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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Monday, 16 June 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 Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thompson

Senators and members in attendance: Senators Ferguson and Stott Despoja and Mr Hawker and Mr Jull

Terms of reference for the inquiry:

To inquire into and report on:

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

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

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Subcommittee met at 9.00 a.m.

BARSON, Mr Roger Andrew, Assistant Secretary, International Branch, Department of Family and Community Services

CASSELLS, Ms Annabelle, Assistant Director, Capacity Building, International Branch, Department of Family and Community Services

TRAINOR, Mr Leon, Director, Capacity Building, International Branch, Department of Family and Community Services

CHAIR—I declare open the public meeting 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 and universities and non-government organisations, with an interest in aid and human rights and from individuals.

A feature of this inquiry has been the number of submissions made by federal government departments. These set out in some detail the nature of their engagement of their counterparts and other agencies in Indonesia. We have learnt much from these submissions and others about the links and programs that are already in place which are helping to build Australia's relationship with Indonesia. We look forward this morning to being updated by a number of departments and a key professional association, the Institute of Engineers, on developments since they made their submission.

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

Mr Barson—Chair, I will keep my opening statement brief. We have prepared an update on our previous submission, which I am happy to table for you. It simply adds to that submission the more recent events and in particular the establishment of a special joint working group on social security under the Australia-Indonesia Ministerial Forum. That joint working group has only recently been established and it is our intention to work with other government agencies on that joint working group with our Indonesian counterparts to continue our collaborative work, particularly around social security. I am happy to table that statement and have it recorded.

CHAIR—Is it the wish of the subcommittee that we receive as evidence into the inquiry into Australia's relationship with Indonesia and authorise for publication submission No. 96 from Family and Community Services. There being no objection, it is so ordered.

I found quite interesting the work that you are doing. Could you give us some background on just how it all started? Was it an Australian initiative originally or was it in response to some sort of request from Indonesia?

Mr Barson—I will ask my colleagues to speak. They have been more involved with the detail of the relationship which has been going on at some level or another for some years but really received a burst in 2002. A fair statement is that it was because of the efforts of both sides but I will let Mr Trainor talk to that.

Mr Trainor—It initially began at the invitation of Australia. Senator Jocelyn Newman hosted an Asian Social Policy Ministers Forum in June 2000. Her Indonesian counterpart was to have come but at the last minute Syrian President Hafez Al Assad died and so he had to go to the funeral. Nevertheless, they sent along an observer who subsequently invited the department into a deeper involvement in the reforms that Indonesia were doing.

CHAIR—It seems to work so well. Is there any magic formula for making it work so well. Are there any particular strategies that you undertook to promote the concept more or can you give us a few clues as to how others might be able to follow your lead in getting their relationships developed?

Mr Trainor—The situation itself is extremely fluid. We have attempted to pin down in our submission what overall direction is being taken. For a number of reasons, the overall direction has been maintained by the Indonesian government to reform their social security system but the circumstances around it and the activities they were going to do involving us have changed from time to time. We simply stayed in touch with them and attempted to find out as much as we could about the political situation that was affecting everything, causing this fluidity. Some would call it instability, but I do not believe that is correct. What was happening was the normal way politics were transacted in Indonesia and it was a matter of staying with them.

CHAIR—Could you tell us about some of your experiences. In recent years there have been, to say the least, a few pressures and indeed the contact with some other government departments drifted off. You have managed to maintain your contacts. Was that difficult?

Mr Trainor—No. The Indonesian government and all of the people are committed to this enterprise of reforming the social security system to underpin their economic recovery. This is seen as important and, provided we continue to maintain interest and contact with them, they will remain responsive. They would come at us out of the blue and say, 'We need you here next week. Can you please send experts?' This was early in the last financial year when we had to send a team of experts to help them put together the statement they were going to put to the parliament for overall reform. We had literally a week's notice to throw the thing together and we did it. That was a test of trust, as much as anything.

Mr Barson—It has been an issue of flexibility and responsiveness because that particular request we had been expecting for months, but when the request actually came we were given

very little time to respond. It has been the ability and willingness to put other things aside and respond rather than, as possibly would have been reasonable, 'Yes, but not next week, in three months time.' The reality of the situation we have been working with is that their environment would have changed in three months time.

The ability to respond to the requests and the interest at the moment it exists, I think, has been part of the key. Another part of it has been maintaining those relationships, continuing to show an interest and continuing in that long distance dialogue, demonstrating an interest in what was happening perhaps, rather than being seen to have a set library of solutions—'When you are ready come and shop and we will show you what we have got.' We have worked very hard at it but we have been fortunate in being able to respond to the express needs rather than simply laying a formula on the table.

Ms Cassells—As my colleagues have indicated, it is one of the highest priorities for the government of Indonesia. Going back a bit, when Megawati Sukarnoputri was vice-president, it was dear to her heart and moving on it still remained one of the highest priorities. That obviously spilt across into the government and, as stable as it is, it is still one of its high priorities. We are willing and able to engage—when they are ready and with whatever resources we have—and we have been able to do it.

CHAIR—Is it an exclusive relationship or are there other arrangements with other countries to give them assistance in the area?

Mr Barson—I do not think it is exclusive in that sense. I think we have a unique relationship at the moment. Certainly there are other countries and other interests where there is a willingness to assist once the plans are more developed. The comparative advantage of the relationship is that we have been involved from the initial formulations of that plan. Again, rather than simply respond with some solutions, we have been able to engage in a dialogue on possibilities, on mistakes, on possible dead ends, and in a sense provide that sort of critical analysis of their own plans rather than come up with a solution.

Senator STOTT DESPOJA—I am curious. Apart from the success stories, I am wondering whether in recent months you have discovered any barriers or concerns. Have SARS or the war in Iraq—any of those—had an impact on the good work of your officers and the department?

Mr Barson—No. I do not think those issues have impacted at all in our relationship with Indonesia.

Senator STOTT DESPOJA—That is great.

Mr Barson—Partly because it has developed at a very direct level—between individuals. It has not been subject perhaps to the same vagaries of politics as it moves around. Possibly the only area has been that both countries have at times been distracted and that has led to delays in work being done when it was expected to be done. That seems to have been no more or no less than we have encountered previously in our relationship with Indonesia and other similar countries. It is pretty similar.

Senator STOTT DESPOJA—That is good news. I am conscious of the reform agenda in terms of Indonesia and social security and I understand that FACS is assisting with that. You have listed a number of issues—health insurance, retirement pensions—and I also note that FACS is involved in assisting with maternity leave, establishing a system of maternity leave in Indonesia. Could you expand on the department's advice on that particular entitlement or benefit, however you wish to refer to it?

Mr Trainor—We have not been, frankly. Maternity leave is just part of the overall social security reform package. That will be one thing addressed by the reform team, though I would expect FACS to be involved in the future. Our major focus has been on the prime problem, which is making provision for people's retirement.

Mr Barson—Our contribution has been to note that as one of the elements of a package that needs to be addressed. It is some time yet before that will rise to the top of the heap.

Senator FERGUSON—To follow on from your answer to Senator Stott Despoja, are you telling us that all that we hear from the prophets of doom about our relationships with Indonesia and Asia in general simply is not a fact and that the war in Iraq and East Timor—that is going back a bit—and the Bali bombings have not had any effect at all on our relationship through your department?

Mr Barson—They have not had any effect on our relationship with our counterparts. There has been a recognition on both sides that at times there have been distractions which have meant that planned meetings, discussions or production of papers et cetera have not happened, so there have been delays.

Senator FERGUSON—What is the cause of those delays?

Mr Barson—Our view has been that those delays have been at the times of those incidents but, on reflection, they are no more or less than delays for other reasons. So, yes, there have been delays and distractions but they are simply another set of delays and distractions, rather than having any significant or lasting damage.

Mr Trainor—You could not impute a direct link. For example, with the Bali bombing, immediately afterwards people that we had been working with in various ministries immediately sent us their condolences, their expressions of regret that it had happened. It is important that they took on board the fact that it did not affect our relationship and we did not let it affect the relationship either. They thought that was very important.

Senator FERGUSON—We continually read from so-called Indonesian experts that our relationship with Indonesia is not as strong as it used to be or as strong as it should be. Are you suggesting that those comments are inaccurate?

Mr Barson—Senator, with our own experience we have not had a stronger link with Indonesia than the one we have at the moment. Since Senator Newman and Senator Vanstone's involvement and our own direct work we have had a strengthening and expanding relationship in the social security area that passes any relationship we have had before in that area. Certainly we are aware of those statements but it is not affecting our work.

Senator FERGUSON—That is very good news. I want to ask you one other question on your joint working group on social security, which is in this newspaper that you have just given us. Obviously, the forum has been established but no details have been decided yet.

