in 1996. It had about a three- or four-year funding program, which has since finished, but that allowed us to get a momentum going which has continued very successfully. AusHeritage is a unique institution in that it combines government and non-government organisations across the country and across the entire cultural heritage sphere. It includes everybody from the National Gallery of Australia right down to individual conservation laboratories. So it is a unique institution and, funnily enough, the process of establishing this institution is now regarded—certainly in Europe

and the US—as a significant process of the government sector supporting and facilitating the development of an industry body.

In terms of the things that we have been doing recently, we were part of a 1998 Philippines cultural mission. We managed to get some very good contacts up there as part of that and that has continued. I became a member of the Philippines-Australia Business Council as part of that process. We have been developing some heritage trails in Jogjakarta and in the old Dutch colonial part of Jakarta, working with the local officials and even with the Sultan of Jogjakarta—an interesting experience.

Just last month we signed finally, after many years of negotiation, a memorandum of understanding with the ASEAN Committee on Culture and Information. That has a four-plus-four time frame, and it gives AusHeritage automatic participation in the meetings of the ASEAN Committee on Culture and Information for the next eight years. I believe that we are the only non-government institution to arrange that sort of access. It is something which the Department of Foreign Affairs and Trade has been extremely supportive of, and the minister is very supportive of it.

One of the things that we have been working with the minister on over the last couple of years is what we call the roundtable on cultural heritage exports, which produced a document last year entitled 'New Directions for Heritage Export: towards an Export Development Policy for the Heritage Industry'. It was sponsored by Mr Downer and it basically involved meetings with Austrade, AusAID, the department of the environment and a number of other players, including quite a number of sectors across the department. Basically it looked at putting some policy ideas up to government as to how heritage services might become part of an export sector. It is something which we have been working on since about 1996 and it is gaining a very strong momentum. That is by way of introduction.

I guess the most important thing in terms of the relationship with Indonesia is that it is well recognised, both in Australia and in Asia generally, that the future of Indonesia is of critical importance to the future of Asia and, therefore, to the future of Australia. So I very much support the work that this committee is doing in trying to work out ways that we can enhance both the relationship and the support that this country can give to Indonesia. In terms of the process, I think it is unquestionable that this question engages the Indonesian nation at all levels of government, business and society. My very small mission last week is one example; that showed to me how strong the professional linkages are at a person-to-person level. It was quite remarkable to see the sort of respect with which we are held in that country.

I think Australia has conducted a very quiet and effective diplomatic relationship with Indonesia for the best part of half a century. I acknowledge here that I am quoting Dick Woolcott's book in that regard. That relationship has been tested very sorely over the last couple of years, and we all know about that. I think it is very important that we continue this process of quiet, solid, long-term diplomacy. That is ultimately where the cultural heritage sector can provide benefit to this country. Again, reading from Woolcott's book and his assessment of Suharto, he saw a number of weaknesses and these are quite well cut. The first is that there was no ongoing strengthening of institutions within Indonesia. I think that goes right across the board, and I am sure you will hear lots about that as part of this inquiry. There is a fundamental weakness in a lot of the institutions within that country, and institutions in our area are probably part of that. There is certainly the economic crisis, and that is causing a lot of disruption.

The other major one, and I noticed you were discussing it with the previous people, is the devolution of government. In the meetings I had at the conference I went to last week, basically the minister was saying that, at a national level, they are very aware of the problems that are coming out of this devolution process. In relation to Borobudur, as a world heritage site, and how that is to be managed, they are very keen on setting up steering committees. He was talking about coordination rather than competition. What has happened is that it has gone from the national level straight to the local level, and the provincial governments have been bypassed. The provincial governments still have a very big hand to play, and there are a lot of very powerful people there. It is interesting that the governor of Central Java controls some 35 or 40 million people, so it is a pretty significant political role. There is a lot of shuffling of the deckchairs going on, and it is causing them a lot of concern. Any support which this country can give in that process would, I think, be enormously useful.

The other side of this is that the Indonesians are using culture and their cultural heritage to strengthen their national identity. Clearly they are in a process at the moment of suffering that sense of the break-up of their territorial integrity. It is very strong at both ends of the country, in West Irian and in Aceh. They see culture, cultural heritage and all the different layers and complexities that go on in Indonesia as a fundamental driver to that sort of process. Again, that is partly where we can come into this process. As one example, Borobudur has 2.5 million visitors a year. Of those, 2.3 million are Indonesians. This is a very significant icon in their own national identity, even though it is representative of a dead Buddhist culture. There are lots of other agendas about the Buddhist Chinese versus the Islamic Indonesians in that process, but you can see how something like the iconic site of Borobudur in fact has a major political and institutional process building around it. I think we are trying to give some fairly serious understanding to this.

The major thing is that AusHeritage believes that cultural heritage management can provide that long, slow, quiet process of diplomacy that you do not get with normal cultural activities. Typically culture has been regarded, certainly in the public sector and probably in the media, as the colour and movement end of the relationship: ‘Let’s have a festival, let’s send up a dance group, let’s have a nice thing which we can all get dressed up for on the night.’ Usually it costs lots of money and tends to last a very short time, everybody goes home feeling wonderful and that is about it. What we are saying is that the processes that we have been developing usually take many years to unfold and usually involve very deep and meaningful relationships. I guess we are saying that cultural heritage management and the conservation of these values is a very valid part of a cultural relationship between Australia and Indonesia.

If I can quickly go to the paper that we sent to the committee, there are a couple of very interesting things. Part of Anna’s role over the last few years was to manage the international and national speakers program for the NSW Centennial Program. One of the speakers was Wimar Witoelar, who, of course, was the former president’s chief of staff or close adviser. We opened with one of his comments, and the point that he made was that we are talking about a fabric of human interaction. I think that is an extraordinarily powerful concept that probably only someone like him, with a journalistic background, can capture.

We are very keen to build these institutional structures as a critical part of supporting the devolution processes that are going on within Indonesia. We believe that AusHeritage can assist the Australian government in creating a much more distinctive image of the way our nation deals with the Indonesians. We are talking about the ability to understand them, to work with

them on their values and to basically get alongside them and help conserve their values. That is not the normal way that diplomacy is undertaken. It has many different characteristics—and you will all be very aware of those. But the idea of saying to someone as important as Indonesia, 'We can come along, inside your country, inside your thinking, and work quietly with you,' is quite a different sort of cut on the usual processes of country to country relationships. Perhaps this puts on a different spin from anything else you might have been hearing.

We strongly believe that the processes of public diplomacy, aid and trade programs can all be basically informed and enhanced by the processes of cultural heritage management. That is very much what was in this paper that we put to Alexander Downer, and he was very supportive of that. A lot of the senior people within the department worked through that process with us and they are very strong on that process.

I will just bring in a couple of relevant points about Indonesia at the moment. The year 2003 has been declared by the Indonesians as their heritage year; it is the year of Indonesian heritage. They are looking for the provision of technical, institutional and professional assistance as part of that. Some of our colleagues were actually at the launch of that process in Yogyakarta in January. ASEAN, as a multilateral group, last year signed what is known as a declaration of cultural heritage. ASEAN, as a regional body, have put cultural heritage firmly on their own agenda. As I have mentioned, after many years of work, AusHeritage signed last month the memorandum of understanding with the ASEAN Committee on Culture and Information. It is interesting that our high commissioner in Brunei, at the signing ceremony, made the comment that this group, AusHeritage, has one of the best forms of personal and professional access to a multilateral body in Asia that he has seen in his whole career. It is a long process of lots of hard work and quiet diplomacy.

We see cultural heritage as a dynamic reference point for change. It is not one of those boring backward processes that many people think about museums and old sites. We see it as being the place where many societies can identify who they are and move forward. Certainly the processes of cultural tourism are a major part of that. With the impact of the SARS virus on tourism generally, it is not hard to see how quickly tourism can change. We like to style ourselves, within the international conservation community, as what we call the keepers of the keys to probably half of the world's tourism assets. If we do not do our job properly, they will not be there for tourists to enjoy. That is fundamentally how we see our role in the world.

As you may well know, the World Bank is in the process now of formulating and approving a policy for what it calls the cultural heritage impact assessment of physical cultural resources. Under that mechanism, they are bringing in cultural heritage issues to the established environmental management and impact processes that have been out in the world now for the last 10 or so years. That is a process which is extremely well developed in this country and we are absolutely overjoyed that the big international agendas are taking up this process. But it is also a process whereby skills that are very well developed in this country can be applied directly to countries like Indonesia in these sorts of institutional and planning processes types of approaches.

We urge the committee to give very practical recognition to the importance of cultural heritage sensitivity in ensuring that a cultural heritage component is incorporated into all aspects of political, strategic, economic and social interaction. We would certainly recommend that you strengthen the processes of the Australia Indonesia Institute, because that is a very

effective body. We would encourage closer ties at all levels of professional business and academia.

In closing, we would recommend that you also look at putting cultural heritage as one of those crosscutting issues into the AusAID program. The current AusAID program has five very clear, very practical criteria. It has two other crosscutting ones: environmental management and gender equity. We think, following the World Bank's process, that if cultural impacts were put alongside environmental impacts on those crosscutting exercises, we could avoid problems such as, 'Well, we've given you money for the road. Oh, it's going to go through a temple! Gee, sorry about that.' It is that simple sort of thinking: the processes are thought through at the beginning; therefore, the quality of the aid programs is enhanced. That is my introduction; thank you very much.

CHAIR—Thank you very much for that. I am not trying to be silly. All the way through your submission you talked about cultural sensitivity. Is that the same thing as the cultural heritage you were talking about this morning? Do you have a definition of cultural sensitivity? Is Australia good at it? Can you give us some examples of how we could perhaps improve on our cultural sensitivities?

Mr Brooks—The first issue is cultural sensitivity versus cultural heritage. They are quite different, because cultural sensitivity simply means that, for instance, you know to wear long sleeves not short sleeves when you meet a minister. As somebody once said, Australians are always dressing for the weather and not the occasion. I think there is a level of that sort of thing. It is that simple person-to-person understanding of knowing where they are coming from and not making silly and unwarranted comments. Australian businessmen, politicians and public servants need to know those sorts of things as they move into any other culture.

Ms Roache—They do not necessarily but they need to know. There is a very famous short novel by Hartley, called *The Go-Between*, that begins:

The past is a foreign country: they do things differently there.

Basically, Indonesia is a foreign country: they do things differently there.

Mr Brooks—Cultural heritage as such is a different exercise. To summarise it, cultural heritage is all of the output of mankind from the beginning right up to yesterday. It is more than just Borobudurs and opera houses. It is things like fabrics, textiles, music, dance, oral tradition, literature, historic towns, cultural landscapes and, for instance, the water management in Bali. That whole rice terrace exercise is a significant cultural process, where the guy at the bottom manages the whole process because he is the one who gets the water last. Some major mistakes were made in water management in Bali when they did not understand that. A lot of it is working out that things are done in certain ways for a reason and that, quite often, those methods are much better than what Western technology can introduce to them. I have forgotten the last part of your question.

CHAIR—How good is Australia at it, and can you give us some examples of where we could improve?

Mr Brooks—I tend to think we are quite good at it. I am generalising now, and I do not necessarily mean the ocker abroad image. One of the things that Australia does not carry into Asia is colonial baggage. We are not one of the countries that ruled somebody else, other than the relationship with Papua New Guinea. That process and the fact that Australians typically, as I read our country, recognise our place in the world as being basically on the edge of things, means we do not get up ourselves. We are very good at recognising who we are in the world, being small to medium players, and are therefore capable of opening ourselves up to what the other guys are saying. We are quite good at that, and the relationships which our businessmen, politicians and professionals have had over the years would sustain that.

Ms Roache—There is also still quite a good memory of the Second World War and our forces in Indonesia during the Second World War. We were regarded very highly.

Mr Brooks—The sort of work that we do on a profession-to-profession basis is not work where we tell them what to do. We say, 'What are your issues? These are the ways those issues have been managed in other circumstances. Draw what you will from the lessons, but we are not going to tell you how to do it.' That sort of relationship has worked extremely well for us professionally. An enormous amount of work in this area is going on in the region.

In the last four years I have been part of a process run by UNESCO where 10 world heritage cities around Asia—everywhere from Sri Lanka to Fiji and from South Korea to Indonesia—have been brought together to look at the potential for cultural heritage and cultural tourism to benefit the local community. That is what the Minister for Culture and Tourism in Indonesia is now looking at. There will be a conference at Borobudur in July which will follow up from our mission. That conference is initially to celebrate the 20 years since the reconstruction of Borobudur by UNESCO and it is a sort of a pat on the back: 'Aren't we wonderful people. We've looked after this monument.' The minister is now saying, 'That's fine. Now I want a 20-year vision looking forward as to how a monument like Borobudur can benefit the local community in addition to being managed for its cultural values.'

As you can imagine, the 2½ million customers coming in the front gate of this monument in a country which is poor and economically starved at the moment draw something like 4,000 hawkers and vendors to the front gate, which is causing lots of management problems. We are saying that the merchandise is wrong, the training is wrong and the retail management is wrong. They are not doing the performances and product development that the local community can do and sell to the tourists in a much more enhanced manner. We have really been going on about the practical applications of all this theory.

Ms Roache—I structured a course in April last year for a group from West Java, including a senator from the West Javanese parliament and five people from the cultural tourism office in West Java. They came to Sydney and wanted to know how we did cultural tourism. They wanted to know about the legislative structures and the infrastructure. They wanted to know how we handle our Indigenous people. Very few people know that there are Indigenous Indonesians who are purely Indigenous. They wanted copies of our planning legislation, our heritage legislation and our national parks and wildlife legislation. They wanted to be taken to well-run sites. They wanted to know how Sydney City Council handled floor space ratios to best handle planning issues where a large development was going to go into place and they could get benefits if they held on to heritage assets.

They were here for five days and at the end of it they said, 'We've never been on anything like this. Usually we're allowed to go shopping. Nobody let us go shopping. We had to work the whole time we were here.' It was a wonderful exercise for both of us. We always learn when they come here and when we go there. There is this mutual exchange at a very sensitive level, where you actually see the differences in identity and how people operate. I took them to parliament when parliament was sitting, and Bob Carr got up and made a long speech—it was to do with insurance. Then somebody on the opposition got up and was howled down, and the Speaker told everyone to be quiet. We walked out of that sitting and one of them turned to me and said, 'Democracy, democracy.' It was just so powerful.

Mr BEAZLEY—Not a bad introduction to democracy.

Senator PAYNE—Mr Brooks and Ms Roache, thank you very much for your submission and your presentation. On a personal note, I find it absolutely fascinating. The Cultural Heritage Management Profile, which is the ASEAN document, appended to your submission is extraordinarily comprehensive for a first read by someone like me. But it seems to me to operate in very discrete units and then put a couple of the challenges up at the end. It is basically contained on page 29, when it says:

Due to budget constraints in the current fiscal environment, the extent to which the government can undertake cultural heritage preservation is still very limited.

What contribution, if any, can Australia can make to assisting in that coordination process in particular? There is a quote in your substantive submission from the 1999 World Bank conference, Culture Counts, which says that the grassroots and very locally specific village based culture is at the heart of the sense of community of Indonesia. When I read that and then tried to apply it to the cultural heritage management profile, it did not seem to me to translate into that profile because it operates in such discrete units. But it seems to me, perceptually and from my experience, to be very important. Can Australia make any contribution, and what challenges do you think there are to maintaining that incredibly important village culture?

Mr Brooks—Thank you for your question. To give a small amount of background, the paper we included on Indonesia was one of 10 that we wrote on all of the ASEAN countries. It is the first and only time that that sort of research has been done right across all of the ASEAN countries. It was requested by the Committee on Culture and Information. In fact, we have since been commissioned to prepare a common web site for ASEAN with this sort of information on it. That information is now going to become transparent and accessible. That is just one of the 10. Your question ultimately goes to the great dilemma that I spoke about: how does a national government connect with a village? I think that is what the Indonesians are struggling with right now. Clearly it is difficult for a national parliament like ours to deal directly with a village when there are 200 million people and goodness knows how many villages.

I think the best, most practical way of looking at it would be to work, probably still at the national level, with the institutions of, for instance, the minister for culture and tourism and his departments. Based on the comments that the minister made last week, they are very conscious of a need to coordinate. I guess they are not sure how to go about that process. The conference that is coming up in July at Borobudur is going to start to try and explore those issues. That would be the most practical thing to start with, to simply try and, as I said before, not tell them

what to do, but to get next to them and ask them what they need, to make very strong contacts within those cultural heritage management departments within Indonesia, the archaeological agencies, I think they are called.

I had a four-hour meeting with the deputy head of that department on Easter Sunday morning. It was interesting just allowing time to sit and he just kept on opening up with his problems. He was talking about the role of a bureaucrat and the fact that his department was being moved around within the ministry, and that the operational versus the policy making parts of his department were being shuffled. At the moment, they report to the president but in fact they are probably going to report to the minister—all those sorts of really practical, institutional based relationships between the government and the parliament. I recommend something very practical like that. There may be an aid mission of some sort at some time allowed to go up there or they could come down and just see more, and get more experience. They are good people and they are very well skilled people; it is exposure and dialogue that they need.

Senator PAYNE—You also talked about the idea of incorporating, in the crosscutting AusAID benchmarks, cultural impact, I believe, were the words that you used.

Mr Brooks—Cultural heritage impact, yes.

Senator PAYNE—Have you had any discussions with AusAID in relation to that, and what is your relationship, if any, with AusAID?

Mr Brooks—If I could be very honest, and I think this is the place for it, we have tried many times to make contact with AusAID. We have had a number of meetings with them over the years. Basically, their attitude is, 'Well, we've got a job to do; we've very limited resources; we've a very big task. You are peripheral to what we have done. We've got five tasks and two crosscutting issues. You're not on the agenda. We haven't got the luxury of opening our thinking to that agenda.' Having said that, at the minister's invitation, the deputy director came to and participated in the roundtable we had in Canberra last year. It is open at that level.

I guess AusAID will be looking for parliamentary guidance to open up that sort of thinking. At the moment my impression of them is that they have a job to do, they are good at it, but they do not have much room to think about anything other than just that. Until the parliament says to them that it is time to start to open up these issues, they are going to continue doing what they have to do, which is to work within the budgets and the criteria that they have. Maybe in the next round of thinking about AusAID, that is the sort of very practical thing that you could be putting.

Ms Roache—To add something to your initial question on how to go about things, in Australia we have become quite blase about one of our infrastructural cultural heritage instruments, which is listing things, inventories. We have the Register of the National Estate. We have state heritage registers in each state. One thing that would formalise such an issue would be to get such an inventory in Indonesia. Even down at a village level, each village is different from the next village. With an inventory, it is down on paper; it has been identified. Once something has been identified and actually looked at, it has its own identity and it can have something put into it because it exists. But until it is on a list, perhaps it does not exist.

The World Bank is going to be doing this with its environmental impact statements; they are now saying that cultural heritage resources must be taken into consideration. One of the things that they are going to be doing, through this policy that has finally gone through the board, 4.11, after about four years, is to say, 'We want lists.' As I said, in Australia we have become so blase about inventories—but they are important.

Senator PAYNE—So where the World Bank has changed its approach to include the incorporation of cultural heritage into the mainstream of its socially sustainable developed initiatives, which is another quote from your document, if an inventory or audit is made of the sorts of culturally important sites and aspects of Indonesia that you are talking about, that would be easily transferable and applicable for use by an organisation like AusAID.

Ms Roache—Absolutely.

Senator PAYNE—At the same time, it seems to me that, to introduce cultural impact as a third crosscutting issue in terms of the AusAID benchmarking and structural approach, we could ask them to have a look at what budgetary impact they think that might have on their work and whether that would be too overwhelming.

Ms Roache—It is precisely because of that that the World Bank is bringing in these issues, and, of course, they are being brought in by Australia's own Jim Wolfensohn. He was the one who spearheaded it, and Australia should be very proud.

Mr Brooks—It is interesting that the World Bank are taking a very practical view of this. They are saying, 'We know cultural heritage is basically peripheral to most mainstream thinking.' But when a project comes up—and there was a major one in Bali about two years ago that developed part of this—for a major aid program, part of the preparation for that project is to do what they call baseline analysis, which you do anyway. What are we going out there to fix up and what is in the way? Interestingly enough—by way of a weird example—because of a World Bank road project, some amazing archeological treasures were discovered in Georgia which would never have been found otherwise because no-one would have ever put their resources into it. But, once you mobilise resources for a major aid project, you are suddenly talking millions of dollars that are suddenly marshalled towards something or other. So it is an opportunistic piggybacking process.

Senator PAYNE—There is nothing wrong with that if it works.

CHAIR—We are out of time. Thank you very much for your attendance here today. If there are any matters on which we might need additional information, the secretary will be in contact.

[10.43 a.m.]

REES, Professor Stuart, Emeritus Professor and Director, Centre for Peace and Conflict Studies

CHAIR—Welcome. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the committee does not require you to give evidence on oath, I should remind you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I invite you to make a short opening statement before we proceed to questions.

Prof. Rees—Thank you. My observations concern the role of the Sydney based West Papua project for peaceful dialogue about West Papua. The project was characterised by meetings and workshops involving communications between representatives of the government of Indonesia, leaders from West Papua and key players from Australia. Regarding that project and those relationships, I make four points. Regarding questions about West Papuan autonomy or independence, the differences between the West Papuans—between young and old, between indigenous and non-indigenous, between men and women, between highlanders and lowlanders—appear to be as great as between West Papuans and other Indonesians. My second point is related to that.

In negotiations about peace with justice with the Indonesians, there was a notion that Indonesia or Indonesians needed to be treated with care. We experienced considerable differences of outlook depending on which parts of Indonesia government representatives came from and their religious affiliations and experiences of authority. Whether our Indonesian colleagues came from a military or civilian background appeared to be a crucial factor affecting their assumptions about democracy, dialogue, peace and peace with justice.

