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WITNESSES

JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Foreign Affairs Subcommittee

Thursday, 1 May 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: Senator Stott Despoja and Mr Beazley, Mr Edwards, 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.

Subcommittee met at 9.02 a.m.

CHAIR—I declare open this public hearing on Australia's relationship with Indonesia. The Foreign Affairs 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 on 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, considering both the current nature of the relationship and the opportunities for it to develop. We have received a large number of substantial submissions to this inquiry from a range of organisations, including government agencies, schools, universities and non-government organisations with an interest in aid and human rights, and from 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.

[9.04 a.m.]

DOYLE, Mr Peter, Director, People Smuggling, Refugees and Immigration Section, International Organisations Branch, Department of Foreign Affairs and Trade

ENGEL, Mr David, Director, Indonesia Section, Department of Foreign Affairs and Trade

FRENCH, Dr Gregory Alan, Assistant Secretary, Legal Branch, Department of Foreign Affairs and Trade

HUTCHESSON, Mr Bryce, Assistant Secretary, Anti-Terrorism and Intelligence Policy Branch, Department of Foreign Affairs and Trade

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

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

REID, Ms Tracy Fay, Acting Director, Consular Information and Crisis Management Section, Consular Branch, Department of Foreign Affairs and Trade

CHAIR—On behalf of the subcommittee I welcome the representatives of the Department of Foreign Affairs, Defence and Trade. 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 standing as proceedings of the chambers themselves. I now invite you to make an opening statement.

Ms Rawson—I think you have our submission. It covers all the main issues in the bilateral relationship for which the Department of Foreign Affairs and Trade has responsibility. At this stage I only wish to note that the submission was prepared several months ago so, of course, there have been some developments since then that may arise in our discussions or mean that the submission in some places is slightly out of date. But the developments have not changed the fundamentals of the submission at all.

I think there are only two developments since the submission was prepared that I would like to note. The first is the Australia-Indonesia Ministerial Forum, which was held in Bali, Indonesia on 11 March. That forum drew a large number of Indonesian and Australian ministers. It covered the range of mutual interests between Australia and Indonesia bilaterally, regionally and globally. I think it was a strong demonstration of the very strong practical cooperation between our two countries to achieve beneficial outcomes. I have with me copies of the joint ministerial statement and the joint statement on counter-terrorism that were issued from the forum, and we would be happy to leave those with the committee.

The second development I would note is that the Second Regional Ministerial Conference on People Smuggling, Trafficking in Persons and Related Transnational Crime was also held in Bali earlier this week—from 28 to 30 April. Again, I think that was a very strong example of Australia and Indonesia, who were the co-chairs of that conference, working together on issues of importance to regional security and economic development. We have copies of the co-chairs' statement and the media release from that conference to leave with the committee.

CHAIR—If there are no more statements we might move straight to questions. As your emphasis was on Bali, could you give us something of an update on the effect of the Bali bombing not only on the relationship with Australia but, indeed, also on the Indonesian economy?

Ms Rawson—Perhaps I will start off and then ask colleagues to join in at appropriate points. In terms of the impact of the Bali bombing on the relationship, I think it is true to say that it was a tragedy for both nations that had the effect of drawing us closer together. A major element of that has been, as you would be aware, in the joint investigation that has taken place in the aftermath of the bombings. There has been very strong cooperation at a broad governmental level and, particularly, between police, intelligence agencies and others. I think it has been a really unprecedented level of cooperation at so many levels of our governments, and it has proven very effective in terms of results. As you would be aware, a number of people have been arrested in connection with the bombings, and we are now starting to see the prospect of some of those people coming to trial within the next couple of weeks. In that sense, that tragedy for both countries has had a positive impact.

More broadly, I think it has also strengthened the cooperation that was already developing, particularly after the memorandum of understanding on counter-terrorism that had been signed in Indonesia in February 2002. That was already providing a good framework for broader cooperation, intelligence exchanges et cetera between government agencies here and in Indonesia. Again, I think that the Bali bombing and the aftermath of that in terms of the investigation have strengthened even more the cooperation that we have on broader counter-terrorism issues. One example of that is in the joint statement that ministers agreed on at the ministerial forum. It was clear from that that we have shared interests in addressing this issue.

In terms of the impact on the Bali economy, I think it is fair to say that it has had a pretty dramatic effect on things like tourism, the retail sector et cetera. A colleague might have the exact figures about what it has done in terms of the growth levels, but I think there is about a 15 per cent hotel occupancy rate at the moment and the flow-on effects from that into the commercial sector of Bali mean that it has had a very strong impact. Bali is only about 1.3 per cent of the total Indonesian economy, so the flow-on effect has not been as stark as might have been feared earlier on. There is the question of overall security and investor confidence in working in the Indonesian environment. That certainly has also had an impact but, again, I think the political commitment and the measures that have been taken by the Indonesian government to address the terrorism issue do have a positive impact when foreign investors and others are looking at investing in the economy.

CHAIR—Do we still have people on the ground there in terms of the investigation? Are the Federal Police still involved?

Ms Rawson—Yes, we do. I am not sure of the exact numbers, but I think it is still tens of Federal Police. Bryce, do you know?

Mr Hutchesson—I am not sure of the exact numbers, but there is still a substantial number of AFP officers there. They are dealing not just with the Bali investigation but also with Indonesian counterparts on looking at broader terrorist issues as well, including training.

Mr EDWARDS—At this stage, what kind of cooperation has there been regarding the latest bombing?

Mr Hutchesson—I understand that the AFP have offered assistance to the Indonesian police to investigate that bombing, particularly from a forensic perspective. I am not quite sure where that particular offer of cooperation has reached.

CHAIR—We still have a number of travel warnings out.

Ms Rawson—We certainly do have travel advice for Indonesia. The most recent advice was issued on 8 April. That is still current at this point. The essentials of that travel advice continue to be that Australians should defer non-essential travel to Indonesia, including Bali, and that threats against Australians and Australian interests in Indonesia remain high, given possible terrorist actions or civil disorder. That has been the level of warning for quite some time.

CHAIR—I do not suppose they have any option, but do the Indonesian authorities accept that? Are they happy to go along with it or do they find that an irritant?

Ms Rawson—The Indonesian government has from time to time expressed some concern about the travel advice and asked for it to be looked at. The government has said that the first priority must be the safety and security of Australians travelling overseas and it is that which will take precedence in terms of our consideration of travel advice. The Australian government is, however, conscious of the impact that the travel advices can have in terms of tourism et cetera and has undertaken to keep the travel advice under review—as indeed, the department, in consultation with Mr Downer, does on a continual basis. But at this stage there is nothing to suggest that the level of the warning should be changed. When you have incidents, such as the bombing at Jakarta airport last weekend, it certainly does not provide a measure of confidence to change the warnings.

CHAIR—Following the Bali bombings there were all sorts of debates as to what we should do in terms of memorials or future assistance for the people of Bali. Could you give us a summary of what is going on in that respect?

Ms Rawson—Yes, I can give you a very brief summary. The government announced—one or two months ago, I think—that we would provide health and community development assistance in Bali, including skill development grants, small credit loans and alternative income generation support. There was a commitment to, I think, an eye hospital in Bali and also to the intensive care unit of the hospital. I do not have all the details. AusAID was the agency that was responsible for the implementation of the package. You may be talking to AusAID; if not we could certainly get more details for you.

CHAIR—To your knowledge, that is moving?

Ms Rawson—Yes.

Mr BEAZLEY—I wonder if you could give us a bit of a picture of responses inside Indonesia to the Iraq war. There were reports of very large but very peaceful demonstrations. Could I get a bit of an idea from you about who you saw as the political forces behind those demonstrations and what purpose they sought with them—domestic, as well as simply to convey an impression to the public of a reaction? Was there, at any time during the war, concern on your part about the possible targeting of Australian interests by not so placid people as those engaged in the demonstrations? To what extent was there a targeting of American interests that might have been the cause of some concern? Was there a differentiation between their response to the Australians and the Americans? Was there little concern about either of us in a direct sense, and more just a concern to make a statement? There were a lot of questions but we have a lot of time.

Ms Rawson—I am not sure if I got them all down; remind me if I do not cover your questions as I go through. To start off with the broad issue of the reaction in Indonesia to military action in Iraq, at a governmental level, and certainly among the broader population generally, there was very strong opposition to the war in Iraq. That was stated quite clearly by President Megawati and other members of her government. As you say, it was demonstrated in the streets, in some cases, in what were peaceful demonstrations. You said that the numbers were very large. There were a couple of reasonably large demonstrations but, for the most part, I think the numbers that turned up were perhaps lower than might have been expected. But certainly there were demonstrations. The media were very, very critical of the action.

Having said that, I think at the governmental level, while making clear its opposition to military action, it also stated clearly that it was not a war against Islam. It did not see it as that. It made it clear that, while people were fully free to express their views in peaceful demonstrations, the government would take action against those who chose to demonstrate their opposition in a violent way. It certainly, not only in what it said but what it did, met that commitment. So I think the Indonesian government acted very responsibly in terms of stating its own position, allowing the people of Indonesia to express their opposition, but making it clear that that was within certain parameters and that people should not react in a violent way.

In terms of targeting of Western interests generally—and I will come back to the issue of Australian and/or American—there was at one stage some statements made I think by the FPI, one of the militant Islamic groups, about threatening sweeping operations against westerners. That was not, of course, a new development. That group in particular has undertaken such action before. As I recall, the only incident during the military conflict where action was actually taken by members of that or another group in terms of some foreigners in the streets, the government acted very quickly indeed to address it. So as far as I am aware, that is the only incident where foreigners were specifically targeted. The group did not include Australians or, indeed, Americans as far as I am aware. Certainly the government acted very quickly to make it clear that sort of action wasn't acceptable.

I am not aware of any other incidents where there was a linkage between what was happening in Iraq and action taken against foreigners. There was, of course, the travel advice that the

Australian government issued in regard to Surabaya and the possibility of a terrorist threat there. As the government said at the time though, there was no evidence of any connection between the possibility of a Surabaya incident and Iraq in that. So over all, there was opposition and, of course, one could never then or in the future discount the possibility that a terrorist or other group would seek to use what was happening in Iraq then as a rationalisation for their actions, that did not happen during the period of conflict. Of course, as you would know, such incidents usually are a very long time in planning and cannot be implemented on the spur of the moment. I suppose that covers it in general terms.

In terms of Australian interests, as I said, apart from the Surabaya incident—and that did not have any connection with Iraq, as far as we know—I am not aware of any specific incident where Australian interests were targeted in connection with Iraq. Of course, we and others took very seriously—as we have for a long time—the security of our staff, that of our mission there and the safety of other Australians. That is reflected in the strength of the travel advice that has been in place for some time now. We worked very cooperatively, as we have done for a long time now, with the Indonesians to ensure that relevant security measures were in place. Certainly there was no particular Iraq angle to the general security situation in Indonesia throughout the period of the military action being taken. But, having said that, obviously it was an issue very much in the minds of all of us at the time.

Mr BEAZLEY—Thank you for that. I asked you too many questions to start with, and you did very well in covering them all. I turn back to the demonstrations. Who organised them? Were there elements of spontaneity there? Were they the Muslim political parties? Did any of the political parties, as opposed to extremist groups, try to use the conflict in Iraq as an organising totem in their own domestic political activities?

Ms Rawson—There may have been a number that were organised by some of the smaller political parties. I might look to my colleague. We are deferring to each other at this point.

Mr Engel—There were several demonstrations of different kinds. A very large demonstration in Surabaya was organised by the moderate Islamic mass organisation Nadhlatul Ulama, which had anywhere between 100,000 and one million people—the numbers are pretty fluid. Certainly, that was principally designed to try to encourage people to register their protest about the action, but they did so in a manner that emphasised that this should be done in a very peaceful fashion, that it was not a war against Islam, that people needed to be tolerant about non-Muslims and so forth. So there was a very positive message in the course of that demonstration. Other demonstrations—much smaller ones—were organised by more radical outfits in Jakarta and elsewhere. Some of those participants included members of some of the smaller Islamic oriented political parties; the leaders of some of them were organisers of those. Their message was very negative towards the action and towards the United States in particular.

Mr BEAZLEY—What do you put the relatively modest response down to? Was it that Saddam Hussein was an unlikely vehicle for carriage of an Islamic religious position? Was it that they are not that interested in the Arab community? Do they have a different view of the world and perhaps see that this was an assault on Arabs as opposed to an assault on Muslims, if was an assault on anyone? How did they manage to extract this from their religious world view for those outfits like NU, who supported demonstrations but modified their language in relation to them?

Mr Moriarty—I think that, certainly, there was no sympathy for Saddam Hussein's regime—I think that that is fair to say, even of many Islamic groups in Indonesia—although there was widespread opposition to the idea of a military campaign to remove him. But I think that domestic opposition to the campaign was widespread across religious communities and was even amongst secular nationalist political parties such as PDI-P, so there did not seem to be those areas of cleavage along religious lines.

A number of the political parties that had been very critical of President Megawati in terms of the government response to the campaign in Afghanistan made supportive comments on what they thought was an Indonesian government response which articulated quite strongly Indonesian views on the campaign. For example, the chairman of the MPR, Amien Rais, at one stage said that he had a lot of regard for the way that the government had taken those positions forward. Certainly the fact that the broader Indonesian community adopted a fairly uniform view—obviously, there were divisions amongst that—meant that it did not provide the sort of fertile ground for any particular leadership of Islamic or other groups to use to mount a domestic political campaign in the way that Afghanistan presented those opportunities, because there was a perception that the Indonesian government had been slow to respond to some Muslim resentment about the way that campaign was undertaken.

Mr BEAZLEY—In a sort of barometer of Indonesian responses to American perspectives on the world, would you say that this exercise raised the temperature in Indonesian analysis of the direction of American policy and, in the process, made them more hostile to American global or regional objectives? Did it leave relations at about the same level as they were prior to the campaign starting? Does the United States have a problem in Indonesia that is worsening or merely staying the same as a result of the actions that were undertaken in Iraq?

Ms Rawson—Starting with that, I think it would be fair to say that reflected in the demonstrations against military action in Iraq would be a strong element, varying from group to group, of anti-Westernism and anti-Americanism. I think that is certainly there. It is not new. A situation such as Iraq gives prominence and more voice to it than it might otherwise have in the normal course of events, but certainly it was there. I think it is probably too early to say whether it has overall strengthened that level of anti-Western, anti-American sentiment or whether it was a surge in it at that particular point and it will go back to the general level. I could not predict at this stage what that will be.

At the governmental level—and I think, as I said before, that the Indonesian government expressed in very strong terms its opposition to the military conflict and its very strong preference for a multilateral United Nations solution to it—the Foreign Minister, Hassan Wirajuda, said on at least one occasion that the government viewed Iraq as an international issue, not a bilateral issue. That was certainly relevant in the context of the relationship with Australia and I think also with the United States. I cannot speak for the United States government on this, but my sense is that, in terms of doing business with each other in the normal course of the relationship, that continues. As I said, for us, the Americans and others in Indonesia, the Indonesian government acted very responsibly in terms of what might have been security issues relevant to the military conflict in Iraq. Obviously there was a difference of view, as there was a difference of view with Australia's position. There is no sense at this stage that that has played out into our bilateral relationship. I cannot speak with authority of the US except to say that business continues with them. What the longer term impacts might be, I hesitate to say at this stage.

Mr BEAZLEY—How distant are the events in Iraq from their real focus? Is it sufficiently proximate for them to take a detailed interest in how the United States handles the aftermath of the war, particularly how it handles the democratisation process and its seemingly rather fraught relationship with the Islamic community in Iraq? Are they watching that or is it a matter of indifference to them?

Ms Rawson—I think it will be a matter of interest, not so much because of any direct impact on Indonesia but because of their very strong preference for the multilateral context: a wish that, when dealing with Iraq, it had been done through the United Nations and a preference that this post conflict stage has a very strong United Nations profile to it. In that sense it will engage Indonesian interest. However, compared with what is happening regionally—such as the impact on the region and economies of SARS, not that one can equate them—while Indonesia will have an interest in what happens in this next stage of Iraq moving, hopefully, towards a democratic state and reconstruction, it will have an interest particularly from that United Nations angle. I think for Indonesia there are other issues, both in a domestic context and within its closer region, that will draw its attention more.

Mr BEAZLEY—I have a stack more questions.

CHAIR—Before I hand over to Senator Stott Despoja, going back to the instance last Sunday, the press ran the line that the Aceh rebels were allegedly responsible. Do we have an update on that?

Ms Rawson—There is no update in terms of being able to speak with any authority on who was responsible for the bombing. I think there have been various reports—ranging from GAM (the Free Aceh Movement) to JI associations with the Bali bombings—but I think it is at too early a stage of the investigation for anyone to be able to speak with authority on responsibility. As far as I know, nobody has claimed responsibility for it.

Mr EDWARDS—I have a question that flows on from that. It relates to Indonesia's forensic capacity to identify any commonality between the blasts that occurred in Jakarta and those that occurred in Bali. Do they have that forensic capacity? Perhaps I should address this to Mr Hutchesson. What assistance have we offered through the AFP to have a constant presence there, given that we do have the expertise that could help to identify the origins of these blasts? I say that in light of the criticism that was levelled by Australian forensic experts in these areas. They said that some of the evidence was contaminated because of a lack of experience by the Indonesian investigators when they went in to look at that site. I understand that there are AFP officers involved. To what degree are they involved? To what degree have we tried to establish a constant presence? To what degree have we offered our expertise on an ongoing basis?

Mr Hutchesson—I understand from AFP colleagues that management of the crime scene in the initial period after Bali was perhaps not all we would have liked it to have been; equally so, it is the case that the Indonesians have been very receptive to working with us—and working with the Australian Federal Police particularly—to enhance capabilities in that area. There was work under way between the AFP and the Indonesian police prior to Bali to enhance the forensic investigative capabilities of the Indonesian police. That work is cooperative work, and training is continuing. In addition, the AFP has in the pipeline—and this flows from the Prime

Minister's announcement at the APEC summit last October—a sum of money to be made available for strengthening the Indonesian police's CT capacity.

The AFP and AusAID are working together, obviously with the Indonesians, to develop quite a broad package of support for the Indonesian police. This will take in things such as strengthening the CT analytical capabilities of the Indonesian police, strengthening in an institutional way the Indonesians' transnational crime centre and, coming specifically to your point, strengthening the capability of the Indonesian police to gain information, to analyse information derived from crime scenes in connection with related investigations. This will build on cooperation already in place but we will perhaps formalise it and run it over a number of years—not yet fully in place but pretty well advanced to move on to the next, more elaborate, stage.

Mr EDWARDS—Can you tell me whether we are seeking a constant presence so that AFP people with the relevant expertise are part of the initial call-out?

Mr Hutchesson—As Ms Rawson said, we do have a significant on-the-ground team in Indonesia. I can say, not just in the context of Bali but in looking at terrorist networks and terrorist individuals more generally in Indonesia, that the AFP is part of an investigative task force that POLRI has established. That is to be an ongoing thing. Certainly as part of this training package we do expect to have AFP advisers on the ground for the foreseeable future working with their Indonesian counterparts on a range of capacity building initiatives and also in more direct operational investigative ways.

Ms Rawson—In terms of a continuing presence, as Mr Hutchesson said, that will continue for some time, but I suppose the real success of any capacity building exercise is when those who have been working to build the capacity can leave with full confidence that the people that they have been working with and helping to train et cetera have the skills to carry out the investigations in a way that meets very high standards. I think one of the performance measures of that exercise is being able to leave in full confidence that you have left behind the skills and capacity to undertake the tasks to a high standard.

Mr EDWARDS—I accept that but we would also hope that one of the performance indicators might be the passing on of any intelligence that is gathered by such people.

Ms Rawson—Referring back to comments earlier that under the memorandum of understanding on counter-terrorism and the work that is being done in the Bali investigation one of the strong elements of that is increasing confidence in each other in terms of intelligence exchanges et cetera, and I would certainly expect that to be very much a continuing part of the process.

Senator STOTT DESPOJA—If Kim and Graham want to pursue that line of inquiry I am happy but, given your comment about Aceh, Ms Rawson, I want to begin by asking some questions about the autonomy packages that have been discussed for the provinces of Papua and Aceh. Beginning with Aceh, I understand that the Australian government has provided a couple of million dollars for cease-fire monitoring or monitors. I just wonder whether as part of that agreement there is some progress to report. Also, would you mind giving the committee the

Australian government's official position on, in particular, the autonomy package for Aceh and then perhaps we can move on to Papua later.

Ms Rawson—Just a couple of general comments first of all on the Australian government position, perhaps on Aceh and Papua, and then I will go on to more detail. I will start off with the comment that has been made by the Prime Minister, Mr Downer and other members of the government on many occasions; that is, that Australia strongly supports Indonesia's territorial integrity and sovereignty and of course that includes the provinces of Papua and Aceh. The government welcomed the enactment of the special autonomy packages for both Papua and Aceh in January 2002 and has talked with Indonesia on many occasions about the need to continue to pursue a peaceful resolution of the issues that beset both those provinces. To encapsulate the position, Australia wants to see a well governed Aceh and Papua with people able to express their democratic and economic civil rights within an united and stable Indonesia.

Coming to Aceh, as I have said, we have been very supportive of the implementation of the special autonomy package. The $2 million was specifically in relation to the cessation of hostilities agreement that was reached between the government of Indonesia and GAM—on, I think 9 December last year—and that gave the commitment of $2 million for the cease-fire monitoring element of that agreement. Since then, there was for a period of several months certainly a lowering of the temperature, if you like, in Aceh. The number of security incidents decreased. In some areas normal life, if I can put it that way, was starting to resume in areas that had been affected badly by the years of conflict. So we were certainly seeing some positive outcomes of the cessation of hostilities agreement. Over the last month or so there has again been something of an increase in the number of incidents; there have been allegations by both sides of breaches of the agreement, of not moving ahead on various elements of it. I think some of those remain allegations; some of them, the Henri Dunant Centre and the joint steering committee which has been a monitoring element in it, have apportioned blame to both sides for transgressions that have taken place.