Mr Barson—Correct.

Senator FERGUSON—I notice that you say that, besides FACS, the representatives could include the Treasury, the Department of Employment and Workplace Relations, AusAID and state governments. Is there a danger that if you get too broad a spectrum on the working group that you lose some of the focus?

Mr Barson—Yes. The working group itself was only formed at the Australia-Indonesia Ministerial Forum in March. We are working at the moment on when the first discussions of the working group proper will happen, as against its ceremonial establishment. What we have there is a shopping list of organisations and functions that will be involved at some stage. What we do need to do within that forum is to target the priority areas of activity. It would be a mistake to broaden it too fast too far and to dilute the impact of that forum.

Mr Trainor—On the Indonesian side, the Office of Vice-President, which is coordinating the four ministries or so and the working group that they have for social security reform, realise that there is a limited amount of resources on the Australian side and they will want to keep that focus. I believe the response that FACS gives in coordinating the Australian side is to remain responsive to the express strategic needs of the Indonesians and make sure, as Roger said, that we do not let the thing get out of hand.

Mr Barson—An important characteristic of that is the recognition on the Indonesian side that reform in this area involves a whole range of influences. The conscious decision on their side to involve a number of different ministries under the overall guidance of the Office of Vice-President is a good one for us because it recognises that it is not just an income support issue or an employment issue. The problems they are trying to grapple with actually require a coordinated response across a range of government entities. I still think the key, within that and within the recognition of the broad ambit, is going to be to target the activities very tightly and where they will have the best impact. We are still a little distance from deciding that.

Senator FERGUSON—Do you have members from your own department stationed permanently in Indonesia?

Mr Barson—No, we do not. We do a lot of air travel.

Mr HAWKER—When do you expect to get some tangible results from this working group?

Mr Barson—That is difficult. There are definite time lines within the reform program that we are working to, but we are also very conscious that they do tend to slip and slide around a bit. Leon, do you want to talk about the time lines?

Mr Trainor—There are a number of activities that we have already committed to which will take place and that the working group will take under its wing, as it were, and they are with the Ministry of Manpower. We will have a cooperative activity with them next month, which will

introduce them to community development activities they want to do in Indonesia, to build or strengthen communities of, say, squatters on the outskirts of large cities. They will be adopting what they can learn from the Australian experience. With the overall reform process we are expecting, within the next couple of months, to have a number of members of parliament come out to look at the Australian counterparts of what is being proposed in their overall reform program for social security. When that is completed, it will mean that the consultative process that the Indonesia government is going through in passing the legislation will have moved along another notch. We have been expecting this now for over a year, but it is about to happen.

The other activities that will happen under the joint working group are activities that we were going to do, or we have been working towards doing with the other ministries. I believe that while the working group sorts itself out—and it will be quite a coordination exercise—the activities will still go ahead and by the end of this coming financial year we should have quite a few runs on the board.

Mr Barson—One of the features is that we are not going into this as external experts or even as a source of overseas aid; we are going into it very much as critical friends who can exchange information, talk about our successes and our failures—not just the good bits—and from our particular experience, history and advantage, help to shape it and guide it. Although there is a whole series of activities that come out of this, we are not looking at a large scale program of some external reform. It is very much a contribution to an internal process.

Mr HAWKER—Are there any time frames that you would like to see, as opposed to what you might expect?

Mr Barson—The specific activities that are going on are this year's group. I think the next thing we want to do with our counterparts is to draft up a series of activities for the next two years. Over that sort of time, we would expect to see Indonesian plans formulated and put through their parliamentary system and shaped into an actual program with time lines. I think we are still looking at a good 12 months before we are in a position of having a future work program.

Mr Trainor—At the same time, we have to bear in mind that we always have to remain responsive to the fact that the grand plan will change in Indonesia. The one certain thing that is going to happen will be next year's elections. I believe the Indonesian government wants to have the reform legislation passed and to be moving towards implementing those changes, so that it will have something to go to the electorate with.

CHAIR—Are we allowed to ask you about that grand plan? Can you give us any indication as to the way you see it going? Are they approaching all of this on a national basis or, as in some other areas, has it become more of a regional focus?

Mr Trainor—In the case of Indonesia's social security reform, they want to pull back from regionalism. They have realised that the only way they can have an effective social security system operating is to have a good deal of centralisation, to have a single body that will be responsive to the needs of the archipelago.

Mr Barson—Some of the issues there, Senator, are similar to our own Commonwealth-state issues and the constantly shifting views on the appropriate balance between centralised services and regional services. What we have seen so far is a shift back from a regionalisation at all costs model to one where there is recognition of functions which need to be either centrally controlled or centrally maintained through some sort of formal relationship with the provinces.

CHAIR—Is there a huge interest being generated in the local populace about all this, or have they not really understood what it is all about yet?

Mr Trainor—I would say that it has happened at a national level at present. The process they are going to follow with the drafting of the legislation is, firstly, they will inform members of parliament about what they propose and how it will all fit together as a vision for the future and, following that, it will then move down to regional level. Part of the plan is to have in place the social welfare system for the very poor, the people who are affected by seasonal changes—fishermen and farmers. They have to be informed but it will be a staged thing. As I said, I expect it is going to happen early next year at that regional level before the elections take place.

Senator STOTT DESPOJA—Has the international branch of FACS been involved in any of the counselling to the Bali victims?

Mr Barson—No, not directly. At the time of that incident we were part—and still are—of the department's emergency response arrangements. So, yes, we were involved immediately at the time of the incident but the direct counselling work and the direct support work has mostly been done through Centrelink.

CHAIR—Thank you very much indeed for your attendance here today. If there are any other matters on which we might need additional information, the secretary will be in touch and 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.

[9.29 a.m.]

DOLMAN, Dr Gary, Assistant Secretary, Department of Transport and Regional Services

GOUGH, Mr Ross, Director, Asia and Europe Aviation Markets, Airports and Aviation Division, Department of Transport and Regional Services

LEHN, Ms Antonia, Assistant Director, Aviation Security Policy Branch, Department of Transport and Regional Services

CHAIR—I welcome the Department of Transport and Regional Services. Although the subcommittee prefers that all evidence be given in public, should you at any state wish to give any evidence in private, you may ask to do so and the subcommittee will give consideration to your request.

From the submission it would seem that over the years you have created a pretty good relationship with Indonesia. Could you give us an indication of what you think some of the highlights of recent years activities have been? What has been a positive and what has been a negative?

Dr Dolman—As you say and as indicated in our submission to the committee, the Department of Transport and Regional Services has a fairly longstanding relationship with our Indonesian counterparts, resulting in positive outcomes from project work and also goodwill on both sides. Essentially, this relationship is underpinned by two agreements—the 1969 Airservices Agreement and the Memorandum of Understanding on Cooperation in the Transport Sector, which was originally signed in 1995 and then re-signed in 2000. Cooperation is also pursued under the Working Group on Transport and Tourism of the Australia-Indonesia Ministerial Forum. Our relationship is fairly low key. I might start by running through—

CHAIR—That is my fault, because I should have offered you the opportunity of making an introductory statement.

Dr Dolman—I was going to highlight some of the things that have happened since we made our submission. Then I can answer your questions and raise some of the highlights as well.

CHAIR—That is great, thank you.

Dr Dolman—Since the department's input to the inquiry in November last year, we have had further interaction with our Indonesian counterparts to further build upon the positive relationship. The primary contact since November was the sixth Australia-Indonesia Ministerial Forum held in Jakarta on 11 March this year, which continued to explore synergies between the countries. Minister Hockey reported the good ongoing cooperation between the respective departments of both countries in the areas of transport and tourism.

The work includes projects relating to electronic commerce, search and rescue training, perishable goods cool chain, international air services and aviation safety training. We are also in

the process of initiating a further meeting—hopefully later this year—of the transport and tourism working group. Our department and our Indonesian counterparts also have a good working relationship within the APEC transportation working group, which met in New Zealand last week.

To answer your question about some of the highlights, activities that we have conducted under the memorandum of understanding include international air service negotiation training, which was held in Jakarta from 1 to 6 April 2002 and funded by AusAID. We also conducted an aviation law training course for government and industry, which was held in April 2001. We are conducting a cool chain project to improve practices in handling cool chain perishables so that they have a longer shelf life. From November 2001 to February 2002 Airservices Australia provided Indonesian air traffic controllers with a train-the-trainer package to help them build their capacity; search and rescue training via the Australian Maritime Safety Authority; and in December 2001 there was a fact-finding visit on benchmarking of airport charges. They are some of the highlights.