Over the two years of this project, the process of dialogue with Indonesian colleagues went through stages ranging from vague interest to meetings with a degree of understanding, and from finding common ground and developing trust to legitimising the relationships then losing and regaining trust and so on. The dialogue depended on a willingness to confine stereotypes about Papuans, about Indonesians and about Australians, and to share other's perspectives. The project needed careful attention to the use of language and a willingness to give hospitality and to acknowledge it when given.

Just as the project was ending because of a lack of funds, we were planning workshops with the Indonesians on peaceful dialogue about the future of West Papua to be held in Bali. The participants were to include Indonesian government and non-government representatives, leaders from diverse parts of the West Papuan community and key players from the Sydney based West Papua project, including expatriate West Papuans. Such workshops are still envisaged. For those to be held in Bali is a result of Indonesian, West Papuan and Australian initiatives would be the best possible antidote to the Bali bombings. They would have national and international significance and could demonstrate that non-violence through dialogue

remains the way to achieve relationships of mutual respect and thereby a sense of political and cultural security.

CHAIR—That conference did not seem to get unbridled joy or support from the Department of Foreign Affairs and Trade. Is that a fair statement?

Prof. Rees—Are you referring to the conference to which we brought all the West Papuan leadership to Sydney or the one that was planned for Bali?

CHAIR—The one in Sydney.

Prof. Rees—I think that is fair comment. There was a sense in which the Department of Foreign Affairs and Trade felt that West Papua was Indonesian, was Indonesian, was Indonesian. As I said in my fuller submission, it was actually easier to engage in dialogue with the representatives of the Indonesian government than it was for the Department of Foreign Affairs and Trade. That was our experience.

CHAIR—Who funded it? Was it a university project or your own?

Prof. Rees—It was funded by several sources including a major corporation, which wanted to help but did not want it to be known; and the Myer Foundation, with the support of the Indonesians. The Myer Foundation were enthusiastic about the whole idea of bringing all the West Papuan leadership to Australia for the first time, but were sensitive to what the government and others would think about it. They raised the bar so high that they thought we would never get over it—they said that, unless we got the imprimatur of the Indonesian government, they could not do it. They said they thought it was a substantial proposal that was worthy of support but that they were not going to take the risk. Once we got the agreement of the Indonesians, I think the Ambassador literally went back to Jakarta to get it signed up. That is my impression. The Myer Foundation said, 'We can't raise the bar any higher.' That is what happened.

CHAIR—Are you going to do it again?

Prof. Rees—We would like to; we have made so much progress. There is a lot of interest in New York from John Rumbiak, who is really the Nelson Mandela of this region—and I am pretty cautious about using Mandela's label to attribute qualities to other people—but it really depends on the funding. It is hard work. The predicament we are in at the moment is that one of the key leaders, who was the coordinator, is within three days of having to leave Australia. He can go freely to New Zealand but he cannot stay in Australia. That is the constant dilemma we are in with something like this. We get regular telephone calls from New York saying, 'Please do not give up', because a lot of the key expatriates are in New York, but they say Australia is the place where they should be located—it is on the doorstep. It should not be in New York.

Senator STOTT DESPOJA—Out of curiosity, who was the West Papuan leader who was not allowed to enter the DFAT building?

Prof. Rees—John Ondawame.

Senator STOTT DESPOJA—Thank you. At one of the hearings of this committee, we heard evidence about the recent Melbourne RMIT conference on West Papua. We got the impression that it was not strongly supported by the Australian government or the Indonesian government, but we are pursuing some of those questions. I am curious as to the outcome of the September conference. You have noted the conclusions in your submissions. I am wondering if there has been any progress on reporting on those recommendations and—as the chair has already asked—if there is a keenness to have another comparable conference.

Prof. Rees—There certainly is, but the proposal is to have it in Bali. That conference was followed soon after by the Bali bombing. What impressed us was that we had a lot of young people from West Papua and we had a lot of women who were incredibly articulate. There were issues raised that we had not really anticipated, such as the scourge of AIDS and the limited medical resources to deal with that problem. In answer to your question, we need to take two steps. One is to be in contact with the directorate of foreign affairs in Jakarta to see whether there is still as much oxygen in this idea as there was when the former ambassador went back and when we produced a kind of momentum behind that idea of saying, 'Wouldn't it be the best thing possible to have three or four days of dialogue about peace and human rights in Bali?' It would not only be good for the economy but also be symbolically incredibly effective. The other thing is to set the planning in motion for those workshops, but we have to fund them. A proposal has been put in to the Myer Foundation but we cannot keep on relying on Myer, because they might say, 'You have to get President Sukarnoputri's signature before we'll release any money.'

Senator STOTT DESPOJA—Would you care to elaborate on your views on the autonomy proposals for the committee?

Prof. Rees—The impressive leadership in West Papua are very sensitive about not referring to autonomy or independence. Their point would be that the quality of life problems for the people of West Papua are difficult enough anyway from day to day without their being preoccupied with aspirations that may seem a long way away. Even the replacement 20 years ago of an almost completely indigenous population with a population that is now about fifty-fifty raises enormous problems of culture clash within Papua, let alone between Papua and the other parts of Indonesia. When I have watched John Rumbiak—and I am sure members of the parliament would also have met him and seen him—I have noticed he is very careful not to refer to either autonomy or independence but to talk about peace with justice, not just peace, so that the whole human rights agenda is a constant topic of conversation. That means talking about non-militarisation.

Senator STOTT DESPOJA—I am conscious of Mr Rumbiak's wariness of using that terminology but I also note that he has appeared before Senator Payne's human rights subcommittee, and we have heard him separately, and he has warned of potential bloodshed. I was quite concerned by some of his forecasts for West Papua with respect to not only the human rights issues to which you refer but also other issues such as independence or the needs of the people if they are not addressed. What is your forecast? I know it is a difficult question.

Prof. Rees—I think the prospect of violence is real. I think it is not insignificant that John himself has to stay in New York now or has to be in places other than West Papua. The shipped over arrival of paid 'jihad volunteers' in West Papua is a real problem. But what impressed me in discussions like this one with Indonesian government representatives is that the moderate

ones fear violence as much as the West Papuans do. They say, 'We fear that as well. We are not promoting that.' I thought there was a considerable difference—and I am not an expert on Indonesian culture by any means—between those with a military tradition and those with a civilian tradition, in their attitude to the way you solve problems.

Senator PAYNE—Regarding the conclusions that were recorded from the conference, could you indicate, if you are aware, how it is intended to try to progress those and what the next steps are in that process. I am particularly interested in the references to human rights literacy and the impact of HIV.

Prof. Rees—Human rights literacy was in a sense one which we all wanted to share—the Indonesians, the West Papuans and the Australian representatives—so it did not appear that anybody had a monopoly of wisdom about the different rights. I have referred to Rumbiak saying, 'We can't afford to talk daily about autonomy or independence,' because of the sorts of negative, basic human rights for food and housing. The most rudimentary health care have to be the priorities. Everybody—the Indonesians, the Papuans and ourselves—being conversant with those issues was important. The relationships between men and women is probably the most significant human rights issue on which progress could be made. There have been stages when certain Papuan leaders have said to me over this issue, 'Look, we'll deal with that issue when we've got independence'—that was some time ago. I think all the responsible leaderships know that a major problem for women is the issue about the abuse of power on a daily basis. That is as significant as the militarisation of West Papua overall.

Senator PAYNE—What about HIV?

Prof. Rees—HIV is a bit like the Chinese in the early days of SARS when they were claiming, apparently, that it was not such a problem or it did not exist. Only more recently, as I understand it, has there been a willingness to acknowledge the extent of the problem or even to be certain about the extent of the problem.

Senator PAYNE— Could you indicate to us what the attitude of the Indonesians participating in the dialogue—the conference—was to HIV issues?

Prof. Rees—I think they were somewhat incredulous about the claims being made by a nurse who had just spent three or four months in the highlands of Papua. I think they did not really know. There were not very many—there were only about four or five Indonesian representatives at those workshops. Like a lot of us, they did not really know.

Senator PAYNE—We have heard evidence this morning—and I will finish on this point—from Caritas, for example, about a lack of engagement by the Indonesian health authorities in particular to contemplate and grapple with the enormity of the infection problem. Was that reflected in the responses you saw?

Prof. Rees—It is all very well to make a policy. If you are doing that for people on the ground, to carry it out, nothing will happen.

Senator PAYNE—So there is no testing, no screening?

Prof. Rees—No. For example, one of the awful predicaments we are in is that one of the people has to leave this country in a few days time because his business visa has run out—which is how we brought him here. His wife is a nurse, whom we want to send to the University of Newcastle medical school for training in AIDS treatment measures. We may have to find a way of trying to get her back from Vanuatu or New Zealand in order for her to engage in the course that will be made available. But they probably need a thousand people like her. She is an experienced nurse but she is not experienced in that treatment. Unless you have people on the ground rolling their sleeves up on a daily basis, from the point of view of ordinary people, there is no policy.

Mr BEAZLEY—On the question of future political developments, how does the rough balance between indigenous and nonindigenous in Papua now reflect itself in indigenous thinking about prospects for democracy and independence? Are they assuming that these people, going on a strict basis of the votes, in fact have got themselves a majority and this is somehow impacting on what might be seen as future prospects for independence?

Prof. Rees—I think there is a sort of concern with working out democracy at local and regional levels and that those members of the OPM who used to make claims about democracy in a big and, if you like, glamorous picture are not really heard anymore. Even an awareness that the presidium has not worked very well but under difficult circumstances and can be made more effective; even the issue about being careful to consult the lowlanders if the highlanders appear to take an initiative and vice versa. The word 'democracy' is being used about the nature of that relationship. So I am surprised always that John Rumbiak, despite all his confidence, is a lowlander and is always careful to consult John Ondawame, who is a landowner and a highlander. The only time I constantly hear the word 'voting' is with regard to a review of the act of free choice, that until the history is rewritten they do not feel any confidence about making claims about democracy in the future. In a way the two go together.

Mr BEAZLEY—It is a substantially different picture from that which existed in Timor, where the nonindigenous population is quite small in the overall scheme of things and a vote on independence was quite simple. It is much more complex culturally and the balance is more complex, I would have thought.

Prof. Rees—There is a bit of an impasse between indigenous and nonindigenous at the moment. I have not really heard the issue about whether voting came down to 51 per cent on one side and 49 on the other; I have not really heard it addressed in those terms. I think the culture of fear is so awful on a daily basis that discussion of the issues contained in your question is for most people not on the agenda.

Mr PRICE—You mentioned the funding for the initiative. How is a centre funded, may I ask?

Prof. Rees—Good question. Not very well. We had three postgraduate students two years ago and we get 50 per cent of that. The centre in a way exists within the university but deliberately does not exist within the university. In other words, we have different lines of accountability. We are accountable to a foundation that is funded in the sharp end of town down here but we are not a department of university. We have deliberately refused to be in order to have some degree of autonomy. We started off with three postgraduate students two years ago. We now

have 63 postgraduate students from all over the world. Until a month ago we did not have any staff. We have one full-time member of staff only now to be responsible; there are lots of volunteers. So we get 50 per cent of that income. Our biggest source of income is from the award of the Sydney Peace Prize; the profit that is made from the Sydney Peace Prize. The cost of the seats is usually too expensive for parliamentarians to attend.

Senator PAYNE—Stuart, that is not true. I sacrifice to attend.

Prof. Rees—I am sorry, yes. But the $60,000 we make from that pays for two part-time jobs. It is largely half of the fees from postgraduate students, the profit from Senator Payne's purchase of tickets—

Senator PAYNE—It is the Payne institute!

Prof. Rees—and publications.

Mr EDWARDS—Professor, are there any other projects which you are running? Can you give us a rundown of some of them?

Prof. Rees—One of them concerned what was called 'Aboriginal night patrols'. This is about peace with justice on a domestic scale. It was also about trying to encourage elders in remote communities to be responsible for the administration of justice, after negotiations with the police and the magistracy, to see whether Aboriginal leadership in different parts of New South Wales could take responsibility for young people who would otherwise be labelled by the court system. Another project concerns the racism affecting the life chances of Lebanese youths in the western suburbs of Sydney. You will remember the controversies that surrounded a group of young people who experience about 30 per cent to 35 per cent unemployment. Those are a couple of projects. We have a project in association with Harvard and Rutgers, which is called 'Global Action to Prevent War', which is at an initial stage. In a way it is an attempt to revive the Canberra project about nuclear disarmament.

Mr EDWARDS—What were the origins of this project? How did it come about?

Prof. Rees—That is a good question. I had just come back from Cambodia and we were committed to trying to run a human rights project with the Cambodians and in through the door walked John Ondawame. I had some young students working with me for four months and they fell in love with it. Then the West Papuan Association felt that they could not sustain the project anymore. It was an impressive group of people—mostly based in and around Sydney, but not entirely—and they came to us and said, 'Look, would you develop this; would you take it over?' So the idea about Cambodia was quickly replaced by a whole lot of personal commitments to this person and to that group.

Mr LAURIE FERGUSON—You said initially that at the conference people's attitudes derived more from the part of Indonesia they came from than the fact that they were Indonesians. Are you speaking about Javanese versus others, or is what you saw there more complex than that?

Prof. Rees—I am not an authority on that. It seemed to be more complex. They joked among themselves about it. The consul general would say, 'But he comes from so-and-so and therefore he is not smiling very much this morning, whereas so-and-so comes from somewhere else.' When we got to know them well, the consul general's staff and the ambassador's staff would identify where they came from almost as though it was their constituency.

Mr PRICE—On page 3 of your submission, you say:

> They wanted us to be human.

I do not quite understand what you meant there.

Prof. Rees—I will give you an example. Some of them had just come back from a pilgrimage to Mecca. In stereotype terms I think some of us thought, 'This is an incredibly religious event.' Unless you read about it the only pictures you see here are of people rushing around some buildings and occasionally getting crushed to death. But they joked and talked about it as though it was equivalent to the Easter show—and they got balloons and bags. So that was the business about being human about this. I remember that particular incident.

CHAIR—There being no further questions, Professor, I thank you very much for being with us today and for that comprehensive briefing you gave us. If there are any other matters that we need additional information on, the secretary will be in contact with you. We will also send you a copy of the transcript of your evidence to which you can make any necessary corrections to errors in the transcript.

[11.11 a.m.]

MELLEFONT, Mr Jeffrey Robert, Publications Manager, Australian National Maritime Museum

WILLIAMS, Ms Mary-Louise, Director, Australian National Maritime Museum

CHAIR—On behalf of the subcommittee, I welcome Ms Mary-Louise Williams and Mr Jeffrey Mellefont. Although the subcommittee prefers that all evidence 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 should remind you that these hearings are legal proceedings of the parliament and therefore have the same standings as proceedings of the House itself. I invite you to make a short opening statement if you would like before we proceed to questions.

Ms Williams—The National Maritime Museum is based in Sydney and is the only Commonwealth museum outside Canberra—I suppose because a maritime museum would look foolish on the shores of Lake Burley Griffin. We are just 10 years old at the moment. We are a social history museum and we are different to any other maritime museum in the world. I think it is fair to say with due modesty that we are a groundbreaking national maritime museum in that we look at contemporary histories as well as past histories and we break the mould of being about boats and blokes, if the gentlemen would pardon me.

We look at contemporary histories as well as past histories. We have a responsibility to work with our colleagues in communities all around Australia, and that includes remote communities throughout the country. We also have a very small but very excellent collection of Indigenous material which looks at contemporary Aboriginal communities throughout Australia. We have one of the best collections of art from the Yirrakala community in Northern Australia.

We have a number of joint research and exhibition programs with other countries in the world and we have a strong international presence. We have worked with the UK, Finland, Sweden and Denmark. We are working with Brunei at the moment on an exhibition program. We have had exhibitions from Tiwi, Bathurst Island et cetera. We also have a scientific diving team at the National Maritime Museum. Museums are not just about exhibitions; a lot of research and collaboration goes on behind the scenes, both within Australia and internationally. We have worked with the Solomon Islands and Fiji to do some important excavation work in maritime archaeology.

We also collect the history of the pre-European contact between Indonesia and Australia here in Australia. We have a small but very good collection of material. I think it is fair to say though that it is harder to develop collaborative partnerships with museums in countries such as Indonesia than it is with museums in Europe and the UK.

CHAIR—Is that mainly due to money?

Ms Williams—It is partly a cultural issue I think and also partly money. I think there is some money in Europe to be able to make that connection with us. We are a small big museum; that is what I call us. We are about a quarter of the size of the Powerhouse, for instance, so we do not have a lot of money to make these connections. I think it is fair to say that we need diplomatic and political support to develop a collaborative relationship with countries like Indonesia. But the histories are strong and interconnected, and we would also like to extend that beyond past histories to work with them to look at disaster preparedness plans, for example. We worked with a small community in Lamalera, which is near Timor, recently to help them catalogue their history of contemporary whaling industries in Lamalera. I think that is the tip of the iceberg of the relationships we can form with Indonesia.

Both Jeffrey and I have had connections with Sulawesi. There is a fine museum in what was Macassar and is now Ujang Pandang which also looks at some of the relationships between Indonesia and Australia. But that has not come to much because I think it has needed more time, more effort and just a little bit of seed moneys to help that relationship develop. There are a raft of things that we could do, and we have made, as I said, steps along the way, but it has been difficult for us to continue without a little bit more support.

CHAIR—Have you made any attempt to get private sponsorships, or do you think it is a bit beyond that?

Ms Williams—It depends. For example, with the exhibition with Brunei, the Sultan has a bit of money, so he is making a bit of a contribution towards an exhibition that we are doing about Asian contact.

CHAIR—I was thinking more of the Indonesian situation. You have taken tours of Indonesia. What sort of reaction do you get up there to them? Is there a cultural difficulty in what you present? Do they come out in great numbers to see it? Do they appreciate what it is all about?

Ms Williams—I would like to be able to take some programs to Indonesia and to other Asian countries as well. We have not done so as yet. As I said, it is easier to do that with the European collections and museums than it is with Indonesia. So we would need to work with collaborations with other organisations and political connections to enable that to happen. We have not had luck with sponsorship from Indonesia. We have with European companies and Australian companies but not with Indonesia.

CHAIR—Have you done any initial research though as to whether or not there is a great interest in them in Indonesia?

Ms Williams—No.

Mr Mellefont—Are you talking about interest at governmental levels, official levels?

CHAIR—Even the general public, in terms of getting that exposure.

Mr Mellefont—Some of the museum's experience can reflect on that. In the late nineties, we developed and I led annual cultural tours which we marketed to our own membership and the membership of other museums, such as the Australian Museum. The uptake from the Australian

side was enthusiastic. We have done a range of Indonesian projects, we have done exhibitions that are related, we have collected in Indonesia, we have had research, delivered lectures and so on, but I think in many ways the most telling of the things that we have done have been these tours which generated face-to-face contact between Australians and Indonesians. The response from the Indonesians simply confirmed what my own experience has told me for years—that the GP are very interested, very willing to learn, curious and appreciative of the opportunity to meet us face-to-face.

We found that we were unable to recruit to these tours anymore essentially from 1998, after the fall of the Suharto government and the instability that was perceived. We had to cancel a 1999 tour. In the aftermath of September 11 we did try to run another tour. We were acting on the supposition that the Australian public had perhaps become used to the level of instability in Indonesia—and this was before Bali, I can tell you. We simply could not get anybody interested. That was in such radical contrast to our experience earlier.

On the issue of the level of interest of Indonesian museums and Indonesian cultural administrators in cooperations or joint activities with Australia, in the mid nineties I had the opportunity to meet with a number of museum heads in Sulawesi and Jakarta and indeed with a number of their administrators in the appropriate government ministries, both at the federal level and at the Jakarta zoned cultural administration.

These contacts revealed a couple of things. One was that very few Australian museums had been proactive and introduced themselves; and let me say that our meetings were very low key and informal. We had an opportunity to introduce ourselves on a one-off basis, so it was essentially, 'Hello, we're here. We'll get to know you and look at your needs and see what we can possibly link up with you about.' The response to that was very open and welcoming. It is probably related to our resource limitations, which Mary-Louise made reference to, that we have not in fact been able to follow up on those specific links. However, we do see that the potential role of a museum—particularly a museum of social history and a museum like ours—as delivering its programs to Australia, not just to people who visit us. We reach out in various ways with publications and programs that we are able to deliver.

Museums like ours have an opportunity to play a significant role in educating Australians about their nearest neighbour, in ways that counteract misunderstandings and stereotypes. We would see additional benefits if resources were available for museums such as ours to work with and support our counterparts in Indonesia. As Mary-Louise mentioned, we have professionals with a whole suite of museum skills and, with our maritime archaeologists having worked overseas on a number of collaborative projects, we see that we would have something to offer—and we would be very interested in doing so.

Senator SANDY MACDONALD—I have not been to the National Maritime Museum for a couple of years, but I was able to go to the Western Australian Maritime Museum the other day. It struck me that there was substantial emphasis placed on the maritime interaction between Indonesia and Australia at the level of illegal activities of Indonesians, in illegal fishing and other aspects of inappropriate connection. I thought at the time that this could make the Indonesian authorities very unhappy and give them a distorted view. If the reverse were true—if they had an emphasis on our interaction with them which revolved around illegal acts—we might not be so happy. I just wondered whether that is something that you had been aware of and what cognisance you take of that.

Ms Williams—We are mindful of that. The key thing is that we tell stories about human beings and their experiences. So whether something is right or wrong takes second place, in some cases, to the lives of people who are involved. I think the most important connection that we could make—and there is a raft of things that we could do—is to make that formal connection with another museum. It is how people can look after cultural material; and I heard my colleague from AusHeritage talking about a similar issue. People in Timor got caught short, for instance, with the looting of some of the collections in Timor during the problems there, and the same thing has happened, tragically, in Iraq recently. It is partly because there are no partnerships, there is no assistance that is immediately available to the people who care for the collections in those countries. I think that would be one of the best projects that could be developed. It is a very modest one; it could start in a very minor way, but they know who to ring. They know where to go help and advice on repair and maintenance of cultural material and how to catalogue it. They do not have even very basic facilities in some of these museums for basic collections management and care. So it is not really just about exhibitions, although that could possibly come in due course. That is perhaps a bit ambitious at this stage, but to make that formal connection with political and diplomatic support would, I think, be an important first step.