There was to have been a dialogue meeting between the government and GAM last weekend; that did not take place. The government of Indonesia has made it clear that it is still willing to engage in dialogue, and certainly the coordinating minister for political affairs and security, Bambang Yudhoyono, who has steered very much the agreement and has been very committed to its implementation, has expressed his wish that that continue. But clearly it has reached an important stage in the process: whether it continues with the agreement, that course, or there is the possibility of returning to a military confrontation.

The government, Mr Downer, in the course of this week, has said on a couple of occasions that certainly from the Australian government's point of view a commitment to a peaceful resolution to dialogue remains important. Ultimately it is an internal matter for Indonesia, but certainly our wish is that it is possible to reach agreement to move ahead with the terms of the cessation of hostilities agreement and to implement eventually the special autonomy.

Senator STOTT DESPOJA—And our $2 million: is that being put to good use?

Ms Rawson—That is being managed through AusAID again. It was in two tranches—$1 million to start with and then another $1 million, I think the idea was towards the middle of this year, depending on how the agreement was going. I cannot tell you definitively whether that

first $1 million has been expensed. I assume it has and, as I say, for the first while at least of the agreement the cease-fire monitoring process was performing well. It has been under a lot of pressure and indeed monitors have been withdrawn from some areas over the last week—so it is certainly under pressure. But I think it is fair to say neither the Australian government nor indeed anybody, any of the other countries—Japan, the United States or others who had been encouraging this process—was ever sanguine about the prospects of everything just falling into place easily and quickly. There are very complex and longstanding issues, including the commitment to use violence on the part of GAM that has been there for a long time to achieve its independence ambitions. It was never going to be an easy linear process. We would hope that this is just one pause along the way and it will be possible to resume working through the issues in dialogue.

Senator STOTT DESPOJA—In relation to autonomy in West Papua—and of course we understand the context of the Australian government's position on respecting Indonesian sovereignty and, I suppose, territorial integrity—I am curious to get the specific view of the department and the government in relation to, in West Papua, the division of the provinces into three. I just wonder whether you have a view on that. Also, I think because a number of the submissions we have received have related to West Papua, we would be keen to get an update from you as to your understanding as to what is happening. Yesterday we heard disturbing evidence about the numbers of Laskar Jihad in the region. I wonder whether you can confirm some of those reports. We are hearing numbers around 3,000 have moved into West Papua. I do not know whether you can verify some of those reports, but it would be good to get, first of all, your views on the autonomy package from the government perspective. Also, it would be interesting to know your views on Laskar Jihad and on military relations generally, including current engagement—specifically Kopassus. Perhaps you could give us an update on West Papua and, if there are more specific questions, I am sure we will throw them at you.

Ms Rawson—Yes. In terms of Papua, again, as I have said, there is very strong support for the implementation of special autonomy. I think it would be fair to say that over the last year since the enactment of special autonomy—indeed, even preceding that in terms of the Indonesian government's looking to achieve a peaceful solution to the issues in Papua—there has been an overall improvement in the security-civil rights situation. In saying that, I am not saying for one moment that things are perfect in the province, and there have been security incidents such as the attack on the Freeport vehicles last August. Certainly there are security and other issues still relevant in the province, but overall it has not been as difficult as at some earlier times.

In terms of the recent decree for the implementation of the division of Papua into three provinces, I would have to say at this stage it is really not at all clear how that would fit in with the special autonomy package which was devised for one province rather than three, and there is quite vigorous debate in Indonesia itself about the constitutional or legal validity of that decree—which law comes after and takes precedence. So there is certainly no one view within Indonesia about that.

What has happened, though, is that the government has made it clear that it does not intend to implement that division into three provinces until at least after the elections in 2004 in Indonesia. I suppose from that aspect it gives at least a time frame for some of those issues to be worked through. Whether eventually the division will happen or not, I do not know. There is quite clearly within Papua itself a mixture of views. I think it would be fair to say that the

dominant view would be against division into three provinces, but there are other Papuans who would argue that that kind of division would bring the relevant authorities closer to them in terms of resource sharing et cetera and would have some benefits. So it is not clear-cut even in terms of the Papuans themselves—although, as I acknowledge, I think the dominant view would probably not be supportive of the division into three provinces.

In terms of Laskar Jihad, I certainly cannot authenticate numbers. Laskar Jihad in fact officially disbanded in October of last year. There are certainly still elements that used to be Laskar Jihad, not necessarily in Papua but throughout Indonesia, whom one would still say have some connections, even if the formal body no longer officially exists. I certainly would not rule out the possibility that there are some of those members who were formerly Laskar Jihad or would still say that they are Laskar Jihad in Papua. At an earlier stage the government made it clear to the Indonesian authorities that we thought they should take firm action to address any unlawful activity by Laskar Jihad members. I hesitate to profess to be speaking with great authority because I am not on the ground and maybe some of the people to whom you spoke have other sources of information, but I would not have said that at this stage Laskar Jihad was a particularly prominent issue in terms of the overall security situation in Papua. I might just check with my colleagues whether that view is a fair summation of that situation.

Mr BEAZLEY—Someone put forward the suggestion that 3,000 Laskar Jihad had been sent to West Papua. You do not believe that Laskar Jihad exists as a formed organisation anymore, whatever might have happened to their personnel; there is no sort of central direction of a Laskar Jihad position, there is no clandestine activity that is associated around any sort of organised structure that looks like Laskar Jihad once looked and that therefore those propositions that there are 3,000 on the ground in some coordinated fashion from a still existent Laskar Jihad is a load of nonsense. Is that your view?

Ms Rawson—I am not sure that I would say that my view is every element of what you have said. My view is that I would be surprised if the number were 3,000. Laskar Jihad has said that it has officially disbanded.

Mr BEAZLEY—And you believe them?

Ms Rawson—No, I am not saying that I believe them; I am saying that they have said they have officially disbanded. Whether that means that there is nobody who would still call himself a member of Laskar Jihad or look to others who were in positions of leadership in Laskar Jihad as their leaders, I certainly would not say that that is necessarily not the case.

Senator STOTT DESPOJA—Is that something that we would ask the Indonesian government? There is the proposition that if they are functioning, if they are in West Papua in, according to one submission, at least numbers of 3,000, if they are distributing pamphlets and videos, if they are conducting or forming training camps, presumably—there is an argument from at least one submission, I will state, that they could not operate without the knowledge of the Indonesian government or more specifically the Indonesian military, that there would have to be some awareness of that activity and also the activity to the extent that has been described. Are we in a position to find out or are we in a position today to verify whether or not any of those reports are true?

Ms Rawson—I think as I said earlier, at an earlier stage last year we certainly did make clear to the Indonesian government that we thought that any illegal action by Laskar Jihad should be addressed by them. I am not aware of any information in recent months where that sort of activity of Laskar Jihad leaflets or videos et cetera, certainly training camps, has been an issue.

Senator STOTT DESPOJA—Homemade bombs, distributing guns—that is the evidence we have received.

Mr PRICE—I apologise for being late. How many people do you believe from Laskar Jihad are in West Papua, and how are they being organised?

Ms Rawson—As I was saying before, I would really hesitate to try and put any number on it. I would be surprised if the number of 3,000 were an accurate one.

Mr PRICE—Two thousand or 1,000?

Ms Rawson—I really do not know. As I say, Laskar Jihad is an organisation that was formerly disbanded. Its leader has been in front of the courts. Whether people—people may be calling themselves Laskar Jihad or not calling themselves Laskar Jihad but still doing things, distributing information et cetera. I think it is not a situation where I could with any authority give you a clear picture in terms of numbers and activities.

Mr PRICE—Prior to their disbandment, then, how many do you believe were in West Papua, or do you discount any being in West Papua?

Ms Rawson—No. As I said, the government had talked to the Indonesian authorities about activities of Laskar Jihad in Papua, so certainly were not discounting that there were members of Laskar Jihad there in the course of last year. But I do not think we ever got a firm handle on numbers.

Mr PRICE—Does the department expect to be able to get an accurate picture of the situation in West Papua in relation to disbanded Laskar Jihad activity or centrally coordinated or uncoordinated activity, or is that an issue that you are not pursuing?

Ms Rawson—It would be very difficult to do so. There are lots of different sources of information groups about what is happening, looking at all that, trying to establish the credibility and authority of the sources of the information, trying to come up with a clear picture of who is doing what, where, whom they might be aligned to. It would be extremely difficult to do that, and in the end obviously we would want to be helpful to the committee, but I do not think we would be able to come up with something that we could say to you would be a very clear picture of what is happening.

Having said that, certainly it has been an issue and obviously, from the submissions that have been made to the committee, to some groups it continues to be a very important issue. So I do not discount its relevance, but I think also it is very important to try to focus on the need to be looking at what can be done to implement the special autonomy package. The fact is that overall the security situation, as I said, while by no means as good as people in Papua I am sure would like it to be, there have been some improvements over the course of the year. Of course, it is not

only Laskar Jihad in terms of activities involved in incidents; there are OPM members involved in security incidents. So there are lots of other elements in the situation. As I say, while I do not discount the relevance of Laskar Jihad, I think to focus on that to the detriment of the other issues there that need to be looked at and sorted out and addressed would be a bit unfortunate.

Mr PRICE—That is actually not the question I have been putting to you. If you do not have a clear picture, which department would you suggest would have a clear picture of the actual situation there in West Papua?

Ms Rawson—I am not sure that any particular department would have a clear, authoritative picture. We can certainly talk to other agencies and see whether there is anything further to add to what I have said today that would be helpful to the committee.

CHAIR—I just refer back to the Caritas submission that we received yesterday. They went to the newspaper allegations that Australia was interfering with NGOs and the independence movement in Papua. I wonder whether you could give us a background on those allegations. Are there any facts involved in them? They also claim that as a result of the newspaper criticism there was a change of policy by AusAID in terms of their funding in Papua. The allegation was that they now had to get government approval to go ahead with the work. If you have any background on that to clear up, I would appreciate it. Could you advise us whether these new provisions that are there with AusAID also apply to any commercial consultancies?

Ms Rawson—I will certainly do my best. I might have to refer you again to AusAID if it gets into an area where I am not sure of the detail of it. I suppose the bottom line is that those NGOs which have been funded by the Australian government to undertake development activities have always been in a situation where they are not to get involved in the political activities of others and to work within the laws of the country that they are operating in. That has been a longstanding requirement for NGOs that are carrying out activities that are funded by the Australian government.

I am not sure of the exact timing but, within recent times, the guidelines for some NGO-funded activities have been tightened in respect of areas such as Papua, Aceh and Maluku, I think, where, apart from anything else, there are real security considerations for Australians and others operating on the ground. Activities are supposed in any case to be jointly agreed with partner governments, so that general principle too has been there but it was made clear that specific activities were to be agreed by the authorities in those areas, as I say, as much as anything because of the security considerations involved.

Those are the basic guidelines. There has been, I suppose, a measure of clarity—I am sure Caritas would refer to it as a tightening up—in one area related to those particular provinces where conflict and the security situation have been relevant.

CHAIR—No doubt you have seen reports that Freeport allegedly dropped something like $5.6 billion into an account of the Indonesian national military to assist in maintaining the security of its mine in Papua. Did we get a handle on that, and are we concerned by reports like that?

Ms Rawson—I think that was information that they provided to one of the relevant United States authorities. I cannot comment because I do not have the specific information about what the funds to which they referred are to cover. But I think in general, in terms of the security for Freeport mine, there are arrangements between the mine and Indonesian authorities and it would not be surprising if those involved financial arrangements, but I do not have the detail of that.

CHAIR—But we do not necessarily get upset about those arrangements?

Ms Rawson—It is for the company to look at and decide what security measures are required for it to be able to undertake its commercial operations.

Senator STOTT DESPOJA—There was just one question I asked about Kopassus.

Ms Rawson—Yes.

Senator STOTT DESPOJA—I am happy to put other questions on autonomy on notice, but I just want to know about current engagement in terms of Australia with Kopassus.

Ms Rawson—On Kopassus, the starting point is that in 1997 I think it was that cooperation between the Australian armed forces and the Indonesian special forces, Kopassus, was suspended. You would be aware that in the context of the release of the defence update earlier this year by Senator Hill, that defence update mentions that the government is considering limited cooperation with the Indonesian military forces on hostage recovery and hijack resolution, an area where in the environment of heightened terrorist threat Australian lives could rest on effective Indonesian capabilities and cooperation between the two defence forces. In conjunction with the release of that update—and I think it is referred to in the submission that the Department of Defence has provided to the committee—there has been a decision to undertake discussions with the Indonesian government in terms of that particular counter-terrorism capability which in Indonesia at this stage does rest with a particular element of the Indonesian special forces. Although the Indonesian police now have the principal responsibility for counter-terrorism measures in Indonesia, at this stage at least they do not have the kind of counter-hijacking hostage recovery capability. That still rests essentially, I think, with a particular part of the Indonesian special forces and it is with that area of TNI that there would be discussion about cooperation in terms of the counter-hijacking and hostage recovery.

Senator STOTT DESPOJA—So it is still at the discussion stage.

Ms Rawson—With Indonesia, yes.

CHAIR—We seem to be spending an awful lot of time on Papua, and we are into extra time now. Do you have a couple of critical questions you want to get out of the way? I would just like to get into the commercial side of it, if we could.

Mr BEAZLEY—Yes. This question goes to more broadly the issues of terrorism in Indonesia, not Papua. There is a lot of informed speculation around at the moment amongst think tanks in the US and elsewhere that Al-Qaeda is going to have to do something pretty big to US interests to recover the ground that has been lost politically to its reputation in the Arab community as a result of the outcome of the Iraq war, and Afghanistan for that matter. So there

are suggestions around of a big effort sometime in the next few months—not based on intelligence estimates but a political calculation. There is also a lot of speculation along the lines that perhaps Al-Qaeda is either too weak to do such a thing because it has been weakened or because there is a change of tack to a more diffuse operation encouraging Islamic fundamentalist guerrilla movements around the globe. If it is the latter, of course, Indonesia, the Philippines and others come very much into focus.

What is your current estimation of the capabilities of JI, Laskar Jihad or any of the other militant Muslim groups in Indonesia to mount activities now? Is it on the decline? Are they on the run as Al-Qaeda seems to be on the run? What are your estimates of the relationships between them and international terrorist organisations like Al-Qaeda? Are they still extant? Are they severely ruptured? Could JI mount an operation like the Bali operation again? Has it changed tack? Is there anyone else in Indonesia, with or without an association with Al-Qaeda, prepared to take up that type of role?

Mr Hutchesson—It is, I think, a fair and positive thing to say that Al-Qaeda's capacities since 11 September 2001 have been significantly degraded. Best estimates are that a quarter to a third of its leadership have been killed or captured. Some 1,500 people connected with Al-Qaeda are in custody in various places around the world, whether it be in Afghanistan, Guantanamo Bay or elsewhere. Clearly Afghanistan is no longer a safe haven. Al-Qaeda members are spending more time looking over their shoulders, so that clearly impacts on their capacity to mount operations.

In our own region, there has also been some good progress made in unravelling some parts of the JI network. More than 30 people have been arrested, for instance, in connection with the Bali bombings. Indonesia, as you would be aware, just a week or so ago arrested another 17 or 18 people, a small number of whom were arrested in connection with Bali but others were connected with JI more generally. Malaysia has arrested over the last couple of years, a year-and-a-half or so, 80 or so people connected perhaps with JI, with KMM or having some element of connection with Islamic terrorism. There has been some good work done there, but we certainly do not underestimate the risk. Al-Qaeda and JI are resilient. The cell based structure that Al-Qaeda and we believe JI are modelled along means that it is possible for these groups to remain extant, even though other elements may have been rolled up. There is undoubtedly still a capability.

You have asked about links between Al-Qaeda and JI and other groups in this region. The cell based structure of these organisations means that formal linkages are really not well developed. The linkages tend to be through individuals. Perhaps the most prominent name that we know about that links Al-Qaeda and JI is Hambali; there is no doubt that he occupies a very prominent position in both of those entities. There may well be others that we are not aware of. Be that as it may, the reality is that these organisations still do retain a capability. It is harder for them now. A lot of targets have been hardened. That may suggest that what we are looking at is the possibility of more opportunistic attacks or attacks on softer targets of the sort that we saw in Bali. We certainly cannot rule that out. We do our best to reflect these concerns in our travel advisories of course. It is a real threat. Progress is being made, but the threat has not gone away.

Mr BEAZLEY—Has there been any knock-on effect in Indonesia or amongst these groups of Americans who a couple of months ago put 2,000 troops into the Philippines to augment their

capacity against Abu Sayyaf? Has there been a reaction in any area of Indonesia as a result of that sort of activity?

Mr Hutchesson—I would defer to my colleague on the specifics of the Philippines. Certainly I would make the point that individuals associated with Abu Sayyaf, MILF and such groups are not card-carrying members of these organisations. They are very loosely structured organisations with very loose affiliations, and it is often possible for any given individual to wear several hats. A person may be a member of Al-Qaeda and of JI and may have links with Abu Sayyaf, for instance. We are still trying to unravel all of these connections. But certainly we are very concerned about the sorts of linkages there seem to be between elements of Abu Sayyaf and elements of Moro. They remain very active. For instance, with recent bombings in Davao, we see that threat remaining very real. Greg, are you in a position to add anything on the specifics of Mindanao and the Philippines?

Mr Moriarty—We are comfortable that there are some individual connections between some of what were regarded as members of extremist groups in Indonesia and the southern Philippines but, in relation to that recent US action, to the best of our knowledge it did not generate any discernible hostile reaction either in Indonesia or amongst those more extremist groups. In other words, their agenda was focused elsewhere.

Mr EDWARDS—I want to ask a question of Mr Doyle. It relates to the victualling of the two ships which were recently reported in Indonesian waters. What should Australia read into that? Was it merely a local response or is it part of a broader Indonesian attitude to asylum seekers? Are they still content to merely pass the problem on to Australia or are there any real signs that they are trying to do something about it?

Mr Doyle—As Mr Downer remarked at the conclusion of the Bali conference yesterday, the government is extremely pleased with the degree of cooperation that it has received from Indonesia on the whole raft of illegal immigration issues and, in particular, in response to these Vietnamese vessels. It seems that the decision regarding the boat that turned up at South Kalimantan some time ago was made at a local level based on fears that, as the passengers were Vietnamese, they may have SARS. That is also the explanation that was given by Dr Wirajuda, the Indonesian foreign minister. We are confident that the excellent cooperation we have with Indonesia on illegal immigration vessels will continue.

Mr EDWARDS—So it is fortunate then that they had something to hang their hat on in relation to SARS.

Mr Doyle—Again, as Mr Downer remarked when asked about this—

Mr EDWARDS—I am not really asking for Mr Downer's response; I am asking for yours.

Mr Doyle—I agree with him that sometimes there are communication difficulties. South Kalimantan is a very remote part of Indonesia, and it appears that local officials made the decision themselves, without reference to the central authorities in Jakarta.

Mr EDWARDS—It must be encouraging to you then that these individuals who live in remote localities are well-informed and well-educated about SARS.

Mr Doyle—I think we are all aware of SARS, yes.

Mr EDWARDS—But it must be encouraging for you to know that those who live in these remote areas are well-educated and well-informed about SARS.

Mr Doyle—I think that is a matter on the public record. I am speaking about the particular officials' concern and how they responded to this particular issue.

CHAIR—I am wondering if we could move into the financial area, because it has been some months since we have had an update. How are we going with the IMF reforms for Indonesia? What has been the attitude of the Indonesian government? Could you also give us a bit of background on the decentralisation process and how that is affecting us? I think that in your submission you say that it is certainly affecting the way we do business with Indonesia.

Ms Rawson—I will start off and then ask colleagues to come in on some particular points. In terms of the Indonesian economy broadly at the moment, I think it is true to say that it still faces many challenges. It achieved a growth rate of 3.7 per cent in 2002, and the forecast was for the growth rate this year to be four per cent. With the impact of SARS and the general global economic situation, I think the reality is that four per cent might turn out to be a higher figure than is actually achieved.

On the macroeconomic side, the growth rate reflects, to some extent, very much improved fiscal consolidation, a stronger exchange rate for the rupiah, a lower inflation rate and a reduction in the budget deficit. Having said that, there still are clearly some major issues for Indonesia to address to be able to start achieving the growth rates that it needs to really start making an impact on poverty reduction and employment. It is generally agreed that they need to be at five or six per cent growth per annum to be having a real impact on poverty reduction and employment. The key to being able to achieve those levels is to be able to attract back the kind of foreign and, indeed, domestic investment that it was seeing before the 1997 financial crisis. I think the investment expenditure is still about 20 per cent below the pre-crisis levels. In turn, the investment picture really depends very much on continuing progress on the microeconomic side and a continuation of the financial, economic and legal reform programs that Indonesia has made a start on and, as were talking about earlier on, progress on the security side to be able to address the threat of terrorism in Indonesia.

In terms of Indonesia's relationship with the IMF, the IMF completed the seventh review of its program with Indonesia last December. The new letter of intent for 2003 signed on 18 March has a very strong focus on continuing reforms in the banking and finance sectors, and, as I said, improving the investment climate through legal and other institutional reforms. Overall, good progress has been achieved, particularly on the macroeconomic front, but more—as Indonesian ministers themselves acknowledge, including at the ministerial forum in March—still needs to be done on a whole range of relevant reforms in the financial and legal sectors. Certainly, Indonesia is continuing to work through those.