CHAIR—Do the Indonesians become quite enthusiastic about these programs? We have just heard from one department on the cooperation that has been going on and what has been generated there. Do you find that they tend to look for our guidance, or is this something that just evolves or is pushed?

Dr Dolman—I think it is fair to say that the relationship is fairly low key, but positive. Generally, where there are areas where there is deemed to be useful cooperation, we will get together and discuss those, but I would not say that either side is particularly pushy in the relationship. It is really a matter of working through areas of cooperation under those existing arrangements.

CHAIR—When we have things like East Timor or even Bali, do they affect your relationship or are things like aviation rights, air traffic control management and the rest of it beyond all that now?

Dr Dolman—I might get Ross to comment on the detail of aviation, but incidents like those make it a little bit more difficult to travel and meet. There are difficulties that are imposed by those sorts of incidents, but obviously the transportation elements of those incidents—in particular, following September 11, where there was a much stronger transportation link—will have an effect.

Mr Gough—Mr Chairman, to partly answer your previous question, in relation to the Airservices training project that we undertook last year and finished off just a few weeks ago—in fact, with a supplementary part of that project—the Indonesians approached us. We had had a long series of discussions with them between 1997 and 2000 trying to not only explore ways of creating new opportunities, particularly for our carriers but also open up a bit more of Australia and beyond Australia for Indonesian airlines. During those exchanges, we found that we were spending a lot of time explaining the benefits of doing things. We left with them the idea that, if they would like us to put aside the negotiations and come back and talk to them about the first principles of aviation training, both at the bilateral level and at the global multilateral level, we would be happy to do that.

Of course, as with a lot of these things, you sow the seed and wonder whether it is ever going to grow. This one did, and they wrote to us asking if we could please provide them with formal training in that regard. We then put that in train with AusAID and, after a couple of goes, received some funds for that. We had a tender process and contracted Monash University to undertake the project on our behalf, although we made a staff member available as a facilitator for the course.

Getting back to your second question as to whether East Timor and Bali interrupt things, obviously there is some spin-off, but—as Gary indicated—we continue to have a very low key personal relationship with the key Indonesians, partly facilitated by an officer exchange program which we began six or so years ago. We have three or four of those in both directions. That obviously helps to gain an understanding. When things are tough, it is easy to pick up the phone and say, ‘Can you help us on this?’

East Timor is a little unusual. The Indonesians continue to provide air traffic control over the independent nation of East Timor and have done that with a great deal of cooperation with Airservices Australia and with us. Despite the disagreements that led to that independence, at the working level relationships are good.

Senator FERGUSON—Are we still training their pilots?

Mr Gough—Not that I am aware of.

Senator FERGUSON—They were training at Edinburgh for a while.

Mr Gough—Yes, there have been some and I think also at Cessnock. I am not aware of any current training going on, but that is obviously subject to money being available. We are a country of preferred training.

Senator STOTT DESPOJA—First of all, I am curious as to what kind of dollars the Indonesian government has put into its airline or tourist industry in an attempt to assist with some of those difficulties you talked about. Are you aware of any kind of monetary rescue package? I am happy for that to be taken on notice.

Mr Gough—No, Senator, not in dollar terms. Garuda and Merpati, which are the two airlines that either are flying here or have flown here, are both government owned. To the extent that those airlines need capital support and cash support to get them through tough times, the Indonesian government provides that. I am not aware of any specifically designated rescue package—which I think is probably what you are heading towards—that they have made available for those two airlines. In relation to tourism, yes, there has been some work, particularly Bali focused, with the government and hoteliers there working together to bring back the tourists.

CHAIR—Just on that, Air Paradise are now operating, aren’t they?

Mr Gough—Yes, just!

CHAIR—Sort of, yes.

Mr Gough—Yes, they started a few weeks ago to Perth and Melbourne. They found the going a bit tough and dropped one of their services to Melbourne. I think it is currently two and two—two to Perth and two to Melbourne. There is a new one called Air Bali. I do not know whether that is going to get off the ground. It is another Bali based/hotelier based airline, as Air Paradise is. They have not yet made an application to us, but have managed to get some press for themselves recently in Australia. They have been making inquiries with airports for access and tourism wholesalers and retailers about selling packages in Australia, but as far as we know those are exploratory measures at the moment and have not led to an application.

Senator STOTT DESPOJA—In relation to the recent decision to introduce a visa charge, was your department consulted or involved in any way in that decision? Off the top of my head, I think it is to operate from September.

Mr Gough—No consultations that I am aware of, Senator.

Dr Dolman—No, I am not aware. We can follow that up for you.

Mr Gough—That may be a matter for Foreign Affairs, I think.

Senator STOTT DESPOJA—Indeed. I wondered, given the role that you play, if there would have been consultation. Do you have any views—and I understand if you do not—as to the potential or, at least, perceived impact of such a charge in relation to Indonesian-Australian tourism or traffic?

Mr Gough—Again, I think that is probably better asked of the ATC and our industry tourism resources colleagues rather than us. One sees a lot of press on this sort of thing—that it is counterproductive, in terms of promotion of tourism. We saw that in relation to the Ansett levy. There may be some views on that, but we have not been involved in that.

Senator STOTT DESPOJA—Okay, I will chase that up elsewhere.

CHAIR—How would you describe the air agreements with Indonesia at the moment? Are they fairly loose? Are they tight? Are we heading towards an open skies arrangement? How liberal is it both ways?

Mr Gough—We would not normally put Indonesia in an open skies candidacy category, but the relationship is a good one. The agreement which we signed in August last year was—for us and for the Indonesians—a good outcome following four or five years of hard work. The arrangement now provides for the airlines of both sides to choose partner airlines—partners of choice—to operate for them into Australia and beyond Australia and for us beyond Indonesia. That was not previously available. It is something we began to push quite hard when Ansett was with us, because Ansett had an alliance with Singapore Airlines and would have liked to have linked up with that airline to operate through Indonesia to link up with Singapore, but it was not to be. It is one of the ironies that the right is now available, but the airline is not there to take it up.

It is a pretty good set-up. It has been a pity that Bali has dented what was a growing market between Australia and Indonesia and, interestingly, a growing market of Indonesians coming into

Australia. We hope that picks up for the economies of both countries. The Indonesians would probably gain more from that once Bali picks up. We are starting to see that now. The cancellation of services has subsided a bit. SARS hit a bit, but Indonesia was not affected by that so much; it was hit more by the Bali incident. It is a good relationship. Garuda have not had a partner airline. They have had some advice from time to time, but have not taken that final step. We would encourage it, but it is a matter for them and their commercial people.

Senator FERGUSON—On the issue of visas, I attended a tourism conference in February where the issue of the introduction of visas for Australians was raised. I had the distinct impression at the time that we were there because they wanted us to change our travel advisories and that the application of a visa was to be used as a lever to try and achieve that end—it has not, of course. It has not been lifted, but there has been some different advice given, which might account for the 1 September starting date, hoping that something might happen before then. They were warned then that the imposition of a visa would have a far more serious effect than Ansett levies or anything else that they might do in a market they were trying to increase.

So-called Indonesian experts have suggested that the relationship is not as good as it used to be and yet we have just had the Department of Family and Community Services saying that the relationship has never been stronger than it is currently. How does your department feel about it?

Dr Dolman—As I said, I think for a number of years our relationship has been good, but it has never been more than low key. There have been implications from East Timor and from Bali which have maybe stopped us from meeting quite as frequently as we have in previous years, but we still maintain those personal contacts or working relationships with officials. I think the relationship is as good as it has ever been.

Senator FERGUSON—Have you found any obstacles in the way of your relationship? Have there been any occasions when decisions you might have been trying to put in place or meetings you might have had have either been cancelled or delayed because of incidents in the past two years?

Dr Dolman—No.

Mr Gough—No, not really, Senator. The delay in the lead-up to the August 2002 settlement of our air services arrangements was absolutely understandable because of the riots that took place in Jakarta in Indonesia, and that led to the East Timor incident as well. We could live with that. They explained to us that it was not possible to get the attention of their ministers to give negotiating lead and so on. The occasional delay that might have been occasioned by incidents like that has not disrupted the relationship at the personal level and, in the area that I work in, has been good.

Senator FERGUSON—Is Air Paradise getting any government support at all? It is the owner of Paddy's Bar, isn't it, that is behind it?

Mr Gough—I cannot answer that. The owner is certainly a hotelier of some kind. If he is the owner of Paddy's Bar—

Senator FERGUSON—I think so.

Mr Gough—I am not aware of that.