Senator BOLKUS—Are you suggesting that there should be some coordinated program and, if so, which vehicle would be best to coordinate and supervise it? Are you suggesting that there should be ongoing relationships between individual museums in Australia?

Ms Williams—I think what we need is a very small amount of money—I do not think it would be a great deal—to set up, say, an investigative program where we would bring people out from either the Ujung Pandang museum or the National Museum in Jakarta. We could have them work with us for, say, three or four weeks so that they could see what sorts of facilities we have, what sort of aid we could give them and how we could then work together—as it is in our interest and not just theirs. We could have a formal agreement, a memorandum of understanding, between the museums for a program of activities that may go over a period of three or four years. It is very humble, really. It is not very ambitious, but I think it would be a very important diplomatic tie between cultural institutions which would have in my view extremely beneficial diplomatic results.

Senator BOLKUS—Do you think Bali may now present an opportunity for a greater emphasis on cultural appreciation of Indonesia and particularly Bali?

Ms Williams—Absolutely.

Senator BOLKUS—In a sense, we have to start tourism there again. Does this give us an opportunity to, for instance, set up an institution there that may be more consumer friendly and educative?

Ms Williams—We had an approach from businesses in Bali about two years ago, because they had come to the museum. We are a very dynamic organisation. There is an open invitation to anyone who might be interested to come down to the museum. They came with about five or six people. They were primarily not from government; they were from Australian and Indonesian businesses and wanted to start up a maritime museum in Bali. I never heard back from them, to be honest, and I think that, if there had been some sort of government incentive or

encouragement for the two governments to come up with a specific project, we would probably know how they are going and be able to link in with minimal formality. I am not sure how far they went, but I think that is a very positive way of defining a better relationship with Bali and being quite proactive.

Senator BOLKUS—I suppose for me that, rather than some other edifice, would be an ongoing living monument to those who may have died in Bali.

Mr BEAZLEY—I have one question, which is completely out of left field. Do you take an interest in the Bradshaw paintings in the north of Western Australia, relate that in any way to a possible contact with Indonesia deep in prehistory and interest them in the character of the art?

Ms Williams—We have just begun to scratch the surface about some of the collections that are in Australian hands—whether they be in private or public hands—so it is something we would consider, yes. We have not done so yet, but we will.

CHAIR—There being no further questions, I thank you very much for being with us today. If we need any further information, the secretary will be in contact. She will also send you a copy of the transcript of your evidence, to which you can make any necessary corrections to errors of transcription.

Ms Williams—Can I give you a parting invitation? The *James Caird*, which is one of the world's most significant small crafts—it is Ernest Shackleton's boat—is at the National Maritime Museum at the moment. It will be here for four days before it goes back, and it is a fantastic exhibition. You are all welcome. Please give me a call if you would like to come down.

CHAIR—Thank you very much.

[11.29 a.m.]

WARREN, Mr Christopher, Federal Secretary, Media, Entertainment and Arts Alliance; President, International Federation of Journalists

CHAIR—On behalf of the subcommittee, I welcome Mr Christopher Warren to the hearing. Although the subcommittee prefers that all evidence 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 under oath, I should remind you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I will invite you to make a short opening statement if you would like, and then we can proceed to questions.

Mr Warren—The only thing I would like to do in opening is to perhaps talk briefly about some of the developments since we wrote our submission. We talk about the development of civil society and the development of the independent media within Indonesia. I think there has been some good news and bad news since then. We talk in the submission about the legislation that was then before the Indonesian parliament to convert TVRI and RRI into a public service broadcaster rather than a government broadcaster, and that legislation has now gone through the parliament and the government is in the process of implementing that. At the same time, there have been greater rumblings within the parliament about the role of an independent media. As you know, it is something that many people are uncomfortable with, particularly when they are not familiar with it. The pressures within the parliament or amongst some of the parliamentary parties for greater restrictions on the media continue to grow.

CHAIR—What role is the Internet playing there? Is online news undermining a lot of the difficulties that you have experienced in the past?

Mr Warren—I think it is very class based, to be blunt. There is a section of the Indonesian elite—the intelligentsia, for want of a better word—who have great access to the Internet. The Internet actually played a very interesting role towards the end of the Suharto government where, when *Tempo* and *Detik* and other magazines were closed in 1994, *Tempo* produced an online version of itself and maintained itself as an online publication. I think online and some of the online publications, such as *Detik* online and *Tempo* online, have been very useful in overcoming the problems of distance and distribution within Indonesia and the high cost of distributing an actual, physical newspaper. The Internet has, I think, been very positive in opening up discussion, particularly outside Java and Jakarta.

CHAIR—In your submission, you expressed concern at the possible re-establishment of the Ministry of Information. How far has that developed?

Mr Warren—It has not gone as far as we feared. A lot of the powers of the ministry have gone to the semi-independent Press Council, which is chaired and headed by people who have a long commitment to press freedom. I think a lot of the fears we had 12 months ago about the deterioration of press freedom in Indonesia have not been as bad as we believed. What we have seen a lot of—and this really began under the Wahid government—was the use of gangs and

demonstrations as a way of intimidating and threatening the media. There was a very big demonstration outside the *Tempo* offices about two months ago, which was not by a political movement but by a company that *Tempo* had been campaigning against, suggesting that they had been involved in some of the deaths in the burning of a shopping centre in 1998. That was a deliberate use of violence to try and intimidate *Tempo*. I think there has been a bit of that.

Paradoxically, I think there is some evidence that, post October 12—the Bali bombing—there has been greater concern by the Indonesian authorities to take those sorts of things seriously, whereas, before Bali, there was a bit of a sense that the carrying on about terrorism or violence was a bit of a Western beat-up. It is a terrible thing to talk about a positive thing that has come out of the Bali bombing, but I think the evidence is that it has forced a realisation, particularly among the police, that this is a serious issue that needs to be taken seriously. Having said that, when they finally arrested the ringleaders of *Tempo* demonstration, for example, we were be a bit critical of the charges that were laid, which were quite light. They were basically civil disobedience charges instead of what we would have thought was more appropriate, which was violence and assault charges.

CHAIR—I guess there is also tremendous international exposure. These days, modern equipment has CNN running the stuff live and all that sort of thing. At that stage, they probably never had that to that extent.

Mr Warren—That is right, although I do not think it is so much the external coverage as the internal coverage that concerns them. It was interesting that, in 1999, the International Federation of Journalists had a safety office in Timor to try to deal with the safety of journalists—and we talk about that in our submission. We had an Australian journalist, Heather Patterson, and an Indonesian journalist, Ezki. It became very clear that there was intimidation against the Western journalists, particularly against the Australian journalists, but the real risk was to the Indonesian journalists. The average thug in the street had no idea what the Australian media or the foreign media were saying but they could all read and see what Kompas, TVRI or RRI were saying. It was clear that there was much greater danger and much greater risk to the Indonesian journalists in Timor than for foreign journalists, because they were concerned about what was being broadcast internally. That is why we say that Australia and other friendly democracies have a responsibility to try to strengthen the independent media within Indonesia, both by strengthening the independent media and by strengthening respect for the role of an independent media.

Mr LAURIE FERGUSON—I have a few points. Firstly, you make the point that Australia, as opposed to a number of other Western nations, does not assist AJI in campaigns. In what form does the US government's financial appropriation come? You mentioned that the US government actually—

Mr Warren—A bit of it comes through the AFL-CIO Solidarity Centre, which has an office in Jakarta and is funded by the US government. A bit of it also comes directly through the Asia Foundation. The Asia Foundation has actually done quite a lot of work. It is a form of indirect funding, if you like, but it is largely funded through US government sources. I think the Asia Foundation has largely funded what AJI call their Amplop campaign—the campaign against envelope journalism. It is one of the big issues in Indonesian journalism, because it goes to the heart of the integrity of the media—how can you campaign against corruption when there is fundamental corruption at the heart of the media? From a trade union perspective, it also goes to

the heart of how, if journalists are not adequately paid and rewarded, they are encouraged towards corruption as a way of feeding their families.

Mr LAURIE FERGUSON—You make the point that the diversification of the Indonesian media has led to a situation where the companies are sometimes very insecure with regard to their ability to pay. Could you give us a bit of an overview of the major newspapers et cetera, as to whether there is any consolidation of conglomerates or whether they are all totally independent in nature?

Mr Warren—Since 1998 there has been an explosion of newspapers. It initially went up to a sixfold increase and has now come back to about a threefold increase. I am not sure whether there has been a lot of consolidation of ownership, although there has been some, but partly that has been more due to pre-existing titles launching a different line. For example, *Tempo* magazine and the subsequent online site have launched a daily newspaper. A bit of that has been going on as a way, I guess, to product line extension. I think a lot of them are now finding they are overextended. I would be surprised, for example, if the *Tempo* daily survives the year. I think we will get a truncation back to some of the more established papers, at least in Jakarta, although the big issue will be to what extent a lot of the regional papers that have developed and strengthened since 1998 survive and establish a significant base.

Mr LAURIE FERGUSON—Are any of the Jakarta papers national in the real sense?

Mr Warren—I suspect they are national in the sense that a lot of the Sydney papers are national—in the sense that they think they are national, that because it happens in Jakarta it must be a national. Some of the major ones like Kompas have a substantial regional base. For example, I was in Bali at a conference last week and almost all the major Jakarta papers had Bali correspondents. I think that in a place like Bali there are correspondents, but often in places like West Papua they do not have the same range. I think there is a bit of an expectation or a bit of a hope that RRI can fill that role in a lot of the regions—a bit in the same way as the ABC does in regional areas in Australia.

Mr LAURIE FERGUSON—You have referred to the *Tempo* demonstrations, and you put that in the context, I think, of a way in which papers can be intimidated other than by direct legal restrictions. You have talked about the sentences. Did you follow who was found guilty, what kind of people they were and where they were generated?

Mr Warren—The people who were charged were basically people off the street who had been picked up because of the demonstration. But it is pretty clear that it was being driven by the shopping centre owner whom they were harassing. When I say 'harassing', they were campaigning against the shopping centre owner for his involvement in the burning of the shopping centre in 1998.

Senator BOLKUS—This may be a question to take on notice, but you have mentioned 19 laws that affect journalists. Can you document those for us at some stage?

Mr Warren—Yes, we can send you those. They came out of a report that was prepared jointly between the Alliance of Independent Journalists and the South East Asian Press Alliance, which is a regional press freedom NGO in the region and, yes, we can send that to you.

Mr BEAZLEY—Do those all predate the 1999 changes?

Mr Warren—Almost all of them, yes.

Mr BEAZLEY—You mention them here, but is there much evidence of some systematic effort to utilise them against the media or is it just all verbalised?

Mr Warren—It was more verbal and, therefore, more implied. That is a bit why abolishing the administrative information was so important. It was a practice; that is what they did. It was their job to ring up the editors and harass them. They did not know what the government was; that was their job and that was what they did. So getting rid of the department was an important way of breaking that cycle. It is clear that the major threat is the demonstrations. It was a bit sad in many ways that often people who would otherwise have a great commitment to press freedom—I am thinking particularly of someone like President Wahid, for example—had supporters who were among the most active of those harassing newspapers or harassing people that they disagreed with. That reflects a lack of a cultural acceptance of the role of the media at all levels within Indonesian society.

CHAIR—Safety training for journalists has me a bit fascinated. Basically you are saying that the Australian government should become involved.

Mr Warren—Yes.

CHAIR—What form should the training take? Do we pay for it?

Mr Warren—I think there are two things that the government can do. One is to provide assistance for training. Tomorrow, in Brussels, the International Federation of Journalists and a number of the major media organisations—CNN, Reuters et cetera—are launching the International News Safety Institute, which is about trying to provide training for journalists in areas of danger. That has been one of our big campaigns for the past 10 years. One of the real tragedies of the deaths of journalists in Iraq is that they were probably the most highly trained, in terms of safety training, of journalists in a conflict situation, and yet there were still 17 journalists and other media workers who were killed. So training of people—people learning how to keep their heads down and when to keep their heads down—is an important role, but it can only take you so far. One of the other important roles is helping to create a safety culture, and that is what we tried to do in East Timor with the safety office there. That was about creating a safety culture, a regular liaison point with the UN, with the Indonesian police and with the Indonesian military.

A really interesting experiment is going on at the moment in Maluku—it is being run by AJI, under funding mainly through the European Union—the setting up of a media centre in Maluku. That has become the only place in which the Christian and Muslim communities in Maluku can interact and engage. It began as a vehicle by which the Christian and Muslim journalists could interact. The problem that they generally had was that the Christian community would only talk to Christian journalists and the Muslim community would only talk to Muslim journalists. It created a way in which they could share information, develop relationships and networks. It has now expanded to become a bit of a safe haven for meetings between individuals from NGOs—activists would probably be a better word—from the different communities.

We are currently hoping to launch a similar project to the one in Aceh. That is a bit more complex because the AJI, as an Indonesian organisation, is seen by some of the Acehnese as part of the problem and not part of the solution. So it is a bit more complex than it is in Maluku; nonetheless, it is an important example of that second way in which you can help create a safety environment by having a media centre within a trouble spot.

CHAIR—Basically, you want training for Australian journalists and Indonesians?

Mr Warren—More training for Indonesians. The evidence is—and I have talked a bit about the Timorese experience—that it is more dangerous for Indonesian journalists than it is for Western journalists. It is not necessarily safe for Western journalists or for Australian journalists, but it is more dangerous for Indonesian journalists. They often lack support from their own organisations. The Australian media companies are quite good in providing proper training for their staff. There is generally a week-long training course that most foreign correspondents would go through. There are usually appropriate social security or industrial mechanisms in place to look after their families if anything tragically happens to them or to look after them if they get injured, for example. There is not necessarily the same support for people on the ground. Foreign correspondents—and therefore we as a community—often rely on local journalists, local fixes, as the liaison with the local people on the ground. The cameraman will often be picked up locally, and these are the people who tend to be most at risk.

If you look over the past 10 years, you will see that the journalists who are most likely to die are those who are pretty much left to their own devices. They are locally picked up, local fixes, who, because they have no ongoing employment, are expected to take greater risks. If anything happens to them, they are not necessarily looked after. This is often a row that we, the IFJ, often have with people like Reuters and CNN, for example: that is, if they pick up people locally, they then have an obligation to look after them if anything happens.

One of the positive things is the way ITN, for example, has taken absolute responsibility for Othman Hussein, the local interpreter-translator who was among the crew that was killed. They have rightly and gratifyingly taken full responsibility for investigating his death and have treated him as though he was part of their team.

Senator PAYNE—I have a question that flows from that. In your submission on this aspect, you suggest that it could take the form of support in kind from Australia's military advisers. Exactly what did you have in mind and how would you then propose to negotiate the diplomatic niceties of that?

Mr Warren—The current private training companies that train journalists are run by ex-military people, by and large. A UK based company called AKE has just set up a branch in Australia. There is an Australian based company called GRASP and an ex-Australian SAS person is the key person there. A lot of the safety tools are the same as those used in the military—keep your head down, know what things sound like and what the dangers are. It is clear that there is no hostility from the Indonesian government to support civil society initiatives within Indonesia. I know that there has been some criticism within Australia. I believe that they are issues that should be able to be built around and certainly, in terms of the Australian media, there should be no difficulty at all in providing those resources and that assistance.

Senator PAYNE—I am not sure whether I have misread what you have written. You recommend using 'Australia's military advisers'. I absolutely understand that there is a fundamental difference between using former members of the ADF who are now doing other things, employed in other businesses and so on, but that is not what your recommendation says. How would you massage the process of using what I read to be the ADF?

Mr Warren—We do mean using the facilities of the ADF. That can be provided in Timor, for example, at the moment. With those sorts of projects it is a question of how that is negotiated with the government on the ground in the implementation of a local project.

Senator PAYNE—That was essentially my question.

Mr Warren—Again, the answer is that it is a matter you will deal with in negotiating the project on the ground. There has been some experience of that in Africa, where French military advisers have provided some training for African journalists on the ground in circumstances where the risks for journalists are far more extreme than they are in the most troublesome spots in Indonesia.

Senator BOLKUS—You refer frequently to the concept of open dialogue with respect to a number of issues. How do you anticipate that being started and conducted? Some would argue that we have had open dialogue with boat people in recent months and that has not been very productive. You do need the two sides to come to the table with similar intents.

Mr Warren—Yes, and I think that we—that is, liberal democracies—make a mistake when we seek to engage with emerging democracies in any way that is apologetic for how we are and the things we believe. I am not one of those who think that the Australian government has generally got that wrong in relation to Indonesia. There has been a long tradition of regular complaints and protests—even just raising the issue—to the Indonesian government. For example, we were very gratified that, when the three magazines were closed in 1994, the then Prime Minister could raise that directly with President Suharto. That is the sort of level at which the idea needs to be continually raised and pushed that a free media is an intrinsic part of what the Indonesian government wants to achieve in developing Indonesia. Our experience is an important example of that, and we need to be unapologetic about it. In Indonesia we generally get that right but we—that is, Australia—have probably got it wrong on some issues. I think that that is the only approach a democracy can take in engaging with emerging democracies.

CHAIR—We have heard from the AJA side of the alliance today. Our inquiry covers the whole gamut. Are there any other relationships we should know about? Do you have concerns about any of the other groups—from singers and dancers to orchestras, actors and goodness knows who else—you cover?

Mr Warren—There is no doubt that the development of the arts and entertainment industry in Indonesia is very important. The challenge is that the arts and entertainment industry in Indonesia operates at two levels but is missing a key central level. It operates at a very elite level and at a very populist local level but it lacks the connection between the two provided by, for example, regional theatre companies that are actively supported. We think that, just as the ABC played a key role in developing the Australian arts industry in the fifties and sixties, RRI and TVRI have a very important role to play in Indonesia because they are the only really

national broadcasters. One of the things we have been talking about with our friends and colleagues within TVRI and RRI is that news is not necessarily the most important part of what they do; they also need to focus on the drama side and the cultural side of development.

CHAIR—Thank you very much for your attendance today. If there any matters on which we might need additional information, the secretary will be in contact with you. We will also send you a copy of the transcript of your evidence, to which you can make necessary corrections in errors of transcription.

[11.57 a.m.]

BURNS, Mr Trevor John, Head, Government and Parliamentary Relations Branch, Corporate Affairs Division, Australian Broadcasting Corporation

DOHERTY, Mr John, Head, International Operations, Asia Pacific Television Service, Australian Broadcasting Corporation

MANGUY, Mr Jean-Gabriel, Head, Radio Australia, Australian Broadcasting Corporation

SMITH, Ms Marilynne Joy Kathleen, Manager, International Training, Australian Broadcasting Corporation

CHAIR—On behalf of the subcommittee, I welcome the ABC to the hearing. Although the subcommittee prefers that all evidence 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 the request. Although the subcommittee does not require you to give evidence on oath, I should remind you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House. I invite you to make a short opening statement and then we can proceed to questions.

Mr Burns—On behalf of my colleagues from ABC Asia Pacific, Radio Australia and ABC International Training, I thank the committee for the opportunity to appear today. We have only a short opening statement, as on reviewing our submission we believe that it covers the issues adequately and is up to date.

The ABC has a longstanding record of engagement with Indonesia through Radio Australia, ABC News and Current Affairs, ABC International Training and, more recently, through ABC Asia Pacific Television Service and ABC Content Sales. The ABC has a history of 60 years broadcasting to Indonesia. Radio Australia's first broadcasts in Indonesia took place during World War II. Radio Australia currently reaches into Indonesia daily, in English and Indonesian, via short wave satellite and through relays on local radio stations. ABC News and Current Affairs has been represented in Indonesia full time since 1959, except during a period of strained relations between 1980 and 1991.

I would like to take the opportunity to correct something in our submission. On page 2, under the heading 'ABC News and Current Affairs', the first dot point reads:

- ABC News and Current Affairs has been represented in Indonesia full-time since 1959 and has maintained its presence even during a sustained period of strained relations between 1980-1991.

That should read, ' … except during a sustained period ...' It is correct on page 10 but that reference on page 2 is incorrect. We can fix that up with the secretariat later.

The ABC currently enjoys virtually unrestricted access to all parts of Indonesia. The ABC also has a long history of involvement with training with Indonesia. Most of the more recent training activities have been funded by AusAID. The ABC continues to actively pursue training

opportunities with Indonesia and it is currently hosting 19 business journalists from Indonesia for seven weeks as part of an AusAID project.

The ABC Asia Pacific Television Service is being broadcast locally on two pay television operators, Cablevision and Indovision, as well as being available direct to homes via satellite dishes. Indonesia was the first country to begin formally transmitting the new television service. We welcome the opportunity to respond to questions from the committee on the services.

CHAIR—I think you said in your submission that you had the second largest audience in terms of international broadcasters. Who beats us?

Mr Manguy—In radio, BBC World Service.

CHAIR—What is the difference between the service provided by the ABC and other broadcasters into Indonesia—like BBC World Service, CNN and the rest of them?

Mr Manguy—I will speak concerning radio for a start. In international radio the major players are BBC World Service, Voice of America and us. The Dutch, the Germans and even the French are in there too. Figures that came out last year show that we have been able to rebuild audiences to a level where we are now second—on a par with Voice of America and behind the BBC. To give you an idea, it is estimated that our audience last year was 6.5 million. Most of these are in Indonesian, of course. This was probably half that of the BBC but on a par with the Americans.

Mr Burns—In television our presence is more recent and we have been broadcasting there since?