Decentralisation, as our submission indicates, would have been a really major undertaking for any government, let alone a government that was trying to recover from a financial crisis and emerge from 30 years of authoritarian rule to a democracy. It has been a very complex process, and one which has not been uniform. It is working well in some areas; it is not working as well

in other areas, depending as much as anything on the capacities of the local authorities who now have to deliver on many of the basic services and how well equipped they are. The Indonesian government itself is looking at its decentralisation laws. There are some issues with the equalisation formula that was used, and the general assessment is that it is not working as well as it needs to be and that some changes need to be made.

In terms of impact on business, I think the major problem is that business is now in the situation where there is not uniformity across Indonesia in terms of business requirements et cetera. I think it is going to be some time before there is enough clarity and certainty in the rules and regulations, if you like, that are imposed at a local level for business to be able to deal confidently with local authorities. I will ask Mr Engel if he has anything to add on that aspect.

Mr Engel—Not a lot. One aspect to it, though, is that you will get very mixed results across the country. I am talking about Indonesia's experience of this and how that bears out in terms of its economic growth and development. There are provinces which will do and are doing well out of all of this. They are the ones that have a very large asset base of one sort or another, such as Bali in terms of tourism, Riau with its natural resources and other provinces such as that. Obviously, others do not have those kinds of assets and will find it more difficult, and that is where the equalisation arrangements are applied with a view to addressing those kinds of inequalities that might emerge. I have very little else to add to what Ms Rawson has already said about the various difficulties—the pros and cons—that arise from it.

Senator STOTT DESPOJA—Can I ask a question in relation to debt relief. The committee is aware of many of the initiatives with respect to Indonesia and the assistance that we give it in relation to managing debt, but I understand that Indonesia's bilateral debt to Australia is around $1.6 billion. Are there any moves to if not relieve that debt talk about debt-for-poverty measures or swaps? Is there any proposal to perhaps alleviate some of that debt?

Ms Rawson—As you mention, there is about $1.6 billion of Australian sovereign debt with Indonesia. We have provided, as have other creditors, relief with regard to that debt through the Paris Club rescheduling. I do not have an exact figure in my mind, but there have now been three such reschedulings. I think about one-third of the debt has now been subject to rescheduling arrangements, which Indonesia with regard to us and other creditors has been very pleased with.

With regard to other measures, through the aid program—as I think you are aware—the government is providing a range of support to Indonesia to help it manage its debt. Those programs are ongoing and I think strongly appreciated by the Indonesian government. There is interest by the Indonesian government in looking at the possibility of debt swaps. The Australian government has made clear that as a matter of policy it does not get involved in debt swaps. We will continue a discussion with the Indonesians on that, but basically that has been the position. More broadly, as again you are probably aware, Indonesia does not fit the criteria for the Heavily Indebted Poor Countries initiative.

Senator STOTT DESPOJA—I have a broader question for Mr Engel. Mr Engel, you mentioned the various assets that different regions have, and you mentioned Bali. I am not sure if this is a question that can be answered, but it relates to your forecast for the health and wellbeing of the finances and resources for that region, in light of the Bali attack. We have

heard a number of stories as to how the tourism sector is coping, or just managing—capacity in hotels et cetera. What is the latest forecast that the department has in terms of how they are coping and what is going to happen next? What can we do to assist in that regard?

Mr Engel—I do not have any forecasts with me of Bali growth figures. It suffered very significantly as a consequence of the attacks, in terms of the fall off in tourism and the retail sector. Likewise, some of the provinces, particularly East Java where a lot of the handicrafts are made, have suffered as a consequence of all of this. It is very difficult to make an assessment as to how rapidly they can recover. That will be subject to a range of factors, not least of which will be the capacity of the Indonesian government to address the obvious concerns about terrorism cells that may still remain across the archipelago. They are taking measures—they are obviously concerned themselves about addressing these things—and they are rescheduling conferences et cetera to Bali with a view to try to stimulate the tourist industry. All of these factors are going to take time to work through. Presumably, bit by bit there will be a restoration of confidence in the industry in Bali. SARS would have had another negative impact on that and will be another factor that they will have to address. It is a question of time. I am afraid I would not be able to give you any kind of sensible accurate forecast.

CHAIR—I would like to wrap this up in a couple of minutes. Witnesses from the ANU are scheduled to come in at 11.00 a.m.

Mr PRICE—I will ask a few questions very quickly. We are hopefully negotiating a free trade agreement with the Americans. Has the department considered a free trade agreement with Indonesia? What, if anything, would that do in terms of our bilateral trade?

Ms Rawson—The focus of the government at the moment, as you would be aware, is on the negotiation of the free trade agreement with the United States and the ongoing negotiation of a free trade agreement with Thailand. The negotiation of a free trade agreement with Indonesia is not on the bilateral agenda. What the government has talked about with Indonesia is ways to strengthen the bilateral trade framework, and it is happy to look at a range of options in that context, including strengthening specific sectors of the economy, but there has been no formal consideration of an FTA.

Mr PRICE—If Indonesia is our most important neighbour, when do you think free trade may be on the horizon?

Ms Rawson—I would not put a time on it nor say whether a decision would—

Mr PRICE—Fair enough. Is there any work being done in the department about the possibilities whatsoever?

Ms Rawson—No.

Mr PRICE—None whatsoever?

Ms Rawson—There has been no work done in the department, or indeed elsewhere that I am aware of, that starts to look at the benefits that would accrue to Australia or Indonesia from a free trade agreement. Obviously, that would be the first step in any consideration.

Mr PRICE—The defence relationship, particularly the training of officers, has sometimes been a contentious issue. This committee recommended increased human rights training for the professional development courses that are run by Defence, and about 50 per cent of the higher ones of those are attended by overseas students. Has your department looked at the scope of the human rights training offered at such courses? Have you made any representations to Defence about increasing or decreasing the level of human rights training?

Ms Rawson—Not that I am aware of.

Mr PRICE—Could you take it on notice and give us a formal reply? The other thing is that this committee has been a beneficiary of the bilateral committee exchanges between Australia and New Zealand. Given again the importance of Indonesia to Australia, does your department have a view about whether or not commission to committee exchanges may be an appropriate thing for us to develop and look to for the future?

Ms Rawson—In general, the principle of contact between the parliaments is obviously a very important one in terms of strengthening all elements of the bilateral relationship. We would have a very positive view of those sorts of contacts. I do not know in terms of institutionalising an arrangement, but I am sure that if your committee were interested in doing so it would be something which the government would be happy to support. I do not know that there is a direct counterpart in the Indonesian parliament.

Mr PRICE—Commissions one and two, I think. We are, I suppose, looking back and then trying to look forward in terms of our relationship with Indonesia. Are you able to give us a view of what you think the relationship might look like in five or 10 years time?

Ms Rawson—As we have stated in our submission, the relationship has been, I suppose, characterised, at least in some people's minds, more by the periods of turbulence than by the periods in which—because of the very strong mutual interests which we share with Indonesia—we have been working together on those issues. What I would hope to see over the next five years is not that the relationship will be free of differences—no relationship is; we will continue to have differences with Indonesia from time to time on particular issues et cetera—but that we will be building on the experience over the last year in particular. I hope that the kind of practical, concrete cooperation that we have seen will continue and become the norm of the relationship—working together to address the issues in which we can both benefit from that cooperation—and that the strands that that builds in the relationship will mean that when, from time to time, there is a difference it is worked through, resolved, and the relationship continues to function in a normal way. To some extent, I think we have seen that over the last couple of months. There was a very strong difference of view with regard to Iraq. It has not impacted at all on the relationship. I hesitate to say it, but perhaps that does mean we have now reached a level of maturity in the relationship.

Mr BEAZLEY—Would this focus be reflected in the relatively benign attitude of Megawati? Another political party in the process might have taken a very different view—if it were an NU government or something like that. How much do you characterise that as a product of the particular character of this government which may change?

Ms Rawson—It could of course change, but this government is a government that covers a coalition of parties; it is not any one particular party. The views that were expressed by Megawati in regard to Iraq were not very different from what NU leaders were saying. There is always, obviously, an issue of who is in government—the people involved—but I do not think it is a product only of having President Megawati there, although she clearly has taken a very positive attitude towards the relationship and recognised that it is important to Indonesia as well. But I do not think it depends upon any one person or party being in government in Indonesia.

Mr PRICE—I have one final question, with your indulgence, Chair, but before I ask it I would like to just say how grateful I am to you for the public servants, journalists and judges you bring through Parliament House. We get an opportunity to meet them and talk to them and that is really great, and I think the committee appreciates it.

One can be critical of or applaud the security agreement we reached with Indonesia that this government has discontinued; I am not commenting on that, but our most significant security agreement is of course ANZUS—and the five-power arrangement, which has evolved over time. But Indonesia, which is a neighbour of ours and whose relationship we value so highly, is excluded from that five-power arrangement. Has your department got a view about whether or not it is opportune now or in the future to start looking at new arrangements that will formally include Indonesia, rather than exclude Indonesia?

Ms Rawson—I do not have a view. In terms of the FPDA, I would have to refer to colleagues who are not here on that particular aspect. I would say, however, that as far as I am aware Indonesia has never expressed an interest in being included in either the Five Power Defence Arrangements or any other regional forum—if there is any other regional forum. So I am not aware that there has been any interest expressed on Indonesia's part in that.

In terms of the bilateral basis, without going back to the security agreement, what I think we have now in terms of the security issues, as I referred to earlier, is the memorandum of understanding on counter-terrorism, which provides an excellent framework there, and there is a good and developing defence relationship, which is developing at a pace that both Australia and Indonesia are comfortable with. We also have good developing relationships between a whole range of agencies in Australia and Indonesia. So I think the broad framework is there for us to address the security issues bilaterally. In terms of the broader region, we are both members of the ASEAN regional forum, which looks at the broader security picture in our region. So I think there are both bilateral and regional mechanisms for us currently to look at the security issues.

Mr PRICE—I am sorry, I thought part of my question was about the future. You are saying to me then—or to the committee—that you are quite content with the current arrangements and you see no changes?

Ms Rawson—Certainly, speaking from the perspective of my division—and, as I say, there are others from the International Security Division who might be able to add to this—I think at the moment the frameworks we have in place, both bilaterally and regionally, to look at the security interests that we both have in common are working well.

Senator STOTT DESPOJA—I would like to ask the government's response to the proposal by Indonesia to introduce in September a visa for foreign tourists. Also, yesterday some issues were raised by the Media, Entertainment and Arts Alliance in relation to freedom of the press. I know you have covered that to a degree in your submission, but there were some concerns they raised which I will forward to you. I am also wondering, given the comments by the Prime Minister yesterday in relation to a place for Indonesia on the Security Council, what dialogue has occurred or what role Australia will be playing in that regard. Finally, I just wanted to acknowledge the fact that officers from the department faced very difficult and trying times during the Bali incident. I commend you on your work. In particular, I am sorry that Mr Kemish is not here today, because his assistance and his briefings have been incredibly beneficial, so please pass on to your officers our thanks and respect.

Ms Rawson—Thank you, Senator, I will certainly convey that to Mr Kemish.

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 write to you. The secretary will also send you a copy of the transcript of your evidence, to which you can make any necessary corrections to errors of transcription. Thank you once again for giving so generously of your time today.

Proceedings suspended from 10.56 a.m. to 11.11 a.m.

CRIBB, Dr Robert, Member, Australian National University Indonesia Group, Research School of Pacific and Asian Studies, Australian National University

CROUCH, Professor Harold, Member, Australian National University Indonesia Group, Research School of Pacific and Asian Studies, Australian National University

FOX, Professor James Joseph, Director, Research School of Pacific and Asian Studies, Australian National University

HOOKER, Professor Virginia, Member, Australian National University Indonesia Group, Faculty of Asian Studies, Australian National University

MACINTYRE, Professor Andrew, Member, Australian National University Indonesia Group, Australian National University

MACKIE, Professor Jamie, Member/Convenor, Australian National University Indonesia Group, Research School of Pacific and Asian Studies, Australian National University

MANNING, Dr Chris, Member, Australian National University Indonesia Group, Research School of Pacific and Asian Studies, Australian National University

QUINN, Dr George, Member, Australian National University Indonesia Group, Faculty of Asian Studies, Australian National University

CHAIR—Welcome. 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 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.

Prof. Mackie—We are members of an ad hoc informal group, all with considerable experience in Indonesia, who meet intermittently to talk about current issues with particular reference to their relevance to Australia-Indonesia relations. The submission we have circulated was drafted solely by me. It comes out of our discussions but it does not necessarily reflect the views of the others. If there are any matters other than those that you would like to raise with us, please do so, but it might make sense to go through the submission first and then go on to other issues. That document contains eight points we think are important for the purpose of this committee's concerns. I will not elaborate on these at the beginning but will leave it to you to ask us questions on each of them, and several of us have agreed to deal with different parts of it. In the document I made no reference to Indonesia's economic progress. Chris Manning will speak to that on behalf of the ANU Indonesia economy project, which is perhaps the core of our group. That is a unique source of expertise on Indonesia.

On the matter of Indonesian expertise, I underline the point that this group contains people whose knowledge and experience of Indonesia goes back 30 years or more in nearly all cases. It

is probably a unique array of cross-disciplinary knowledge of Indonesian language and Indonesian studies in all our schools and universities. It has taken 30 years or more to build up this kind of expertise. I stress that because I think that, if there is a danger that Indonesian studies is crumbling in parts of Australia, it is not now that the price will be paid; it is in 10, 20 or 30 years. Your committee might well take that point on board and stress it in your report—I hope you will. We want to focus here mainly on long-term trends in Indonesian politics rather than the day-to-day stuff, although we would be happy to talk about the day-to-day stuff. Everything is up in the air until the election next year, so it is pretty hard to predict.

Mr PRICE—Our election or theirs?

Prof. Mackie—Theirs. There are three not unimportant elections next year—ours, Indonesia's and our great and powerful friend's. I noticed in today's email a report from the *Jakarta Post* that Nurcholis Majid has put his hat in the ring as a potential contender for the presidency next year. These sorts of things are fun but they are very low level. To get this sort of long-term trend we need to look back to the past as much as look forward. A point I like to stress is that we have had ups and downs in our relations with Indonesia. I remember very well Konfrontasi back in the 1960s—I happened to write a book on it; not on Australia's side of it but on the Indonesian politics of it. Whatever we say about September 1999, Konfrontasi was a much greater test of Australian-Indonesian relations than anything we have had since. It is sometimes worth looking back to that sort of episode and saying, 'We've been through worse than this and we've handled it pretty well.'

We do want to try and anticipate what we are talking about in this group: what Indonesia has been over the past 20 to 40 years and what it is likely to be in the next five, 10 or 20 years. That determines what kind of animal we are dealing with. Having said that, I leave it open to you or anyone else.

CHAIR—Professor Hooker and Dr Manning, could you now add some information to the capacity in which you are appearing?

Prof. Hooker—I am Professor of Indonesian and Malay at the Australian National University.

Dr Manning—I am the head of the Indonesia project at the Australian National University.

CHAIR—At your suggestion, Professor Mackie, perhaps we can start with page 2 of your submission where you say that it would be a disastrous folly for Australia to do anything that might push Indonesia's government towards viewing us as an enemy rather than a friend. In light of recent events, could you expand on that?

Prof. Mackie—I wrote this shortly before Iraq blew up and I must say that I expected the Iraq war to have more of a backwash in Indonesia than has happened. I think we have been very fortunate in that. I think there still is a real danger. The war on terrorism is continuing and it is going to be of immense importance and I think that sometime within the next few months or few years it will be a miracle if there is not some kind of backwash from the Muslim community there. I think that is going to require very sensitive treatment on our part. I will not say more than that at this stage.

CHAIR—It was pretty fierce language—you were talking about 'clashes of civilisations'. Is it really as bad as that?

Prof. Mackie—That is Sam Huntington's phrase. But there are people in this country who say that Indonesia is a Muslim civilisation and we are not, so this is part of the looming global clash between Islam and the West. Sam Huntington, who was much influenced in this by Harries when he was in the United States, thinks we are pretty much on the front-line—a country in the interstices or something like that. In other words, we should not be where we are: as a Western nation on the edge of Asia we are in deep trouble. I do not buy that line for a moment, because I think Australia has learnt over the last 50 years how to live with this situation and we have done it pretty successfully and can go on doing it, but I think we can only do it if we are following a policy of engagement with Asia, not looking away from Asia and saying that our No. 1 priority is solely in Washington.

CHAIR—Over the last 50 years, what have been the high points of our relationship?

Prof. Mackie—I would say probably the creation of APEC and the dramatic improvement in relations with all the countries of Asia between the late 1980s and about 1995, and also the Cairns Group. The Cairns Group started in 1986 and was astonishingly successful—it brought in countries from all over the world, but we were really in step with our nearby neighbours on that. That would be my answer.

Mr BEAZLEY—I apologise because I have to leave a bit earlier at the behest of Foreign Affairs to talk to a couple of Indian journalists. The critical difference between your submission and many of the others that we have received is, although it is brief, it tries to get into the interstices of the character of Islam in Indonesia and the extent to which one can sensibly compare radical and moderate sentiment in an Indonesian context with how you describe radical and moderate sentiment in the Arab Middle East. Whereas, with radical sentiment in the Middle East, there is absolutely no chance that the West can engage it. It merely has to encourage the other side and do its level best to assist the other side to suppress it. In Indonesia, your paper seems to suggest that those sorts of choices are not those that we confront. Would you like to elaborate on that?

Prof. Mackie—I will pass that to Harold. He has been looking very closely at various Islamic groups, talking to them, while he was at the ICG in Jakarta. Robert Cribb also has interesting things to say on this more from an historical side.

Prof. Crouch—The term 'radical Islam' is a confusing one for Indonesia because it is used for quite different types of people. One sense of the word refers to Moslem fundamentalists whose political aspiration is some sort of Islamic state with Islamic law and so on. If you look at the 1999 election, parties that are inclined in that direction got about 15 per cent of the votes. So 85 per cent of Indonesians did not vote for parties like that. Most of those parties have no connection with violence. They are working within a parliamentary system. They have goals apart from Islamic—they want contracts for businessmen associated with the party, they want positions in the government and all that sort of thing. To my mind, they are fundamentalists working within, what is now, a reasonably democratic system.

At the same time, you have radicals in this other sense of Jemaah Islamiah, Laskar Jihad and all that. Those organisations are tiny. If you think of the Indonesian population of 200 million, Laskar Jihad probably has 10,000 or 20,000—something like that. Even the terrorist experts around the place who never underestimate their influence would say that Jemaah Islamiah might have 500 people. They are the ones that are the problem. I think we need to avoid mixing up the two and thinking that any of the fundamentalists in the parliament who are wanting Islamic law and so on are also going to be supporting terrorism.

I think one of the interesting reactions to the Bali bombing was that quite a lot of the fundamentalist organisations kept saying, 'It must be the CIA. It must be the Jewish and Israeli intelligence, or something like that.' Why did they do that? Because they said, 'A Moslem could not do this sort of thing.' Sure terrorism is a problem, but let us not exaggerate it. Also on the question of terrorism and Islamic violence, I am not even sure that the present period is the worst. If we go back in history, in the fifties there were Islamic revolutions going on in certain parts of Indonesia. In the eighties, they tried to blow up Borabodur and various banks were blown up. Then there was the famous hijacking. People talk about the rise of Islamic radicalism. It is just that the Suharto regime has gone, which clamped down, certainly. But they were still there at that time. I think people tend to exaggerate this question of radical Islam.

Prof. Mackie—It is worth remembering that the 1980s hijacking was just after the Iranian revolution. We were very twitchy about the spread of the Khomeini influence into South-East Asia and it was much more influential in Malaysia than Indonesia. It was rather curious.

Mr BEAZLEY—Could I get the Iraq war into that context. I observed a fair portion of the Iraq war from probably the least acceptable country in the world to the Arab community, basically because they keep the best possible watch on the environment around them, and when you discount a certain level of interest or bias you can often get very good information. It seemed to me, though, that Saddam Hussein waved the symbols of the Muslim brotherhood, the green flag with 'God is great' on it, and tried to tease up the sentiment of Islamism, basically, to support his regime. It was the Arabist sentiment as opposed to the Islamist sentiment. It might have been the last spasm of pan-Arabism as opposed to Islamic fundamentalism. That was how it seemed to me. Do you think that perhaps explains a bit of the surprise that many of us felt that there was not more intensity in Indonesia, that it became too much a perceived, albeit unjustified, Arab problem as opposed to a Muslim problem?

Prof. Crouch—I was one of the people who did not expect things to blow up in Indonesia. I was in Jakarta at the time and in fact I walked along with the one million people, allegedly, at the demonstration. Nothing happened at all; there was certainly no violence. In fact, one of the interesting things at the end of that demonstration was that the leaders of the demonstration thanked the police for cooperating. It was that sort of thing. There are a number of things. Firstly, even the demonstrations at the time of the war in Afghanistan were described in the press all the time as 'massive Islamic demonstrations at the American Embassy'. I was in Indonesia, and if you call 500 or 1,000 'massive'—no, it was nothing like that. So people were looking at the Afghanistan period and thinking, 'There was a tremendous outburst then, so it'll be even bigger this time,' but it was probably less this time. I think it is partly because, from the radical Islamic perspective, Saddam Hussein is no radical Muslim. There was a concern about an Islamic country being attacked. There was 100 per cent sympathy for Iraq at that time on those grounds, but it was not radical. The people who were demonstrating went right across the board. Nationalists and Christians were upset about the attack on Iraq.

The other thing that happened, which I think was very fortunate, too, was a lot of publicity was given to the massive demonstrations in London, Germany and Australia. None of the demonstrations in Indonesia was anything like the size of demonstrations in those countries. This was all on television and so on. In fact, I can remember watching television one night when there was a big demonstration in Sydney, where guys were throwing chairs at the police on horses. The contrast with the peaceful nature of the demonstrations in Indonesia was quite remarkable. I think the expectation was wrong in the first place. To my mind, what happened actually went according to expectations.