Senator FERGUSON—It was due to start flying over the weekend of 12 October. I know a person who was supposed to have started work as a flight attendant that weekend, and it did not happen. The decision to proceed with Air Paradise, even in February when it started, was a pretty courageous decision. Bearing in mind the downturn in the tourism industry, there could not have been a more inopportune time really. They are strictly commercial matters, aren't they?

Mr Gough—Yes.

Senator FERGUSON—When you talk about contact with your counterparts on the other side, what is the main focus of your discussions? What are the main things that you want to share or determine between the two countries? Is it just air services? Is it the control of air space as far as the airlines are concerned?

Mr Gough—We might answer that in two parts. I will answer on the aviation side and Gary will answer more broadly in relation to the portfolio. With air services, Senator, I am not sure whether you are aware—the chair is!

Senator FERGUSON—Yes, he's very aware of air services!

Mr Gough—I have had lots of dealings with the chair on this matter of air services over the years. It is a fairly heavily regulated area internationally. There is a web of bilateral agreements that determine how airlines should access other countries. When we seek stakeholder inputs in relation to what we should seek to achieve for Australia in an arrangement with Indonesia, we are looking for the best access based on market, airline and tourism expectations and, in some countries, cargo export expectations. We are looking for as liberal an outcome as possible, involving the best market penetration as possible, the best route structure—

Senator FERGUSON—Are all your decisions made on reciprocity?

Mr Gough—It is not always traded on a reciprocal basis. That is the intriguing part about it. At first blush you would think it would be, but often the expectations are different. Indonesia is probably a good example where Australia would see advantages for its airlines in connecting Indonesia with the Singapore market. That might be of greater value to Australia than simply linking up some airports with Indonesian airports. Indonesians may believe that access to Sydney and Melbourne is absolutely paramount and are not interested in anything else. So suddenly you have a mismatch of expectations. We want Indonesia and beyond; the Indonesians want more into Sydney and Melbourne.

With Indonesia we have implemented the Australian government's regional airport access package, which is an arrangement whereby foreign airlines—in this case Indonesian carriers—are able to access all airports in Australia, except Brisbane, Sydney, Melbourne and Perth, with as much frequency as they like with any aircraft type as they would like. With the other four airports, there is a traded pool of capacity. The Indonesians have given us similar access to airports in Indonesia, although really they only have two they put most of their work into and that is Bali and Jakarta. But we have had an occasion where an airline operated to Surabaya for a little while a couple of years ago, a National Jet service. It is no longer an Australian company

but it had a crack at Broome and Surabaya as a new route. There was a time when all that was linked up with Christmas Island.

Senator FERGUSON—It used to fly to Jakarta, too, didn't it?

Mr Gough—Yes.

Senator FERGUSON—Thank you.

Dr Dolman—Obviously maintaining air services is a key part of the relationship for the portfolio. Also our other interest is in terms of trade facilitation. We earlier spoke about the cool chain project that we have been working on to ensure that exports from Indonesia do make it with a reasonable shelf life in Australia. The other area we have been working on is to improve safety and security. Antonia, do you want to comment on security issues?

Ms Lehn—Our relationship with Indonesia, as far as transport security, is based on our joint membership of the International Maritime Organisation and the International Civil Aviation Organisation, who tend to mandate security standards—and also our joint membership of APEC. We have been providing assistance to Indonesia to meet the requirements of the IMO, the new standards being mandated. DOTARS is putting together a comprehensive package together with the Australian Customs Service to guide Indonesia through the steps required to meet the new IMO requirements. That is going to be happening later this year around September or October. They are also conducting a three-day symposium in Melbourne this week, together with the Customs Service, on maritime security and trade. That is also tied up with the United States initiated STAR initiative—Secure Trade in the Asia-Pacific Region—which has basically taken a lot of the IMO and ICAO deadlines and brought them forward to get them implemented sooner. We have started doing something similar for aviation security. A couple of officers visited Jakarta and Denpasar airports to undertake an initial airport security audit. That was to get them up to ICAO standards. ICAO is starting a program of security audits to ensure they will be able to get ready for that.

CHAIR—I suppose, particularly in air services, it would be difficult comparing the situation of Indonesia with, say, Singapore or even Thailand. Is the relationship much different? Is it any stronger? Does it operate any differently to perhaps some of the other relationships with ASEAN countries? How would the Indonesian relationship, say, stack up against the Vietnamese or even the Malaysians?

Mr Gough—They are different markets. A lot of those countries are members of ASEAN so they tend to work together within that relationship. There are certainly different shades of attitudes to trade in their dealings with Australia. Singapore is much more encouraging of a freer trading relationship on the aviation side and Indonesia is a little bit more conservative. I do not spend a great deal of time thinking about that, Senator. It is a question of a good outcome that works for both sides in dealing with any of those countries. We have a good relationship with Indonesia now and that was built on trust and an acknowledgment by them of the advantages that were available to them with a better agreement than what had previously existed and that is where we are today. The arrangements provide for much more than the market is using. That is always a healthy sign. When the market does pick up between Australia and Indonesia the arrangements are in place for the airlines of both sides to take advantage of that.

CHAIR—Can you classify it as a good relationship, or could you go as far as saying it is a special relationship.

Mr Gough—It is both. It is good and it is special. We have always gone out of our way, I suppose, to maintain a dialogue with Indonesia. Understandably, officials in their aviation administration do not always have the funds to travel and usually with air services negotiations, as with all trade negotiations, you tend to swap countries in terms of venue: the our turn, your turn principle. That has not always been possible with Indonesia. We have understood that, so we have always been prepared to go to them. For their part, they have tried to encourage us to go to their regional gateways so that they can publicise to their provincial governors and so on, the advantages of air links. In that regard it is special and different. You cannot do that sort of thing with Singapore or Vietnam, but it has been possible with Indonesia.

CHAIR—Thank you very much indeed for your attendance here today. If there are any matters on which we might need additional information, the secretary will be in contact 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. Once again, very special thanks indeed for being with us.

Mr Gough—Since we lodged our submission a lot of the statistics have become out of date. Closer to publication of your report if you would like an update of that give us a hoy.

CHAIR—Thank you very much.

[10.02 a.m.]

COTAN, Mr Imron, Charge d’Affaires, Embassy of the Republic of Indonesia

EDI, Mr Sutriyono, Industry and Trade Attache, Embassy of the Republic of Indonesia

GULTOM, Mr Foster, Counsellor (Economic), Embassy of the Republic of Indonesia

MUHAMMAD, Mr Burhan, Counsellor (Politic), Embassy of the Republic of Indonesia

NILAWATI, Ms Deana, First Secretary (Head of Consular Section), Embassy of the Republic of Indonesia

RAUF, Mr Lutfi, Head of Political Section, Embassy of the Republic of Indonesia

SAULANG, Mrs Trini, Head of Information Section, Embassy of the Republic of Indonesia

SUDARISMAN, Air Commodore Victor, Defence Attache, Embassy of the Republic of Indonesia

YUDHI, Mr Wahdi, Education and Cultural Attache, Embassy of the Republic of Indonesia

CHAIR—On behalf of the subcommittee I welcome Mr Imron Cotan, the Charge of the Embassy of the Republic of Indonesia and his colleagues, to the hearing. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. On behalf of the subcommittee, could I welcome you and all your accompanying representatives. The subcommittee is very pleased to receive your submission and greatly appreciates your attendance here this morning.

The inquiry has attracted considerable interest in the community. We have received approximately 100 submissions from a range of organisations including government agencies, schools and universities, non-government organisations and individuals. The focus of the inquiry has been on the building of relationships between our two countries. This focus has been clearly reflected in the substance of the submissions and we have been pleased by the level of interest there is in the relationship and the acknowledgment of its importance to us. We have learnt much about the wider range of activities in which there is already a good deal of constructive shared endeavour. We have noted the strong sense in submissions of the desire to deepen our understanding of our neighbour and the political, economic and cultural dimensions of Australia’s relationships with Indonesia.

Once again, I thank you for your attendance here today. We value the opportunity to be updated on some of the developments in Indonesia and to gain an Indonesian perspective on matters that have been raised in this particular inquiry. Although the committee does not require you to give evidence on oath I should remind you that these hearings are legal proceedings of the

parliament and therefore have the same standing as proceedings of the House itself. I invite you, sir, to make a short opening statement before we proceed to questions.

Mr Cotan—Distinguished senators and honourable members, at the outset I wish to congratulate the subcommittee's members for Australia's endeavour to contribute to the enhancement of relations between our two countries. We sincerely hope that the subcommittee's contribution will not only improve the relations between Indonesia and Australia but also ensure its sustainability into the yet unpredicted future. Before going any further, let me assure you that the embassy's previous submissions remain valid. This short introduction is only meant to bring to your kind attention some major new developments recently occurring in Indonesia, especially on the separatist movement in Papua and Aceh, that may have an impact upon our bilateral ties.