Mr Doherty—since about March last year. I would like to expand on the answer. When ABC Asia Pacific was brought into existence we felt that we had to be unique and distinctive because at the moment there are roughly 150 international channels that are available to people who have satellite dishes or pay operators in the region. Most cable operators only take between 50 and 60 channels so it is a highly competitive market. It was very clear to us that another news channel, another sports channel or even another movie channel, was not something that rebroadcasters wanted. So we have put together what we believe is a very attractive channel which obviously shows the best of Australian programming, both from the ABC and the domestic channels, but at the same time gives a very strong and open window into Australia through our news and current affairs programming. And we make news and current affairs programming specifically for the channel. We are spreading the message that we are not simply a channel for Australians but a channel for the region. Of course, Indonesia is one of our most important audiences. So we are not aiming our news and current affairs at Australians, we are aiming it at the region.

CHAIR—The new technical facilities: are you happy with the way they are going? I remember evidence at a hearing of this committee some years ago that transmitters were all the go and that it would be the end of the world if we lost those transmitters. I assume that is why the audiences these days are slightly different to what they were then. Are you happy with the way the technical quality of the ABC produced programming is going?

Mr Doherty—I think that is probably a question that my colleague from Radio Australia can answer better than I. We are in fact on two satellites.

Mr Manguy—The Radio Australia signal is also on those two satellites. In terms of short-wave transmission, Darwin has been closed. Three years ago the government provided additional transmission money of $2.8 million per year. That has enabled us to purchase 20 hours of transmission time—seven out of Darwin, seven out of Singapore and six out of Taiwan. The decision there was to focus on South-East Asia from three different geographical locations. The quality of the short-wave signal depends on hours and conditions. We broadcast as much as we can on a couple of frequencies. To give you an idea, BBC and Voice of America would probably broadcast on half-a-dozen frequencies at a time.

Senator PAYNE—I have a couple of questions. Mr Manguy, under the heading of 'Issues' in the Radio Australia submission you note that Radio Australia has no physical presence in Indonesia, which goes to the issues that Mr Jull was just raising. Is that a bid for a physical presence in Indonesia? Do your competitors, which you list here, including BBC World Service and Voice of America, have a physical presence in Indonesia?

Mr Manguy—They do, yes. Indeed, we wish that we did. That requires resources. It is important to have people on the ground for profile, for relations when you try to place content and for reporting. As you know, the ABC has an office in Jakarta. In the case of Radio Australia, we are talking about Indonesian speakers and an Indonesian presence.

Senator PAYNE—Perhaps, Chair, I should have heralded that as the Senator Vicki Bourne memorial question! I also want to ask about training. I am very interested in the information that has been provided, again under the heading of 'Issues', in the training section. I would call it an evaluation of the effectiveness of your training. I assume these are questions for Ms Smith. Firstly, is that a fair assessment? Secondly, are there further initiatives that we could take or that the ABC could pursue, with support if necessary, to enhance that? It is a very impressive assessment of what you think you achieve through the training now.

Ms Smith—I am basing the assessment on our having talked to the people who have come over here and on their written evaluations—which we call 'happy sheets', so they do have to be taken with a grain of salt. It does become fairly evident in talking to them that they do get a different perspective—in Indonesia, the perception of the Australian media is that we are pushy, aggressive and, often, directed by government.

Senator PAYNE—I do not know how the first two descriptions could possibly ever apply!

Mr BEAZLEY—I do know how the third one could.

Ms Smith—So, in most cases they get a different perspective entirely. They start to understand that it really is different here and that we are reporting from a very different point of view. I think that is valuable, because it affects their perceptions when they are back home about what is being reported from here.

Senator PAYNE—So, do you think we could or should do more?

Ms Smith—I think Australia should do more with the media. We have done most of our training here in Australia, by the way; which is a little bit unusual. It has always been through various projects—the Centre for Democratic Institutions, which is funded by AusAID, has run a few of them. The current phase is the third course that we have done with IASTP II, which is the Indonesia-Australia Specialised Training Project phase two. Apparently, they are looking at a third phase now.

Senator PAYNE—And I think the Australia-Indonesia Institute does some exchange work and similar things. I think they work with print media in particular.

Ms Smith—That could very well be. We have not been involved with them.

Mr BEAZLEY—With Radio Australia's footprint, how much of it is local relay and how much of it is broadcast from Australia?

Mr Manguy—Unfortunately, I cannot give you any figures; but in terms of geographical footprint, we have the Pacific fairly well covered. As you know, short wave can go right around the world, but the Pacific is fairly well covered. In terms of Asia, it is a few hours a day to a few places: to Indonesia, from Singapore to the eastern coast of China, from Singapore to Cambodia and Vietnam and from Taiwan to Indonesia. So you can imagine a map with beams but with blanks in between those beams and beyond those beams.

Mr BEAZLEY—Do you have any idea who your audience is? Is it basically a Javanese audience? Is it a dissident audience? Is it people in, perhaps, Aceh or West Irian who listen to you more? Have you made an effort to find out who you are talking to?

Mr Manguy—The survey that we commissioned last year gave us an idea of geographical listenership. Certainly in terms of rebroadcasts, so-called indirect listenership, the audience there was in urban centres. In terms of short wave, it is more in rural areas. The figures that came back to us—and I should qualify here that the survey did not go as far as West Papua, so the eastern part of Indonesia was not covered—showed that in rural areas we had a strong listenership in Sulawesi, in eastern Indonesia and in eastern Java. These were three regions which seemed to peak in terms of direct short-wave listenership.

Mr BEAZLEY—Have you noticed any difference between the enthusiasm for the product in the era prior to the fall of Suharto and that post it?

Mr Manguy—The enthusiasm is communicated to us by stations that now come to us to ask for material to be relayed by Radio Australia. Certainly, four or five years ago, we were pushing very hard to recover an audience in there. We find that now there is an interest; people are coming back to us and they want to have access to Radio Australia broadcasts, in Indonesian in particular. I should bring to your attention the fact that, on a daily basis, senior Indonesian broadcasters at Radio Australia are asked by local stations in Indonesia to act as commentators not just on Indonesian-Australian relations but on Indonesian political affairs. To me, that is a very encouraging indicator. They are, in some cases, respected Muslim scholars.

Mr BEAZLEY—On television, what sort of product is most popular for acquisition by other operators for rebroadcast purposes?

Mr Doherty—Of course, the programming we purchase we can only show on our channel. But we find that our most popular programming is our education programming. We have a program called *Nexus*, which we produce specifically for the service. It has an English learning component in it called *English Bites*, but it also looks at the wider Australian landscape, and it looks at our social and political issues in an educative way. We have found that has been extremely popular and, in countries where we have not been able to manage 24-hour coverage, immediately that program has been taken by the rebroadcasters. Our children's programming as well is proving popular because both areas, education and children's, are areas that have been vacated by many of the channels and the production houses.

Mr BEAZLEY—The children's education is what, specifically; not *Playschool*?

Mr Doherty—We would like to have *Playschool*. Our children's programming is aimed at toddlers, so we have *Here's Humphrey* and *Hi-Five*, which is a Channel 9 program. We also have *Totally Wild*, which is a Channel 10 program, and one other science program—and the name escapes me—which is also on Channel 9 of an afternoon. So there is a mixture of light entertainment and education there, but the *Nexus* program is heavily education focused, and it is aimed primarily at teenagers.

Mr Burns—The ABC has sold some content to pay television in Indonesia: natural history, drama and children's. It has also sold some children's content to free-to-air television—*Bananas inPyjamas* is the program.

Mr BEAZLEY—Good.

Senator STOTT DESPOJA—In relation to what you can and cannot rebroadcast, I noticed in the submission that, at the time of writing, there was an issue of concern that you identified in terms of rebroadcasting of foreign news programs. What was the outcome of that legislative debate, and is that still an issue?

Mr Manguy—That was passed. We have a number of rebroadcasters who were directly affected by that decision. None has ceased to rebroadcast Radio Australia but we have noticed that in the case of new potential rebroadcasters there is a caution there. They do not want to stick their neck out. Perhaps where we would have hoped to seek further rebroadcasts, these have not occurred yet.

Mr Doherty—If I could add to that: we are still trying to see what the fallout is but it has not affected us at all. It might be interesting to note that we are actually in negotiations with a free-to-air channel in Jakarta to take some of our news programming. So if that is the case, it is obvious that the legislation will not affect us at all, but they are still examining that issue and there is no outcome.

CHAIR—Is there a dollar in it?

Mr Doherty—No.

CHAIR—So you are virtually giving it away?

Mr Doherty—We are virtually giving it away. Some of these free-to-air channels have program budgets of a million dollars a year, which in television terms is not much, but it would expose our news broadcasts to a much wider audience than we now have.

Senator STOTT DESPOJA—I note that the submission from the MEAA recommends:

> The Australian Government, through increased funding to the ABC and specifically Radio Australia, should support Indonesia's state-owned broadcasters in their moves toward full public service broadcasting. This support should be in the form of information exchange, training, secondments, conferences and resources.

I take it that you do not have a problem with that particular recommendation moved by colleagues that calls for increased resources in those areas? You touch on many of those areas in your own submission. I am just wondering whether that is signed off or supported by you.

Mr Burns—We certainly would not have any problems with it. In terms of our priorities in international broadcasting, in our current funding submission before government we have asked for two areas of increased funding. One is to renew the additional funding we got for short-wave radio transmission, which runs out next year. That is about $2.8 million per year. The second one, involving international broadcasting, was to set up FM relays throughout Asia and the Pacific. That was in the order of $3 million per year. They were our two major priorities that we put forward in the budget round this year.

Mr BEAZLEY—If you fail to get the first, what impact does it have?

Mr Burns—We lose our short-wave capacity into Asia.

Mr BEAZLEY—Full stop?

Mr Burns—I think that is correct.

Mr BEAZLEY—What happens with the other one if you do not get it?

Mr Burns—A lot of the other international services like BBC World and Deutsche Welle are now on FM relays. We have one in Suva.

Mr Manguy—Yes, we now have a 24-hour FM service in Suva.

Mr Burns—We identified another 16 or so throughout the region. That just gives us another way of delivering the radio service in Asia. It is additional. Not getting it does not take anything away from us.

Mr BEAZLEY—What happens in the ERC process these days? Do those two bids go into government or do they go to the ABC for the ABC to work out from its global amount?

Mr Burns—No. One is a renewal of a government program and one is a new policy proposal in the budget process.

Mr BEAZLEY—Good luck.

CHAIR—Mr Manguy, could you give us a typical day's program of Radio Australia in Indonesia?

Mr Manguy—If you were an Indonesian speaker and lived in Jakarta, you could, for instance, tune into Radio Australia from half past four in the morning, because you get up early to go and say your prayers perhaps. You would have 2½ hours of Radio Australia in Indonesian, which would include news every half-hour plus current affairs, an English lesson and a topical program either of an educational nature or on a couple of key issues we have identified—health and sustainable development.

You can also listen to two of these 2½ hours on Jakarta News FM; on FM in Jakarta in your own city. Then there would be a half-hour break, then another half-hour of Radio Australia news and topical programs. That is the way we have structured our broadcasts throughout the day, with a big chunk in the morning of 2½ hours and then half-hour segments in order to capture as many listeners as possible. So it is 2½ hours plus four 30-minute broadcasts—that is what we provide to Indonesia—and every time news and news updates, because that is where the main interest is.

In English, you would be able to listen to Radio Australia for seven hours a day—3½ hours in the morning; 3½ hours in the evening. In the morning, we would start the day for you at 5 a.m. with Radio Australia news and *AM*, the AM program we run. We run some Radio National features, such as *The Health Report* and those little report programs. We then have two morning editions of *Asia Pacific*, also heard here on Radio National and News Radio, which is very much on local issues, and some music programming in the morning. In the late afternoon, we start our broadcasts with news again, followed by *PM*, then news, *Australia Talks Back*, news and *Asia Pacific*. There is another music program and that is the end of the broadcast.

CHAIR—Thank you very much for attending here today. If there is any additional information you might require, the secretary will be in contact and she will also send you a copy of the transcript of your evidence, to which you can make any necessary corrections.

Proceedings suspended from 12.22 p.m. to 1.41 p.m.

[1.40 p.m.]

BUCKLEY, Prof. Ross Philip, Representative, Jubilee Australia

SPILLANE, Ms Shennia Maree, Member, Jubilee Australia Policy Working Group

CHAIR—On behalf of the subcommittee, I welcome the representatives of Jubilee Australia. Although the subcommittee prefers that all evidence 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 committee does not require you to give evidence on oath, I should remind you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I invite you to make a short opening statement before we proceed with questions.

Ms Spillane—Thank you very much. I will briefly introduce Jubilee Australia and then ask Professor Buckley to speak to our submission. As you may be aware, Jubilee Australia is a coalition rather than an organisation. Currently it is a coalition of some 60 non-government organisations—many in the aid, development and human rights fields—as well as church and other community groups and a range of supporting individuals, who are working to campaign for the relief of unjust and unpayable debts in poor countries around the world. Many of you would have been familiar with Jubilee 2000 which originally aimed at wide-ranging debt relief by the end of the year 2000. At that time many Jubilee organisations around the world, including Jubilee Australia, realised that the work of global debt relief was far from over—and the Jubilee campaign has continued in Australia until now. Our interest in debt relief issues covers a range of countries but of particular interest to Jubilee Australia in the last year or two has been debt relief in Indonesia. Indonesia is a country that is suffering a major debt problem which threatens to get worse in coming years. As Indonesia is a country with a major bilateral relationship with Australia, a close neighbour and a country with which we have both major bilateral economic ties and bilateral debt, Jubilee felt it was appropriate for us to campaign and look at the issue of debt in Indonesia and also to make a submission to this inquiry. I invite Professor Buckley to speak in some more detail to the submission.

Prof. Buckley—I just wanted to make a few points about a debt crisis in Indonesia that really erupted in 1997. In 1997 we had the Asian economic crisis which affected the whole region, but Indonesia is economically quite a different kettle of fish than the rest of the region. You will see lots of ratios in the Jubilee submission—ratios of GDP to debt, and ratios of all sorts of things to debt. The critical ratio in terms of working out whether you have a debt crisis is a debt service ratio, which is a ratio of how much a country is spending on servicing its foreign exchange compared to how much it is getting through the till in terms of exports. The standard figure that tells you whether you have a debt crisis is 20 per cent. If, as a country, you are spending more than 20 per cent of the money you are getting from exports on servicing debt, you have a debt crisis. That is not a fuzzy figure put together by some bunch of aid agencies; it is actually a figure worked out by JP Morgan in the early-1980s.

In 1996 Indonesia's debt service ratio was 34 per cent. Today Indonesia's debt service ratio is about 26 per cent. History tells us they are unsustainable ratios. Once you start to spend more

than 20 per cent of what you are earning on servicing debt you do not have enough foreign exchange left to import other things to keep your economy growing and to keep moving forward. This is the main reason Indonesia has not come out of the Asian economic crisis the way the other countries have largely come out of the Asian economic crisis. The Philippines, Malaysia, Thailand and Korea all left the crisis behind a reasonable time ago because they do not have this debt overhang that Indonesia has. Actually, the solution to the crisis increased Indonesia's debt problems significantly.

The IMF bailout was a long-term loan that went towards paying off short-term creditors, so that increased the sovereign debt of Indonesia. The IMF policies required the recapitalisation of local banks, which was done by the Indonesian government issuing local debt. So today Indonesia has a whole lot more debt than it had 1997. That is relevant to Australia because history tells us that these sorts of debt levels imperil democracy; they are antithetical to stable government. The reason they are antithetical to stable government is that they mean that a government is spending too much of its resources on debt and not enough on its own people. Today Indonesia spends over five times as much every year on servicing debt as it does on its health budget and its education budget together. It spends over five times as much on debt as on health and education—this in a country where 55 per cent of people exist on less than $2 a day.

What history tells us in regions of the world like Latin America is that if that goes on for too long people will just not tolerate it and you will get riots in the streets. When we had a debt crisis in Latin America in 1982, by the late 1980s we had one riot in Venezuela where over 3,000 people died—in one riot! It was at that point that the United States Treasury took it seriously enough to do something about debt relief—in the Brady Plan. What I hope is that we are not going to have that situation in Indonesia—where we get to the point where democratic government is teetering on the edge—before we do something about debt relief. It seems to me that, out of self-interest, it is in Australia's interests to start working now towards alleviating Indonesia's debt burden.

The Jubilee submission makes three recommendations. The first is that 30 per cent of the debt be cancelled on the grounds that it is odious. This notion of odious debt is that even on the World Bank's own figures about 30 per cent of the loans that went to Indonesia never got to Indonesia as such; they went into the pockets of corrupt dictators. So the developed countries are now saying, 'Indonesia, please repay us this loan,' knowing that only about 70 per cent of the loan got into the consolidated revenue and 30 per cent ended up in private pockets.

The second recommendation is that Australia throw its support and weight behind the idea—which is out there—that there should be some form of insolvency mechanism for countries. No economy in the world would work without a bankruptcy system, but we have no bankruptcy system globally for sovereign countries. The best model out there is in US law already. It is chapter 9 of the US Bankruptcy Code, which governs the insolvency of municipalities. If a local government area in America becomes insolvent—as a couple have, because they have played around too much with derivatives—its insolvency is governed by chapter 9. It is the government equivalent of chapter 11, which allows you to work your way out from underneath a bankruptcy problem such as that of American Airlines at the moment. The hard work has been done. The US has a very effective law. We need to take that law and have it operate as applicable to nations as well to local governments in the US.

The third recommendation—and the one I will finish on—is that Australia engage in a debt for poverty reduction swap mechanism with Indonesia. Australia has about $1.6 billion of bilateral debt with Indonesia, and a very effective thing to do with a proportion of that is to engage in a transparent, tightly structured, accountable series of transactions in which Australia releases some portion of that debt and it is converted into local funds in Indonesia rupiah that are fed through to Indonesian NGOs and aid organisations working on the ground in Indonesia. So the bilateral debt gets converted into grassroots development efforts in Indonesia. I think Australia could do a great deal in development terms by doing that, and it could also directly address its small part in Indonesia's very large debt problem. I will finish there.

CHAIR—I would like to just clarify whether $1.6 billion is the present debt with Australia?

Prof. Buckley—Yes, that is the present debt.

CHAIR—I think in your submission you said $1.2 billion. So you have had a fair increase—but I might be wrong about that figure.

Prof. Buckley—It was $1.5 billion in the middle of last year.

Mr PRICE—I do not understand how that mechanism works. The money has already been lent.

Prof. Buckley—The money has already been lent. The way the mechanism would work is that Australia would enter into an agreement with the Indonesian government which would basically say, 'If we forgive $100 million'—say—'of debt, you, the Indonesian government, will agree to convert that into rupiah, and so you will issue local currency. Instead of giving us the local currency to repay the debt, put the local currency into this mechanism and use it to fund these developments.'

Mr PRICE—Over what time period?

Prof. Buckley—These things take a while to implement, and I think the sensible way to do it would be to start small and make sure it is working well. One of the ways to make it work is by having a carrot of more down the track. I would not suggest that you suddenly do a debt for development swap for $1 billion. You would start with a relatively small amount, see that that works, make sure that you have got all the transparency and accountability measures in place so that you can see exactly where it is going and then you do a bigger one, then a bigger one and so on.

Mr PRICE—Pardon my ignorance, but how does chapter 9 work? If we were to implement that tomorrow, in what way does Indonesia benefit from the chapter 9 approach that you advocate?

Prof. Buckley—It would need some form of international tribunal that would look a bit like a court but probably, realistically, would not be a standing court. The ultimate goal would be to have an international sovereign bankruptcy court sitting in the Hague, next to the International Criminal Court and the International Court of Justice. But, as a starting point, you would have a tribunal of international experts that was assembled for the role. You would have a body of laws

that govern it, and they would apply the laws to a country's position in much the way a bankruptcy court does now. They would do what is done in America with chapter 11. Under chapter 11, what happens is that the judge basically bangs the creditors' heads together. To take the example of American Airlines, the judge will be saying to the creditors, the unions and everyone else: 'If you want this company to survive, everybody has to make compromises.' Creditors need to take a certain haircut on their exposures and unions might need to renegotiate some contracts, and the court sort of supervises that. It has cram down mechanisms by which, if a certain proportion of creditors agree to something, the court can force that upon all the rest of the creditors. Basically, it would work the same way except in this case you would be dealing with international creditors. You might be dealing with sovereign loans from other developed countries, but you would also be dealing with loans from commercial banks, investors and those sorts of people.

Senator SANDY MACDONALD—What success did Jubilee 2000 have, and what success is the movement having now?

Ms Spillane—Jubilee 2000, at an international level, certainly had some policy successes. There was an agreement—I am trying to think of the amount in the Cologne agreement—to a certain level of debt forgiveness. There was the establishment of newly enhanced debt restructuring mechanisms. Part of the concern of the ongoing Jubilee movement has been that there was a large success in 1999 and 2000, through some international meetings, of commitments by countries to cancel a large amount of bilateral debt in particular. Many of those commitments actually have not been followed up by action, so a lot of the successes that came out of Jubilee 2000 were in commitments rather than debt relief that happened immediately. Part of the ongoing work of Jubilee—

Senator SANDY MACDONALD—I remember reading somewhere that the British government forgave a large amount of debt. What has happened with that? Has that occurred?

Prof. Buckley—I do not know the specific situation with respect to the British government debt. I had a look at this late last year and the commitments were, in broad figures, to forgive $100 billion worth of debt by developed country governments—and, given that Indonesia's debt to Australia is $1.6 billion, $100 billion is a fair bit. As of late last year, something like $37 or $38 billion had actually been forgiven. I do not know where Britain's portion fits in that. The disturbing thing about that is that, once you have made a commitment as a government, we are talking about a book entry to actually forgive it. It is a bit sobering that these commitments were made in May 1999 and 2000, and, by the end of last year, only a bit over a third of them had been implemented.

Senator SANDY MACDONALD—Just following what you said, you want legitimacy of the process, so clearly those governments would be acting at an appropriate pace. Perhaps you could argue that they are making sure they are getting their value for money in terms of the debts that they have forgiven.