Prof. MacIntyre—Could I add a footnote to that. In addition to any sorts of pro-Islam dimensions to reactions in Indonesia, I think another big current in it is an anti-American dimension. There are concerns about US influence in the world, and those concerns are of course not limited to Indonesia. What you do see in Indonesia are conflicting thoughts on that issue. On the one hand, yes, there are concerns about unchecked US power, but on the other hand there is a recognition that the US stands behind and supports pro democracy in Indonesia. There are all sorts of shared economic interests, so it kind of neuters itself or washes itself out. I think thoughts about America are a big part of it.

Mr BEAZLEY—It seems that this is not visceral; it is pretty cerebral. How far do you think it is likely that perceptions of Australia will catch up in Indonesia in way that actually does operate detrimentally towards us as opposed to us being simply part of the passing parade?

Prof. Fox—One of the things I did was to watch the news every day—the broadcast on SBS—to see what the Indonesian news was saying. It was interesting. I was waiting for one mention of Australia in the coalition of the willing, and in the whole broadcast never once was Australia mentioned. The US and Britain were mentioned continuously, but never once Australia, as far as I know, and I recorded most of those sessions, listening for 'Australia'.

There is another take on what happened in the reaction to the Iraqi war: if you look at it from an internal Indonesian perspective, the broad spectrum of the moderate elements felt that they would be castigated by the radicals and the radicals would use this opportunity to get at the moderates. And so I think what they did very successfully is embrace them and reject as aggression what happened in Iraq. There was a broad spectrum of condemnation of what happened in Iraq, but that neutered the capacity of the radicals to turn this into an occasion against the moderates.

Mr BEAZLEY—Moderate governments in the Middle East tried to do that too, but the only government that actually succeeded with it, in terms of its public, were the Syrians. The so-called Arab street did not buy it from their other governments, and nor did the Arab media in the Middle East. The mere expression of 'appropriate' sentiment was not enough for the Saudis, the Gulfies, the Egyptians—and the Jordanians in particular—to get away with that in terms of the perspective of the street; not that the street does anything about it. And, when the sorrowing began at the fall of Baghdad, there was quite an intense hostility to governments that had ostensibly been on side. But none of that seems to have happened in Indonesia at all—in other words, the anti-Iraq war sentiment is perceived by all sides to have been genuine as opposed to confected.

Prof. Fox—One thing is that the moderate Muslims were out on the street in the demonstrations along with everyone else—and they were on the television as having demonstrated. So it was not necessarily just the government; on the street were the moderate Muslims.

Prof. Crouch—Just to come back to the Australia thing, there was a television news, and I have forgotten who was being interviewed, the minister or some prominent person, but anyway he was saying, 'This is what the Americans are doing, this is what the British are doing, this is what the Belgians are doing—and the others.'

Mr BEAZLEY—Thank God! Thank you very much.

Prof. Fox—One of the most extraordinary things, I thought, on television was when, on the second or third day, the demonstrators were going—and this was from the PPP—and they interviewed one of the leaders of the delegation, and he got up and he said, 'We are not demonstrating because of Islam; we are demonstrating in the name of human rights over this aggression, and the Pope has advised us.' And then he quoted some statements from the Pope: that is the first time I have ever heard a Muslim leader quoting the Pope as to why they are doing what they are doing. I thought that was an interesting sort of play on things.

CHAIR—Dr Cribb, do you want to comment? You have been very patient.

Dr Cribb—I was going to stress earlier that in the 1950s Indonesia was in much more danger of Islamic radicalism. Between five and 10 per cent of the country was under the control of a rebel Islamic government, and thousands of people were killed. So there has in fact been a retreat from that kind of radicalism. Islamic forces are very much more domesticated than they were on that occasion. I would also stress that Saddam Hussein's standing in Islam is very ambiguous. He is not widely regarded as a great upholder of Islamic principle, and I think his attempt to recruit Islam in the later stages of the conflict was pretty widely seen as opportunistic and therefore not to be taken seriously. So I would very much echo Professor MacIntyre's comments that anti-Americanism and anti-imperialism, which are both very strong sentiments in Indonesia, underpinned the Indonesian reaction, rather than a sense of Islamic solidarity, although Islamic solidarity was there.

Dr Quinn—Could I add a quick point there?

CHAIR—Sure.

Dr Quinn—In Indonesia in some quarters there are people who liken Saddam Hussein to Suharto, and I have seen a number of comments in the press there that having a radical, say, jihad in support of Saddam Hussein would be about as logical as having a jihad in support of Suharto. So there is, as Robert has said, very little sympathy, certainly in thinking quarters, for Saddam Hussein.

Senator STOTT DESPOJA—I was surprised when I heard so many Democrats in Australia invoke the name of the Pope—I am talking about Australian Democrats! That was a great story. Professor Mackie, I want to go back to where you were talking about Australia-Indonesia relations and the peak periods and what have you. What are your perceptions of the statement

yesterday by the Prime Minister that we would ostensibly lobby for Indonesia to get a place on the Security Council? How do you read that? Does that buy into Australia wanting to perhaps strengthen—I am not going to suggest 'repair'—its relations and send a message to Indonesia, particularly in the light of our stance in relation to Iraq?

Prof. Mackie—I think it is pretty smart politics. Whether it is something he or anyone else in Canberra dreamed up in the last week or whether it has been on the agenda for some time, I gather the whole notion of five plus five plus five in the Security Council has been on the agenda in New York for some time. Putting Indonesia into it is smart politics on our part. It will not lose us any brownie points there or anywhere else in South-East Asia. How much kudos it will bring us, I would not like to guess. It may bring us a bit. I think it will be a popular thing in Indonesia if it happens. It would be extraordinary if Megawati pulls off such a coup as to get Indonesia permanency on the Security Council. If it comes up before the election next year, she will probably be a heroine for the first time.

Dr Cribb—I want to add that I have always been struck by the strength of the idea of neighbourliness in Indonesia whereby, although Australia and Indonesia have many differences, the fact that they happen to be neighbours imposes obligations on each side. Those obligations include things like helping each other without any immediate expectation of a return. I think a gesture like this is actually much more important for Indonesia than something comparable would be on our side. Its importance should not be underestimated; it will make a considerable difference.

Prof. Fox—I would add that I read the Indonesian newspapers online most mornings, and it is running very well in the Indonesian press today. The story has been picked up and Mr Howard has been given credit for the plan, so it is a plus.

Prof. Mackie—Symbols are important. After our support for Indonesia in 1945-49, we were invited with India to be one of the two countries who proposed Indonesia into the United Nations. It tends to be forgotten, but it is worth reminding ourselves from time to time that that is the way it played out.

Senator STOTT DESPOJA—Professor Mackie, you mentioned the elections due in 2004. Are there any views that you think the committee should be aware of? What do you anticipate?

Prof. Mackie—I will pass that one to Harold.

Prof. Crouch—In 1955 there was a free election in Indonesia, and that resulted in a whole spread of parties—I think the biggest one got about 22 per cent of the vote—so there was a coalition government then. The election in 1999 was only the second genuinely free election. The results in 1999 were not all that different to those in 1955, although with Golkar being there and there being no communist party there were differences—but the results for the Muslim party and the national party are not that different. On that basis you would expect that it would not be all that different. I would certainly be very surprised if any party emerged as a clear winner.

However, there is a very important difference in the constitution compared with last time: this time the president is going to be elected directly, and there is going to be a package, with the

president and the vice-president standing together. Presidential candidates will have to have a partner, presumably from another party, which is going to force them into a coalition at that stage and that coalition is going to stick for the next five years. Megawati would have to be the leading candidate. If she could work out an alliance, with Golkar for example, going on the results of 1999 they would have to win. Of course, both parties could have lost ground, there could be splits in parties and those sorts of thing. My expectation is that we will come back to much the same as we have had over the last three or four years.

Prof. Mackie—If I can add a word on that, Golkar is going to have a primary—the first time that any Indonesian party has ever done this—in September. Of the four or perhaps more candidates up for that, the one who intrigues me most is Jusuf Kalla from Ujung Pandang—Makasar—who has got good Muslim credentials. He is responsible for the Malino agreement in Maluku a few months ago, which is still holding and working reasonably well. He is probably one of the two ministers who has done pretty well and has got a good reputation over the last 18 months. The other one is Budiana. He was a graduate of mine at Monash, but he ended up doing some work here at the ANU, so we claim him here too.

CHAIR—And rightly so.

Prof. Mackie—Jusuf Kalla came down to Australia for a seminar on what to do about the economy shortly after the crash of 1998. He gives the appearance of being a sensible chap who is on top of the issues.

Senator STOTT DESPOJA—I am not sure whether we have been asked for assistance, but is there a role for the Australian government in next year's elections? I am not suggesting interference; I mean in the form of election assistance.

Prof. Crouch—In 1999, there were election observers to help to ensure that it was fair and that sort of thing. I think that is up to the Indonesian government. If they have requested that sort of assistance, I think Australia should give it. I have a feeling that there is some assistance being given to the electoral commission in Indonesia now on the technicalities of conducting an election.

CHAIR—I think the AEC were involved in 1999.

Prof. Crouch—That could well be, but I think that is right for this time also.

Prof. Macintyre—Can I put a footnote on Harold's comment a moment ago about the constitutional changes? The big picture of politics in Indonesia in the last five years is that it has been a mess politically, with a very weak government with all sorts of problems internally. The importance of these constitutional changes really should not be underestimated. Regardless of who comes out on top in the next elections, there is now some possibility that you will have tolerably effective government rather than very little possibility at all, which has been the main story of the last five years. There are no guarantees that you will get good outcomes, but there are significantly better chances than previously. That is worth keeping our eyes on.

Prof. Hooker—I would like to follow up your question about aid. I think we should be aware of how much money the US put into projects, particularly before the 1999 elections, about good

governance, citizenship and how to vote. That money might not be as welcome this time. I know AusAID has done many projects about good governance but the grassroots thirst for knowledge about democracy and its workings is very great, and I think there is a role there for Australian aid.

Senator STOTT DESPOJA—Are we talking about a role for increased Australian aid across the board or specifically targeted to better governance?

Prof. Hooker—Targeted in response to a partnership with Indonesia and how it feels it would like that educative process to be going.

Senator STOTT DESPOJA—Perhaps we should have asked the department.

Prof. Crouch—We had to wait for Indonesia to ask for that sort of thing—I do not think Australia had pushed in that direction.

Senator STOTT DESPOJA—I am not sure if my colleagues want to pursue some broader issues. I was going to ask about autonomy issues, but I am happy for us to pursue a different line.

Mr PRICE—To pick up on the latter point that you made, the department was pressing upon us the approach of creative inertia in terms of developing the relationship. What do you see are the opportunities in the future to strengthen our relationship with Indonesia?

Prof. Mackie—My view on this is that, when our broad strategic and foreign policy interests and theirs are broadly convergent, everything else follows. When they are not—when they are divergent—all the padding in the world is not going to fix it. All the aid projects and anything else will not fix it. The other things are going to get in the way.

So I think the most important point to consider—and this is one of the big points I was hoping to bring out in that paper—is that what matters most of all is that Australia's policies and Indonesia's policies towards the region as a whole should ideally be as close to parallel as we can keep them. They will not always be identical, of course, but it is not good if they are at all in conflict or at all divergent, as they were constantly between 1950 and 1965. We could not do anything in that period: we were a member of SEATO and they were a member of the non-aligned bloc; and there was nothing in common between Menzies and Sukarno, as you can imagine. But over APEC we were on track and doing the same things, and a lot else followed. It so happened that that was the time when the economies were booming there; there were far more Australian businessmen streaming into Indonesia between 1988 and 1997 than there ever were before or since. Those are the things that really bind the relationship. All these other things—such as Natasha inquiring as to whether we can do something about the election—

Senator STOTT DESPOJA—It is marginal.

Prof. Mackie—are icing on the cake. It is the quality of the cake that matters.

Senator STOTT DESPOJA—Yes.

Mr PRICE—Pardon my ignorance in asking this question. Is there any dialogue between, for example, the ANU and your counterparts in Indonesia?

Prof. Mackie—I will pass that to Jim, because he is the king of the castle here.

Prof. Fox—We have a variety of forums and dialogues. Most recently—and I push just one hobbyhorse—we have entered into an agreement with AIMS to establish what is called the Arafura-Timor Research Facility in Darwin, which will be a major facility. Other partners will come in, but at the moment it is just an ANU-AIMS joint venture. In putting up the original proposal to the government for this, we had support across the board from the minister of marine affairs and the head of the Indonesian science council. Since that time, we have had a lot of cooperation in planning and assistance in that regard.

If you are looking for areas in which I think cooperation has been good and could become even stronger, I would suggest the area of marine-maritime relations. That ministry has had a succession of very capable ministers—Minister Sarwono and presently Minister Dahuri—and they have taken the lead in reorganising their own ministry and their own jurisdiction within Indonesia and in promoting cooperation with Australia. Some of it is very technical but very important. It is about species within our fishing zone and their fishing zone and about technical studies—and a whole series of those have been carried out by CSIRO, AIMS and others—but it is all part of an ongoing cooperation, and the ANU is involved in that.

We have very close dialogue with many of our Islamic colleagues. I think Professor Hooker could talk about that more, but it is about this sort of thing. Just two days ago I had an email from what was a newly created state college for Islamic training—now it has been given university status—in Jakarta asking whether we would cooperate in training some 29 of their students not in Islamic theology but in public administration. Professor Macintyre and I have sent back a message saying: 'Of course we'll cooperate. How do you want us to cooperate?' We have a number of those avenues. I think my colleagues probably can think of some others, but maybe you want to say more about our Islamic cooperation.

Prof. Hooker—Thank you. You probably know that the Prime Minister supported a very imaginative scheme for exchange visits between Muslims in both countries—Australian Muslims and Indonesian Muslims. Dr Quinn will take up this point, but we have had trouble—in fact, we have not sent any Australian Muslims to Indonesia—because of the travel advisories. We have actually used the money to good effect and have doubled the number of Indonesians we have brought here. There have only been 12 so far, but they have been chosen because they network into a very wide range of community groupings throughout Indonesia, so we hope that the impact will spread far and wide.

Their immediate response to their visit to Australia has been the diversity of Islam here. They have said, 'We have met Turks and Lebanese and Syrians and we have met Aboriginal converts.' They have had a really excellent time in Victoria, where they have been impressed with the multicultural policing system and they have seen the oldest Islamic community in Shepparton—the Albanians. They have even been here to Canberra and have been interviewed by Mr Graeme Dobell. This has been a great scheme, but we need to get Australians back to Indonesia—not just the Australian Muslims but our students and other people who are not businesspeople or diplomats doing what can be classified as 'essential work'. This has

absolutely stymied our educational programs, which have, to date, been very strong in that we have developed a cohort of young Australians whose Indonesian is at native speaker level and who have considerable experience of Indonesian society. I would like Dr Quinn to say more, because he is intimately involved with those educational programs.

Dr Quinn—Thank you. I am concerned about the continuity of our in-country study programs for Australians studying in Indonesia and the impact of the DFAT advisories on them. You will recall that, after the Bali bombing last year, we had to pull out all our students studying in Indonesia. These students are managed by a national consortium—you may have come across it; it is called the Australian Consortium for In-Country Indonesian Studies, which is abbreviated ACICIS. This consortium had to shut down its operations after the Bali bombing. All our students were brought home.

At the beginning of this year, the national reference group for ACICIS looked at the situation in Indonesia and decided that it was safe to restart ACICIS's management operations and to invite Australian universities to send their students back into Indonesia. At the moment, there is only a tiny trickle of Australian students going back into Indonesia. Most universities have a ban on sending undergraduates to study in Indonesia, and that is certainly the case at the ANU—our undergraduate students are at the moment not allowed to go back into Indonesia for in-country study. The main factor that drives the attitude of university executives is the DFAT advisories. I have had students who have returned from Indonesia coming into my office quite angry. They are self-confident in Indonesian—they know the Indonesian language, as Professor Hooker said, to native speaker levels of fluency—and they think they can make a good judgment about the risks to themselves in Indonesia and they do not necessarily agree with the DFAT advisories.

In my view, it is now safe for ANU students to go back into Indonesia under the arrangements that we have in place, at the particular venues that we have stipulated and with the various precautions that we have put in place. I would like to ask the committee to think about this question of the advisories. In my view, they need to be much more considered and much more nuanced and they should be reviewed more frequently. At the moment, as I hope you will agree, they are put in place and they tend to stay in place unless there is some good reason to remove them. That is damaging for the credibility of the advisories, Indonesians react negatively to this and it also means that we are stymied as far as our very valuable in-country study programs are concerned.

I also think that the advisories should be much more nuanced in indicating where it is that there are security problems in Indonesia and where it is that it is safe in Indonesia, and be much more explicit about that and give much clearer reasons. Some of the language in the advisories is very wishy-washy, such as 'defer non-essential travel'. That is a bit confusing for our students because they say, 'If it is dangerous for someone to go there as a non-essential traveller, surely it is equally dangerous for someone to go there as an essential traveller?' So these kinds of things, I think, need to be looked at as far as the advisories are concerned.

Prof. MacIntyre—And universities act in a very conservative way because of the insurance implications.

CHAIR—That is right.

Prof. MacIntyre—University executives are just saying no, and so our hands are completely tied on this.

Prof. Fox—I come back just on a lingering advisory where Australia could use its good offices: if you remember the time after the East Timor troubles, there was a UN mission in Atambua, and some UN personnel were killed. At that time, a category 5 ban was imposed on West Timor. That has remained in place, partially through the bureaucracy of the UN. It is aimed at and applies only to West Timor but, in a way, it is punishing another one of the victims. The West Timorese themselves were not responsible for that incident, but it applies to that whole area. It seems to me that it is long overdue to be lifted, and it would be beneficial if Australia could be seen to be using its good offices to assist in getting that lifted because, as you are aware, that province, of which West Timor is a part, is the poorest province. It probably has the lowest per capita income in Indonesia, and now to be labouring under this extra burden prevents almost all contact, including AusAID projects. AusAID had a number of projects based in the Kupang area and all had to be shifted out because of that ban. Australia could make a very positive contribution.

Prof. Crouch—Part of the problem is that the general perception of Indonesia is that Indonesia is a dangerous place where there is upheaval all the time. If you look at parts of provinces in Indonesia where there is some sort of civil conflict—Papua, Aceh, Maluku not so much now, and Poso, a small district—Papua's population is about one per cent of Indonesia's population; Aceh's population is about two per cent; Maluku's population is about one per cent; and the other 95 per cent or so of Indonesians are living in provinces where there is no civil conflict. So the perspective that people get from the media and so on is that the whole place is in upheaval. Of course, there are one-off things like the Bali bombings and so on, but it is not a constant situation in a place like Bali or in Jakarta for that matter. I think the overall perception is misleading.

Dr Cribb—I think that, on the whole, Indonesians do not see their country as being unduly dangerous, and for that reason the travel advisory is seen as a small but hostile element in Australia's official attitude to Indonesia. After the Bali bombing, the US was very quick to issue an advisory for its citizens. DFAT took, I think, three or four days, and in that interval Australia was being congratulated by Indonesians on not overreacting to the bombings.

Mr PRICE—David, perhaps I did not ask the question well, but I will have another go. ANU has a considerable body of expertise in Indonesia, which we are seeing this morning, and I presume that there are other universities that have such a level of expertise. Is there a formal mechanism at the moment where such groups in Australia and Indonesia get together and look at the relationship, try to define the future, and look at what our opportunities are for building the relationship into the future?

Prof. Fox—Do you want to say something about the update, Chris?

Dr Manning—I can say something about the Indonesia project at ANU. For 40 years we have had a project on Indonesia at the Australian National University. One element of the activities of that project is joint meetings with Indonesians. We had one in 2001 in Jakarta at the Centre for Strategic and International Studies, and a small booklet came out on that conference. From time to time we organise these activities. We have an annual conference on issues to do

with Indonesian development. The latest one was on local politics and decentralisation. We have had a whole series of those—we have been going for almost 20 years—and a publication comes out of that. We bring down visitors, mainly academic ones. We also produce a journal on the Indonesian economy—the only journal in the world produced outside Indonesia on the Indonesian economy.

Mr PRICE—Is there any government funding for that program?

Dr Manning—There is some government funding; AusAID provides us with support. The main funding comes from the university but AusAID, and before that DFAT, has provided some.

Mr PRICE—And it is through—

Dr Manning—It comes through the Research School of Pacific and Asian Studies direct to the economics division, and the Indonesia project happens to be within the economics division.

Prof. Mackie—The answer to your question as you have phrased it—formal cooperation between different Australian universities—is no, there is not. There are frequent conferences where people from one or another come together. We are far more dispersed than one would wish. Under the Asian Studies Association of Australia there is an Indonesia component. I would have to say, rather sadly, that it has never been as lively as, for instance, the Japan aspect of the Asian Studies Association. Why this is the case is terribly hard to pin down. There is a lot of informal interaction but certainly very little between us and any counterparts in Indonesia or other parts of Asia. Some attempts have been made to get that sort of external contact going but those are still in the very early stages.

Prof. Crouch—As individuals we are almost like yoyos going up and down to and from Indonesia. If I were invited to a conference I probably would not go, because I go there so often for other things.

Prof. MacIntyre—I think that is the real point. Jamie's contrast with the Japan section is interesting. I think it is because so much goes on of an informal nature in the South-East Asia, and particularly Indonesia, area that there is less sense that something particular needs to be created—the many organic links are very extensive.

Mr PRICE—But on the Indonesian side, does that give them opportunities to really bring forward their ideas? Often such groups can propose things that might not necessarily have been initiated by a government but will be picked up.