Apart from that, the trial of the Bali bombing suspects has been in progress in Denpasar, Bali. We hope that the trial will not only bring justice to the victims of the bombing but will also be able to unravel the terrorist network in the region. We commend the excellent cooperation extended by the Australian Federal Police to our police force that has led to the arrest of the suspects. The fact that Indonesian people lodged no complaints at seeing the Australian security forces operating openly on our soil, to help investigate the Bali tragedy, has always been overlooked by the people of Australia, taking into account that some Indonesians still harbour ill feelings against Australia due to its involvement in East Timor. The Bali bombing which claimed over 200 innocent lives and injured 300 other people, notably Australians and Indonesians, has definitely brought the two countries even closer.

Of no less importance, we have successfully organised to assist the sixth Australia-Indonesia Ministerial Forum in Jakarta on 11 March 2003. The meeting, which was attended by seven Australian ministers and 10 Indonesian ministers, was indeed an important sign of the enduring commitment of both countries to maintaining positive, realistic and mutually beneficial neighbourly relations. This forum continues to provide both sides with a framework to review progress in their relations. Meanwhile, Australia and Indonesia have also agreed to focus their development cooperation for the fiscal year 2003-04 to support poverty reduction and sustainable development involving four key areas: economic management, democratisation, security and stability, and social services.

The increase in the total amount of Australian aid to Indonesia by \$30.1 million for the fiscal year 2003-04 reflects the importance Australia attaches to the improvement of its bilateral ties with Indonesia and the significant challenges it is currently facing. On the subject of Aceh, the subcommittee may also be aware that the government of Indonesia has recently conducted an integrated operation in Aceh, combining humanitarian, law and order, and security operations after the failure of the joint council meeting between Indonesia and these parties held in Tokyo last May, not only due to the latter's recalcitrant attitudes of negating the sovereignty of Indonesia over the province of Aceh, but also their refusal to disarm in actual breach of the Cessations of Hostilities Agreement duly signed by the two conflicting parties.

The legal basis for these operations is the presidential decree No. 28/2003 that imposed a six-month martial law on Aceh. In some contrast to the case of East Timor, there has been clear-cut support from the Indonesian people to root out the separatists from Aceh, so there is national consensus on that. There is no question about it. The government hopes therefore that this integrated operation will be able to bring to Aceh normalcy to allow its people to live peacefully,

free from the fear and intimidation which has for years hounded them. I would like to stress here, we have to admit that in every war, guerilla war in particular, collateral damage cannot be avoided, as we have recently witnessed in Afghanistan and Iraq. We have to be sincere about this.

The Indonesian government is, however, determined to minimise the damage and to ensure that those who fail to protect and respect human rights during the military campaign will be brought to justice. Some members of the armed forces have been brought to justice to account for their mistreatment of local civilians. A similar stance will also be applied to rebels thought to have committed such violations.

Distinguished senators and honourable members, on Irian Jaya or Papua, I wish to let you know that in accordance with the provisions contained in the autonomy package, Law No. 21/2001, the province with approximately two million people receives around 7 trillion rupiahs, equal to Australian \$1.4 billion, budget per annum. In comparison—and this is a very stark contrast—the province of East Java with 35 million people only received Australian \$1.9 billion per annum. In terms of per capita income, the Papuans are extremely wealthy compared to the rest of their compatriots.

Intending to accelerate the development in this huge and rich, but sparsely populated region, the President has recently issued an instruction No. 1/2003 to divide it into three provinces. Contrary to the claims presented by some, the establishment of these three provinces will bring at least the following benefits: firstly, the government's span of control becomes shorter and narrower, delivering thereby quicker and better government services, especially in the remote areas; secondly, the opportunity for the locals to participate in the decision-making process will be greater and wider, creating thereby an environment conducive to the improvement of human resources. As Australians have always said, 'A fair go to all'. Thirdly, the development program will be evenly spread, thereby helping both the private and employment sectors to flourish and that in turn may well eradicate poverty and unemployment in the region.

The creation of these provinces will not annul the special autonomy law. In fact, the special autonomy status will be accordingly applied to these three provinces. Thus, the assertions that this new policy will stop the implementations of the special autonomy arrangements is absolutely misleading. It is also misleading to assert that the establishment of these provinces has attracted an influx of migrant workers. Currently almost all key positions in the regions are occupied by the Papuans. Also, contrary to the allegations put forward by some quarters, the government has not established new military commands in all newly established provinces around Indonesia. We have established new provinces not only in Papua but also in Sumatra and Java, but no military structures have been newly established in those new provinces.

I also regret the fact that there have been a handful of people in Australia who persistently fan the separatist sentiments, especially in Papua, using various pretexts, a move that would definitely run the risk of prolonging the conflicts. What hurts us the most, there are some who claim that Papuans are racially distinct from the rest of the Indonesian people, absolutely neglecting the fact that there are more than 11 million Melanesians living in the eastern flank of the archipelago and only around 10 per cent of them are living in Papua.

If you care enough to further calculate, Indonesia's Melanesians also greatly outnumber the Melanesian population living in the whole of the Pacific islands. Worse still, there are people who believe that they have the right to liberate Papua simply because they think they originated from the region. We have failed to find any international norms and values that may support this rather bizarre view, otherwise we might well give Australians the right to liberate Europe where they initially originated from this continent.

Astonishing as well, there are also people who advocate that the world's borders, including Indonesia's, should be drawn along religious lines, neglecting the fact that some of the Papuans' brothers and sisters embraced Islam as their religion as well. How chaotic the world would be if we entertained such a brilliant idea. If it were to eventually materialise, it would definitely puzzle me—and, indeed, a million others—for Muslim and Christian blood mix in us, and in me personally.

Distinguished senators and honourable members, on a number of occasions the Australian government has made it clear that it has never been and will never be supportive of these separatist movements. This principal position is also reflected in the joint ministerial statement of the sixth Australia-Indonesia Ministerial Forum held in Jakarta last March that *inter alia* stipulates:

Australian ministers reiterated the strong statements of support for Indonesia's territorial integrity made by Prime Minister Howard, including during his recent meeting with President Megawati. Ministers noted the Australian government has instituted a code of conduct for NGOs in Indonesia that prevent funding of organisations that operate contrary to the laws and policies of Australia and Indonesia. Australian ministers agreed to investigate any evidence of pro-independence activities by NGOs that it funds in Indonesia. Indonesia undertook—

and this is a very important part of the paragraph—

to provide information on any such claims and Australian ministers agreed to take necessary measures to allay doubts about its principled position of supporting the territorial integrity of Indonesia and its sovereignty over Papua.

I personally could be held accountable for this wording. Indeed, it is absolutely in the vital interests of Australia to have Indonesia stabilised, for as such it may well function to cushion any threats emanating from Australia's northern flank.

The recently introduced Australian budget proposal projected a similar viewpoint as follows:

Australia's national interest is best served by having a unified, prosperous and democratically strong Indonesia as neighbour.

It is, therefore, absolutely wrong to assume that a politically and economically strong Indonesia would pose a threat to Australia. It is quite the opposite. Conversely, it is also wrong to assume a shaky and destabilised Indonesia would lessen the threat. Again, it is quite the opposite, as Patrick Walters, a leading journalist, asserted as follows:

Canberra has very real concerns about the long-term stability of the Indonesian state should Aceh ever achieve independence. The ultimate nightmare for our security planners is a break-up of the unitary state involving the secession of Irian Jaya.

I also deem it necessary to report to the subcommittee that the situation in Maluku has now significantly improved. The security situation, as well as the economic and social activities of the people in North Maluku, have returned to normalcy. Accordingly, the President issued a decree No. 27/2003 to lift the civil emergency status of the province. We sincerely hope that this will bring us even closer to a united, prosperous and democratically governed Indonesia.

Distinguished senators and honourable members, based on our submissions—and this also refers to our earlier submissions—I wish to take this opportunity to submit some policy recommendations for the subcommittee to kindly consider as follows: firstly, to urge the people and the government of Australia to continuously support Indonesia's efforts to recover from the economic crisis and continue its reform agenda; secondly, to urge the government of Australia to revoke its travel advisory on Indonesia to enable the two peoples to freely travel and engage in activities beneficial to both countries; thirdly, to urge the government of Australia to continuously support Indonesia's national and territorial integrity and to take the necessary measures to prevent Australia from being abused by elements that support the separatist movement in Indonesia, in accordance with the principles enshrined in the joint statement of the sixth Australia-Indonesia Ministerial Forum that I have previously alluded to; fourthly, to urge the government of Australia to encourage the exchange of visits between all segments of the two nations—including your impending visit to Jakarta or Indonesia—especially their young leaders, to bridge the cultural divide that exists between Indonesia and Australia.