Prof. Buckley—But they are not trying to do something like I was proposing in recommendation 3 and convert it into development funds. The commitment is just to make it go away. So making it go away is just, 'Cross it out, guys.' It is pretty simple. I think Australia's

performance, by the way, has been much better. To my understanding, to the extent that we have said we will forgive debt, I think we have in fact done it.

Ms Spillane—Australia's commitments were to cancellation of bilateral debt with Nicaragua and Ethiopia specifically. As well, Australia was quite active in the Paris Club and in international mechanisms on multilateral debt cancellation. Specifically, at a bilateral level, Australia committed to Nicaragua and Ethiopia to cancel bilateral debt. That was followed through, and Jubilee very much welcomed and supported that.

Senator SANDY MACDONALD—What sorts of amounts were given to those two countries?

Ms Spillane—I have got figures here and if you just give me a moment I will try to find them.

Mr EDWARDS—While you are looking for those figures, can I ask: has any action been taken to recover any of the 30 per cent that you say went into the pockets of individuals?

Prof. Buckley—Not to the best of my knowledge—and it would be extremely difficult to do. I think it was the time before last when I was in Indonesia that the judge who had sentenced Tommy Soeharto had just been shot, so you are dealing with those sorts of levels of difficulty.

Ms Spillane—With my apologies, I have not actually got the figures with me for Nicaragua and Ethiopia. I will take that on notice and forward that to you.

Prof. Buckley—As a little bit of a follow-on to that—and this is an issue I have with IMF advice quite often—part of the IMF advice in Indonesia was to recapitalise the local banks, to transfer the assets of the banks. The advice was that in exchange for the government issuing bonds to the banks, the banks were to transfer their assets to a central agency. The central agency was then to realise those assets and recoups the funds for the government. This sort of advice would work extremely well if it was necessary in a country like Australia, where you have adherence to the rule of law, all sorts of sophisticated professions, people committed to playing by the rules et cetera. In Indonesia the recovery rate has been appalling for the government agency that has had the bank assets transferred to it. There has been poor transparency, there have been very low values realised for these assets on sales and there have been very large questions about who has actually bought them back—have the individual owners of the banks bought them back at deep discounts, with the taxpayers ending up being shafted? So there is a real problem in a lot of this IMF and World Bank advice—not that the advice is wrong in the abstract but that it does not work when you are embedding it in a particular legal system and in a particular place. It needs to be made much more responsive to the political realities of where it is being applied.

Senator STOTT DESPOJA—My first question follows on from Senator Macdonald's in that it relates to the impact, if you like, of Jubilee and previously Jubilee 2000. I am wondering about the interaction that you have with our government for a start—your level of influence, what negotiations and discussions you are involved in. For example, when you talk in your submission about the issue of debt and terrorism—which is obviously a very timely, important issue—are you putting these issues and this rationale directly to government, whether that is the

foreign minister, the parliamentary secretary or other people? If you are, what influence do you believe you are having?

Ms Spillane—We are in fairly consistent dialogue with government over the range of debt issues. It is not a structured dialogue of any kind, but Jubilee quite regularly seeks to meet with relevant portfolio ministers and MPs. We probably have more success in regular dialogue at the level of officials. I am fairly new to the Jubilee campaign, but in the six months I have been involved we have had two high level meetings with Treasury officials—and a couple with AusAID officials as well—to talk through these issues. We have written to the Treasurer many times, and I believe that Jubilee has met with him once or twice in the past couple of years, but we do not have as much exposure at the senior levels of government.

So we have certainly raised all of these issues, and officials in Treasury and AusAID are generally quite happy to meet with us and to discuss them. However, from our dealings with government we have found that there is a little bit of an attitude at the moment that Australia has been the good guy on debt—which, to a large extent, we agree with—and that the job is done; it is not as much of a priority as it was in 1999-2000, when the Jubilee campaign was at its height. So, through our work through the Paris Club, our support for HIPC and the bilateral debt cancellations that we mentioned, we have found that there is agreement that debt is a serious issue but there is a bit of an attitude that we are the good guys and the job has been done. Part of our entreaty to the government now is for it to realise that in some cases—and Indonesia is a very good example of this—the debt problem is bigger than ever and the job has not been done. We would like the government to be as proactive on it now as it was in 1999-2000.

Senator STOTT DESPOJA—You have actually answered what I was going to ask you. I was originally going to ask you to speculate this: if Indonesia essentially meets the HIPC criteria and we have been good and set a precedent in relation to other nations, what is the hold-up? What is the problem? Is there anything more specific that you are being told in these high level discussions about Indonesia in particular? Are you aware of any other reasons—and obviously we can ask government—that we are not treating Indonesia in the same way?

Ms Spillane—There are two or maybe three things that the government has told us when we have discussed Indonesia specifically. One issue that I would point out with regard to Ethiopia and Nicaragua, where we did take action on bilateral debt, is that they were HIPC-identified countries; Indonesia is not, so the government regards it differently in that sense. I was not present at this meeting, but I understand from Jubilee colleagues that one of the comments the Treasurer has made is that we have not been asked. Obviously, we do not have direct conversations with the Indonesian government, but my understanding is that perhaps if there were a direct request from the Indonesian government to the Australian government it might be more likely to be acted upon—but there has not been such a request.

In our dealings with NGOs in Indonesia and with Indonesian civil society, they have very strongly asked us to work on this issue at the Australian end, and they have indicated that debt is a big issue for Indonesian civil society. We have suggested back through those channels that perhaps this is something the Indonesian government might need to be more proactive on. We still think that there would not be any harm in us making an offer or raising it as something we would be willing to think about, but one of the responses has been that we have not been asked. The other response that we have had at officials level is that Indonesia's $A1.6 billion of

bilateral debt with Australia is a drop in the bucket in terms of Indonesia's debt problem, so it would not solve Indonesia's debt problem for Australia to take action on the bilateral debt.

I would like to mention in that regard—and as this committee is considering the broad sweep of Australia's bilateral relations with Indonesia—that one of our responses to that is that the effect of a bilateral debt initiative from Australia would be as important symbolically as it would be economically. It would be an indication from us of something that we could very concretely do that would support our development aims in Indonesia—and our interests in seeing Indonesia develop economically and get through its debt crisis—and also contribute to strengthening bilateral relations. We think that, even though it is not a huge portion of Indonesia's debt problem, there are some symbolic as well as economic advantages of us being proactive on this issue.

Prof. Buckley—The other thing I would add to that, because there is quite a long history of debt for development, debt for nature and debt for other types of swaps in Latin America, is that these sorts of swaps do not traditionally take a huge hole out of the debt burden. They do something, but they do not do a huge thing. But, on the flip side, they can make a very big difference to the environmental programs or the development poverty relief programs they support. While $A1.6 billion is only one per cent of Indonesia's external debt, that much money properly channelled over a sustained period of time would make a big difference, especially if you can get it into grassroots programs so you are dealing not with some expensive big program but with stuff right on the ground. It can make a big difference.

Mr PRICE—In terms of the other donor countries, has there been any debt forgiveness in the remaining $150 billion? Have any of the other countries forgiven any debt?

Prof. Buckley—The Paris Club has done two series—

Mr PRICE—For Indonesia, I meant.

Prof. Buckley—Yes, I am talking about for Indonesia. Paris Club is a funny name for where developed countries come together to negotiate loans between nations. There have been two Paris Club reschedulings of Indonesia debt. I do not think they have forgiven debt outright. What they have tended to do is bring in long grace periods of five or seven years before any principal has to be repaid, reduce interest rates further and that type of thing. The two reschedulings have definitely improved Indonesia's position, particularly in terms of cash flow. If you postpone the repayment of principal and you reduce interest, it does not work so much, but I do not think they have tackled the problem of the stock of debt. By any of the ratios you look at, Indonesia is facing a classic debt overhang problem that has bedevilled every economy that has ever got into that situation. Ultimately, history tells us, the only solution for that is to start to get rid of some of the volume of debt. There is no example that I know of where a country has grown out from underneath that sort of burden.

Mr PRICE—Have you got a breakdown of the major donor countries that are responsible or who have lent that money?

Prof. Buckley—Not here. Of the major creditors of Indonesia, no, I do not.

Ms Spillane—Not with us, but I could certainly forward something to you. Others have done that work. I should just mention that the issue of other countries' debt forgiveness is something Jubilee is actually following up the moment. We had an indication from Indonesian NGOs that last year the German government had agreed with Indonesia on a debt cancellation. It was actually some kind of debt for development swap. It has been a little bit unclear to us exactly what that was and how it worked, but we are attempting to follow that up with the German government to find out more about what that was and how it worked.

CHAIR—Think you very much indeed for your attendance today. If there are any matters on which we might need additional information, the secretary will be in touch with you. She will also send you a copy of the transcript of your evidence, to which you can make any necessary corrections to errors of transcription.

[2.09 p.m.]

JENNINGS, Mr Peter, Executive Officer, Union Aid Abroad-APHEDA

CHAIR—On behalf of the subcommittee, I welcome Union Aid Abroad. Although the subcommittee prefers that all evidence 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 under oath, I should remind you that these hearings are legal proceedings of the parliament and therefore have the some standing as proceedings of the House itself. I invite you to make a short opening statement if you would like, and then we can proceed to questions.

Mr Jennings—I am with Union Aid Abroad-APHEDA, which is the overseas aid arm of the trade union movement. We have been working in Indonesia since 1999 and have one project there—trade union training in Bandung, an industrial city about 200 kilometres east of Jakarta, which has a significant number of factories involved in the clothing, textile and footwear industries. I am sure you have a copy of our submission. I do not intend to cover every topic that we mentioned in it, such as the level of overseas aid; the question of debt cancellation, which has just been covered; strengthening human rights in Indonesia or the need to link Australian and Indonesian communities. I am sure many other overseas aid agencies have put in submissions to this hearing and will speak eloquently on those points.

The point I would like to cover this afternoon is the linkage between trade unions and development—the role that independent, democratic, inclusive and effective trade unions play in the development of a country. We know that in many developing countries wages are fairly minimal and in some developing countries there is extensive exploitation of workers, especially in select industries. One of the few ways for working men and women to ever win a just wage—so that they can have a reasonable standard of living and can afford to educate and to feed, clothe and shelter their children—is through a democratic and genuine trade union.

We also know that conditions of employment vary greatly from country to country. People in many developing countries work long hours, often including very many hours of unpaid overtime. I was in Indonesia in February talking to some women from a clothing factory in Bandung. They were usually working 14-hour shifts, but at this particular time, because of excess demand, they were required to work two extra hours overtime—16-hour shifts. One woman that I was talking to had two young children. She did not see her children while those shifts were on—she left for work in the morning before they were up and she returned from work at night after they had gone to bed. She was earning 17c Australian an hour for that work.

It is not just wages but also reasonable conditions and health and safety that require genuine and democratic trade unions. One of the fundamental rights as workers and as human beings is the right to return home from work healthy—not to return home in a coffin. Quite often, genuine unions are required in developing countries to ensure that government legislation is actually carried out.

We know that in Indonesia there are approximately 99 million to 100 million people in the work force. Of that, about 45 million are in agriculture, most of whom would be self-employed although there would be a small number in plantation agriculture or forestry, for example. We know also that there are approximately 40 million in the service industry, probably about half of whom would be receiving a wage. Some would not be receiving a wage—those who are self-employed, selling cigarettes on a street corner or in a small store or that type of thing—but an estimated half of them would be in paid employment. These would be people who work for the government in anything from ministerial departments to sweeping the streets or working in the education system or the health system. They would also be people who worked in the finance industry or the hospitality industry, such as hotel or restaurant workers. There are about 20 million people there in paid employment. We know there are another 16 million people in industries—quite often they will work in clothing, footwear and textile industries, but there are a whole variety of industries in Indonesia. So we know that there are between 35 and 40 million people in paid employment in Indonesia. If these people are ever to receive a just wage, they need genuine trade unions working for them.

We know that in a global economy there is tremendous demand for downward pressure on wages and conditions as businesses move to wherever the lowest wages are so that they can maximise profits. That is understandable. We know that, for example, in Mexico more jobs left for China last year than arrived from Canada and the US. In a sense, now that China is part of the World Trade Organisation it is having a massive impact on countries such as Indonesia, the Philippines, Thailand and surrounding countries. Jobs are going to China because they have cheaper wages levels than countries like Indonesia. This puts tremendous downward pressure on Indonesia's wages.

You are probably asking, 'If Indonesia were to get fully genuine democratic trade unions covering a significant part of the work force so that they could build up their wages, wouldn't that mean jobs would move offshore to China?' We have already seen that happen with Nike a month or so ago. PT Doson, a factory which employed 7,000 workers, closed in Indonesia and moved to China purely because of wage differentials. That is why we need trade unions not just in Indonesia but in every developing country, and why the core labour standards of the ILO should be included in the rules of the World Trade Organisation.

We firmly believe in a rules based system of trade—without it, you have anarchy—but the rules we have at the moment are not serving the poorest of developing countries the best. Core labour standards included in the rules of world trade would ensure that, instead of a race to the bottom, we would at least have a minimum underpinning for all workers in all countries and could gradually improve standards rather than drag them down.

The right to join a union is one of our fundamental human rights. It is included in article 23 of the UN Declaration on Human Rights. Both Australia and Indonesia are signatories to the core labour standards of the ILO, of which article 87 and article 98 cover the right to organise, the right to unionise and the right to bargain collectively. The World Bank recently undertook an inquiry into whether unions and collective bargaining have an advantageous or a deleterious effect on developing countries and on workers in those countries. After 170-odd pages of examining evidence, they concluded strongly that both the workers and the countries themselves have higher economic growth and higher wages when they have genuine trade unions. That is an interesting point.

My second and final point addresses some public misperceptions of the role of Union Aid Abroad—APHEDA—and the independence struggle in West Papua. As an overseas aid agency, we support what the presidium of the people of West Papua have called for: a UN supervised referendum on the issue. We are not calling for independence for West Papua. We are calling for what the people themselves want: a genuine UN supervised referendum.

Back in 1969 there was an 'act of free choice' whereby 1,025 people from West Papua were selected by the military and asked in public whether they wanted independence or whether they wanted to be part of Indonesia. It was not a secret ballot, there was military coercion involved and the 1,025 people chosen by the military were not representative of the 800,000 people of West Papua at that time. So the people of West Papua today are saying that that act of free choice should be annulled—it was false; it was not a free choice—and they are asking for a UN supervised referendum on the issue. The outcome of that would depend on what the majority of people in West Papua wanted.

We at Union Aid Abroad-APHEDA—are realistic enough to know that independence for West Papua would be very difficult for Indonesia. West Papua comprises 24.8 per cent of the land mass—almost 25 per cent—of Indonesia, a very crowded country. They are not likely to give up a quarter of their land mass easily. West Papua also has extensive oil and gas resources and the world's largest copper and gold mine, Freeport.

So we understand that probably somewhere down the line there will need to be some type of federation, some type of semiautonomy. When you look at what many of the people of West Papua are asking for—their own flag, their own education system, their own police force—you see that it is nothing more than the states of Australia have. So perhaps in the long run some type of autonomy, some type of federation, might be possible to evolve, but that is their decision to make.

One other point perhaps needs to be made. About two years ago in one of our annual reports, there was a typographical error which has led to much angst unfortunately. We were listing the campaigns that Union Aid Abroad-APHEDA were involved in—including human rights in Burma, fighting against child labour, campaigning in Australia about the Jubilee 2000 Drop the Debt campaign at the time, which the previous speaker spoke about, and a whole range of issues. Included in the annual report, we said that we also 'campaigned for independence for the people of Western Sahara and Palestine'. We had written in the original draft 'and campaigned for an independent referendum for the people of West Papua'.

Unfortunately, when our annual report was being printed, the person doing the layout could not fit it all in so they did a few editing jobs and just made it 'independence for West Papua, Palestine and Western Sahara'. Since then, we have come under quite a bit of criticism, I guess you would say, and justifiably so, because we should have picked up that typo before it was printed. I would just like to make it very clear that we are not pushing for the independence of West Papua, we are not calling for the dismantling of the Indonesian state, but we are saying that the people of West Papua have a right to a referendum. So I will just leave it at that and answer any questions you may have.

CHAIR—Thank you for that. Early in your speech, you talked about worker exploitation. In Indonesia, is there any specific body that monitors the working conditions?

Mr Jennings—The ILO has an office there, yes.

CHAIR—How effective is that, though?

Mr Jennings—It is quite effective, but under resourced as always. There is the Department of Labour, but the Department of Labour also is probably more on the side of business and government rather than working conditions, but it does do statistics, for example, on the levels of unemployment, industrial accidents and that type of thing.

CHAIR—Generally speaking, Australian companies are fairly well regarded there in terms of the work practices.

Mr Jennings—It is a bit of a mixed bag. Some are well regarded and some not so well regarded, I believe.

CHAIR—By the industry sector?

Mr Jennings—I am sorry, I could not answer that. I just know of a few incidents, that is all. I would not like to generalise.

Mr BEAZLEY—You wrote the 'main impediments' to union organisation in Indonesia. Is there any substantial government, social or military pressure now against the capacity of people to exercise a right to organise?

Mr Jennings—It is not as bad as it was during the Suharto era. As you are probably well aware, at that stage, genuine unions were virtually persecuted, and they had established their own government controlled unions. Since then, Indonesia has signed the core ILO conventions. However, you would have to say that from our experience in Bandung there is significant pressure from the government, the military and businesses against union organising.

Let me give you one example. In a dispute involving a hotel in Jakarta, about 400 workers joined a union. They were summarily sacked overnight. They then held a picket outside the hotel because they were locked out. Resulting from that, the people who organised the union and organised the picket had civil cases of several million dollars brought against them by that hotel chain. Several court cases have been heard since then and they have won them and all charges have been dropped, and most of the workers have been reinstated. But for a while there, the business was using the civil courts to bring pressure not to unionise in there. There have also been cases reported to us of picketers outside textile factories in Bandung being beaten up by the military—although they were not in military garb, so I guess they were off duty or in civilian gear.

Mr BEAZLEY—Was there any evidence that they were being paid by the employers to undertake that sort of brutalisation?

Mr Jennings—We have no evidence of that, but it could well be possible.

Mr BEAZLEY—That was a suspicion, was it?

Mr Jennings—It was very much a suspicion that they were off-duty military being paid by business to take their truncheons along and bash the hell out of the picketers.

Mr BEAZLEY—So it was that, rather than some attitude adopted by the military per se to the picketers?

Mr Jennings—I would say so, yes.

Mr BEAZLEY—What are the political strategies being pursued by the unions to overcome these sorts of problems? Have they got a political campaign as well as an industrial campaign?

Mr Jennings—They have; although, as you are probably aware, the union movement in Indonesia is quite fragmented. However, it is coming together slowly, cohering into about two or three sectors. The original government unions and the more independent, democratic unions are certainly coming together into two or three different federations. You have to remember, too, that the union movement represents a claimed 11 per cent of the work force but in reality represents probably more like six or seven per cent, so it does not have all that much power. In the last election, the unions threw their support behind Megawati Sukarnoputri, as opposed to Golkar, so they know the lay of the land and they are prepared to use their votes. However, they have not yet reached that critical mass where they could have a significant impact on the democratic system or on the industrial areas.

Mr BEAZLEY—How effectively are they intimidated by the threat of shifting factories to China?

Mr Jennings—That is always a problem in any country where you have significant unemployment. In the Asian economic crisis, about 11 million Indonesians lost their jobs. Where you have high unemployment, it is very easy for the manager of a factory either to threaten to move offshore or to threaten to sack the workers and to employ other, non-union labour. Where there are such high levels of unemployment, where people are so desperate to survive until tomorrow and where there are no significant savings, then your bargaining power is greatly limited.

Mr BEAZLEY—It seems that there are several different sectors available to unionisation, from your description. The sector that is likely to find foreign competition a problem in that way is actually quite a small employer of labour—on your figures, we are talking about 10 per cent. The service sector cannot effectively be competing with companies elsewhere. Do the unions have a strategy to get into those sectors that are less vulnerable to that sort of competitive environment—in other words, putting a big effort into the service sector?

Mr Jennings—There is, and that is, significantly, where the greatest growth is occurring in unionisation in Indonesia. For example, the union ASPEK, which covers workers in the finance industry, has undergone significant growth in the last two or three years. The union that covers workers in the hotel industry has also undergone significant growth. So, yes, they see the service industry as being an area where it is very difficult to move offshore, unlike the industrial area, and therefore as an area where they have a better chance of having a bit more bargaining power and a bit more room to move.

Mr BEAZLEY—Do the unions there get assistance from you or examine themselves as to what sort of restructuring they might need to do to remain competitive with China? The Chinese wages are lower but not by the proportion that Australian wages are different from Indonesian wages. On the other hand, when I was defence minister, I saw Indonesian factories operate—an aircraft or ship came out at the end of it, but 12,000 people went into the factory in order for it to run through. I would have thought that a combination of more efficient industrial programs and some work practice changes might leave industry competitive with the Chinese. Is there at all amongst unions a thrust to think ways through that? They could do it in the way Australian unions do.

Mr Jennings—Certainly the unions that I am familiar with are aware of the need to increase productivity in order to keep jobs and to create wealth. They are aware of that issue. However, increasing productivity is not just a factor of the workers; it is also a factor of how much investment management is prepared to put into the factory—how old the plant and equipment are and that type of thing. So it is an issue that is, for the most part, outside the hands of the unions. But, certainly, you cannot dispute the fact that increased productivity and, tied to that, increased levels of education are the foundation for increased productivity in a country and increased economic efficiency.

Mr BEAZLEY—I think that countries like Indonesia are giving up on this too easily. It ought to be a national objective, not just a union objective. In Australia in the 1980s, a lot of what drew the attention of government to opportunities to be internationally competitive were actions by the unions themselves, particularly the metalworkers union leadership. It would seem to me that there is a point where a bit of inspired union leadership, which might require a bit of foreign assistance, might play a role.