Prof. Mackie—The most influential body is CSIS—the Centre for Strategic and International Studies. Twenty years ago that was a very controversial body in Australia. In fact, Professor Arndt and I refused to go to a conference that we were invited to in 1974 and we became very unpopular with those people. I will not go into the reasons why that happened, but we did not like the way they were setting up the conference. It was a bit of a storm in a teacup. But things have changed over the years—they are not quite as gung-ho anti-communist as they were in those days—and there are several members of the CSIS who come to Australia, and to the Indonesia project, a lot and are pretty good ambassadors for Australia in Indonesia. There is another body called LIPI—the Indonesian Council of Sciences—which also has some people

who come to Australia, but it is not as well resourced or lively as the CSIS. There is also, as you might have heard, an Australian studies centre at the University of Indonesia. Unfortunately that has never quite lived up to the expectations of the people who put it together in the early nineties. Harold might know more about that than I do.

Prof. Hooker—There is a much more energetic one at Surabaya now. Petra Christian University has replaced the UI one. There was a personality problem there. I would like to follow up on something: you said that you see here people with expertise and you presume that there are those at other universities. Please note our ages. Some of us are near retirement; one of us has retired. You might also note the gender balance.

Senator STOTT DESPOJA—We get used to it.

Prof. Hooker—You are a lot younger.

Senator STOTT DESPOJA—I was talking about the gender balance, but your point is noted.

Prof. Hooker—My strong point is that there is not enough backfill with the younger ones. There has been a stalling in academic life which means that there are not the same numbers of people coming through to replace us. The University of Sydney is a very sad illustration, and I will leave you *Maximising Australia's Asia Knowledge*, which gives all the figures about that. Sydney university was a major centre and it had eight full-time staff. It is down to one full-time staff and last year they could not take any honours or postgraduate students. You can imagine what that is doing for the backfill. It is tragic.

Mr PRICE—It is a fucking disgrace.

Prof. Hooker—Thank you.

Dr Cribb—In addition to ANU, which has remained the primary centre for Indonesian studies in Australia, there is a consortium of universities in Melbourne which has worked rather effectively. Five of the Melbourne universities cooperate in research projects, seminars, library acquisitions and conferences. As far as I know, in other cities in Australia there is no such cooperation.

Mr EDWARDS—I found your submission and your presence here this morning very refreshing, encouraging and informative. Thank you for both your submission and your time here this morning. Professor Mackie, you say on page 6:

... the maintenance of a unified Indonesia is undoubtedly in Australia's national interest in present circumstances.

Then you go on to say:

It is conceivable that the circumstances may at some point change to a degree that this principle will need to be reconsidered.

Could you enlarge on what you have said there in the context of the challenges for Indonesia in retaining that unified Indonesia and what possible dilemmas this may create for Australia should that unified Indonesia come about as a result of military oppression at the expense of human rights?

Prof. Mackie—I will start with the last question and work back towards the first one. It comes down to the question of whether post Bali, post Aceh, which is very much on the boil at the moment, and with Papua possibly boiling up on the other side, a process of Balkanisation is on the cards in the next five, 10 or 20 years. That is a huge question and I know different members of the group have different views on it. I am sorry, in my old age I am forgetting things and I cannot remember quite what the end of your question was.

Mr EDWARDS—My question related to a dilemma that Australia may well confront if that unified Indonesia is—

Prof. Mackie—The dilemma is essentially this: if we were ever to say anything but, 'Yes, we support the maintenance of a unified Indonesia,' we would arouse a hornet's nest in that country. You have to keep saying that up to the day when the secession—if there is ever a secession—actually happens, even though you may know it is going to happen, as we suspected over Timor.

You have great pressure within Australia to say we should be, in the case of East Timor, supporting the Timorese or, in the case of West Papua—or West Irian as I used to think of it—supporting the cause of those in that territory for independence. So any government in Australia is going to be caught between the pressure to do something, to say something, to show their hand in some way and the conventions of international diplomacy, which are that you have got to stand by national sovereignty. It is conceivable that that principle will erode a little in the next 50 years, but I do not think it is going to happen tomorrow. So that is the dilemma for Australian governments. They are caught between the external obligation and the pressures at home, which come from concerns over human rights.

Now you implied rather that the case for independence, let us say for the moment in Aceh or Papua, comes from repression or military brutality or the mishandling of situations, and unfortunately those things have been happening and they are causes of a lot of the unhappiness, but they are not by any means the only causes. There has been unhappiness in western New Guinea ever since 1962, and it has built up in different ways in different parts. It is a very complicated story there.

If you are asking me to prescribe a policy for the Australian government, I think I am going to duck out and see if anyone else would like to offer one. I think Harold would probably say that a lot depends on how you go about it. Indonesians can understand our dilemma. They do not like it when we resort to megaphone diplomacy and tell them how to run their own country, so we have to be very subtle and careful about anything we say. But the problems in the case of Papua are going to be extremely intense, because there is a religious angle to it. The main proponents of an independent Papua in Australia tend to be the churches and the trade unions. The trade unions stress the human rights side and the churches stress the religious side, and that does not go down well in Indonesia either. I do not see any easy answers except to counsel restraint on these things—virtually saying that it is not our business. It is essentially their business, but we should be offering to help where we can but not to impose our wishes upon

them. There is a kind of element of neo-colonialism involved in our saying, 'This is how you should be doing it.' It is a complicated story.

Senator STOTT DESPOJA—Can I take up that very point. I am sorry to interrupt, Professor Mackie, but regarding the point about it not being our business, in your submission, which is cleverly balanced—and I acknowledge that it is one of the most balanced we have—you acknowledge the political and other implications for Australia because of our role in 1962, 1963 and, of course, the 1969 act of free choice; in your submission you acknowledge that this could be acutely our business—I am not talking in terms of resolving it, but we are involved as a consequence of those particular periods in the history. So is there not an argument that this is our business—not because we are a near neighbour or through any of those more contemporary issues but just because of our role in the past? Isn't there going to be a spotlight on Australia in that respect?

Prof. Mackie—There certainly will be a spotlight because I understand—Robert may know much more about this, because he spent longer in Holland—that there is a committee of the Dutch parliament looking into this very question. Now if the Dutch records of 1962 are all coming out into the open, a lot is going to be revealed that so far has been left unsaid.

What happened in 1962 was a story of greater concern to the Dutch than to us because we were opposing Indonesia then. Today there is nothing we need feel particularly ashamed of about 1962. If anything, our controversial role there was that we were still backing the Dutch right up until the last minute. I thought that was a disastrous mistake, frankly. But I must say I grossly underestimated the significance of what came to be called Papuan nationalism. We did not think there was any, and there certainly was. By 1969 it was very clear that there was Papuan nationalism, and I think the Australian officials involved had to do an awful lot of looking the other way. This is a very embarrassing story, but I would not go a great deal further and say that because of that we have a great moral debt to repay by way of supporting the Papuan independence cause or anything like that. I think it is going to continue to be something on which we will have to be very cleverly balanced, I am afraid. I do not think we can afford to wobble too much one way or the other.

Mr EDWARDS—We have clearly established that it is a dilemma that will confront Australian governments into the future; I just wondered what other members of the panel might have to add to that.

CHAIR—Dr Cribb has been trying to get a word in edgeways.

Dr Cribb—Thank you. Very many—

Prof. Mackie—Can I just explain who he is: Robert has spent much of the last decade in universities in Holland, Denmark and in and out of Germany. He has been looking at this very much from a European point of view.

Dr Cribb—Very many Indonesians are afraid that Indonesia will unravel easily in the way that Yugoslavia and the Soviet Union unravelled. And they believe that, if that happens, it will be a result of malicious outside intervention wanting to break up Indonesian unity in order to be able to exploit Indonesia's natural resources. That is a widespread and rather deeply felt fear

across Indonesia. I think it is quite unlikely to happen now. If there was a moment when it might have happened it was in the immediate aftermath of the fall of Suharto, and there was a lot of talk about that in Indonesia circles at the time. But that kind of break-up needs a sharp shock in order to happen. The much more likely scenario in Indonesia is for Papua and perhaps Aceh to emerge, as they have already emerged, as special cases, in the way that East Timor was a special case. But however much Papua is portrayed as a special case, it will be seen by very many Indonesians as a step, another step or the first step, in a concerted international campaign to break Indonesia up. So that makes the Papua issue extremely difficult in terms of Australia-Indonesia relations.

It is also very difficult because the Australian government is highly responsive to public opinion when it comes to emotive foreign affairs issues. There has been a great deal of oppression and exploitation in Papua; it has been monitored by the churches and by NGOs. If it continues or intensifies then it is likely to become a still more serious issue for the Australian public. It would be very difficult for the Australian government to resist that pressure. For that reason, I think the Papua issue is likely to be a thorn in the side of Australia-Indonesia relations for a very long time. It is not an issue that Indonesia can resolve very easily, but it is an issue on which the Australian government will be constantly under public pressure to take what Indonesia will see as a malicious and hostile approach.

Prof. Mackie—If I can add just one thing: conspiracy theories are part of the way of life there and it is very hard to fight a conspiracy theory.

Dr Manning—Following on on Papua—

Prof. Mackie—Just to explain, Chris did fieldwork in Papua way back in the early seventies.

Dr Manning—In the seventies and eighties.

Prof. Mackie—He wrote one of the first monographs on the Papua situation, so he knows it very closely.

Dr Cribb—There was a time at the period of Abdurrahman Wahid's government when it looked like the Indonesian government might be taking a farsighted view towards Papua. That was when they held the West Papua Congress in 2000 and there were moves to involve the Papuans in government fairly substantially. That has passed, by and large, and it is very clear now, I think, that the Indonesian government is basically going to leave Papua as a sort of disturbance or a boil that they will not touch unless disturbances occur, and then there will be heavy crackdowns and human rights abuse.

There have been a number of decisions very recently. The most important one is to break Papua into three different provinces. It was taken without any consultation whatsoever with the Papuan Council, which the Indonesian government is meant to have set up and has not formally constituted in a legal sense. The governor was not consulted and the parliament were not consulted, and that is an example of the way in which Jakarta is now treating Papua—the attitude is that basically it is on the periphery and from time to time they are going to have to act. Those actions I think will be quite erratic and will certainly be detrimental to Australia-Indonesia relations, drawing Australia into these issues.

My personal view is that Australia should be very clear and very strong on human rights abuse in Papua, while at the same time reaffirming the right for Papua to remain under current circumstances as part of Indonesia. I think those two issues should be clearly distinguished and we should monitor those issues. We should protest loudly where human rights abuses occur, and we should be well-informed about them, but at the same time we should recognise that it is an Indonesian issue in the current circumstances. I think that will go on for about five years. I do not think we are anywhere close to a Timor situation. In five years maybe it is going to begin to develop in that direction.

Prof. Fox—I will just add something. From my perspective, as someone who reads the Indonesian press a great deal, I would say it is the single major issue on which Australia, whatever it does, is viewed with suspicion. Also, from the point of view even of our own research school, we attempted last year, in direct cooperation with Papuan universities, to develop a kind of Papuan web and a kind of ongoing cooperation. From my point of view, I think we went at it with the full understanding of the Indonesian government, but I think even those moves were considered very suspicious and this really does limit the kind of work that we will be able to do in the future, because it is becoming if anything even more sensitive an issue.

Prof. MacIntyre—I know we are just about out of time but I would like to briefly say that I think this is a lose-lose situation for Australia. There is almost nothing we can do that improves the situation. Sections of the Australian community will be very concerned about what they see taking in place in Papua, and rightly so, and they will put pressure on Australian governments to be speaking out about this. On the other hand, as Jamie says, the Australian government has got no option but to say that it supports integrity, but the Indonesians will not believe it, because they believe we lied for decades over East Timor and then turned and switched on them. But still we have no choice but to say these things. So there really is not a good option here. The cards are all in Indonesia's hands, and they are probably going to be misplayed. This is going to take a decade or two to play out. There is not really a policy option for us here, beyond what Chris said quite succinctly. The only slender hope is that consolidation of democracy over a period of a decade or two in Indonesia might change the way some of these dynamics play out inside Indonesia, but there is not much that Australia can do. And whatever we do, it is not going to yield fruit for us.

Mr EDWARDS—There is a second question that is in part related to that, although you deal with it in a different context. I quote once again from the bottom of page 6, where it talks about terrorist attacks, but I think it is related to what we are talking about:

> Hence continued close cooperation with Indonesian police and intelligence agencies will be imperative.

You do not mention the military there. Was that a deliberate omission? Could you expand on that?

Prof. Mackie—Yes, it was a little bit deliberate. I think there are differences of view within our group—the wider group more than just the eight of us here—on how enthusiastically we should push military cooperation. I would like to leave this to Harold because I think Harold has the best understanding of the dynamics of this. I think we are all inclined to say, 'Look, by all means, let's give as much help as we can to the police.' The police are now separate from what used to be called ABRI—now the TNI. Above all else, giving aid to Kopassus, which is what

the Minister for Defence seems to be very gung-ho about at the moment, seems to us to be the worst option.

Prof. Crouch—If I had written that paper it would have been deliberate. I come back to the question of Aceh and Papua. The military have been involved in a big way in both of those places for a long time because these are the two provinces where rebellions have been going on for a long time. I think their contribution to keeping those movements going is enormous. The standard operating procedures seem to be: just go into a village, beat up people, burn their houses, and all that sort of thing. You might have read in the newspaper about several Kopassus people who were put on trial for murdering Theys Eluay, who was the leader of the peaceful movement for independence in Papua. When they were sentenced to over three or four years, or something, the chief of staff of the army said, 'But they're heroes—they were performing their duty for the nation,' and that sort of thing. So as long as you have the chief of staff of the army—not the whole armed forces—believing that it is the duty of soldiers to murder people who are peacefully working for independence then I cannot see how we could justify having a close military relationship with Indonesia.

At the same time, I think we need to distinguish between internal security on one side and defence on the other. I think there is a case, not necessarily right now—because of the symbolic effect of restoring that sort of relationship—for cooperating with the navy or the air force, which are essentially defence oriented. But the army is still playing an internal security role, and playing it in a very negative way for the whole political system, I would say, not only for Aceh and Papua.

There is another point about the military. The government can afford to pay for only about one-third of the Indonesian military's operating requirements. That means that the military raises a lot of funds itself. People have the impression that it is because all these business enterprises are run by the military, but that is not the main source of funds; the main source is extortion. They have what they call a 'territorial organisation' in the Indonesian military, which means they are not placed in areas where you might expect an invasion, like the north of Australia in our case; they are spread out evenly throughout the whole country in order to maintain security. Also, this gives them the opportunity to extort money from businessmen, mines and plantations, down to the level of prostitution, gambling, marijuana—you name it.

I again come back to the behaviour of the troops in the field. If you send soldiers into the field on $A2 a day, you cannot expect them to behave as a professional force dealing with a rebellion or whatever. They go into the house of a villager, they see a TV set, and they take the TV set; they see money, they take the money. Given the completely inadequate salaries that they get, these people cannot possibly behave as a professional force winning the hearts and minds of the people.

Mr PRICE—Is that the same with the police?

Prof. Crouch—That is the next thing. It seems to me that it is a miracle, almost: I was surprised that the police have behaved so well in the case of the Bali bombing. It is partly because I think the Indonesian government realises that there is a huge problem with Bali that really affects the whole prestige of the country. I have met good army officers, good navy officers and so on, but most of them are not good. This is the same with the police. They are

equally underfinanced and involved in the same sorts of things—raising money through prostitution, gambling et cetera—as the military. From time to time, I would say once a month, you even get turf wars between the military and the police where you have shootouts where a policeman or a military officer—usually, an ordinary soldier—gets killed.

The Americans say, 'We must bring Indonesians to America for training and our democratic values will somehow rub off on them.' That was tried for many years and it did not work. The Indonesian military has to take the initiative in carrying out reforms of itself. Then we can think in terms of having a cooperative relationship with them. To just re-establish a close, warm relationship when you have got the chief of staff saying that it is okay to kill dissidents is a recipe for disaster.

Prof. MacIntyre—It is a terrible dilemma for Australia—and not just Australia. All the problems Harold talked about I absolutely agree with. I would actually go further and say that the security forces are the single biggest part of the problem in places like Papua or Aceh. I just completely agree with all of Harold's criticisms and I agree that it makes sense to be engaging the less ugly elements of the security forces. But the other side of the dilemma is: can it be in our national interest not to be talking to the guys that control the main guns? You see the Americans wrestling with this right now with military exchanges. The public gloss on it is that they are going to come and get our democratic values, but that is not what anyone believes it is really all about. It is: 'Let's be talking to these guys so that we know what is going on.' It is a terrible dilemma for us for all the reasons Harold said, but can it be in our interest not to be talking to them?

Prof. Crouch—We should be talking to them—I agree with that. There is one positive thing that can be done: I see no problem in bringing officers to the staff college and all that sort of thing—I think that is good.

Prof. MacIntyre—That is the sort of thing we should be doing.

Prof. Crouch—Even the Americans are coming around to that view. I think it is excellent to do that, but we should not be doing what we were doing before with jungle warfare training in Queensland and that sort of thing. The people who were involved in that are not reformable at present.

Mr PRICE—Whilst not wishing to argue the point that there should not be further reform, the splitting off of the police and the exclusion of the military from parliament have been colossal reforms, I would have thought.

Prof. Crouch—Yes, since 1998 there have been very important reforms. Some people say, 'Well, the military is still running the country.' That is not true. Compared with before, there have been very significant reforms. Bringing them out of parliament has not quite been completed yet. But more important is that active officers cannot now be appointed to positions in the government. There were about 4,000 or 5,000 of them in the government before. Then you have the separation of the military formally from the Golkar Party. Previously, they were represented on the governing board of Golkar. They did not interfere with the 1999 election. Then there is the separation of the police. These are very significant reforms, which went for a couple of years, but, round about 2001, they lost momentum and they have virtually stopped

now. Again, these reactionaries who run the army at present, the way they talk, they would like to go backwards. Not that they have the capacity to do that at present: there is no possibility of the military carrying out a coup or anything, as you would have masses of people in the street, and they know that. But, through this territorial system, they still continue to exercise a lot of influence.

In the election, because they are spread out through the whole country they could conceivably interfere by supporting certain candidates and being against others. I think the Megawati government is very comfortable with the military; they play a role but it is very different from the one they played under Suharto.

CHAIR—The secretary has just pointed out to me that, according to the Jakarta media on 6 March, article 19 of a draft bill on the TNI states that in an emergency where sovereignty of the state territorial integrity and the safety of the entire nation is under threat, the commander may use TNI forces as an initial measure to prevent greater damage to the state. The use of these TNI forces must be reported to the President within 24 hours.

Prof. Crouch—That was a very controversial issue in Jakarta a month or so ago. It is actually a draft of a draft of a draft. It is the TNI's own draft. It had not even been sent to the defence department; it was not even a bill that was sent to parliament. I am pretty confident that by the time it reaches parliament that will not be there. One of the reasons for that is, as the man I am praising so much, the chief of staff of the army, said, 'We don't need anything in a bill to allow us to carry out a coup; we can do it anyway.'

Prof. Mackie—I think the controversy in itself is significant just as something we have not talked about much. The constitutional reforms that went through the MPR in the middle of last year are enormously important: for the first time since 1950 the Indonesian constitution has been substantially amended. I would love to imagine that one day they will look at it again and amend it further, because I do not think the amendment has gone as far as one would wish. But, as Harold said, it would be very hard for the military to come back in the conventional, old-fashioned way now—although the threats you have just pointed out to us are undoubtedly there. I know we are getting close to time, Chairman. Could I raise just one point?

CHAIR—Sure.

Prof. Mackie—We have not said anything about the economy, and Chris is as good a person as any to talk about the economy and the prospects for it. One thing that I think is enormously important, because of the ignorance about it in Australia, is population policy and where and when Indonesia is ever going to hit zero population growth. It will be much sooner than most Australians realise.

Dr Manning—I think three points are important. One is that Indonesia will continue to grow slowly over the next 10 years—that is what is projected, anyway. It is not in chaos. Part of that is the legacy of what Suharto did. He not only built roads and he not only repressed people; he put a lot of money into education, health and so on. That is a good basis for Indonesia and a much better basis than, say, the Philippines had after Marcos; there is just no comparison between the two countries. That is going to last for probably another 10 years or so. They will be able to work off both that human and physical capital. With respect to the point that Jamie

made, that population growth is very much slower, Indonesia is not going to be 350 million or 400 million people; it is going to stabilise at around 250 million or 260 million and the population might be something like 220 million a little later. So, from Australia's point of view, it is not a population bomb.

The key challenge in the medium term is to improve the investment climate. It is unlikely to happen at all before the elections and I do not think it will be a high priority even after the elections, although that is depending on who gets in—it is probably going to be a coalition government—it is not going to be a high priority. I think we are going to be looking at a lot of that capital, both physical and human, being drawn down over a period. Thirdly, I think we are going to see for economic projections increasing protectionism and nationalism. They are moving to get rid of the IMF program, and I think that probably will happen. There is an increase in protectionism. I think Australia has played a very minor role in fanning that through its emphasis on bilateralism rather than on multilateralism. It is to a considerable extent a rejection of APEC as a forum by which we should be moving forward in the region. Indonesia feels that it is somewhat on its own and that it has to go on its own. If it were much more firmly embraced within an APEC group, I think perhaps it might think otherwise. I feel that Australia has a role to play there.

CHAIR—Professor, I thank you and all your team very much indeed for your attendance here today.

Mr PRICE—Chair, can I make one request. It would be very helpful for us if the witnesses could plot the different areas of Indonesian expertise in institutions—not only in the ANU but also in other universities—so I could clearly understand it. Could the witnesses give that information to the committee?