Finally, my colleagues and I are more than willing to entertain any questions you may have to bring more insights into the issues under consideration, but before doing so I beg your indulgence to include this introductory statement into our previously submitted submissions. I thank you, ladies and gentlemen.

CHAIR—Indeed, that statement will be on the record and we thank you very much for it. Could I move to questions. Perhaps I should look firstly at those four points you have just raised. The first one:

To urge the people and the government of Australia to continuously support Indonesia's effort to recover from the economic crisis and continue the reform agenda.

In your opinion are we doing enough in that direction now? If not, what else should we be doing?

Mr Cotan—That question is very delicate because I need to gather all the data available in Indonesia in order to appropriately address the question, but in general terms, I believe that your government has done their utmost to help us in that regard. But we need more, especially in terms of financial assistance.

CHAIR—We hear your call today, as indeed we have for some months now, about the removal of the travel warnings. Can you give us an indication of just how serious an effect things like Bali—the travel warnings—have had in terms of not only the income of Indonesia but, indeed, in terms of what it does to the lives of ordinary Indonesians in some of these places?

Mr Cotan—At least two things come to my mind in addressing this question. I have just returned from Bali. I did not see many Australians visiting Bali. That definitely will not help

address the economic crisis; not only because the Indonesian economic crisis is still going on but because of the impact inflicted upon Bali and its people by the Bali bombing. In that regard, I believe that we indeed sustained enormous loss.

Secondly, I believe that these travel advisories place hurdles in front of businesspeople travelling to Indonesia because the travel advisory warns that non-essential travel should be deferred. Some universities postponed the exchange of students because of this travel warning. Again, as I mentioned early on, I believe the exchange of visits by young leaders is needed in order to improve understanding between the two peoples. Whilst I was still working with the office of the president, when your Prime Minister visited Jakarta recently, we made a very clear point that those students are our assets for the future, because definitely some of them will become our leaders. Because they studied here, they will know exactly how you operate, how you think, how you behave. I believe these future leaders would put our relations into a better stage of development.

Senator FERGUSON—Can I continue with the issue of travel advisories, Charge. I attended a meeting in Bali in February when the issue of travel advisories and the impact they were having on tourism was raised. At that time I had to respond and said that your government needs to be aware that, after the Bali bombing, the Australian government came under intense scrutiny as to whether or not the previous travel advisories were adequate and came under tremendous pressure, particularly from victims and relatives of victims saying that in fact we should have had much sterner travel advisories than were in place prior to that bombing. You can understand that the government, having all of that criticism and intense scrutiny in mind, has to be very careful, and you can understand why it would be reluctant to make travel advisories much more open than they are at present because of that intense scrutiny and criticism after September 11.

But it is important to remember that travel advisories do not preclude Australians from travelling to Indonesia; it is only advice. All of the information that we gathered at that time was that, although the tourism in Bali was suffering terribly from a downturn, particularly from the United States and Australia—it seemed that Japanese tourists were still going to Bali in reasonable numbers—there was an intense promotional campaign by the tourist operators, discount fares et cetera, to encourage more people to return to Bali, and they were increasing the numbers of flights from March and April onwards. I think although the official advisory warns Australians to defer travel, many Australians simply ignore that advice, because it does not preclude them from travelling. It is only advisory. I, for one, would not hesitate to travel to Bali. I think the issue of travel advisories and you asking us to lift them needs to be taken in the context of the reason why the Australian government is acting very cautiously: because of the criticisms that it received from so many people.

One issue that is not raised there, of course, is that Indonesia is now proposing to make Australians get a visa to go to Indonesia. I think that will have just as big an impact on tourism as the travel advisories that currently exist. I wonder whether you would like to comment on the issue of visas?

Mr Cotan—Thank you, Senator, for these very pertinent questions. Firstly, I would like to address your explanation that your government is under tremendous duress from your population to warn them not to go to Bali. I wonder whether a similar stand was also taken with the US after September 11. In terms of casualties, New York was even worse. That is perhaps the first

information that we need to dwell upon in order to put Indonesia and the United States on a level playing field.

Secondly, of course we fully understand that the policy of imposing travel advice is a matter for your government to decide. The only thing that we can do is to appeal to it to review it from time to time—as it does, fortunately. Again, I also fully agree with you that your people, in taking the decision to travel to Bali, do not really pay so much attention to the travel advice that is issued by your government, but still that has an impact—

CHAIR—I agree.

Mr Cotan—as you have witnessed personally. Again, this travel warning, I believe, is a key issue that perhaps would continue to be addressed by my government, especially by our President. She took it seriously: that if you revoke that, it is a sign that relations between the two countries are improving, and she attaches particular attention to Bali because she is half Balinese. Taking that into account I urge you to really look into it, whether or not there is a possibility for your government to revoke that type of advisory.

As far as the visa fees are concerned I would simply like to use this opportunity to inform you that during the previous arrangement we have found a lot of abuses. I would like to put it on record that someone, supposed to be an intellectual, cheated us by saying that she had already a visa to enter Aceh, which was absolutely wrong. She abused her visa by engaging in a number of activities that ran counter to the visa's intention, if she indeed had it. First of all we would like to review the abuse of visa, not only for those wanting to work in Indonesia, but also for those overstayers. We have a lot of overstayers, I can assure you. In Jakarta itself there are a number of Australians and Brits who work—abusing their visa—as English teachers, as consultants. We cannot control their movement because first of all, they use these free visa facilities pretending to be tourists, but in fact they do something else. We would like to prevent that from recurring in the future.

As far as the fees are concerned, we would like also to collect some income from that because, as you know, Indonesia still badly needs funds to recover from the economic crisis. Some of that income will be used to develop what we call an online immigration system, through which you will be able to easily apply for a visa. You will not necessarily have to go to our embassy presenting yourself in order to obtain a visa if this system applies in the future. In a sense, the fees or the income derived from this fees will be used to build a very solid system—that you have applied in your country—as to facilitate visa applications, reduce the timing and also to expedite the process. That is my explanation which you can perhaps also take into consideration.

Senator STOTT DESPOJA—I note in your conclusion to your very comprehensive submission that you talk about increased bilateral relationships. You talk about the very positive aspect of the Indonesian-Australian relationship, particularly after the unfortunate and tragic events of Bali. But you say that the closer relationship between the two countries was despite—and I quote—‘the hurly-burly of ASIO and AFP raids against Indonesian citizens residing in Australia’. Can you tell me what the impact of that has been? Do you believe that has resolved? Did you make your views clear to the Australian government in relation to those raids?

Mr Cotan—Thank you, Senator, for this question. I think the matter is already resolved. I can take an example of why that is. The cooperation between the two police forces continues unabated. We are still working on some aspects that perhaps I do not need to reveal in this meeting. But the ongoing investigation of the Bali bombing is still assisted by your security forces, including the police agents. This morning I signed 13 visas for your police officers to visit and continue their work with our police to investigate the Bali bombing. So the cooperation is excellent.

But, again, when I was asked by some quarters about that difficult moment when ASIO and the police forces conducted that operation that, I said that since Indonesia is a democratic country now and we are as democratic as you are, we cannot preclude the possibility of our people asking the government to stop operating with your police forces, which is indeed very detrimental to our concerted efforts to unravel the network of JI in the region. I believe, again, the matter is now resolved and cooperation between the two police forces is excellent.

Senator STOTT DESPOJA—Thank you for that. You have elections coming up next year. We have talked today about Australian assistance to Indonesia. I wonder if you envisage a situation where we would provide assistance of whatever kind—electoral commission or resources of another kind—for the purposes of your elections next year. Is that something likely to be considered?

Mr Cotan—Yes. We definitely welcome all assistance extended to us to meet or ensure that the upcoming general elections are conducted freely, transparently and in which all Indonesian people who are eligible to cast their votes will be able to properly participate. All this assistance is channelled through the UN office in Jakarta, as we did previously. We welcome any assistance that may come from your country.

Senator STOTT DESPOJA—Thank you. I note that in your submission, particularly in relation to the internal affairs, you talk about the proposed reforms, or reforms, of TNI. You would know, of course, this is an issue of interest to our country for obvious reasons. You talk about one way of addressing the issue of potential abuse of human rights, particularly by TNI, is through programs on how best to observe human rights while on combat missions. Could you provide the committee with an update on how those programs are being run and the results of those programs. How successful do you believe they are?

Mr Cotan—Thank you for that very pertinent question, Senator. First of all I would like to state here that it is indeed very difficult to change Indonesia overnight.