Mr Jennings—That is a good point.

Senator STOTT DESPOJA—Mr Jennings, your recommendation under point 3 is the notion that the Australian government should assist in the formation and strengthening of independent and democratic trade unions in Indonesia through the government's overseas aid program. Could you explain exactly what you mean by that? How realistic do you think that is?

Mr Jennings—We believe that it is a valid part of the overseas aid program to spend funds on strengthening independent, democratic trade unions, teaching issues such as workers rights and human rights and assisting in the development of the unions. Under the AusAID guidelines as they stand at present—they were recently changed—it is not permissible to use AusAID funds to assist workers who are on strike or to teach workers about strikes. It is permissible to use AusAID funds to strengthen trade unions; however, you need AusAID permission to do so before they can be used for that purpose. We agree with this. We think it should be encouraged and expanded.

Senator STOTT DESPOJA—Expanded presumably through the committing of more resources?

Mr Jennings—Yes, and also probably through a greater commitment to the ILO. Our commitment to the ILO has dropped significantly in the last five or six years. As you know, the ILO is a tripartite organisation representing business, workers and government. In previous

years, Australia would send quite a significant and high-powered delegation to the ILO. They were not just jobs for the boys; the people sent were men and women of quality and with expertise. Australia, in a sense, was overrepresented on many of the subcommittees of the ILO, and it played a leading role in pushing many issues along. Today our representation at the ILO is minimal. There have been times when only three people, one from each sector, have gone. So we have dropped back a lot from being a lead agency, a lead country, in the ILO, and I think we need to do much more there.

Senator STOTT DESPOJA—I agree with you in relation to the WTO and environmental and labour standards, for example. My final question is something that I asked a colleague of yours who appeared before us previously. What are your views in relation to the notion of extraterritorial legislation in respect of at least Australian companies operating abroad and the notion that they are in some way bound to operate under our laws, insofar as it is practicable in a legislative sense?

Mr Jennings—It is good but not perfect. As a democratic country, we are entitled to demand that Australian companies operating overseas keep certain levels of human rights. They should not be employing child labour, forced labour or slave labour, for example. There are certain issues where we should take a stand. But then Australian companies say, 'Companies from other countries go there and they can take these advantages, but we can't, so we become less competitive.' That is why it should be at a multilateral rather than a bilateral level—not with individual countries but on a multilateral level.

Senator STOTT DESPOJA—Thank you.

Mr LAURIE FERGUSON—You stated earlier that the typographical mistake has led to some unfortunate comments. I think you are being somewhat kind to some of the detractors of foreign aid over the last year or so. Could you comment on the broader public criticism by IPA of foreign aid organisations, in the context of Indonesia?

Mr Jennings—Sure. The IPA is the Institute of Public Affairs. It is a Melbourne based lobby group, way out on the far right of the political spectrum. I guess it is the mirror image of the Trotsky's far loony Left of the spectrum. About 18 months ago, the IPA established a thing called NGO Watch, and employed a gentleman named Don D'Cruz to try and do some research into non-government organisations, how they operate, to try and tip the bucket on them. They have been through about 10 or a dozen NGOs now. In September last year it was the turn of ourselves, Australian Volunteers International and Oxfam. In what they wrote about us there were 11 errors—some of them were fairly significant; some of them were minor, but there were still 11 errors—in a couple of pages. It was significant that Don D'Cruz made no attempt to contact any of the NGOs prior to writing about them, and many of those errors could have been quickly overcome had there been.

Perhaps it is also significant to mention what appeared in the *Australian* newspaper on 22 April when Don D'Cruz wrote about how it would not be good for NGOs to be involved in the redevelopment of Iraq. That is his opinion and he is entitled to it. But I think that Don, in all honesty, should have mentioned the fact that one of the chief sponsors and funders for the IPA is Clough Engineering. Clough Engineering has two positions on the IPA's board. Clough Engineering is currently, as we speak today, in Iraq trying to win contracts. So that when Don

D'Cruz gets up and says that contracts should not go to NGOs but should go to companies, I think that he should, in all honesty, have mentioned that my company that is paying my wage is over there at the moment looking for some contracts. It is fairly disingenuous, in a sense. ACFOA—the umbrella group for all Australian aid agencies—and most other aid agencies seem to feel that the IPA has an agenda to cut out, first step, all overseas aid going through non-government organisations. At the moment, of the $1.8 billion in overseas aid that the Australian government has in the budget, about five per cent—about $83 million—goes through non-government aid agencies. The vast bulk of it—almost 70 per cent—goes through commercial contracts. Much of that is fair enough. If you want to build a bridge across the Mekong, an aid agency is not going to do it. You need Leightons Constructions or Multiplex or someone like that to do it. But there appears to be an agenda of the IPA to cut out all government funding for all NGOs. There have been some odd articles here and there in which they are even questioning the value of having an aid budget. Perhaps they believe that, if you want to have an aid budget, just give it all to the Asian Development Bank—forget about contracts, forget about the UN multilateral side, forget about NGOs—just give it in bulk to the Asian Development Bank and demand that Australian companies get that equivalent amount of contracts from the ADB, and that is their stand.

CHAIR—Thank you very much indeed for your attendance here today. If there are any matters on which we might need additional information, the secretary will be in contact and will also send you a copy of the transcript of your evidence, to which you can make any necessary corrections.

HARBON, Dr Lesley Anne, (Private capacity)

WITTMAN, Ms Leonie, (Private capacity)

VICKERS, Professor Adrian Athol, Associate Dean, Faculty of Arts, University of Wollongong

CHAIR—On behalf of the subcommittee, I welcome Professor Adrian Vickers, Ms Leonie Wittman and Dr Lesley Harbon. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the committee does not require you to give evidence on oath, I should remind you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I invite you all to make short opening statements if you wish before we proceed to questions.

Prof. Vickers—I do not have much to add beyond the statement that I have submitted. One of the things I would like to emphasise is the importance of person-to-person contacts between Australians and Indonesians. I think that after the Bali bombing that has been shown in a lot of ways by the outpouring of emotions, not just about the victims but also the way that a lot of ordinary Australians have expressed their close bonds to Bali in particular. There has been a Balinese element in a lot of public events in Australia and to me this is a very interesting demonstration of that depth of relationship. One of the things I would stress coming out of my submission is that the government-to-government contact should be seen as very superficial. It is building up those personal ties and social ties that is important. Therefore I think that what is really needed is a whole strategy where we look at building up the relationships through all levels of education, and also through all aspects of public life. For example, I do not think Indonesia should necessarily be seen as just the province of the Department of Foreign Affairs and Trade. If we want to look at the Australian-Indonesian relationship the government departments concerned with the arts, for example, are just as important in building that relationship.

Ms Wittman—I have quite a bit to say actually and I will be trying to fit it into five minutes. Essentially my comments are going to focus on the teaching and learning of Indonesian in Australian schools in general and in New South Wales in particular. I would like to open by saying we cannot deny that the knowledge of a second language is an absolutely essential element in fostering cultural understanding and also in enhancing our ability to engage internationally. Given Australia's position in the Asia-Pacific region, the study of an Asian language I think is crucial. The case for Indonesian is probably even more compelling. We need to work really closely with our neighbours to forge alliances and agreements and to minimise conflicts in many areas. I can think of trade, tourism, diplomacy, the environment, education, journalism, the arts, security, defence and so on. I think the bombing of the Sari Club last year really highlights a need to expand our strategic ties in Indonesia and to increase our teaching about Indonesia.

I think it is fair to say that the study of Asian languages in general and Indonesian in particular must continue to be a priority for Australia, and the federal government should

immediately reverse its decision to cease the NALSAS funding. If not, state governments, schools, parents and students will not view Asian languages or the study of Asia as relevant or important. So I think in the national interest it is absolutely imperative that these programs receive special and separate funding. Without this, the sustainability of the initiatives that we have achieved to date will be severely jeopardised.

In New South Wales, the teaching of Indonesian was significantly enhanced through NALSAS. For example, last year there were over 300 government schools, as well as a significant number of Catholic and independent schools, with Indonesian language programs. Without NALSAS funding this year, some of those schools have had to drop these programs. NALSAS funding was also instrumental in enabling the development of innovative resource materials, including many online and multimedia resources. I have got some of them here, but obviously this is not the time to talk about them. If you would like to ask any questions about those later, I would be happy to elaborate.

NALSAS funding also helped to increase the quality of Indonesian teaching and programs in schools. Last year alone in New South Wales—and I am talking about government schools—over 140 teachers attended Indonesian language specific in-service programs. These were mainly held after hours and on Saturdays because even with the level of funding we had we could not afford to pay for teacher relief. Without NALSAS funding, the feasibility of even holding professional development for teachers is problematic to say the least.

In the past, teachers have received grants to study Indonesian language, languages methodology and Asian studies in Australia, as well as scholarships to participate in in-country language enhancement and proficiency upgrading programs. Between 1996 and 2002 approximately 150 senior secondary students in New South Wales government schools were awarded some funding to undertake language study in Indonesia, but of course there were a few interruptions along the way there from year to year, with the DFAT travel advisories and so on.

In short, I think it is fair to say that the end of the NALSAS funding is starting to have an impact on the quality of Indonesian language programs, on teaching practice, on the availability of quality teachers, on student retention rates and also on the status of language study in general. This is going to affect Australia's engagement in international arenas, as the number of people with Indonesian specific expertise and socio-cultural understanding will diminish. This is happening at a time when we are just beginning to see some shifts in community perceptions towards the benefits of language study—and the study of other cultures in general. In my written submission, which I think you have, I have referred to comments by Peter Costello and Peter Cosgrove that we need now more than ever to engage with Indonesia in a positive way. I also read somewhere that Brendan Nelson has often quoted Thomas Jefferson's words about education being the first line in the defence of the nation. Now I think that at a time when we tend to think about physical and military defence, it is probably a good idea to think about social defence as well and about the place that educators have in that.

In conclusion, I think it is absolutely imperative that Indonesian studies become more deeply embedded in the curriculum of Australian educational institutions. We must restore significant funding, to promote and expand Indonesian studies at all levels—all along the educational continuum, from primary to tertiary. We need to increase bilateral exchanges for teachers and students; we need to increase opportunities for teachers to participate in in-country learning experiences—to upgrade their language skills; we need to continue to develop high quality

curriculum resources; and we also need to promote people-to-people cultural exchanges that foster genuine understanding and break down stereotypes.

CHAIR—Dr Harbon, have you got some introductory comments?

Dr Harbon—Thank you. My submission referred to the personal and professional relationships I have observed develop between Australians and Indonesians over the past 30 years in my capacity as an Indonesian language educator—the same as Leonie and Adrian.

In my opening statement now I wish to reiterate three points. I will do that by weaving my own personal narrative through a description of social, cultural and educational initiatives that I have been aware of—and often also involved in—between Australia and Indonesia over the past 30 years. My first point is that the types of Indonesian-Australian stories I give in my biodata are not dissimilar to the stories and the lives of many Indonesianists—Indonesian teachers and academics specialising in Indonesia, just like Leonie and Adrian—in all Australian states and territories. My second point is that large numbers of initiatives in the social, cultural and educational sphere have occurred over the past 30 years in all Australian states and territories in order to foster just what this inquiry is looking into: the building of a relationship that is positive and mutually beneficial. My third point is that there are certain ways that I believe the Australian government can continue to promote and foster this mutually beneficial and positive relationship on this important people-to-people level—so each one of us has really reiterated that people-to-people stance.

In Sydney's north in the early seventies as a year 7 student, I was enticed by an exotic alternative to French and German in the curriculum, and that was the study of Indonesian. There had been a number of iterations of teachers graduating out of the Sydney universities at that stage, and it was something new and exotic to do. As a family in Sydney in the seventies, you could probably much more afford a trip across to Bali to use your Indonesian than you could afford to go further, to Europe. So it gave that real aspect of language learning, and I know that many of my friends at that stage were able to travel and use their Indonesian, and that was a real plus. And, of course, in that particular way there were certainly personal relationships fostered at that early teen level with these people. Certainly the teachers were fostering relationships, but the students were able to too. That was immeasurable, and that will be a theme through what I say as well—we do not know what kinds of impacts those relationships that were built during those early teen years have made. Certainly in our three cases those have been considerable in our lives.

Undergraduate and teacher training programs in Sydney then also offered me the way to develop my Indonesian proficiency. That was through the in-country programs that the University of Sydney at that stage offered through the Salatiga program in Central Java. So again through a study option and also a teacher training initiative there was the ability to foster those personal and professional relationships at that stage. Then, during my early teaching career out in the Northern Territory, I was not only teaching Indonesian language programs but also involved in what the Northern Territory was doing in the early eighties with the teacher and student exchanges. They have been going very steadily for 25 years or more, and I know that is a very strong part of what the Northern Territory initiatives offer.

Beginning an academic career at the University of Southern Queensland in Toowoomba, I was able to begin to develop a publication which went on to have a 15-year history and which built and promoted these bilateral relationships. I have some copies of that publication for the committee here today. It was a magazine called *Pelangi*, which means rainbow—so metaphorically there was the nice arch between the two countries but there was also the meaning of bringing the two languages together and bringing the peoples together through those two languages as well. So again that was another small initiative but, with a thousand or more subscribers from Australia and throughout Indonesia and elsewhere in the world, we were able at the educational level to reach people and get people working and talking with people. Sadly, *Pelangi* is no longer in existence. Due to budgetary reasons in 2001, after a 15-year history, *Pelangi* had to fold, but I believe there are some plans to bring other journals into the arena.

Back in New South Wales again, I was involved in the Charles Sturt University's Indonesian teacher retraining initiatives—teachers already in service in New South Wales but then retraining, wanting to first of all gain a proficiency or to upgrade their proficiencies in Indonesian and then develop those. Of particular note was the work that was able to be done through funding from the Australia Indonesia Institute with what began in New South Wales as the AIREP program—Australian Indonesia Rural Exchange Program—which allowed young people, who were usually pre-service teachers, to swap contexts for a period and have a home stay and a school experience and then be better aware of language and cultural evidence from their own cultures to take back into their own cultures.

In Tasmania, through the University of Tasmania where I have been for the last six years, what we developed, again with NALSAS funding and also with another Australia Indonesia Institute grant, was an exchange between young Tasmanians and young West Sumatrans—that people-to-people exchange and development of relationships, experiencing each other's culture, developing the other language and fostering relationships which continue to this day. That was called the AIRAES program.

At the University of Sydney now, with funding from the IDF—the International Development Fund—and through a Good Neighbour grant that I won earlier last year, I have been able to start a relationship again with West Sumatra, and I am signing memorandums of understanding and bringing the important people-to-people issues first, and then professional relationships are developing after that. I intend to work with pre-service and in-service teachers in building a new pool of teachers to work with—and also the research capacities that both our contexts would have.

These examples just touch the surface, but they are examples not only of my personal narrative but also of ways that all the states and territories have done various things over a period of 24 or 30 years in fostering this people-to-people personal relationship with Indonesia in the educational sphere. I am hoping that the Australian government will continue to fund such things as the Australia Indonesia Institute, for its programs and scholarship—and also with a research base, because questions often arise about what the positive things are and what evidence you have. With more empirical research coming out of the universities, we can continue to produce data that says, 'This is important.' Thank you.

CHAIR—Thank you very much.

Senator STOTT DESPOJA—I would like to ask any one of you this question. You have described some of the barriers, and we are aware of funding cuts. I, like you, Dr Harbon recall year 7 and classes starting with, 'Selamat siang ibu guru,' and a lot of my friends went on to specialise in that language and to research, because there was a degree of popularity and a perception too that this was going to be where our trade interests lay and that this was going to be an important language to have: as you would know, that is often a dominant factor in languages that students choose. I am wondering if there is that same perception? Is there the same appeal in 2003? I suppose, arguably, you could say that that is influenced by the availability and, of course, funding of such language options.

Prof. Vickers—I think at the moment Indonesia is certainly not sexy in terms of undergraduate appeal and also in terms of school student appeal, from the little that I know about that—through my daughter, who does Indonesian at Burwood Girls' High School in Year 11. There are fashions or waves of interest, and at the moment if you could pick any language area or any culture that was fashionable it would probably be Spanish. I think we are always going to be subject to the whims of what is out there in popular culture and what the different areas that affect studies are. Certainly, the East Timor events were a major point in breaking off interest—a real low point in popular interest in Indonesia. Speaking to China scholars, that very much paralleled the drop in interest in China around Tiananmen Square—and then you get a kind of resurgence of interest after three or four years. So we are certainly going through one of those cycles at the moment, and what I would say is that this is not the kind of thing that can be left to market forces or popularity; it really needs a kind of ongoing long-term commitment, rather than short-term project funding or whatever, to keep Indonesia up there in consciousness.

Ms Wittman—If I could add a little about the school situation: I was looking at some figures yesterday and it seems that 1997 had the peak enrolments. That is quite interesting, because that was just before the fall of Suharto and then we had the krismon monetary crisis and so on. Since then, the number of enrolments have been decreasing. As Adrian mentioned, we have had Timor, we have also had the Bali bombing and so on. At each of those junctures, a lot of teachers of Indonesian in schools have definitely felt under pressure. I know, certainly with Timor, that teachers were actually accosted by their colleagues—these are professional colleagues—who said, 'Why are you still teaching that language?' On top of that, there are students who come to school with ideas and concepts they have picked up from their parents. So we have had quite a few challenges facing Indonesian. I remember when the French were letting off the bombs in Mururoa Atoll, French teachers also came under a similar amount of attack. So it seems to be something in the Australian community that we may not value the learning of other languages.

Dr Harbon—Perhaps, as Adrian mentioned, there is the longer-term idea to impact upon the mind-set and the thinking of the parental population of Australia, because children at subject option choice time are very affected by what their parents advise them to do regarding career choices and so on. I think the mass media here has a role to play as well, so a recommendation to continue funding journalist education programs and awareness in the Indonesian sphere is certainly important. We know what kinds of impacts the mass media have on our society, and if it is the impressions of the parents and the wider communities that have to be impacted upon, then maybe it is working on those kinds of larger scale things.

Mr PRICE—You may have said this in your submission, but do you have views about the teaching of languages in primary schools?

Ms Wittman—Certainly, in New South Wales in 1997 we had just under 40,000 students enrolled in primary school Indonesian programs. In fact, we still have more students in New South Wales in primary programs than in secondary programs. I cannot really comment on the other states, but those figures are probably available through the NALSAS web site. With the beginning of NALSAS funding, languages in primary schools really took off and they were seen to be very popular and an area in which students could experience success as well. We have had some programs running for the last four years called language continuity programs in New South Wales where we had the primary schools talking to the local secondary schools and we had funding to provide that continuous pathway from the primary schools through to secondary schools so that the kids did not do a language for one year and then go to the high school and do another language. We were trying to embed those programs in schools.

Mr PRICE—Are there demographic issues? I know in my own electorate that only one primary school taught Indonesian—that is one out of about 43—and no high school taught Indonesian.

Ms Wittman—That is a problem facing a lot of languages. In New South Wales we would have about 220 government primary schools with Indonesian programs. There are some others in the Catholic system and others in the independent sector as well.

Dr Harbon—The issue of languages in the primary school certainly took a front stand after the Council of Australian Government's money was released and the NALSAS occurred. Different states and territories which had iterations of language policies then all of a sudden developed language policies, and there were some states and territories which mandated primary school languages. Tasmania, which is where I was at the time, worked on language pathways, so regarding the issue that you mentioned of demographics, Tasmania made sure that in their policy there was a guaranteed pathway to implement these things. It was decision making at a local level. If I had Indonesian in my local high school, then the feeder primary schools had to guarantee that pathway. So there was the issue of proficiency levels being considered. The traditional question that students who study languages are asked is, 'Say something for me,' but after 100 hours it might not be very much. However, with guaranteed pathways of eight continuous years of study, for example, you are getting a number of different outcomes.

Mr PRICE—That was a very good answer, by the way, but I might have another go at the original question. I would like to go through the figures, but I suspect there is very little teaching of Indonesian in Western Sydney compared to other parts of Sydney. I think that is a bit of a cultural imperialism or whatever you want to say.

Mr LAURIE FERGUSON—It could be parental influence.

Mr PRICE—Well, it is a denial of opportunities. If we are saying that this relationship is important—whether we are talking about Indonesian, Chinese or Japanese—we are actually creating yet another burden for a 10th of the Australian population that lives in Western Sydney.

Senator PAYNE—Could I say, Roger, that if you go to a school like Kindalin Christian School in Castlereagh near Penrith where they teach Indonesian from K to 12, they are making

an enormous impact in a relatively small community just in Cranebrook there, which is absolutely invaluable in terms of Western Sydney development.

Dr Harbon—An issue with primary school learning of languages is that it is language awareness and socio-cultural awareness which can be developed in those early years which assists later on when, as an adult, they are faced with having to learn new sounds to make with the mouth and so on, perhaps physiologically. I think children might want to accept things more, rather than just calling them different. It might be accepting.

Mr PRICE—You raise an interesting issue—that is, the area of Sydney where there is the greatest cultural diversity has the least cultural education via languages and the culture of other countries.

Ms Wittman—I just want to add something there about the issue of languages in schools. Sydney has such a diverse population anyway. I think the number of languages that are taught in Sydney schools is probably 40 or so. Quite often, it is the community that will determine or have some say on the language that is taught. There is the community language program that is funded through the Commonwealth as well, so that has some say in the choice.

It is quite interesting to see the spread of schools across the state that teach Indonesian. There is quite a strong pocket up on the North Coast. In Sydney, you just have schools that are quite randomly selected. There is no particularly strong area in Sydney, but we have quite a strong area around the Shoalhaven and Nowra. We have schools out west and we have schools right down on the Victorian border. They are everywhere really. In fact, one of the really exciting things we are doing with the schools around the Kyogle area is an online program for students in years 5 and 6. These are little one-teacher schools. The number of schools and the locations are quite diverse.