Prof. Fox—I have brought with me today an introduction to all the expertise on the Asia-Pacific at the ANU, which includes all the people working on Indonesia at this university. Perhaps among ourselves we will put together something for the country as a whole.

Mr PRICE—That would be really great.

CHAIR—That would be a great help. If there are any matters on which we might need additional information, the secretary will certainly 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 of transcription. Once again, thank you very much indeed.

Mr PRICE—I have one other question. Perhaps the witnesses could take it on notice and provide a formal response. In relation to the cutting of the government funding, could you give us a written response to the impact of that?

Dr Quinn—Yes.

CHAIR—I declare the meeting suspended.

Proceedings suspended from 12.42 p.m. to 2.02 p.m.

BEVAN, Mr Graeme, Acting Director, South East Asia Unit, International Cooperation Branch, Australian Education International Group, Department of Education and Training

WALDING, Ms Julie, Acting Branch Manager, South East Asia Unit, International Cooperation Branch, Australian Education International Group, Department of Science, Education and Training

CHAIR—Welcome. 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 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.

Ms Walding—I would like to make a couple of points about our educational relationship with Indonesia. Firstly, it is important to state that Indonesia is one of our most important bilateral partners in education. We have a longstanding relationship that dates back to the Colombo period. Over that period of time we have built up some very strong connections with Indonesia in the education area. We have a strong alumni network which has been a source of considerable support over the last few years when some other aspects of our relationship with Indonesia have been strained. We have found that those people to people links that have been developed, particularly through education—through the alumni network and through current students—have been very supportive and have helped to keep the dialogue going between ourselves and Indonesia.

Indonesia are currently undergoing some very significant reform in their education system, and we are endeavouring to work with them as closely as we can on that. They are looking to countries like Australia because we have considerable capacity to offer. They look upon the Australian system as a quality assured, reliable, well-structured system—partly through the experience of their students who have been here but also because of Australia's reputation in a global perspective.

The department essentially operates with the Indonesian department of education, so we are dealing with our government counterparts. Their essential agenda, I think, is to establish dialogue with the policy makers within the Indonesian bureaucracy. We work at the government level to seek to influence the design and development of Indonesia's education system. So as they are working through a process of reform and upgrading the skills and capacity of their own system, it is to Australia's advantage to try to develop comparability between the Australian and Indonesian systems because that then facilitates greater opportunities for Australian providers to offer their services within Indonesia. It makes it easier for Indonesian students, who come here to study, when they then return to have their qualifications recognised, and it enables greater mobility of labour between our two countries.

While that relationship is strong and, as I say, the people to people linkages are certainly very strong, this committee would be well aware that there have been some difficulties in the

relationship over the last few years—not necessarily just of a bilateral nature—starting with the 1997 economic crisis, working through the political changes that have occurred in Indonesia, the East Timor situation and more recently the events in Bali. The events in Bali have had some impact on Australia's education providers in their capacity and willingness to engage as actively with Indonesia as they might. Ironically, the global events have produced some resentment of the United States. While the United States is marginally ahead of us in the number of undergraduate students from Indonesia that it attracts, the events in Bali and our subsequent foreign affairs and trade advisory have meant that many of our universities and education systems have not been confident about moving in to pick up the opportunities that have been created by that negative attitude within Indonesia towards the United States.

Despite those negatives, the numbers of Indonesian students, who are either coming here to study or who are enrolling in Australian institutions that are operating within Indonesia, are remaining the same. There has been a bit of fall off in the vocational education and training sector and in the English language training sector, but that has been compensated for by increases in the higher education sector, particularly the postgrad area. So the numbers are remaining pretty stable, around 18,000. We are expecting a slight increase by the end of this year—again, largely through higher education. At the government level, the relationship is working very well. Our portfolio and our counterparts in Indonesia met here in Canberra in March. It is a periodic meeting that happens every 18 months or so. The meeting was very productive, and it was very amicable. A number of initiatives it was agreed would be progressed and taken forward to continue that agenda of us working with the Indonesians and providing our expertise in their reform process. I might leave it there for the moment.

CHAIR—That figure of 18,000 annually; is that the total figure or just higher education?

Ms Walding—That is all sectors.

CHAIR—The numbers have been maintained in the higher education sector. What are our numbers like in secondary schools?

Ms Walding—Around 2,000 a year.

CHAIR—How would that compare with some of the other markets? It is fairly substantial?.

Ms Walding—Oh yes. Indonesia is one of our top four markets in the Asian region. Indonesia is one of the top sources of students at the school sector level, if not the top source. Part of that is a product of the geography: parents feel comfortable about their children coming to study in Australian schools. They can easily get them home if they want to or they can easily visit them. Australian school systems have good pastoral care arrangements in place that a lot of Indonesians feel comfortable with.

Mr Bevan—There are increasing numbers also who are starting to go to the Malaysia and Singapore school sectors from Indonesia.

Ms Walding—That is true.

Mr Bevan—So they are becoming competitors.

CHAIR—In terms of the educational facilities we have in Indonesia, can you give us some background on them? Whose control are they under? Are they governed by our systems and our curricula, or does the Indonesian government have certain controls on them too?

Ms Walding—Certainly the Indonesian system has, until recently, been highly regulated and controlled, but there has been increasing liberalisation of that. Several of our state education departments actually operate schools in partnership with Indonesian operators. In some cases, it is a matter of selling the intellectual property to a provider in Indonesia—the state department will make its curriculum available and will then often have a very active role also. There is a spectrum of the degree to which different states get involved in that range of activities. I am sorry that I do not have more precise information than that, but we can certainly get it and provide it to the committee later.

CHAIR—Yes, if you would. How many people have you got based in Indonesia?

Ms Walding—You mean the department?

CHAIR—Yes.

Ms Walding—We have a full-time education counsellor, who is an Australian based person. He has working for him nine locally engaged staff. There are two strands to his activity. One is the government work, where he is working very closely with the Indonesian ministry. The other is the promotional and marketing side, which is Australian Education International, trying to find business opportunities for Australian providers—the universities and schools systems.

CHAIR—And is the revamping of the Indonesian regulations causing great difficulties?

Ms Walding—No, it is an improvement for us. It is a loosening of what had been in the past a much more constrained environment. We cannot open up branch campuses in Indonesia as we have in Malaysia, but the Indonesians are now willing for us to work in partnership with Indonesian providers. A few years ago that was not possible. The Indonesians are also easing up their arrangements for distance education. In the past they would only recognise qualifications that were provided by distance education by the government agency. No other distance ed qualifications were recognised, but they are starting to be more flexible on that also.

CHAIR—Including online education?

Ms Walding—Yes. It is very marginal, but there are beginnings of change. They are sceptical, as are a number of other Asian countries, of online qualifications. They are more willing to accept online qualifications that are a component of a degree rather than a full online course. Most of the countries in our region are sceptical about full online qualifications.

CHAIR—Do we get involved in distance education up there? Is there any interest, whether it be primary, secondary or tertiary? Australia just about leads the world in distance education, and has Indonesia shown any interest in coming in on things like that?

Mr Bevan—AusAID runs the Virtual Colombo Plan, which has the aim of increasing the use of technology in education. It is working in Indonesia and looking at opportunities to implement

activities there. The ministry of education has also indicated to us over the last few years that it is looking for assistance from us in developing programs for its open junior school system. We are working with it on a couple of activities, such as developing materials to help their English language teachers upgrade their skills and giving them training materials and packages to support their teaching in the open junior secondary school system. That is an area where it has been looking to us for assistance and we have been responding.

Senator STOTT DESPOJA—We have had a number of submissions that touch on the issue of education and cultural links, but we had the ANU appear before us this morning and they were very concerned with the lack of Indonesian departments or facilities in Australian higher education institutions. Notably, ANU and Sydney University were the two universities held up as ones that still had keen research areas when it came to Indonesia and Australia. But they mentioned that the department at Sydney University has gone from an initial full-time staff component of, I think, eight down to one full-time academic in that area now. They also pointed to the fact that the staff at the department at ANU, while impressive as such, were—and these are their words—perhaps older and there were not a lot of younger academics coming through specialising in Indonesia. Is that something the department is aware of and concerned about and are there any ways that we can seek to address that, bearing in mind of course, I understand, the autonomy of higher education institutions? Is that something that is on the radar?

Ms Walding—I have to say that that is the crux of the issue—that it is an individual university issue. Certainly we have been aware of individual universities' fluctuations of interest in Asian studies departments and Asian languages courses and so on, but it is really not the department's domain to either instruct universities to run particular courses or to ensure that they have staff with a particular capacity.

Senator STOTT DESPOJA—We also had witnesses before us yesterday who were language specialists. They had both research—so academic—backgrounds as well as language backgrounds or roles in terms of Indonesian. They firstly pointed to the abolition of NALSAS—the assistance for Asian languages—as a key component or a potential component in what would be a lull or diminution presumably of students studying Asian languages either at primary or secondary level or beyond. Is that something the department is measuring or monitoring to work out what the impact of the change to that scheme has been?

Ms Walding—Yes, the department is, but that monitoring is actually not happening in the international area; it is happening in the schools area. So I do not have as much detail as you might like. I can certainly offer to get more. As you would be aware, the NALSAS program was always life specific. It had a sunset clause on it; it was funding for a particular period, and the intention was to provide funding support to the state systems that run the schools and train and employ the teachers, to upgrade their capacity to teach the languages, particularly in those four identified languages. When the decision that NALSAS funding was in fact coming to a close was taken, it was also agreed to undertake a review of language teaching across all languages—not just the four that were identified under NALSAS. I understand that review has occurred and a report has been finalised, but I am not clear whether or not particular recommendations have been picked up for action. Do you know?

Mr Bevan—No. The last I heard it was being looked at in the budget context.

Senator STOTT DESPOJA—Okay, well we will wait for that with interest. Again I know that this next question does not relate to the international section, but I am not sure whether we are seeing other departmental officials from DEST so I will ask it anyway. One suggestion that came up yesterday was the idea of allowing for a degree of specialisation through the ARC grants—my colleagues will correct me if I have got this wrong—in the area of Indonesian or Indonesian research and academic practice. Maybe it is something we should put on notice for your other colleagues, but it was suggested as a means of providing some incentive for students to continue their language and research studies while also being part of Australia perhaps highlighting that this is an area of interest and priority for us in terms of our research goals. I am not sure whether you have any comment on that or knowledge of when the ARC previously nominated Indonesia as an area for specific study—and, clearly, remuneration—through that grant process.

Ms Walding—I am not aware of Indonesia being identified in that way in the past. I do know that the Prime Minister announced the research priorities in December—at the end of last year—and we would expect that in the short term at least those broad areas would be the basis for priorities that the ARC might decide to make use of in allocating its funding. Just to make a broad point though, as you would be aware, there would always be an issue if we were to identify one particular country or language as the only priority. That would create potential problems across the globe with our foreign and diplomatic relationships with a whole range of other countries—not just countries in our region but those within other regions as well. That is the balance that obviously has to be taken into account before those sorts of decisions can be made.

Senator STOTT DESPOJA—Thank you.

Mr EDWARDS—I am just wondering, in your experience would Indonesian parents prefer to be able to have their children educated to the level that they want in Indonesia, rather than having to send them to Australia or wherever?

Ms Walding—That is a hard one, and it is an issue that applies not just to Indonesia but to other South-East Asian countries. The English language dimension is a huge bonus that we have to offer. So, as well as us—Australia—talking about the quality of our system and the quality assurance processes that we have in place, there is a huge benefit coming from the fact that our society, our community, is an English-speaking community. That is a significant factor in the decision of a lot of parents to send their children here. While they might send their children to a school in Indonesia that is basically an English-speaking school, the students are not going to get the same quality of immersion in terms of their own personal language development they would get if they were actually operating in an English-speaking society—and in that case it is Australia. So it is very difficult to generalise.

Clearly cost, security and parents' confidence that their children will be safe are factors. Issues of racism can be factors. There are religious issues. I think the English language is certainly a bonus for us. It is one of the advantages we have over increasing rivals like Singapore and Malaysia, but it is very hard to generalise. We certainly have not done any studies that showed clear patterns.

Mr Bevan—I think also one of the major motivations is that they are looking ahead at the ability of their children to get jobs—not just jobs in Indonesia but internationally, joining the international labour force. So they would see it as an advantage as well to be educated in a developed Western economy like Australia.

Mr EDWARDS—Are there any Australian run universities or other places of tertiary education in Indonesia?

Ms Walding—Not wholly owned. Not true branch campuses. No Australian university has a full branch campus operating in Indonesia. Indonesian law will not permit it. But there are partnerships operating there, and that is a recent development.

Mr EDWARDS—Yes. Are they so far successful?

Ms Walding—To my knowledge, yes.

Mr Bevan—Yes, there is a bit of a risk. What the Australian institutions need is a local partner in Indonesia. The Australian institutions need to be careful about selecting the right partner, the local Indonesian partners need certain accreditation by the Indonesian government and, unless you know the process, you can get your fingers burnt if you—

Mr EDWARDS—So that is pretty similar to what is happening in China, for instance?

Ms Walding—Yes.

Mr EDWARDS—What are the other three South-East Asian countries that you are targeting?

Ms Walding—Malaysia is a vital partner. Although not as big a student market, from a foreign and diplomatic perspective Thailand is a very important partner of ours in the ASEAN region. Vietnam, again, is not a big market—certainly nowhere near the size of Indonesia or Malaysi—but again the relationship is partly historical and partly a long-term diplomatic one. And of course there is Singapore. Recently we were involved in the FTA negotiations, and we felt that we got some quite good outcomes in terms of the FTA from Singapore. Singapore is as big a market as Indonesia, but it is much more dominated by the higher education sector, and interestingly the number of Singaporeans studying in Australian institutions is split about fifty-fifty. About 50 per cent come to Australia to study and about 50 per cent stay in Singapore, studying either through joint operations, Australian-Singaporean operations, or through distant ed.

CHAIR—Could we just turn for a minute to the pilot project for teacher exchanges: could you tell us where that is at at the moment?

Ms Walding—I will hand over to Graeme, who is actually managing those.

Mr Bevan—They have been postponed. We have put them off for a full 12 months. It was originally planned that the teachers would go over in December for the start of teaching in January this year, but we contracted the management of the program out to the Asia Education Foundation, and they took the decision, given the travel advisory on Indonesia, not to send

teachers over to Indonesia to take up their positions. We looked at various options. The program involves Australian teachers going over for about six months in Indonesia, and that is followed by Indonesian teachers coming out here for a few months. We looked at reversing that, but it became too complex to organise it that way, and so the contractors felt that it was much better just to put the whole program on hold for 12 months. It will be probably December this year before they go.

CHAIR—So it is still on the books?

Mr Bevan—It is still on the books. We are still committed to it, I think, and the Indonesians are still very keen for the exchanges to go ahead.

CHAIR—The decentralisation process going on in Indonesia: does that upset your operations? Is it going to be harder for you to deal with regional authorities rather than the centralised system?

Ms Walding—No. While the actual management of their education system or their schools will be more regional—will be decentralised—we will still essentially deal with the department based in Jakarta. It is a bit like in our own federal system where we, DEST, do not run any schools and do not employ any teachers although we are still very actively involved in the whole educational agenda. We would expect something similar with Indonesia.

Mr Bevan—As a matter of fact, I think the ministry of education in Jakarta have become quite interested in the way we handle our decentralisation and they have been looking very closely at our system and the way we manage it, so in a way it has brought us closer together.

CHAIR—There is just one thing I would ask for some clarification on. You have described an impediment to the education relationship as being Indonesia's inability to reciprocate financially in joint activities. You go on to say that Indonesia is Australia's second largest recipient of aid and that, as a consequence, the challenge for the department is to manage the educational relationship in a way that is not viewed as an extension of the aid program. I was wondering if you could give us a bit more on that and exactly what you mean by that.

Ms Walding—Our focus and mode of operation is different from AusAID's. AusAID's program, if you like, or focus is essentially on poverty alleviation. It is about working at the ground level in the field to build the capacity of the education system in Indonesia at that lower level. We are working with the policy makers within the Indonesian education system to do a couple of things. Certainly there is a sense of offering Australian expertise. There is a sense of wanting to explain to the Indonesians the Australian capability and, if you like, Australian know-how as a potential model. But our longer term goal is more focused on building the credibility of the Australian system per se and building a sense of confidence that the Australian system has a quality assurance process, is structured, is reliable and has a capacity the Indonesians may want to aspire to.

When we deal with the officials from the Indonesian bureaucracy, we often get the sense that they would like to see us as another agency that parallels AusAID—that is, they would like us to basically come to the table with another bucket of money that will subsidise the money that is coming from AusAID—whereas for us the agenda is more: 'We understand, Indonesia, that you

have these particular circumstances. Australia has had this range of experiences in dealing with those circumstances. Can we work with you to offer you advice and to offer you support?' Our agenda is not to provide the huge amounts of money that AusAID provides to actually implement those sorts of changes.' I think the roles of the two portfolios complement one another but do create some problems for us when we are working face to face with the Indonesians in balancing our sense of offering expertise and assistance but not aid.

CHAIR—Not a handout?

Ms Walding—That is right.

Senator STOTT DESPOJA—I have just one more brief question. When DFAT determines and consults over its travel advisories, are you involved in any way? Are you consulted or asked for your knowledge or assessment in relation to, in this case, Indonesia?

Ms Walding—My understanding is that we were not consulted on this particular one, and I have been in the international area for some years now and have not been consulted in the past. I think I can safely say that, to my knowledge, we the department were not consulted.

CHAIR—I thank you both very much indeed for your attendance today. If there are any matters on which we might need additional information, the secretary will be in contact with you. The secretary 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 Walding—Thank you.

[2.34 p.m.]

MARSDEN-SMEDLEY, Ms Christine, National Manager, Planning and International, Australian Customs Service

CHAIR—On behalf of the subcommittee, I welcome Ms Christine Marsden-Smedley, representing the Australian Customs Service. 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 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 will proceed to questions.

Ms Marsden-Smedley—I guess it was a little while ago that we provided our submission to the subcommittee. It is a fairly broad based submission and my role is also at the broad level, so, if there are any questions on detail, I might be a little bit short on some of that. I would like to update the subcommittee on the progress in our relationship, from a Customs point of view. The last time that we had discussions with the Indonesians was in 1999. Just recently, in early March, our CEO attended some bilateral discussions in Indonesia, and the culmination of those talks was the signature on a memorandum of understanding. It was similar to the previous one, but it does cement the relationship. It is agency head to agency head.

As part of those discussions, we also discussed what kinds of priorities there might be in terms of developing the relationship. Of course counter-terrorism, intelligence sharing and those kinds of issues were high on the agenda, but there was also a range of other infrastructure issues in terms of developing systems, developing approaches to dealing with trade, improving integrity—by which I mean dealing with the corruption aspects, which are quite openly acknowledged—and sharing information about particular operations. I will not go into any detail here about them, but some of them dealt with cigarette smuggling and other issues with Indonesia as a transit country. We also looked at the issue that Indonesia, which was often used as a transit point for drugs, has now become a user of drugs. There is quite a deal of interest in developing the intelligence sharing and also developing the capability. It seemed to us—and they acknowledged this, also—that efforts could be made there.

The other thing I thought I would alert the committee to is that we are working under APEC on the Customs agenda to do with secure trade in the Asian region. We have a particular project with the Department of Transport and Regional Services to help them deliver on port security. The International Maritime Organisation has laid down some regulations which need to be in place by 1 July 2004. While we do not have a primary role in that, we certainly have a key role, so we have agreed to support them. There are six countries that will be associated with that aid program—and it is being done under the AusAID funding arrangement—and Indonesia will be one of the first. We will build on some of the other work that we have done under APEC.

In March we hosted and conducted a seminar in Bangkok where we invited most of the South-East Asian countries to participate in a further workshop on risk management. Part of the

approach under the IMO is to improve risk management principles to understand what you have so that you can deal with it effectively. So it was a kind of train-the-trainer workshop, by which we hope to develop their capacity and capability so that they can go back and develop an in-country one. I am hoping to build on that in this particular aid project.

We will also be following up on the integrity aspects. We have a responsibility as a leader on that in the APEC region. We have held workshops and we have helped them to develop an action plan. There has been significant progress, but we will go back and help them again to assess where they have got to and take it to the next step. What that next step will be we will not know until we go and do that assessment.

The other thing that came out of that was also APEC related. I am not sure whether you are aware of the Kyoto convention about Customs procedures—things like facilitating trade, involving trade, using automated systems and risk management principles. All of the high-level principles are covered; it goes into a huge amount of detail. We are going to assist them to do an analysis of where the gaps in their approaches might be, perhaps in conjunction with the IMF, who are in there already doing a large project. We may take that as a pathfinder approach which we can then use in the rest of the APEC region, having made that commitment.

We did apply for Government Sector Linkages Program funding to do that, but we were not successful this time, so we will probably have to scale back the approach that we had. We were hoping to use a consultant to develop an instrument to help us to do the gap analysis between what they have and what they might need, but we will probably do it ourselves. It will mean that it will take a longer time to do and we will not do as much travel as we had anticipated.

One other program that I wanted to pull out of the submission is the Customs International Executive Management Program, which is a key platform. We have been successfully running that program for over 10 years. We invite participants from mainly the Asia-Pacific region—but we also include Japan and a few other developed countries—to come and learn about management. We find that particularly successful in terms of the relationships and networks that are built up and the knowledge that we gain about where people actually are. We had a really excellent participant from Indonesia last year, and we will be building on that relationship. We are hoping to expand that program in the future and probably pull a few more people into it if we could, although I understand that budgets might be tight. We would also like to make it a bit more themed. At the moment, it is more of a general management program, but we might try to get the participants to develop particular kinds of instruments or action plans that they can take back to their administration and implement. With our assistance, that can be evaluated at a six-month stage and maybe in another six months after that. They are just some of the directions Customs are taking. We find that the CIEM Program is particularly useful in a hands-on, tangible, capacity building kind of way, so we are keen to capitalise on what we know works.