Senator STOTT DESPOJA—Any country.

Mr Cotan—We are a big country with 220 million people. But we are definitely determined to reform our armed forces—there is no question about it. I was the one who always sent reports to Jakarta, including to the commander-in-chief of TNI, that we needed to do more. Again, under the umbrella of assuming that we cannot change Indonesia overnight, we need to be a bit cautious about it. But we are determined to reform our armed forces—there is no question about it—you may be assured. Secondly, we have been conducting what we call sensitising the armed forces on human rights.

We have managed as well to train them before we send them to Aceh. We send them to a program to familiarise themselves with the human rights aspect of their operations. Indeed, we have trained a military unit in the area. We call it a team of Elang. Elang means eagle—eagle team—members of which are very well aware of human rights. They are warmly welcomed by the locals, because they are really following the instructions of the commander-in-chief that: ‘In order to discharge your functions, you need to take into account the protection, as well as the promotion, of human rights.’

Senator, as you are well aware, war cannot avoid any collateral damage. Again, we are determined to minimise it as much as possible. As I was reminded by my colleague, two cases of human rights violations recently occurred in Aceh. We brought them to justice immediately, and punished them with jail sentences.

Senator STOTT DESPOJA—Thank you very much for that, Minister. I was going to ask you about that. Firstly, thank you for your very strong stand in this document that indicates that people will be brought to justice if they fail to protect and respect human rights. Finally, on the issue of Aceh, I thank you for your update, but I am wondering if you can provide the committee with the latest information on Aceh. Australians, and specifically this government, have not had specific information—and I know it is difficult to obtain—in relation to the number of casualties, so the number of people who have been injured or killed and, particularly, what proportion of those have been civilian deaths. I understand that that is difficult information to obtain, and you may want to take it on notice, but it is certainly something that we found difficult to find through our own estimates processes through the department. If there is any assistance you could provide this committee with, we would certainly appreciate it.

Mr Cotan—Again, Senator, we will provide you with a written response to that. Off the top of my head, I can remember that there are more or less 240 casualties from the side of the separatists and 24 soldiers from the Indonesian side that have been killed so far. Distinguishing which of those victims are civilians or combatants is rather difficult, because some of those rebels do not have a uniform at all they simply carry their gun and fight. While we found them there, we did not see that they were wearing any military uniform, so it is very difficult. Definitely, I will supply you with an exact number in that regard, so you can take it as our formal response.

Senator STOTT DESPOJA—In your submission, you have made no references—certainly in this update—to humanitarian assistance to be provided, either through a multilateral body like the UN or specifically from Australia. Perhaps my final question then is what requests have you made and what information have you been given from the Australian government in terms of a willingness to provide humanitarian assistance in that region?

Mr Cotan—Again, when the President decided to launch this integrated operation combining humanitarian, law and order and security operations, we made sure that those three operations would work in tandem to address the difficulties in the conflict region. For the time being, I can assure you that the Minister for Social Welfare has distributed tens of thousands of humanitarian supplies to the region, including medicines, tents, food supplies, as well as clean water and sanitation. The most important thing is the medical supplies. We have provided that. Of course, you know better than I do that Indonesia is still in a very difficult situation. That is why, again, I

would like to stress that, in fact, we encourage people to help us, channelling their assistance through the local administration.

Mr HAWKER—Mr Cotan, in your submission today, you spoke in relation to the recent meetings between the Prime Minister and President Megawati and the ministerial meetings. The code of conduct that Australia has for NGOs—non-government organisations—in Indonesia prevents funding of organisations that operate contrary to the laws and policies of Indonesia and Australia. On the question of the pro-independence activities of NGOs, you said that Indonesia undertook to ‘provide information on any such claims’ that that was going on. Has there been any further movement on that investigation?

Mr Cotan—Yes. I can assure you now that my government is working on that particular issue, simply to provide sufficient evidence that there are one or two Australian based NGOs suspected of doing so, but we do not want to provide you with raw information. We need to submit substantiated information to avoid any baseless accusations. It takes time. Previously, we have identified one or two. I do not want to single out names here, but there are at least two organisations known to have engaged in that unlawful activity by providing funds to support the separatist movement in Indonesia.

Mr HAWKER—Do you have any idea of the scale of funding or the scale of operation?

Mr Cotan—The funds were allegedly provided by AusAID—we have not managed to investigate the matters as to how extensive the operations are, but in due course we will definitely submit this information to your government to allow them to take action in accordance with the principles contained in the joint statement.

CHAIR—So there is definite evidence that AusAID money has been used to fund separatist activities?

Mr Cotan—There is a possibility, yes. My colleague provides me with a name, but I do not want to reveal this name, because this perhaps can also be used for litigation purposes. I do not want to engage in naming names, but we have definitely at least two organisations involved in that regard.

Senator FERGUSON—Following up on earlier questions—and I am sorry I was absent for a couple of minutes, so it may have been asked—I would like you to comment on what you think is perceived to be the state of our relationship at present. Many commentators, so-called Indonesian specialists, have suggested that Australia’s relationship with Indonesia is not as strong or as healthy or as happy as it has been in the past. We have had evidence this morning from one of our departments, Family and Community Services, who say the relationship has never been better, working in the social security areas and working with your departments. We have had other departments who say that their work has gone on as before and that their relationship is just as strong as it has ever been. I am wondering whether you would like to comment on what you think the state of the relationship is? Because it is important in the terms of our inquiry.

Mr Cotan—Definitely the relations between the two countries at the present time are excellent. They are excellent. As I stated earlier in my presentation, some Indonesians still

harbour ill-feelings towards Australians, which is understandable, but the cooperation at the governmental level, I believe, is excellent. I do not know whether it is appropriate for me to reveal in this meeting that I have been approached by your government that perhaps your Prime Minister will again visit our country. That would reflect how close our relationship is. Again, I can see clearly that relations between the two are excellent. They are excellent but, of course, sensitivity is still there and will always be there. But overall relations are excellent.

CHAIR—May I approach a delicate subject: what are relations like now between the Indonesian government—in your opinion—and the Australian press?

Mr Cotan—When I was summoned to Jakarta to provide insight about what was going on when ASIO as well as your police forces conducted operations targeting Indonesians, I was also asked a similar question. What is the opinion of Australia's media? I said, 'We should not engage in megaphone diplomacy. We should instead use proper channels to channel our position.' But the media in Indonesia is as good as your media. Indonesia and Australia are democratic countries so we cannot control the media. It is simply impossible.

I know this for certain because when I was still in the office of the president, they even ran an absolutely baseless story about my president having extra-marital affairs with someone else, which was undoubtedly and absolutely baseless. We should not, and cannot judge how good our relations are by sampling news in our media, which is incredibly free. They can say whatever they want to say without thinking that perhaps that can affect our bilateral ties. Again, our media is as good as your media. We should not judge the closeness of our relations by reading them.

Senator FERGUSON—I thought you might return the compliment and say, 'How is the Australian government's relationship with its press?'

Mr Cotan—Is it appropriate for me to quote some of the comments made by Minister Alexander Downer about some of your media?

Senator FERGUSON—We have probably read them.

Senator STOTT DESPOJA—Could I seek one clarification. Minister, when you talked previously in response to Senator Ferguson's question about visas and you talked about the abuse of a visa, can I ask you on record: were you referring to Dr Lesley McCulloch, when you talked about the academic or the intellectual who allegedly abused her visa?

Mr Cotan—Indeed. That is the case. She also publicly lied that she had met me in person in one seminar, which is absolutely wrong. She has lied. She has no credibility. I was not around when she said that I was attending her lecture in the Australian National University, so I believe I am now considering perhaps I would sue her, because that is definitely tarnishing my image. But I am still thinking about whether or not I should go to court to sue her.

Senator STOTT DESPOJA—Also for the record: how long did she spend in jail as a consequence of the alleged—

Mr Cotan—According to the information we got she spent five months in jail.

Senator STOTT DESPOJA—Thank you, Minister.

CHAIR—Can I thank you and all your team very much indeed for your attendance here today. If there are any matters on which we might need additional information, obviously our secretary will be in touch with you. We will send you a transcript of the evidence to which you can make any necessary corrections to errors of transcription. Hansard may wish to check some of the details concerning your evidence. If you could just remain for a short time so the reporters can speak to you if necessary. But may I thank you, sir, and all your team very much indeed.

Mr Cotan—Thank you very much in return, Mr Chairman, distinguished senators and honourable members. I would like to take this opportunity as well to sincerely thank you for your seriousness in reviewing the bilateral ties between our two countries. I have always said to my Australian colleagues, ‘Indonesia and Australia are bound to be together,’ and I was told that every single year Australia inches five millimetres towards Indonesia, so I would expect that one day my great-great-grandchildren would become Australians of Indonesian descent. This geographic fact we cannot deny. We would and we should work together to make it even better. I thank you, Mr Chairman.