Senator PAYNE—I would like to ask Professor Vickers a question about his submission. Our terms of reference talk about both the current nature of the relationship and opportunities for it to develop. At the end of your submission you suggest that perhaps the Australian Research Council's priority areas should be expanded to include research on Asia, which is an interesting suggestion. In the current discussion we would probably be seeking an emphasis on Indonesia. Do you think that would give a level of imprimatur, which is important in the Australian culture, to put a stamp of approval, if you like, on such research and to give it an enhanced perspective or reputation?

Prof. Vickers—Yes. I am glad you identified that. In fact, in some ways I was picking up something that already existed. At an earlier stage—I think up to about 1996 or 1997—there was a cycle of priorities, of which Asia was one. There was a kind of boost in Asian research through that. Although the ARC have done a good job of keeping funding towards Asian projects, it is not necessarily one of their priorities at the moment. It may not necessarily direct a greater amount of funding, but, as you say, it will send out certain signals, particularly if it were Indonesia, although that might be controversial in the ARC's circles.

Senator PAYNE—It is narrowcasting for them, I suppose. I take your point.

Prof. Vickers—Professor Elson in his submission talks about the idea of setting up a national research centre for Indonesia. That has some merit. But I think one of the elements that is important, harking back to the Ingleson report of 1988, is that at least in each state, if not in each city, there should be the opportunity to study Indonesian and for research on Indonesia to occur. Because of the nature of university funding and the different demands that come through the way that DEST structures its funding formula, the study of Asia, and particularly the study of Indonesia, has dropped off the agenda in many universities. The ARC would be sending out one particular type of signal, but a signal as to what areas were going to get special attention would also have to be something that comes from DEST.

Senator PAYNE—Thank you.

CHAIR—There being no further questions, I thank you all very much for your attendance today. Professor Vickers, thank you very much indeed for being so patient.

[3.18 p.m.]

COLLINS, Mr Joseph, Secretary, Australia West Papua Association

NOONAN, Miss Michela Agosta, Member, Australia West Papua Association

CHAIR—Welcome. On behalf of the subcommittee, I welcome the representatives of the Australia West Papua Association in Sydney. Although the subcommittee prefers that all evidence 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 committee does not require you to give evidence on oath, I should remind you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceeding of the House. I invite you to make a short opening statement before we proceed to questions.

Miss Noonan—Since our original submission, there have been some major developments in West Papua, and we have examined these a bit more thoroughly in an additional submission that we have copies of. I will briefly outline these developments.

Of most concern is the presidential instruction to divide West Papua into three separate provinces. All elements of civil society in West Papua, including religious leaders, have rejected this instruction. To the West Papuan people, this presidential instruction is basically seen as a case of divide and rule—that is, to weaken the Papuan movement for self-determination. This division, if implemented, can only increase the possibility of conflict in West Papua. It will lead to an increase in the number of military in the new provinces, including the establishment of more military commands, leading to even more oppression and instability. A further result of the division of the province will be an increase in the number of migrants from other provinces to West Papua seeking jobs in the newly expanded bureaucratic sector, resulting in West Papuans being even more marginalised in their own land. This has the potential to cause conflict between Papuans and migrants, and it will be used by the military to crack down on what they term separatist organisations, resulting in further human rights abuses. It should be pointed out that the decree contradicts the law on special autonomy for Papua—particularly article 76, which states that any policy affecting Papuans must be approved by the Papuan people's assembly, the MRP. In effect, Papua can only be divided into several provinces if it were an aspiration of the Papuan people and also only with the approval of the MRP.

Most of the international community, including the Australian government, have stated that they support the autonomy package as a way forward for the province. Although the autonomy package has been rejected by a large proportion of the West Papuan people, it appears that the division of the province potentially is a greater threat to the aspiration of the West Papuan people, which is basically that they want the right to self-determination. We asked the Australian government to urge the Indonesian military to revoke this presidential instruction, as it can only lead to an escalation of conflict in the province.

Another area of concern is the Wamena incident, which occurred in the town of Wamena in the Central Highlands on 4 April this year. The military armoury in the town was raided and, in

this incident, two soldiers and one of the attackers were killed and a number of weapons and ammunition were stolen. The military immediately blamed the OPM and started an operation to hunt down those involved in the attack. However, the military now admit that their own soldiers were also involved. It was reported in the *Jakarta Post*, dated 24 April 2003, that nine soldiers and seven civilians were arrested for their alleged involvement in the attack on the armoury. During the military operation to retrieve the stolen weapons, a number of civilians were arrested and tortured and there was one death in custody. Amnesty International released a number of urgent actions regarding this Wamena incident.

Another area of concern is regarding Chief Theys Eluay, the chairman of the Papuan Presidium Council, who was killed by Kopassus soldiers on 10 November 2001, shortly after attending an event at the Kopassus base near Jayapura. The following day his body was found showing signs of strangulation. Although at first the military denied its involvement in the killing, eventually members of the army's special Kopassus forces were put on trial. Last week a military court found seven special Kopassus forces soldiers guilty of involvement in the death of Chief Theys Eluay. However, the soldiers only received light sentences and imprisonment ranging from two to 3½ years. The light sentences received by Chief Theys Eluay's killers only sends a message to the West Papuan people that they can receive no justice under Indonesian rule. It indicates that the military can act with impunity in West Papua.

In conclusion, irrespective of whether one believes that West Papua should be a part of Indonesia or not, Australia must engage with Indonesia over the issue of West Papua. It should be vigorous in condemning the human rights abuses that are ongoing in West Papua and encourage the Indonesian government to dialogue with the civil society organisations, such as the various church organisations in West Papua, who are trying to create a zone of peace in the province. We have not seen any statement from Foreign Affairs condemning the light sentences handed out to the killers of Chief Theys Eluay or, for that matter, any comment on the killing of Chief Theys in November 2001. If Australia is not seen to condemn these acts of injustice, it will appear to be giving the green light to Jakarta's policy of oppression in West Papua. In the worst-case scenario, if West Papua should explode into an East Timor situation, the world will look to Australia for leadership on how to respond, as it did in the East Timor crisis.

The whole of the island of New Guinea will always be important to Australia, and a positive way we can engage with Indonesia concerning West Papua is through aid. There are opportunities for capacity building within the West Papuan NGO community that will benefit the people of West Papua. Opportunities to train local West Papuan health workers and nurses, not only in the field of general health but also in HIV awareness raising, and opportunities to support infrastructure for health workers to reach the more remote areas of the province could also be areas for aid. Training in financial management to help West Papuans manage autonomy would be another area, as well as supporting ELSHAM and other human rights organisations with training and financial aid. We also encourage the committee to recommend that a fact-finding mission be sent to the province to investigate the human rights situation in West Papua.

CHAIR—Thank you for that. We need to resolve to take your supplementary submission into evidence.

Resolved (on motion by **Mr Price**):

That the sub-committee receives as evidence into this inquiry into Australia's relationships with Indonesia and authorises for publication submission No.16.01, the supplementary document from the Australia West Papua Association in Sydney.

Mr BEAZLEY—There was a lot of evidence presented this morning by aid organisations that the focus for the time being on issues related to West Papua should be on what they described as basic human rights—that is, the capacity to be educated, to have reasonable health, to have reasonable social relations and to focus on social relations, gender relations and the like—as a building block, and that at this point in time there would be, it was suggested, more or less a consensus in the area that that would be the way to go. Do you agree with that?

Mr Collins—Yes, we do. The human rights organisations in West Papua itself—ELSHAM among others—are actually trying to create a zone of peace, which is similar to what you are talking about. They basically want to demilitarise the province and take away non-organic troops from the province. This would create a stable atmosphere for peace. That would help West Papua move forward in a peaceful way. We actually do not support—as some people might believe—independence for West Papua; we support self-determination for the people of West Papua. We can help them achieve this through aid, as you have mentioned. We can create educational opportunities—opportunities for training and capacity building—to help to manage autonomy and increase revenue from the autonomy package. So, yes, we believe at this stage in the autonomy package. And the Australian government and the international community do support the autonomy package as a way forward for the province, so we agree.

Mr BEAZLEY—Do you think that the autonomy package experience will be positive? Is there an apprehension about it or a level of confidence in the area?

Mr Collins—I think at first a majority of the West Papuans were against it. However, I think the division of the province is a greater worry to them. Now that the autonomy law overrules, in theory, presidential instruction, they prefer to go with the autonomy package than actually have the province divided into three, which they believe is a divide and rule tactic from Jakarta. It will also increase instability in the whole of West Papua and the new provinces, for reasons we have mentioned in more detail in our submission.

Mr BEAZLEY—Is it a subject of concern that the balance of indigenous population to other Indonesian population in the province is continuing to shift imperceptibly but steadily in favour of Indonesians? Is that a matter of concern?

Mr Collins—It is a major concern of the West Papuan people, and they are worried that the division of the province will actually bring migrants into the new provinces, particularly seeking jobs in the expanded bureaucratic sector. That is a major concern of the West Papuan people. They are already marginalised and this would only make them more marginalised in their own country. I must add that there are non-Papuan organisations involved in the creation of the zone of peace that ELSHAM is facilitating, and the West Papuan leadership is quite happy to allow migrants who are already living in West Papua to stay if, for example, West Papua ever becomes independent. They will not have to leave as long as they are contributing to a newly independent West Papua.

Mr BEAZLEY—It seems to me that there is a fundamental problem here. The international community recognises the incorporation of West Papua within Indonesia. Arguments can be made about the character of the act of self-determination. Whereas only Australia and one or two other countries recognised Timor's incorporation, there is basically no dissent in the international community about West Papua's. In the case of Timor, the indigenous to immigrant ratios were quite favourable to the indigenous population. Given another few years, they will not be. Yet in the mind of the international community, if there were an act of self-determination, the votes of the immigrant population would count with the indigenous population. In the circumstances, would they ever be likely to vote for a position of independence? They are citizens of the same location and not racially divided in terms of democratic rights. Is there a recognition that this is likely to create a problem on any long-term vote?

Mr Collins—I know President Wahid said that if he were re-elected as president in the next election he would actually offer the West Papuans a referendum, so it is not beyond the bounds of possibility. I think a lot of the migrants in West Papua realise they do have a better life there. I was fortunate to be up there a couple of years ago, and many of the Indonesian migrants that I met seemed quite happy to remain in an independent West Papua. The newer arrivals will certainly not vote for an independent West Papua in a referendum, but I think the long-term migrants probably realise they compare with other parts of Indonesia, and it is not beyond the bounds of possibility that they would vote with the indigenous population.

Senator PAYNE—I have just received a copy of your additional remarks. I was going to ask you a question about the note in your original submission in relation to Laskar Jihad. I have not read the additional notes, but you indicated the targeting of certain communities by Laskar Jihad in that incarnation or others in Papua. I wondered if you would like to elaborate on that.

Mr Collins—According to an ELSHAM report, there is a Laskar Jihad in West Papua at the moment. People may remember that after the Bali bombing they said they would disband. In actual fact, they shifted from Ambon to West Papua. They have training camps—again, this is all information from the human rights organisation ELSHAM in Papua—and they distribute leaflets and videos about the fighting that happened in Ambon et cetera. They consider West Papua to be 'a land without religion'. That is a direct quote from a West Papuan leader. They basically want to make it an Islamic nation. You may have noted that even in the *Sydney Morning Herald* yesterday there was an article by Bruce Haigh, a former diplomat, concerned with how the Laskar Jihad are coming through a back door, so to speak.

So the West Papuans are in great fear of the Laskar Jihad. Not all the Islamic communities within West Papua are supportive of the Laskar Jihad coming in. Some of the Islamic communities have told ELSHAM that they would prefer to keep them out, but they are sponsored by the military—in actual fact, a lot of them probably are in the military to a certain degree. I cannot see that they will be leaving. Their basic aim is to cause instability and terrorise the local populations. Basically—and this will be used as an excuse for the military to crack down on any violence—it is in the interests of the Indonesian military to create violence and have ongoing conflict in West Papua. This is for many reasons. One is to show they are needed so they can use it as an excuse to extract resources for their own budget.

As you may know, only 30 per cent of the budget for the military is received from the government. They have to raise 70 per cent themselves illegally through the mining and forestry

industries. I think it was just this year that Freeport, the huge copper and gold mine said that they had paid $6.5 million to the Indonesian military last year for so-called security. It was not very successful; I think two American teachers were killed by the Indonesian military.

Laskar Jihad and a lot of the militias are sponsored by the military into West Papua to cause conflict. In the next two years there will probably be major disturbances in West Papua. I think Jakarta was greatly disturbed by the avid followers of Suharto and how the West Papuans are moving in great bounds towards what they consider to be independence or self-determination. I think they have decided that they are going to crack down once and for all on any sort of independence movement. Bringing in Laskar Jihad militia is their aim once and for all. The division of the province is part of the campaign to break the so-called independence movement or the move towards self-determination. Human rights are an ongoing issue at the moment. Michela mentioned the Wamena incident on 4 April. The military are still conducting operations around the Wamena area. People are being killed and villages burned.

Senator PAYNE—Is your suggestion that Australia and Indonesia should perhaps enhance the developed relationship post Bali in terms of police cooperation and coordination to involve the Australian Federal Police in West Papua? Do I read that correctly?

Mr Collins—We believe that basically that the military are the problem in West Papua. We believe that training the police and turning the problem more into a civilian problem, if that is what people consider it to be, would be more useful. There would be fewer human rights abuses. Also, we believe the Australian government should send Federal Police there, in cooperation with the Indonesian police, to monitor the Laskar Jihad. Eventually there is a concern that they could move across into PNG, even into Australia, so we believe in cooperation as much as possible with the Indonesian authorities. I think re-arming the Indonesian military, which was mentioned at one stage, is counterproductive. It is more a policing problem. Some of these issues are certainly a military problem.

Senator STOTT DESPOJA—I will ask a broad question that follows on from that. We have dealt with a number of submissions now that mention or are dedicated to the issue of West Papua. The terms of reference of this inquiry are about Australia's relationship with Indonesia. I think that signifies that there is a lot of concern about this issue, and that there are implications for Australia whether it is in relation to human rights or security implications or what have you. I am curious to get your broad perspective as to why we should be concerned about this. Are your recommendations to us that the government is not concerned enough and that West Papua is going to be an ongoing issue of conflict or concern for Australians? How are we involved in this?

Mr Collins—We are morally involved. Going back to the Act of Free Choice, there were two West Papuan leaders who landed in PNG. They were on their way to the United Nations. Australia had them removed and stopped them from going to the United Nations to plead their case. Who knows whether they may have made it. They might have got support and you could have ended up with an independent West Papua. So we have a certain moral obligation to help the West Papuans. West Papua is one of our next-door neighbours. We should be concerned about human rights abuses going on with our next-door neighbour. The whole island of New Guinea is strategically important to Australia, we accept that, and we cannot help but be involved in what is happening in West Papua. If it did happen to blow up into an East Timor

style situation, as I mentioned in the submission, Australia would be looked to by the world for a lead.

What will we do if West Papuans flee across the border into PNG chased by Kopassus forces? If they come to Australia, it is bound to happen that we will be involved in West Papua. Now is the time to start laying the groundwork with the Indonesian government itself to not necessarily to plan for the worst case scenario but certainly to cooperate in all fields, including education and police matters. We should condemn human rights abuses in our neighbourhood anyway.

Senator STOTT DESPOJA—So you see a role for us, essentially, in avoiding that worst case scenario or playing a part, hopefully, in alleviating—

Mr Collins—Yes, leading to West Papua's right to self determination in a peaceful way. They have a basic right under the United Nations declaration of human rights.

Mr PRICE—As to Freeport mining, is it on the public record what the exports from Freeport are from West Papua, and what royalties they are paying?

Mr Collins—It certainly would be. I do not have the figures here, but we can certainly get them to you in writing if you require them.

Mr PRICE—But they are quite significant, aren't they?

Mr Collins—Yes. Freeport is one of the highest taxpayers in Indonesia so that tells you how much it is clearing.

Mr PRICE—There is quite a bit of exploration going on now in West Papua?

Mr Collins—Yes. There are mining concessions handed out, and the military hand out mining concessions to mining companies, even though they have no right to. BP have started a huge gas field there. They are trying to do the right thing by saying that they will not have the military involved in the security of their facilities, and they are trying to organise for West Papuan security themselves. So some international companies are trying to do the right thing, so to speak, but I cannot see the military allowing it to happen.

Mr PRICE—In terms of Freeport mining, is the percentage of indigenous West Papuans working for the company available?

Mr Collins—Again, I cannot quite remember figures.

Mr PRICE—That is fine. But whenever it is available—

Mr Collins—They certainly are on record. There are not very many because a lot of migrants have come in not only from other parts of Indonesia but from other parts of West Papua, so Timika has become a huge town and the West Papuans are marginalised to a certain degree in the area. They are in lowly paid jobs.

Mr LAURIE FERGUSON—I have one point: the figures on Timor of about a quarter of a million people either killed or starved to death were able to be pretty well authenticated by previous census work, et cetera. I know you are not holding this up as Bible, but you put up a figure of 200,000. What is that based on? What material is available?

Mr Collins—The figures vary from 100,000 to an extreme of 300,000. We are basing the figures on various books, materials et cetera that we have read, monitored and on what the West Papuans themselves have reported. ELSHAM just put a figure of roughly 200,000 people. Indonesia has been there from the takeover administration of the province in 1963 and they really cracked down on the West Papuans who rose up and rebelled against them. So it has been there a long time and it has been a closed province for many years, so they have had a lot of opportunity to conduct operations against the West Papuan people.

Mr LAURIE FERGUSON—What would be the most credible public source for figures?

Mr Collins—TAPOL, the Indonesian human rights campaign based in London, has produced quite a few books—I cannot remember all their names at the moment, but we can certainly supply them. It gave figures for massacres throughout the areas, et cetera. Sorry, I cannot give you the sources right now, but they are available.

Mr LAURIE FERGUSON—Just in relation to a matter that Mr Beazley raised, and I guess there are some parallels to New Caledonia, has there been any consideration of restrictions—such as being in the province for a certain number of years or being grandparents, that kind of thing? Is anyone putting that forward?

Mr Collins—I am sure the West Papuan leadership has. I have just spoken to some of those West Papuans who say they would certainly allow migrants a vote. Again, there could be something like the Matignon Accords in New Caledonia. I guess it would have to be worked out amongst the West Papuans themselves and the migrants who could vote—whether it would be after 10 years residing in the province. I have not seen any plan for that at the moment, but the West Papuans are probably working on that and it is up to them, of course.

CHAIR—Thank you very much for your attendance today. If there are any matters on which we might need additional information, the secretary will contact you. We will also send you a copy of the transcript of your evidence, to which you can make any necessary corrections to errors of transcription.

[3.46 p.m.]

ABRAHAMS, Mr Michael, Senior Trade Commissioner Jakarta, Austrade

MOIGNARD, Mr Michael, Executive General Manager South East Asia, Austrade

CHAIR—On behalf of the subcommittee, I welcome representatives of Austrade. 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 committee does not require you to give evidence on oath, I should remind you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the House itself. I invite you to make a short opening statement and then we can proceed to questions.

Mr Moignard—Thank you. We wish to present Austrade's submission to the subcommittee's inquiry into Australia's relationship with the Republic of Indonesia. Our submission has been provided to the committee but I would like to summarise the submission this afternoon and put it in the context of Austrade's role within the region. The Australian Trade Commission, Austrade, is the federal government's principal trade and international business facilitation agency. Our mission is to contribute to community wealth by helping more Australians succeed in export and international business. We operate as a statutory authority within the foreign affairs and trade portfolio and we work closely with other federal, state and territory government agencies. We help Australian business reduce the time, cost and risk involved in entering and expanding overseas markets. Austrade provide a wide range of international market development and investment services to Australian companies as well as to international buyers through our network of around 1,000 staff in more than 90 locations in cities and regions of Australia and throughout the world.

The recent year for South-East Asia actually has been an eventful one and the next appears to be heading in a similar direction. Our region of South-East Asia has had its share of challenges, and this has affected Australian business activities in the region. Last year South-East Asian markets bought 11.8 per cent of Australia's total merchandise exports, which was down only 0.3 per cent from the previous year. By comparison, exports to Indonesia over the same period were down 3.3 per cent at $3.07 billion. Having said that, I note that Indonesia is still our No. 2 market in the South-East Asian region.

The effects of 11 September 2001 and the recession in the United States had been barely absorbed by the region's economies when the terrorism and security issues became major, which culminated in the tragedy in Bali in October 2002. This too had not worked itself through the system when the Iraq conflict began, and now we have the SARS outbreak. With all those challenges, Austrade in South-East Asia has been adapting and working innovatively to continue to assist the many exporters in the region, and I would like to outline some of the things we have been doing for companies in this current environment.

Indonesia was perhaps the country most seriously affected by the 1998 South-East Asian economic crisis, and its recovery remains fragile. It is currently working its way simultaneously

through three major reforms—political, economic and administrative—across an archipelago of 17,000 islands and scores of different ethnic groups. Realising a democracy after 32 years of autocratic rule; restructuring, reforming and growing an economy after a major collapse and devolving administrative power to the regions is an enormous challenge.

Austrade has maintained an office in Indonesia since 1935—so it is one of the earliest offices that Austrade, or the Australian Trade Commission as it was in those days, opened—with the exception of the years 1942 to 1950, during and after the latter stages of World War II. Austrade has two offices in Indonesia which provide assistance to exporters: the main office in Jakarta, where Mr Abrahams is our senior trade commissioner, and a sub-office in Surabaya. We have 23 staff in Indonesia—three Australians, as of January this year, and 19 locally engaged staff. The major sectors that we are working on and finding the most interest in from Australian exporters are agribusiness, services and information and communications technology.

CHAIR—No motor vehicles?

Mr Abrahams—Some motor vehicles. I can cover that in a moment.