Those are the main aspects that I wanted to highlight and bring you up to date with. I am happy to answer any questions you might have.

CHAIR—Did the Bali bombings impact terribly much on the relationship, either negatively or positively?

Ms Marsden-Smedley—I think it impacted hugely positively. Just recently we had a visit by the US customs commissioner, and in Sydney we had a briefing from the Australian Federal Police. Of course, it is primarily their concern rather than Customs', but we work together on so many things, including intelligence sharing. They have gained a lot of benefits from the relationship and the investigation opportunities that have arisen out of the Bali bombing. The Indonesians work so closely with the AFP. It illustrated to us that one of the reasons that the AFP were able to get the go-ahead to be involved—because normally it would be a very rare thing for the federal police agency of another country to come in and assist the Indonesians on an investigation—was that they had developed such good, close working relationships. There was familiarity. People knew and trusted what was going on, and they could see that this was a major problem. I think that it has had a very good, positive spin-off, and these operational kinds of activities really do cement a sound working basis and help you to grow in other ways that would not be possible.

CHAIR—That would be fairly broadly spread through most of their operations?

Ms Marsden-Smedley—Yes.

CHAIR—Including people smuggling?

Ms Marsden-Smedley—I believe so. We only have a minor role in that, but my understanding is that it has increased their networks and increased their understanding of how things work. I think it is not just the police that are involved in port security aspects in the Indonesian environment; there are military police and a whole range of others. I think the relationship has been police-to-police. I cannot speak for the Australian Federal Police but I can speak on the briefing we received, and I know that there are about 60 people from various police forces around Australia on the ground there, and they are still there. It is obvious that, with that number of people there, the increased knowledge base and confidence will assist in their working together in the future.

CHAIR—Is the project that you mentioned under the auspices of the IMF?

Ms Marsden-Smedley—Yes, it is.

CHAIR—How sophisticated is it? Does it involve computerised clearances and that sort of stuff?

Ms Marsden-Smedley—It covers a whole range of customs approaches. Indonesia has to my knowledge introduced a UN system called ASYCUDA, Automated System for Customs Data, it is basically about customs import and export declarations and uses an automatic system which the UN put up and maintain and support. They have that, so I think about 70 per cent of their clearances for imports are actually conducted over that system and I think exports will be online this month actually, and then there will be further releases and elaborations on that as they go along. So that has a positive benefit, speeding up processing, eliminating the people factor, which assists in the integrity aspects as well and also gives certainty and transparency to the actions that are going on. We see that as a positive benefit.

I think they are also interested in improving their systems. I think you would probably be aware that the Australian Customs Service are also undertaking a major cargo management reengineering project to update our legacy systems, which we have had in place for a long time, and also to integrate them. We talked to them about that in the talks I mentioned in March. So we all share knowledge with them, but I think our approach is probably a little bit detailed. It probably offers more than they need in the first instance, but the IMF project looks at that.

It also looks at post-entry audit and compliance activities, which are really important in the whole process to risk management. So it looks at a lot of the things that we would be interested in working with, and we do not want to duplicate it in any way. What we would like to do is to supplement it and find the niche where we know we can work. We have had very successful programs on integrity through a lot of the South-East Asian countries, and we will be working in Papua New Guinea soon too, to follow up on that. But our customs area of interest is really our very near neighbours. We do set a high priority on that, so we do not want to duplicate, as I say; we want to work with them. So the IMF project went in and did a detailed analysis of what was needed and now they are systematically and progressively working through implementation of those. We will find the right time, I think, and work with them.

Mr EDWARDS—Can you give us an idea of the strength of Customs in Indonesia? What is their relationship like with the police and the military. Are they are very mobile force? Do they have up-to-date equipment in terms of boats?

Ms Marsden-Smedley—I cannot speak completely authoritatively but, in terms of the briefing that I received when Mr Woodward came back, it is an archipelago with lots of islands and so they only have a very limited number of patrol boats or vessels that can actually look after those kinds of areas, and they are not very sophisticated either, whereas we have some really good technology in terms of customs vessels that can cover a whole range of places that they cannot cover. So I think that their equipment is insufficient and probably out of date in looking after their territorial waters, and even their economic zones as well. My understanding is that they are widely spread throughout the whole of Indonesia, so they have people at ports—even between states within Indonesia they have people as gatekeepers, so to speak, just on border patrols.

CHAIR—There must be hundreds of ports.

Ms Marsden-Smedley—There are. But I am not sure how many of them are actually designated as international customs ports. A lot of maritime arrangements would go on at a different level to what I would be talking about when talking about an international trade point of view. The US has one of them—the port near Jakarta—as part of the container security initiative, because it has a significant number of movements in and out and it is one of the top 20 from a US exports point of view. So I think in terms of equipment it is not too bad from a systems point of view. I talked about ASYCUDA, and it is pretty well up to date. We have lent support in the past and the UN continues to provide that support. But I could not really speak about the relationships with the police and the military police. I think traditionally there are always tensions between agencies that have competing roles in similar places.

Mr EDWARDS—That would not be the case in Australia though, would it?

Ms Marsden-Smedley—It is not the case in Australia—of course not—but I believe that because there are the military police and the police and Customs, it may be the case there. And that is part of what we are trying to do in the project that I talked about before with the department of transport: to increase our knowledge about their port security arrangements and to understand what is deficient and what is not, so that we actually target that appropriately. I am speculating at the moment, but I think that there is probably a long way to go in terms of security. Speaking from Australian Customs' point of view, we have a highly sophisticated CCTV arrangement where 90 per cent of our international ports are under camera surveillance, and we can monitor that from our Melbourne centre 24 hours a day, seven days a week. I do not believe that is the case in Indonesia: I think it is still very much state based and as a national approach it is probably not functioning as effectively as it might. Am I answering your question?

Mr EDWARDS—It is just that your submission does not give us any idea really about the capacity or the strength of the Indonesian customs service. I think it is just helpful for us to have a bit of an idea of—

Ms Marsden-Smedley—The context, sure.

Mr EDWARDS—Yes. You mentioned corruption earlier. How significant a factor is that?

Ms Marsden-Smedley—It is significant. It is quite openly acknowledged as a factor. I know they have made significant inroads. One of the aspects, of course, in any system is how well people are paid—do they actually have to supplement their income through bribes and whatever. I know that they have made big improvements there. They have improved conditions overall so that people are not working ridiculous hours at some of the ports. I have had discussions with the international executive management program participant who is in charge of their HR area, and he has told me about some of their initiatives. So it is not necessarily that particular aspect. It is a cultural issue as well, I believe, and that is difficult to overcome. But, once you do get systems in place, when you get the human intervention aspects minimised, that is going to assist.

Mr EDWARDS—What tools do you need? What resources do Customs need here to best assist Indonesia in the development of their customs service?

Ms Marsden-Smedley—A lot of it is about having the right people to go and do the assessments and develop the relationships and stick with it over the longer term—because capacity building is really about that long-term approach. I guess you could throw all kinds of money at it, but it is not really the money per se; it is whether you have the right people that you can provide to go and assist them. And we do from time to time manage to do that, but I think it is really about, as I said, the longer term. If you are going to commit somebody from our organisation to be a project officer or whatever, it is a big commitment and it takes away from our ability to deal with other projects. We only have a limited budget—but it is not the budget, as I said, it is more about the people. If you are taking people away to do that, we cannot backfill easily. It is the knowledge rather than anything; it takes at least 12 to 18 months, I think, for somebody to get up to speed with it and to be at a point where they are extremely competent at it and want to do it. There are risks for those people as well, and the family friendly aspects of our policies also mean that you do not want to just get one person to do those kinds of things—

you want to spread that around. So at the moment we are reviewing our strategy and trying to develop one that will draw more broadly: we tend to look at central office I think a lot, whereas we are a national organisation that has a lot of skills out in our regions, and so we are going to try to draw on them where we can.

Mr EDWARDS—In your field, how does the relationship between Australia and Thailand compare with that between Australia and Indonesia?

Ms Marsden-Smedley—I think we have got a mutual respect on both sides with both of those countries. Frankly, we are happy to commit resources to capacity building or other assistance in both of those countries because we have a degree of confidence and comfort about progress being achieved. So I would probably put them on a par. It is hard to say. They are different, but we have worked consistently with both of those countries in the past, and it has not been as unsuccessful I think as some of our other attempts at capacity building in the closer region.

Mr EDWARDS—How coordinated is the joint effort between all the authorities in Australia who are now trying to work up a closer relationship and a more influential relationship following Bali?

Ms Marsden-Smedley—I think there has been a heightened awareness of that whole of government approach, and certainly the creation of the new ambassador for counter-terrorism position is a beneficial move to pull together the coordination, because it is a huge challenge. When Lionel Woodward went to Indonesia we heard about a project that US Customs was going to undertake on port security and we thought, 'We didn't know about that. We really need to use our DFAT network to find out about those things.' Anyway, when we pursued it, we found it was something they wanted to do, but it was a long way from being achieved.

So the knowledge—knowing about those things—is really important, and we are comfortable that having an ambassador for counter-terrorism is going to improve the coordination. Because you might call a lot of those things counter-terrorism but really, fundamentally, there is a whole range of basic things that we do—people and movement of goods and cargo and whatever are all about knowing what you can do to control those mechanisms. Also there is a range of other IDCs as well from the APEC point of view that allow us to understand what is going on, so I think it works quite well.

There is still sometimes a bit of catch-up. Some agencies know more than others, but we have been trying to talk to each other, and we do coordinate our activities through AusAID. We have a close relationship with them, because presumably they know what is actually happening from an aid point of view from an Australian point of view. But, as I say, there are other opportunities that other countries are pursuing. We also participate in the World Customs Organisation, and Indonesia is also a part of that organisation and calls directly for assistance from them, and so we try to work out through the World Customs Organisation too an appropriate capacity building strategy and approach, which is going to perhaps use World Bank money, IMF money and the other donors, to target appropriately who should be receiving what kind of assistance. So we work through them as well. But it is a challenge, I must say. There are quite a lot of good intentions out there and there is quite a lot of money to be spent, but we really do need to make sure that it is targeted appropriately. Again, the infrastructure things are always the key to it all:

the legislative basis, the education, all those things, and customs is just one small element of that. That is why we are quite keen to work with Indonesia also, because of the IMF program, which is customs but it is more broadly based as well, which is going to provide us with some confidence that it will work.

Mr EDWARDS—Finally, can you give us an example of how corruption might work in Indonesia?

Ms Marsden-Smedley—Not having been there, my presumption is that, in order to get goods cleared off the wharf, it may well be that a facilitation fee is paid to a customs officer—to get the goods moved off the wharf quickly. That is a common thing that occurs not only in Indonesia but in a range of other economies. It is often called a facilitation charge. The same thing might apply for air cargo goods, which require even more speedy clearance generally than sea cargo goods. I do not believe that customs in Indonesia looks after the primary line—the passenger processing line—so it is really about the cargo and the goods, I think. It is about getting things moved quickly through the wharves and the airports. It is really about paying your way at various stages along the points of the supply chain, basically.

Mr EDWARDS—And there is a difference between the immigration authorities and customs?

Ms Marsden-Smedley—Yes.

CHAIR—I assumed as we were going along that we were talking about seaports more than anything.

Ms Marsden-Smedley—Yes.

CHAIR—Is the situation similar at airports, or do they have customs in airports covered a little bit better?

Ms Marsden-Smedley—It is a more contained and controlled environment, I believe, in airports than at the seaports anyway, so my presumption is that it would be better controlled. But with, say, as I said, 70 per cent of the imports going through an automatic system, I would think that a lot of those would be express consignments, things that are time critical to get moving, and they are lightweight as well, so my understanding is that they are also interested in working with us on paperless trading or express consignments, and we have worked with them in the past on speeding up those processes through automated clearances. So I believe that we would probably have more confidence about the airport environment than the seaport environment.

CHAIR—Without giving too much away, are there intelligence exchanges between Australian Customs and Indonesian Customs?

Ms Marsden-Smedley—Yes, there are; generally on a specific basis rather than a generic basis. We do have a system we call CAPERS, which is a Customs enforcement network that allows for the secure transfer of emails through the Internet. It is low tech, but it is secure. We have invited Indonesia to become a signatory to that. It means them signing up, saying that they

will safeguard the information and things like that, so they are going to check into that. The challenge is to transfer the information in a secure way, without using telephones and whatever else. So we are hoping that they will sign up to that and that will facilitate that exchange. But quite frankly, if we have integrity issues then intelligence is one of those areas as well where you would want to be very careful about the exchange of information, but we are hoping to develop that. We will be offering a place on one of our major intelligence courses, which has been running for quite some time, and we will use that as a basis then to develop it further. But, as I said, the cigarette smuggling case is one where we have agreed to exchange operational information which will build up the intelligence holdings on both sides and assist us.

CHAIR—I thank you very much indeed for being with us 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.

Ms Marsden-Smedley—Thank you.

[3.03 p.m.]

BANKS, Dr David John Douglas, General Manager, Animal Biosecurity, Department of Agriculture, Fisheries and Forestry Australia

MORRIS, Mr Paul Charles, Executive Manager, Market Access and Biosecurity, Department of Agriculture, Fisheries and Forestry Australia

ROSS, Mr Paul Neville, Manager, International Fisheries, Department of Agriculture, Fisheries and Forestry Australia

WITHERS, Mr William John, Manager, Asia, APEC and Trade Strategy, Trade Policy Branch, Market Access and Biosecurity Group, Department of Agriculture Fisheries and Forestry Australia

CHAIR—On behalf of the subcommittee, I welcome representatives from the Department of Agriculture, Fisheries and Forestry 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 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 chambers themselves. I invite you to make a short opening statement, and then perhaps we can proceed to questions.

Mr Morris—AFFA maintains a close engagement with Indonesia in the agriculture, fisheries, forestry and food areas, which reflects the importance of these sectors to both countries and also reflects the importance of our joint trading relationship—Indonesia is our largest market for cotton and live cattle. It is also an important market for wheat, wheat flour, dairy products, meat, animal feeds and forest products, amongst several others. Engagement forms part of the broader whole of government relationship with Indonesia that is coordinated by DFAT. The key mechanism through which this takes place is through the Australia-Indonesia Ministerial Forum working groups. In particular, the ones relevant to us are the ones on Agriculture and Food Cooperation and the Marine Affairs and Fisheries Working Group.

As you would be aware, a meeting of the ministerial forum was held this year, on 10 and 11 March, and amongst other ministers it was attended by the Minister for Agriculture, Fisheries and Forestry, Warren Truss. In the lead-up to that meeting, a meeting of the Marine Affairs and Fisheries Working Group was also held. The next meeting of the Working Group on Agriculture and Food Cooperation, which is the other group relevant to us, is planned for late July in Medan, North Sumatra. The previous meeting of that particular working group was held in Perth, Western Australia, in March last year.

The key objective for AFFA in the relationship is to maintain and build on the complementary aspects of our industries and further strengthen the relationship in the food and agribusiness areas. Agriculture is a key engine for growth in Indonesia, and the Indonesian government is placing emphasis on the development of its horticultural sector in particular. We see significant

scope for cooperation in that area. There is also scope for expansion of the agricultural relationship into new areas, and there is interest from the Indonesian side in the animal husbandry area—for example, in goat genetics and dairy breeding stock. In the fisheries sector there is close cooperation in a variety of areas, all of which promote the interests of both countries. Our focus is particularly on research cooperation, but it is also on cooperation with respect to illegal fishing activities. Also, that cooperation has developed the fisheries management capacity of Indonesia.

The other area of importance is that Australia is, of course, vulnerable to exotic disease incursions through the Indonesian archipelago. Thus, quarantine cooperation is a key element of our forward defence program for Australia's biosecurity. Quarantine cooperation with our near neighbours, especially Indonesia, is important for maintaining Australia's pest and disease free status and for protecting us from diseases such as foot-and-mouth. Of course, our favourable animal and plant health status underpins our capacity to maintain and negotiate favourable quarantine access conditions for our agricultural exports throughout the world. Australia, Indonesia and Papua New Guinea are members of the Tripartite Committee on Agricultural Health and Quarantine. That committee provides a mechanism for early notification of exotic pest and disease outbreaks. It also provides a mechanism for assistance with training of quarantine personnel and provision of technical assistance in the event of a pest outbreak.

Australia makes our contribution to that tripartite committee through the Northern Australian Quarantine Strategy, also known as NAQS. NAQS activities are undertaken in collaboration with Indonesian government authorities and in accordance with the terms of a memorandum of understanding on collaborative animal and plant health and quarantine activities. Also, in recent years, Australia—as you will have seen from our submission—has made considerable efforts with regard to technical assistance and capacity building support to Indonesia across quite a large range of agricultural, fisheries and quarantine sectors. The details are in the submission.

AFFA also links in very closely with other agencies. I mentioned the key role of DFAT in coordinating all of the activities of the government. But also we link in very closely with AusAID, which is part of the DFAT portfolio. They have a crucial role in terms of providing financial support for a lot of the activities that we engage in—such as the technical support through the Government Sector Linkages Program—and we work very closely with them in terms of the targeted assistance activities that we provide to Indonesia.

Finally, it is pleasing to note the continued improvement in the tone of the general bilateral relationship between Australia and Indonesia. Minister Truss, in particular, has developed quite a close working relationship with his counterpart, the Indonesian agriculture minister Bungaran Saragih. This augurs well for the continued development of the relationship at the portfolio level as well.

CHAIR—Perhaps I could kick things off by asking: did the events in Bali or, indeed, the participation of Australia in the Iraqi campaign have any effect on the relationship or on your particular relationship with the Indonesians?

Mr Morris—Perhaps I could make a couple of general comments and then ask my colleagues whether they want to add to that. Specifically, the potential impact and the actual impact it has had has been through the advisories that are put out by DFAT in terms of

particularly travel and liaison between the two countries. We had a specific situation in which we were to conduct some survey activity in Indonesia as part of our quarantine type assistance programs and so forth—

Mr EDWARDS—Was that in Papua?

Dr Banks—It was in Irian Jaya—

Mr Morris—That has been delayed by that process. Those are probably the main factors. In terms of the relationship more generally and connections, we are still planning to go to Indonesia—to Medan in northern Sumatra—for that Working group on Agriculture and Food Cooperation at the end of July. At this stage, planning is going ahead to do that and we hope those meetings will be successful and will go ahead. Those sorts of meetings are certainly happening and it does affect some of our detailed survey activity and so forth. I do not know whether David wants to add anything to that.

Dr Banks—As you said, perhaps that is the major effect. As regards our day-to-day dealings with our counterparts in Indonesia, I cannot speak about the engagement in Iraq, but certainly with the Bali bombings there was no change in our relationship whatsoever. In fact, there was a concern on their part that we may pull back. I have noticed no detrimental effect from that point of view.

CHAIR—In your submission, AFFA refers to a tripartite committee on agricultural health and quarantine having met less frequently than originally intended. Are there any particular reasons for that happening? Has that arrangement lost any effectiveness through not meeting?

Dr Banks—Since we put in the submission, we had a meeting three weeks ago, so we are back on track.

CHAIR—Good. So it was not something that had been going for a long time.

Dr Banks—No, it was being organised by Papua New Guinea at the time and there was some difficulty with making the arrangements.

CHAIR—On page 20 of the submission you said:

Further collaboration with Indonesia would be of substantial mutual benefit, both in terms of enhancing the understanding of the pest and disease situation in the region as well as building capacity in the region to identify and take action against specific pests and diseases.

What do you have to do to achieve that sort of collaboration?

Dr Banks—It has taken us many years to build up the level of trust that now exists between us—I am talking now of the animal and plant health areas in particular. We have had a long-term engagement with them, and it has gone from the sort of relationship in which there was perhaps a certain amount of doubt and not a great deal of knowledge on either side to a point where we have extremely open dialogue. We also have a memorandum of understanding whereby, if we find a disease of some sort in the other's territory, we are not going to say

anything about it unless the country concerned signs off on it. That has helped build up the trust. In answer to your question about what it takes to build that sort of relationship: it takes a lot of time but also a lot of trust and personal contact.

CHAIR—To that extent, you have achieved it?

Dr Banks—Yes.

Mr EDWARDS—In relation to the situation in Papua, in your submission you have signalled a fair amount of concern with some of the exotic pests and diseases, including Japanese encephalitis, Asian honeybee and fruit fly. This concern, I understand, has led to a proposal for a joint animals survey in Papua, which was due to be held in 2001. It has now been deferred three times. This must be of some concern. Can you expand on the general area?

Dr Banks—The government of Irian Jaya—and indeed the government of Indonesia—is very happy, and indeed encouraging of us, to do a joint survey in Papua. However, we have had problems due to political instability in Papua. There have been times when the Indonesians have asked us not to go at a particular time. That has been one of the main reasons up until just recently, and then after the Bali bombings—as Paul has said—the Australian government advisory has been that Australians should avoid going to Irian Jaya if possible. That has been the reason for the delay.

We have increased the level of surveillance to some extent on the Papua New Guinea side to make up for that. One of the agreements that we have just made with Papua New Guinea is that we will increase the level of surveillance on the PNG side in case we have difficulty getting back into Papua in the long term. But there are number of diseases which are present in Indonesia or western Indonesia which are not present in Irian Jaya. We like to know because it gives us early warning. In the case of an incursion into Irian Jaya, it would gives us time to prepare.

Mr EDWARDS—So you are quite satisfied that if there is a deterioration in the situation in Papua you can effectively counter that?

Dr Banks—Ideally, we would be going into Papua but if we cannot do that we have a plan. Whether it is going to be as sensitive or not, I would not like to say, but we certainly have a plan to increase the level of surveillance at least to attempt to counteract that loss of surveillance data.

Mr Morris—It is a matter of balancing the safety of our personnel with the pests and disease risks. We treat the pests and disease risks seriously but at the same time we need to balance the risk to our personnel in travelling to the region.

CHAIR—Do you get involved in logging and reafforestation?

Mr Morris—The department is involved in some activities in the forestry side of things in Indonesia. We did mention a few items in our submission, where we get involved in forestry. Unfortunately we did not bring an expert on the forestry side with us today, although Mr

Withers may have some general knowledge on the issue. If you have some specific questions we can see if we can answer them or we can take them on notice.

CHAIR—On page 36 of the submission you made mention of the fact that we did not attend a meeting in Bali in May 2002, a regional task force on illegal logging, the associated illegal trade and other forest crimes. Would you get involved in those areas normally?

Mr Morris—The general answer to that is that we get involved in a range of issues to do with sustainable agriculture and forestry management where possible. I am not sure why we did not attend a particular meeting but we could go back to our forestry people and check that for you.

CHAIR—What about illegal fishing? You mentioned that you were involved with that. Could you give us a briefing on what is going on there?

Mr Ross—As we have indicated, the main forum for our cooperation with Indonesia on fisheries matters is the Working Group on Marine Affairs and Fisheries. We had a meeting of that group in March in conjunction with the ministerial forum meeting. That was the second meeting of the group. It has been formed to institutionalise a range of cooperative ventures that we have had ongoing with Indonesia over many years in the fisheries area. The meeting focused specifically on illegal fishing, primarily because it is seen as an important issue for both countries and something that we need to work on cooperatively to try and address. In terms of Indonesia's perspective on the problem, it is very difficult for them. It is a huge problem in their waters and they do not have the capacity to effectively enforce the law or deal with the problem. From our perspective, it is an issue because it is an ongoing problem in our northern waters. But really it is a subset of a much larger problem for Indonesia.

We have been trying to work cooperatively with them and we have identified the need to build their capacity, particularly in relation to monitoring and surveillance activities. At our recent meeting that was identified as a priority area. We have a project that is funded under the Government Sector Linkages Program that will allow us to bring some Indonesian officials to Australia for work experience here, to give them a program to go around and visit agencies and to learn. We will reciprocate by going back to Indonesia and providing some training to officials there. It is a small step in the right direction.

I think it is fair to say also that Indonesian officials are endeavouring to do what they can. They are committed to this problem. They have gone through a process in central government of re-registration of vessels, and they now have a better understanding of what vessels are operating in their waters. They have, I understand, issued tenders for some new patrol boats and for some vessel monitoring systems. We understand from Indonesian fisheries officials that the President of Indonesia has asked the navy to cooperate with the fisheries ministry to deal with illegal fishing. I think it is fair to say that there is a deal of commitment on the Indonesian side to doing what they can, but it is realistically a pretty daunting problem.

CHAIR—If an illegal fishing boat is sighted off Darwin, the Navy goes out there, drags it in, arrests the crew, puts them in court and burns the boat. It does not really cause too many concerns from our point of view up there?

Mr Ross—They recognise our need to enforce against illegal fishing in our waters. I think we have a good relationship with them on this. We certainly keep them informed of any vessels that have been apprehended and we try to deal sensitively with the fishermen that are involved. Nevertheless, they recognise that we have that right to enforce.

Mr EDWARDS—Are you happy with the judgments courts are handing down? Are these judgments having any impact at all?

Mr Ross—Overall there is, we feel, an effective deterrence there. In terms of whether the fines imposed by the courts are adequate, to the extent that they are helping to deter, I think that is reasonable.

Mr EDWARDS—Is that yes or no? Yes, you are happy with the deterrence, or would you prefer to see—

Mr Ross—Just generally, I think we are satisfied with the deterrent effect it is having.

CHAIR—Do the apprehensions of illegal boats get any publicity in Indonesia?

Mr Ross—To be honest, I do not know; I am not aware.

CHAIR—Have we ever undertaken any sort of advertising campaign, as was done with immigration, saying 'Don't do it because, if you do'—

Mr Ross—We have in the past endeavoured to provide some education and make fishermen aware of what is allowed and what is not allowed. We have endeavoured to go in and talk to the villagers in the areas we primarily receive these vessels from. We have undertaken that. In the future we have identified the need to do more in that area.

CHAIR—Is the major cooperation with fisheries strictly in that illegal area, or are you involved in other projects as well?

Mr Ross—At this stage the focus is primarily on illegal fishing and specifically in establishing management measures for the MOU box, which is an area of waters within the Australian zone we allow traditional Indonesian fishermen to access. Also a range of cooperative research activities are being undertaken. Not so much directly AFFA but is through ACIAR and other government agencies, there is quite a deal of activity in relation to marine and fisheries research undertaken.

CHAIR—I do not think this was in a submission, but our live cattle exports went pretty quiet after the economic downturn or at least over the last few years. Did I read somewhere the other day that that has picked up fairly dramatically?

Mr Morris—Yes, that is correct. In fact, I think we are exporting record numbers to Indonesia now. I do not know whether we have the exact numbers with us.

Mr Withers—For 2002 it is 429,000.

Mr Morris—They are back up to record levels again. If anything, the relationship is even stronger than in the past, particularly since we started allowing stockfeed in from Indonesia. There is quite a complementary relationship going on there. The Indonesians are exporting to us stockfeed, which is largely going into the cattle industry for live cattle, which are then being exported to Indonesia. It gets the cattle accustomed, before they leave, to the stockfeed they will be on in Indonesia. In an efficiency and perhaps even an animal welfare sense, it is quite a good outcome now where we are getting that bilateral or joint trade going on with the stockfeed coming to us and the live cattle going to them. If anything, I think that relationship is as strong as ever—probably stronger than ever.

Mr EDWARDS—Through your department of fisheries, what work is Australia doing in trying to establish aquaculture industries? Are we looking at these industries perhaps as an alternative to the ongoing depletion of stocks in some of these areas covered in the MOU?

Mr Ross—We try to take a multifaceted approach to dealing with the issue of illegal fishing. Primarily what drives it is the economic situation of the fishermen involved, and so there is a deal of work being undertaken with regard to alternative livelihoods. A scoping study has been undertaken and I think they are now at the feasibility stage of looking to establish a pilot program for an alternative livelihood project in one of these villages. Aquaculture is a key focus of what alternatives are available. It is low-tech aquaculture—things like sea sponges and various seaweeds. That I think will be in place perhaps later this year. If that pilot project proves to be successful, we would hope it expands into a bigger program.

Mr EDWARDS—How accessible are some of these villages that we are talking about?

Mr Ross—In gaining access to them?

Mr EDWARDS—Yes. For instance, if this committee were to visit Indonesia, would it be possible for us to visit one of these villages?

Mr Ross—I have not personally been to those areas, but I have heard that it is not that easy to gain access to them. Transport infrastructure is not particularly good. I cannot say specifically, but I understand that, for instance, ferry services do not run too regularly. I do not know whether there are any other means of getting to some of these islands.

Mr EDWARDS—Just hop on an illegal fishing boat.

CHAIR—Can I get another update? AFFA mentions a number of changes in government administrative arrangements in Indonesia affecting various portfolio interests. It notes that it is currently examining the potential implication of these changes on the portfolio interests. Has anything happened from that review about which we should be concerned?

Mr Morris—I know that Minister Saragih is still in place and, as I mentioned earlier, there is quite a good relationship between Minister Truss and Minister Saragih. For us, that is obviously the key relationship, and it is important to build that relationship. At my level, I jointly chair the Working Group on Agriculture and Food—or I will; I have not as yet. I will jointly chair the meeting in July. While I was in Indonesia during the ministerial forum, I met the chair from the Indonesian side to build that relationship. I believe she was a joint chair during the March 2002

meeting in Perth, so she has an ongoing connection with us. Generally, at those two levels anyway, there is that ongoing relationship.

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

Proceedings suspended from 3.31 p.m. to 3.47 p.m.

[3.47 p.m.]

CARNELL, Mr Ian, General Manager, Criminal Justice and Security Group, Attorney-General's Department

TUCKER, Mr John, Principal Legal Officer, Office of Legal Services Coordination, Attorney-General's Department

WARNER, Ms Robin, Assistant Secretary, International Crime Branch, Criminal Justice Division, Attorney-General's Department

CHAIR—On behalf of the subcommittee, I welcome representatives of the Attorney-General's Department. 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 standing as proceedings of the House itself. I invite you to make a short opening statement and then we can proceed to questions.

Mr Carnell—I will make a few brief comments. Our submission to the committee broadly falls into two areas. The first area is the links in law and legal services, in part driven by Indonesia's interest in fostering democratic institutions and attracting foreign investment. Those links have been fostered and promoted by the International Legal Services Advisory Council and also a range of contacts that we have touched on in the submission under both the government sector linkages program and the Working Group on Legal Cooperation. Mr Tucker's area is the area that has dealt with a number of those initiatives.

The second area is links in law enforcement, security and border protection. We have left the larger part of what the portfolio does in those areas to the AFP and Australian Customs Service submissions, but we have attempted to fill in some of the context for their activities. So there is information in there about what has come to be referred to as the Bali people-smuggling conference in February last year. There has been a follow-up conference to that just this week. Ms Warner was there with the Australian ministers and so can talk about how that aspect of the relationship has developed. There was also a meeting in December 2002 on money-laundering and terrorist financing. At the time that we wrote the submission, the Bali meeting had not been held. I do have the cochairs' statement from that meeting and I propose to table that so that the committee is up-to-date on where that has got to.

CHAIR—Thank you.

Mr Carnell—We also touch in the submission in the money-laundering area on the assistance departmental officers have given to Indonesia in the drafting of legislation, and there is also a good deal of assistance being given to Indonesia in establishing their financial intelligence unit. AUSTRAC's equivalent in Indonesia is getting assistance from AUSTRAC. Similarly, for counter-terrorism, the department has provided assistance to them in drafting their terrorist legislation. The Prime Minister announced late last year a $10 million program over

four years to help Indonesia build their counter-terrorist capability. Most of the proposals that will go forward under that will be from the AFP, Customs and other operational bodies.

Lastly, we touch on the other area in this part of the relationship—extradition and mutual assistance—where we have treaties with Indonesia. In a relative sense, there is a small amount of casework that goes on but, nonetheless, it is an important relationship in law enforcement terms. That, in the broad, is what our submission is about. We are happy to answer questions and assist in any way we can.

CHAIR—Thank you very much. The first issue I had on my list was the update. Ms Warner, would you be prepared to give us that now, please.

Ms Warner—Certainly. Just yesterday, ministers issued some recommendations out of the Second Regional Ministerial Conference on People Smuggling, Trafficking in Persons and Related Transnational Crime in Bali which finished yesterday. They recommended that that process, which has been cochaired by Australia and Indonesia, be continued and that some of the follow-up work that has been done in two expert groups, which were recommended from last year's Bali conference, be continued in those groups over the next 12 months. The one that this portfolio has had most to do with is experts group 2. That, among other things, has produced a set of model legislation for the region, elements of which are for criminalising people-smuggling and trafficking in persons. Some of those key elements have been taken up by some countries in the region that are developing their people-smuggling legislation, such as Cambodia. That has been a very positive outcome from the process. There is still further work to be done in the legislative development area and in cooperation on extradition, mutual assistance in criminal matters and tracing and confiscating the proceeds of crime. That follow-up work will be conducted, again, by that experts group 2, chaired by Thailand.

The other aspect of that experts group, which is really an AFP issue, is the law enforcement cooperation on things such as identity verification and document examination, and border protection issues at a practical operational level. That is the other aspect of that group's work. The plan of action which has been developed in that regard has resource task forces, in which police and customs officials in the region are cooperating on certain aspects of operational issues, such as document fraud and identity verification, and also environmental scans of the region to assess emerging crime trends. So there will be some work done in that area, as well, over the coming months and, at the end of the 12 months, the experts groups will report to a senior officials meeting, and it is foreshadowed that there would be a ministerial conference again in two to three years to assess the work that is being done by the Bali process.

CHAIR—Other than Cambodia, who else has picked up that legislation? Is there any country that is not going to pick it up in some form?

Ms Warner—That model legislation provides key elements. Some countries, such as Pakistan, have been working on people-smuggling legislation and have drawn on those key elements. Each country is doing it in their own way: they are following their own legislative processes but they are looking at the key elements, so dual criminality can be established between countries.

Mr Carnell—I have a perspective of 4½ years on this since I came into this area. It seems to me that even in that relatively short time there has been a much greater understanding of the growth of transnational crime networks. I think law enforcement agencies in all countries are realising much more the need for cooperation and similarity in legislation and investigative techniques. The brotherhood of law enforcement has been building strong relationships in the time that I have observed it.

CHAIR—Does that sense of cooperation also go into areas like money laundering and general terrorist financing?

Mr Carnell—Yes. Indonesia is not yet considered to be compliant with the 40 recommendations of FATF, the Financial Action Task Force. They legislated last year, but they did not get the legislation through the parliament in the form they wanted. That is where the problems arise about it not being compliant, but they are intending to take back legislative amendments in this current year. They are busy establishing their financial intelligence unit. There is a strong relationship there with the Australian Financial Intelligence Unit. Generally, those financial intelligence units are starting to build up a strong network. There is a body called Egmont, because they had their first meeting in Egmont a dozen or so years ago—I am not a reliable historian on that—and that has started to get a number of countries on board now. There are now 69 members that have a fully functioning financial intelligence unit. So, yes, there is a lot of growth in that area.

CHAIR—Did you say that the Indonesian body was based on AUSTRAC?

Mr Carnell—It is not based on AUSTRAC, but ours is providing assistance to them about how they might establish themselves and what sorts of systems they may run. Realistically, we are well ahead in Australia in the sense of automated records. AUSTRAC has taken several years to build up a very good relationship with financial institutions. It all takes time to get the data flowing, but Indonesia has started down that path.

CHAIR—So they are heading in the right direction?

Mr Carnell—Absolutely.

Mr EDWARDS—I want to change tack a bit. Can you give us an update on the situation in relation to the people who have been charged with the offences relating to Bali? What is the situation there in terms of a trial? Will Australia have some sort of a watching brief, and will the Attorney-General's Department be attending?

Mr Carnell—I would have to come back to you to give you precise information on where that is up to.

Mr EDWARDS—Can you give us a general brief on where it is at?

Ms Warner—We are aware that the first trials start on 12 May. As you are probably aware, there was a joint investigation team set up with the AFP assisting the Indonesian police. It is really an issue for the Australian Federal Police at this stage, but the first trials will start on 12 May.

Mr Carnell—The answer to the second part of your question is no, at this stage the Attorney-General's Department is not planning to be an observer at the trial.

Mr EDWARDS—I am surprised at that, I must say. I thought we would have had a watching brief there through A-G's at least.

Mr Carnell—The Australian embassy would perform that role.

Mr EDWARDS—Not AG's?

Mr Carnell—No.

Mr EDWARDS—There is another area I want to turn briefly to. Can you give us an update on where we are at with air security officers on Australian aircraft between Indonesia and Australia?

Mr Carnell—Indonesia is one of three countries that there are negotiations with about having the air security officers on board Qantas flights. I think negotiations are most advanced with Singapore—

Mr EDWARDS—I would be happy if you would like to take that on notice.

Mr Carnell—Yes, I will get back to you with where we are with Indonesia. I know we are well advanced with Singapore and I know things are happening with the US, but I am a bit sketchy about Indonesia.

CHAIR—Did you find that the situation in Bali and our decision to participate in Iraq impeded the development of your relationships with the Indonesians at all? Has the process been slowed down by these events?

Mr Carnell—No.

Ms Warner—No. Certain statements were made by the Indonesian Foreign Minister, Mr Wirajuda, about Iraq during this conference over the last couple of days—obviously putting a contrary position to our own position on Iraq—but it certainly has not harmed in any way the process or the progress of the Bali conference and the outcomes of that.

Mr Carnell—Generally, in reflecting on that point in preparation for coming here, I thought, no, in these two areas it has been fairly steady. A number of other tensions in the relationship have not impacted on what is really a steady growth in these two broad areas that we have touched on in our submission.

CHAIR—I will ask you about your reference on page 3 to the ILSAC Indonesia-Australia ad hoc legal visits. How does this work? Who comes?

Mr Tucker—The program works with AusAID funding. I think there was a total of about $60 million spread over a number of years. It was to initially involve three inward visits from Indonesia but in fact there may have been more than that. The visit programs are supervised by

ILSAC, which is a public-private sector advisory body to the Attorney-General. The secretariat is in the Attorney-General's Department.

The work to organise the visit programs, which are designed specifically to take account of the interests of the visitor, usually over seven to 10 days, is basically put together by the group that won the tender, which includes the University of Melbourne, Murdoch and the office of law firm Mallesons Stephen Jaques in Perth. That program, depending who the visitor is, involves meetings both in Canberra and usually in Melbourne, Perth or Sydney. There may be a public presentation, various calls and what have you. The people who have been here, from memory, were a private practitioner, a government official and a woman drawn from an environmental NGO. We try to cover the waterfront, so to speak.

CHAIR—Do we do the invitations at this end, or are they determined by the Indonesians?

Mr Tucker—No, the invitations were basically extended by the chairman of this advisory body, Sir Laurence Street, and the process of determining who was invited was done in consultation with the Australian embassy from a long list—in other words, people that we thought were in a position to benefit from the development of closer Australia-Indonesia links in law and legal services and who were on the way up, so to speak.

CHAIR—I wonder if you could give us a bit of background on the Working Group on Legal Cooperation meeting last year, how far that has advanced and what you hope to achieve. Perhaps you could also give us some background on the legal education schools offering joint partnerships with Indonesian universities.

Mr Tucker—I am not sure how much I can help on the second one but, on the first, the Working Group on Legal Cooperation is one working group consisting of 17 or 18 members of the Australia-Indonesia Ministerial Forum, which was set up by Australia and Indonesia as a bilateral mechanism to advance relations. The Working Group on Legal Cooperation held its inaugural meeting in April 2002, a year or so after its formation. The attempt to hold an inaugural meeting before that was, frankly, aborted due to a series of misadventures. In one case the Indonesian minister died, and there were other problems. I do have a report of that inaugural meeting if you would like us to table it. It might save time. It includes who was there and what was discussed and so on. Is that okay?

CHAIR—Yes, thank you.

Mr Tucker—The working group is intended to be a sort of umbrella organisation to pick up interests representing officials on both sides: private practice; legal education and training; the judiciary; non-government organisations; and dispute resolution—arbitration, mediation and what have you. It is intended to develop the relationship in law and legal services. It is not a funded body—not funded in the sense that it has program funds—but, as you may know, the Australian international development cooperation agency, AusAID, does have a program where government departments can apply for funding to put to activities which must be endorsed by the Indonesian side as consistent with the goals of the Australia-Indonesia Ministerial Forum. Basically it is a 50c in the dollar program. The majority of the other costs are absorbed by the government department in Australia, with some costs absorbed by the Indonesians. So it picks up disbursements like international travel and accommodation but not time based costs. That

program is expected to enhance the development in law and legal services between the two countries.

CHAIR—The other thing that I would just like to pick you up on is that your submission notes that foreign lawyers do not have rights of audience in the Indonesian legal system. Is that a real impediment to our people?

Mr Tucker—No. Rights of audience would not normally be sought by Australian lawyers, as I understand it. What is sought is a right to practise the law of Australia in Indonesia in the commercial context. A right of establishment through a commercial presence by Australian law firms is not really available to lawyers described as legal practitioners. There is a way around it, so to speak, if a lawyer describes him or herself as a provider of legal services in the non-professional sense in management or consultancy. The administration of that presence is done by an industry department, whereas the administration of foreign lawyers who have a presence in the country is done by the Ministry of Justice.

Foreign lawyers are only able to practise through association with an Indonesian law firm—a commercial law firm. In other words, they are invited to set up an office within the Indonesian law firm and carry on practice in that way. That has been reasonably successful. There are probably more Australian lawyers practising in Indonesia than in any other country of Asia in the commercial world within the area of law of Australia, as opposed to local law. The disadvantage is that, in a sense, the Australian lawyer's tenure is only as good as the invitation and sometimes these relationships can hit a rough patch. But by and large it has worked well. We would hope that eventually Australians would be able to practise their own law as a matter of right, without the need to do so in an Indonesian law firm.

Mr EDWARDS—Would that be reciprocal?

Mr Tucker—No, Indonesian lawyers have the right to practise their own law here in Australia with a minimum of impediment. But the reality is that they do not choose to because the development of their legal services sector is not as developed as ours. They tend not to export legal services; we export a lot of legal services.

CHAIR—There are just two things that I would like to confirm. Is the legislation on money laundering in yet or are we still waiting for that to appear? Similarly, what is the current situation regarding the extradition treaty and people-smuggling? I think in your submission you say that it is yet to come into the law. Has anything concrete happened in those areas?

Mr Carnell—Dealing with money laundering first, they have enacted legislation but they are looking at enacting amendments this year so they can become FATF compliant. What about the second element, Robin?

Ms Warner—The people-smuggling legislation has not yet been introduced in their parliament. They had foreshadowed that they were going to be ready with that by the second Bali conference. They hope to get that into their law by the end of this year. Towards the end of 2001 we had actually had some initial talks with them about amending the extradition treaty to remove the list of offences. At the moment the extradition treaty has a list of offences. It does have a discretionary clause as well. However, their policy had been that they would not use the

discretionary clause under the extradition treaty. During the course of the past year they have wavered a bit on that. We would like to see if we could further the negotiations with them to remove the list from the treaty, and we will be endeavouring to do that.

CHAIR—Thank you very much for your attendance here 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 any necessary corrections to errors of transcription.

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

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

Subcommittee adjourned at 4.12 p.m.