Mr Moignard—In the financial year 2002-03, Austrade's focus for our region is to build stronger and more sustainable relations between Australian companies and potential business partners in Indonesia through facilitating business missions to the region from Australia, participating in state based events in Australia that make a substantial contribution to Austrade's major objective of doubling the number of new exporters, and organising inbound buying missions from Indonesia to Australia. During the financial year 2001-02, 60 Australian suppliers credited Austrade in Indonesia as a positive factor in their achievement of export sales of over $750 million and investment in Indonesia of $83 million. In a more difficult market environment thus far in this financial year, Austrade has assisted 29 companies to make sales. Of those we have assisted nine new exporters to make sales, with exports of $28 million.

Our submission was prepared in November, I think, and in it we were not able to give much discussion of what has happened post Bali. The effects of the Bali tragedy continue to be felt in Australian exports, particularly to the island of Bali itself. As an example, meat sales to Bali—both beef and lamb—are down by between 50 and 70 percent since October. Airline catering to and from Bali—and Australian companies were often involved in providing airline catering—is down considerably. The hotel occupancy rate is currently 19 percent. There was a pick-up over Easter, when it went up to 40 percent. Normal rates over the major periods in Bali are around 70 percent. We expect July-August, which is the peak period, to be a test of whether or not the situation in Bali is moving back to normal, but at the moment there are still considerable economic effects on Bali's economy. In the current environment, Austrade advises businesses to be aware of, and take account of, the travel advisories. As you would be aware, a Foreign Affairs and Trade advisory of only essential travel to Indonesia has been in place since October last year. We are also talking to companies about ensuring that they can look for prospects in a low-growth environment in Indonesia.

In Indonesia, I think the environment for economic growth this year is going to be between 3.5 and four per cent. That is in comparison to eight or nine per cent, which it was before the 1998 crisis. It means that we are looking at fairly low growth prospects. In the current climate, we are also strongly advising companies to remain committed to their joint venture partners and

their buyers in the market. Austrade is assisting a number of companies by maintaining and building those connections through our people in the region and in our offices there. We are doing things such as buyer visits to Australia, where we take buyers from Indonesia to Australia so that Australian companies that have concerns about travelling to the region can actually meet buyers here. We have just finished a very successful mission in the environmental services industry in Perth from 6 to 10 April, where we brought 35 Indonesian buyers down to meet with Australian industry.

We are also doing sample promotions in the region. In particular, before the SARS outbreak, we were bringing buyers from Indonesia to Singapore to look at samples brought by Australian clients but without the clients being present. We represent the clients, the samples are given to buyers and potential buyers, then we evaluate their interest in those products and send those evaluations back to Australian companies. We are also doing videoconferencing from our offices, where we can actually bring a buyer and an exporter together across a video line. Again, all of these things can be done in the short term to maintain those connections while there are concerns about business travel in the region.

CHAIR—Thank you very much for that. I was interested to learn of the number of new companies that have gone into Indonesia in the last 12 months—50-something.

Mr Moignard—There are nine new exporters.

Mr Abrahams—That is correct.

CHAIR—Who are they? Are they major concerns, or are they small and medium businesses?

Mr Abrahams—Primarily small to medium, but the biggest sale is actually a $20 million wool sale for the first time in Indonesia. There is $6 million in the mining area, and all the rest are tiny. There are a number of educational institutions from WA and a couple of small food exporters.

Mr BEAZLEY—They are really exporters rather than investors, though, aren't they?

Mr Abrahams—Yes, that's right.

Mr BEAZLEY—There are hardly any investors.

Mr Abrahams—No, the investment climate in Indonesia is very bleak at the moment.

Mr BEAZLEY—You are painting quite an interesting picture of the trade approach to handling terrorism. You have put it in little bits and pieces in the course of the remarks that you have presented to us here. You can isolate a number of things. You have a highly localised collapse around a modal point of terrorist activity, and there is an obvious terrorist threat to what you might call the commons, which are the airports, the public facilities and those sorts of things. Your countermeasures are to not have Australians go in there but to take Indonesians out of there and bring them here. How does the idea that you send buyers' parties out to Australia resonate in the minds of Indonesians?

Mr Moignard—Across the region it is very good. A lot of the companies actually enjoy coming to Australia, so there is not only the ability to meet with Australian buyers but we usually do these around an event. The one this month in Perth was around a conference called Ozwater. There is usually an exhibition or a conference for these people to attend, so the Australian companies will come to that but, at the same time, the buyers come down as well. We find that it is a very beneficial way of getting the two together and, for the most part, the companies enjoy coming to Australia. A lot of these companies, particularly from the Indonesian market, know Australia very well and they do come here quite regularly. We need to provide an event which will actually attract them.

Mr BEAZLEY—For the Australians going the other way like the nine who actually turned up there, do you devise, after consulting with the Federal Police and Indonesian authorities, a living package as to how you ought to conduct yourself in a difficult security environment while you are there to maximise your happiness and your likelihood of survival? Do you do those things, or is it just because you live there yourself and you know what sorts of things you do and you just have a chat to the blokes about where they should go?

Mr Abrahams—We first and foremost draw their attention to the travel advisory and suggest they take their own advice from their own legal and financial sources in Australia. Ultimately, the decision is theirs as to what is essential and what is not essential. We cannot make that for them. Once in Indonesia, obviously we draw their attention to the advice that the Australian government gives to all residents of Indonesia and all travellers in Indonesia—and that is to stay away from certain areas, not to be seen in X, Y and Z, to keep away from large groups, the usual things that we would say to people.

It is fair to say that we are not seeing as many of the new exporters or new investors that we would expect to see in the current climate. The reluctance to travel is understandable. The existing people happen to be doing very well. Those who know Indonesia intimately, those who know where the minefields are and know not to tread on them, are doing well.

CHAIR—You were going to give us an update on the cars, because that was going to be the be-all and end-all, wasn't it.

Mr Abrahams—We would hope so. The vehicle exports are about $60 million. They are mainly made up of Camrys, which ultimately we believe, through internal Toyota sourcing decisions, will come out of Thailand in the longer run and we will supply more to the Middle East and elsewhere—sort of company transfers. There are also some special purpose vehicles for the mining industry that come out of Australia. There is $52 million worth of components coming out of Australia. Interestingly enough, the car that I drive is about 30 to 40 per cent Australian componentry. It has a Holden engine from Fisherman's Bend and quite a lot of Australian components. It is an Opel Blazer. The Indonesians the other way send us $89 million worth of components every year. They are mainly wiring harnesses that go into cars to keep all the electrics running.

We hold great prospects for the market still, because the way ASEAN is shaking out and the way costs are running in the region, a factory worker in Japan costs $US2,900, a factory worker in Vietnam costs $US250, one in Thailand costs $US150 and one in Indonesia costs $US60. The industry, particularly people like Toyota, are deciding to relocate their production to South-East

Asia but are putting strategic parts of it around the region and then moving componentry at zero to five per cent under the AICO scheme, so they can actually put a whole car together very, very cheaply. So it looks like we are going to get a big Toyota engine plant in Indonesia, and those engines will actually get up to Thailand into their one-tonne and special purpose vehicles and they will be exported. Some will end up here, in fact, as we bring in a lot of one-tonners from Thailand. ASEAN is becoming one market as far as automotive goes.

Mr Moignard—And the two nodes really are, as Michael said, Thailand and increasingly Indonesia.

Mr BEAZLEY—Back on the terrorism front, you give folk there general pieces of advice on how to conduct themselves, what areas to avoid and all the rest of it. In your relationships with Australian business there—the old hands as you describe them—are you getting much feedback about a sense of threat that any of them feel, or do you think they have the view that they have a pretty firm hand on the situation?

Mr Abrahams—It is interesting that you raise that. If you ask the ones that are there now, they felt under more threat in May 1998 during the riots than they do now. They are a lot more comfortable at the moment. I think the reaction to Iraq was surprisingly modest. The demonstrations were well managed and disciplined and well contained. The community generally feels safe. The only time the community really felt under any threat was when there was credible intelligence that the schools might be targeted. I think when you start to impact on children, that is when the whole dynamic changes. We have not seen that flow through yet. It is a bit like the tourism—we will not see that until the August enrolments next year. That is when the dynamic changes.

Mr BEAZLEY—You may not know this statistic, but you might have a rough idea off the top of your head. What percentage of Australian expatriates would actually be there with their children on school holidays?

Mr Abrahams—We believe there are about 10,000 Australians in Indonesia. What percentage of them are there with children would be very hard to say. I know that Australian students are the third largest group at the Jakarta International School, after the Americans and the Koreans. That is quite sizeable. There is an Australian International School in Jakarta and in Bali. So that would suggest that there is quite a high demand. I am sorry but I do not know the exact numbers. I could find out.

Mr BEAZLEY—Again, anecdotally, has there developed a tendency to send the kids down to boarding school in Australia rather than keep them with them at the schools?

Mr Abrahams—In some cases where parents are concerned, yes, that is true. That has happened. We really will not know the full impact until the new school year in the middle of the year, because it goes on the Northern Hemisphere cycle.

Mr BEAZLEY—Are those schools under active permanent guard?

Mr Abrahams—Those schools have all hardened their perimeters considerably on advice from the Indonesian police, and from their own security consultants. During the time of the

credible threat, most schools closed down for about nine days. The Australian school waited until the end of the school year. They had quite large numbers of Primob mobile police on campus. I think the feeling now is that the perimeters are pretty well hardened and that any possible terrorist attack will try to target a softer place. You can never discount where they would go, but they would probably look for a softer target.

Mr BEAZLEY—It is the truck crashing through barriers that you would have to worry about. You have seen these places, so to your mind are they hardened to the point where they could resist that?

Mr Abrahams—Yes, and all parking is taken off the edge of the school grounds. You have got screens up so nothing can be thrown in. You have got very large concrete blocks. You have steel races. Cars are searched inside and out before they go through. They have a very, very well regimented system for how you get in and out.

Mr BEAZLEY—And there are armed personnel inside the school so that if anything goes wrong with a car that approaches the front they can deal with it?

Mr Abrahams—There are police personnel.

Mr BEAZLEY—Apart from the schools, are there any other locations of essential attendance that have been identified and that cause a worry to an old hand Australian there?

Mr Abrahams—Some of the more notorious bars in Jakarta, I suspect! No, I do not think there are any other areas. The advisory lists churches, sports grounds and anywhere where people congregate in large numbers.

Mr Moignard—Of course Australian companies have offices in Jakarta in major buildings. Security certainly has increased both within the office and in the perimeters. That is usually done by the people who own the buildings.

Mr BEAZLEY—From my experience of Australian companies, they tend not to be in stand-alone buildings. But are there Australian companies in stand-alone buildings so you could take out a building and that would be all Australian?

Mr Abrahams—There are Australian companies in stand-alone buildings. I think the dynamic has changed so much so that the emphasis now is on risk management and business continuity. You may see over time a greater localisation of management or sending people there who are single or with no kids or locating them in Singapore or somewhere else and they go in and out. I think increasingly that will happen.

Senator PAYNE—I have some questions on a much more mundane level than Mr Beazley's pursuits!

Mr PRICE—One almost feels like filing one's humble questions away!

Senator PAYNE—I will try anyway, Mr Price. Point 8 of Austrade's submission talks about impediments to trade, which are largely legal and regulatory issues: non-tariff barriers,

procurement issues and things like that. I wondered if, on top of that, there were any aspects of the reform process that were also adding to uncertainties or difficulties on an ongoing basis.

Mr Moignard—Regional autonomy.

Mr Abrahams—Yes. There are several aspects that are having an impact on how people do business in Indonesia, and a major one is regional autonomy. A lot of the power is now being devolved almost to the city council level—the regencies (kabupaten) or the kota. That is causing some concerns with investors on the basis that whilst the two laws are in, at the centre, the enabling legislation—the rules and regulations—are not. We are finding that at the bupati level, the regency level—there are over 365 regencies—they are setting their own laws where it suits them. Companies are finding it very difficult, when transporting goods over several kabupaten or trying to set up in particular areas, to know what the rules and regulations are. To the Indonesian government's credit, it is actually getting the money out to the regions. That is a real plus, and some of the regions are obviously spending it wisely. Some of the regions will get this autonomy correct and will be good investment locations.

Increasingly, we will have to look at the regions rather than the centre as places to do business. Under the old model, 70 per cent of the money in Indonesia flowed around Jakarta; now it is going to be moving out. That is going to be a very positive thing in the longer term. I suppose we are concerned about the services area in general—restrictions on lawyers, accountants and consultants doing their business and whether they can practice on their own right, which they cannot. There has just been a change in the law relating to the legal side which makes it hard for lawyers to do anything but work with foreign companies as advisers.

Senator PAYNE—Is it the same for accountants and doctors?

Mr Abrahams—Yes, there are restrictions on how they can practice. It makes it tough. How to address these issues is something that we take up with them, and that our Foreign Affairs colleagues take up in wider fora. That is not to say there is a shortage of Australian lawyers in Jakarta practicing as consultants, who know the place well; but they mainly work with foreign investors coming into Indonesia.

Senator PAYNE— You have offices in Jakarta and Surabaya. Do you think the regionalisation process will lead to Austrade having to rethink its locations across Indonesia—for example, as you get stronger regions?

Mr Abrahams—It is certainly possible, yes. It depends where the decisions are taken. To a large extent the corporate headquarters, and some of the major government departments, are still in Jakarta. I cannot remember the exact figure but there are something like 2.5 million public servants who are being relocated. It is an staggering number.

Senator PAYNE—Out of Jakarta?

Mr Abrahams—Out of Jakarta to the kabupaten. But in time, you would have to believe that the resource rich states that put the infrastructure in place to support those industries and get the investment climate right will attract the investment.

Senator PAYNE—In terms of Austrade's relationship development, it is possible that they would have to do something similar to the way the operate in Japan, which is to have a number of smaller, regional offices rather than a singular focus in, say, Tokyo.

Mr Abrahams—It is quite possible, yes.

Mr Moignard—It is something that we do all the time. We are continually reviewing and monitoring where best our offices should be and where the trade is moving. We are doing the best we can to be flexible with our resources and move them to the front line, really.

Mr PRICE—Does Indonesia have free trade agreements with any other countries?

Mr Abrahams—Off the top of my head I cannot think of any. There has been speculation that—I suspect only in a Javanese way—they may be looking for one with the US, but I do not know if there are any others now. Our foreign affairs colleagues may know more about that.

Mr Moignard—None that I am aware of, but we could take that on notice. I think you are meeting with Foreign Affairs and Trade tomorrow.

Mr PRICE—Let me equally pursue unfair questions: if Australia and Indonesia were to negotiate a free trade agreement, what would you assess the impact as being on the trade between our two countries, both in the shorter term and the longer term?

Mr Moignard—Any negotiation in the free trade agreement would be with Foreign Affairs and Trade.

Mr PRICE—Yes, but you would see the results.

Mr Moignard—Austrade's role in the Singapore-Australia free trade agreement, which has now been concluded, is to promote the agreement. Although, obviously, because of the broad nature of our relationship with Indonesia, one could expect that there could be advantages to us, it would be very hard to say where they would be. The broader the relationship, the more opportunity you have to get a win-win result for both countries, and we certainly have a very broad relationship with Indonesian trade.

Senator SANDY MACDONALD—Does Austrade provide its services to education providers?

Mr Moignard—Yes, it does.

Senator SANDY MACDONALD—How would you assess the importance of the education links between Indonesia and Australia?

Mr Moignard—They are very important. Indonesia is the No. 4 provider of education students to Australia. In that sense, they are very important. We work very closely with a number of institutions there and also with organisations such as ADB to help to facilitate and look for opportunities for Australian institutions to bring in Indonesian students.

Senator SANDY MACDONALD—Does Austrade have a view about deepening that relationship, particularly in view of the importance of the relationship for all sorts of reasons?

Mr Moignard—The general view from the mission, and Australia's view of Indonesia, is that this is very important and it will deepen. It has grown over the last few years, and we expect it to continue to grow not only because of the impact economically on bringing students to Australia but because of the social impacts and the relationships that are built. It is a very important way to build those bridges between the countries.

Senator SANDY MACDONALD—Do you deal with or encourage the alumni groups?

Mr Abrahams—We work very closely with Ikama, which is an alumni group. One of the reasons I think the relationship is robust is that, if you take the cumulative effects of 18,000 students every year over a couple of decades, there are a lot of people who know Australia. One of the reasons why the trade relationship is so dynamic is that so many people have been educated in or worked in or lived in Australia. The largest retailer in Indonesia has something like 70 stores across the archipelago and 2,500 Australian lines in their flagship supermarkets. That influence has not come from us to a large extent; it has come from the students who have come back and want their violet crumble bars and their cherry ripes and all those sorts of things.

Senator SANDY MACDONALD—Does the positive attitude of the alumni groups and the Indonesian students who were formerly in Australia surprise you? Do you think it is unreflective of the rest of the Indonesian community's view of Australia?

Mr Abrahams—No, it does not surprise me. I think they come back with a great deal of affection for Australia. To be honest, there are times when the domestic agenda in Indonesia may suit other sentiments or other interests, but the alumni group as a whole has been remarkably supportive of the relationship.

Senator SANDY MACDONALD—Is it likely that, in time, those people who have been educated in Australia will reach the very highest levels of Indonesian administration and government, or has that already occurred?

Mr Abrahams—It has already occurred. The finance minister, Minister Budiono, has two degrees from Australia. Nabiel Makarim, the environment minister, lived in Australia for nine years. He tells some interesting stories about starting off here as a conductor on the Sydney buses. He had his own business in Melbourne and then went back for family reasons. The cabinet secretary, Bambang Kesowo, was educated in Australia. Quite a significant number of ministers have children at school or at university in Australia. There are extremely strong links.

CHAIR—Do you get involved in many policy areas? For example, do you get a seat at any of the ministerial meetings?

Mr Abrahams—Yes indeed. I was fortunate enough to be able to attend the last meeting in March. We get included in all of those.

CHAIR—When you say 'all of those', what other areas do you mean?

Mr Abrahams—We join in ministerial meetings on the bilateral side—on our side, trade minister to trade minister—and we brief visitors.

CHAIR—What about some of the more specialist things like the mining industry? Are we having any input into future policy up there on mining?

Mr Abrahams—As an embassy we are trying very hard to influence policy in the mining sector. The mining sector is a fairly sad story at the moment. As an investment it is a very unattractive proposition. ROI is less than 10 percent, the effective tax rate is 60 per cent and the legislative framework is making it extremely difficult. There is no new mining law; we have been waiting for one for a while. Nine operating mines are going to close in the next three years and there is nothing coming behind that. The major projects that are scheduled for Indonesia are all in protected forest areas under Forestry Law 41 of 1999, which means that they have to be underground—and no-one is going to go underground. Exploration has dropped by 76 percent on pre-crisis levels and investment in exploration is down to 10 per cent of pre-crisis levels. That is a sure indication of what is happening in the mining sector. Oil and gas is a different story; that is still moving forward. We do try to put the view of our mining community forward.

Mr PRICE—If we increased your budget by $1 million—or, dare I say, $2.15 million—what would be the impact on Austrade's position, apart from making me your lifelong friend?

Mr Abrahams—It certainly would. It is strange to say this, but in my position I actually do not need that money at the moment.

Mr PRICE—You realise that you have to tell the truth here?

Mr Abrahams—I do. I do not need it.

Mr PRICE—This committee has quite wide-ranging powers.

Mr Abrahams—The current resources position really reflects the current realities in Indonesia. There is no point putting more money in at the moment. As Mike was saying, we have had to totally turn our business upside down. For years we have waited for Australian clients to come to us. They are not coming anymore in these uncertain times, so we have to take the opportunities to them for all the measures.

Our role has come to cover three things. First, we keep the business channels open when people are not coming. For years they said that Austrade was the eyes and ears of Australian business in Asia. We are more than that now; we are the face of Australian business, because we are the ones who are going out to get the customers. Secondly, we have had to get closer to the sale. This is one of the things that Mike mentioned. We are almost more like sales brokers. If people are not coming up and doing the face-to-face stuff, we have to get a lot closer to the customer. We have to use innovative and different ways to ensure that we keep people face to face, whether it is via technology or by taking them out to Australia.

The third thing that we have been doing in the short term, if people are reluctant to come for one reason or other, is act as somewhat of a surrogate representative—within, obviously, legal bounds—to make sure that the business channels and the business is not lost to Australia. That

is the sort of thing we have had to do. That has turned our business upside down, in the light of declining numbers coming in and declining business for us.

Mr Moignard—Again, to put it in perspective, Indonesia in the early nineties was a place that everyone came to. Had you asked the question in 1991, it might have been a different answer.

Mr Abrahams—We had seven trade commissioners then.

Mr Moignard—One of our jobs, obviously, is to maintain the resource allocation at the level that we think is the right level for the current environment. Over the last three or four years, particularly since 1998, our resources into Indonesia have reduced. It has been because of the issues that we have been talking about today.

Mr PRICE—What has it reduced from? If it is $2.15 million now, what was it in 1998?

Mr Abrahams—This is no reflection on me, but, when I went there, we had 24 staff.

Mr Moignard—I have got the numbers from 2000 to 2003, but I can get further numbers if you would like. The net budget in 2000-01 was $2.1 million. In 2002-03 it is $1.919 million.

Mr PRICE—You might take it on notice to go back 10 years, if that is not too much trouble—

Mr Moignard—We can do that, yes.

Mr PRICE—just to give us a picture.

Mr Moignard—I think you would see that, from 1993-94, when the economy was growing at nine or 10 per cent, it was a place where a lot of Australian companies were going. You would see quite a shift in resources from then to now. We will make those figures available to the committee.

CHAIR—Thank you very much indeed for your attendance today. If there are any matters on which we might need additional information, the secretary will write to you. The secretary will also send you a copy of the transcript of your evidence to which you can make necessary corrections to errors of transcription. I thank everyone for their contributions today, particularly the Hansard staff and the witnesses.

Resolved (on motion by **Mr Price**):

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

Committee adjourned at 4.27 p.m.