CHAIR—Thank you very much indeed.

[11.03 a.m.]

DAWSON, Ms Helen Jean, Assistant Director, External Relations, IP Australia

FARQUHAR, Ms Susan Ann, Director, External Relations, Corporate Strategy, IP Australia

GREEN, Dr Michael, Director, Space Licensing and Safety Office, Department of Industry, Tourism and Resources

HARTWELL, Mr John, Head of Resources Division, Department of Industry, Tourism and Resources

MILEY, Mr Kenneth James, General Manager, Trade and International, Department of Industry, Tourism and Resources

RIETHMULLER, Mr Jeff, Manager, International Tourism, Tourism Division, Department of Industry, Tourism and Resources

WILLIAMSON, Mr Douglas Clifford, Assistant Manager, Space Policy Section, Aerospace and Defence Industries Branch, Manufacturing, Engineering and Construction Division, Department of Industry, Tourism and Resources

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

Mr Miley—The Department of Industry, Tourism and Resources submission to the inquiry sought to inform the committee of the department's major portfolio interests in regard to Indonesia, as well as current and planned activities. They included resources, particularly mining within the resources heading, tourism, intellectual property and the proposed Christmas Island spaceport. There are officers from the department present who can cover each of these topics.

Comments from Invest Australia were also included in the submission. Invest Australia is not present today. Invest Australia is essentially responsible for attracting and retaining inwards investment and Indonesia is not a significant source of inwards investment, nor is it expected to become one in the foreseeable future. I will now briefly reiterate the key ITR issues in relation to Indonesia and also advise the committee of any developments which have occurred since we made our previous submission in October last year.

The sixth Australia-Indonesia Ministerial Forum, the AIMF, was held in March this year in Jakarta. The ITR portfolio was represented by the Hon. Joe Hockey, Minister for Small Business

and Tourism, and relevant officials. Mr Hockey attended several working groups: transport and tourism, in regard to tourism; and mining and energy and legal cooperation, in regard to intellectual property issues.

As to the mining industry, Indonesia is a major international producer of oil and gas as well as several metallic minerals and coal. This contributes significantly to Indonesia's GDP and balance of payments. This mineral potential, together with the contract of work system encouraged foreign mining companies to invest a cumulative total of \$US10.8 billion over 30 years. Australian mining companies, including Rio Tinto, BHP Billiton and Newcrest account for some 30 per cent or \$US3.2 billion of that investment.

Legal developments in recent years and the financial crisis of the late 1990s resulted in rapid change in the investment environment in the mining sector in Indonesia. Social and political stability in some regional areas, stringent new environmental requirements and illegal mining have been and continue to be of particular concern. The ministers in the ministerial forum have recognised the strong relationship that has characterised energy and minerals cooperation and supported continued dialogue between officials under the AIMF working group on energy and minerals. The 10th meeting of the working group will be held in Canberra. Tentatively it is set down for 22 and 23 July, but will be without Minister Sarwono. A separate meeting will be scheduled for the minister at a later date.

As to tourism, our submission noted that, although the inbound visitor numbers to Australia from Indonesia fell during the Asian economic crisis of the late 1990s, by 2000 they had increased and a steady recovery from the impact of the crisis was expected. In recent years, concern about social and political stability in Indonesia had affected the number of Australian visitors to Indonesia. Indications are that since the terrorist attacks in Bali and in a climate of ongoing travel advisories for Indonesia, the number of Australian visitors to Indonesia has declined significantly.

Ministers endorsed the signing of an MOU on tourism cooperation in June 2001 and welcomed the proposed Australia-Indonesia Tourism Industry summit. Minister Hockey has exchanged correspondence with his Indonesia counterpart and we would hope to settle dates in the near future. While in Indonesia Mr Hockey also met separately with the Indonesian Minister for Culture and Tourism to progress issues previously discussed in Sydney in February 2003.

As to intellectual property, IP Australia has been and continues to be involved in the number of projects and cooperative arrangements with Indonesia. Under the specialised training project a further 27 Indonesian government officials visited IP Australia in November 2002 for training in IP awareness and IP administration. Two senior officials held discussions with IP Australia on aspects of the APEC Trade and Investment Liberalisation Facility—that is, TILF—project and electronic filing of IP applications.

The TILF project, as it relates to Indonesia, has been progressed with production of various materials relating to public education and awareness of the further development of the web site of the Indonesian director general of intellectual property rights. A training workshop will be conducted in Jakarta in late June or early July. Following the August 2002 WIPO expert mission on trademarks, four government officials from Indonesia attended an AusAID funded workshop on geographical indications in Bangkok in May 2003.

In relation to Indonesian concerns about the proposed Christmas Island spaceport, the Christmas Island spaceport project was initially discussed during an Australian parliamentary delegation visit to Jakarta in July 2001. Formal and informal discussions occurred in the following months. Concerns were raised in the Indonesian parliament in March 2002 and in April 2002 the Indonesian Ministry of Foreign Affairs identified a list of concerns about aspects of the project.

The Australian response to the concerns included briefings to Indonesian officials and a written response during 2002 addressing each of the matters raised. Inter alia Australia affirmed that the spaceport will be subject to licensing under Australia's stringent space regulatory and safety regime; that there are no plans for launch trajectories to overfly Indonesian territory; that Australia is a signatory to the United Nations convention on international liability for damage caused by space objects; that no launch will be allowed to proceed until required air traffic and other safety advisory notices have been issued; and that the spaceport proposal has been the subject of a demanding environmental analysis. We continue to work constructively with Indonesia through diplomatic channels in this matter.

That ends the statement and probably my role here. It is over to the people who really know about these topics to answer any questions.

CHAIR—You have certainly given us some meat to start on. Just because it has been so prominent this morning, could I start off with an update on what is happening with tourism. Do you have any later numbers than have been indicated? There are reports that airlines are picking up flights into Bali and that is starting to move again. What has happened to the inbound?

Mr Riethmuller—Advice that I received as I was coming here today is that Garuda, for example, has increased its number of flights from 19 per week up to around 23 per week this month. There is an expectation that that capacity will be utilised, at least on the airlines. I do not have any expectation or any numbers suggesting an expansion of Qantas services. I just have details of the number of flights they have. I can try to get some more information from Qantas for you.

CHAIR—I have certainly seen nothing from them.

Mr Riethmuller—We have not. I think Qantas obviously make their decisions based on commercial grounds and as the market returns to growth, then they will consider services as appropriate.

Senator FERGUSON—We have been told Air Paradise has dropped one off.

Mr Riethmuller—I have not seen that. They have, I think, rights to operate four per week from Perth to Denpasar and three from Melbourne to Denpasar. At the moment they are operating two from both.

CHAIR—There are no further updates on the inbound numbers?

Mr Riethmuller—No. The numbers that I have on inbound are that in March this year, which are the latest figures that I have here, they were down by about 24 per cent compared with

March the previous year. There was obviously a significant downturn after October. There was, for example, about a five per cent growth in September year on year but down by nearly 11 per cent in October; a slight recovery in November but down by about 26 per cent in December; down slightly, by about three per cent, in January year on year; about even for February but down by 24 per cent, nearly 25 per cent, in March, which I think is a reflection of SARS and other things happening around the world.

Australian outbound at the same time has also declined significantly. It has been trending down a little. It was down by about two per cent, nearly three per cent, to September year on year, but then plummeted 29 per cent, nearly 30 per cent, in October; down by 50 per cent in November, 33 per cent in December, 43 per cent in January, 43 per cent in February and 38 per cent in March. Things are not looking terribly good.

The Tourism Forecasting Council, however, released some figures in December last year, after the October bombing. Overall, their expectation over the next 10 years was that there would be growth of around 4.5 per cent on average. The figures that they have released in May this year, to try and look at the impact of SARS, suggests that over that same period, the years to 2012, growth will be more like 6.2 per cent on average. Mr Miley described the decline in inbound visitors from the late nineties. It was around 160,000 in 1997 and fell right away to about 91,000 in 1999 and then down to 89,000 at the end of last year, in the 12 months to 2002. It was down again in 2003 because of SARS and just the general downturn in outbound travel, but growing to about 96,000 in 2004 and up to 162,000 in 2012. It is a fairly optimistic assessment by the Forecasting Council of what might occur from the inbound side.

From the Australian outbound side, 2001 grew by three and a bit per cent over the year before. In 2002 it was down 16 per cent, mainly due to the last 2½ to three months of the year, and was down by about 7½ per cent this current year but on average growing at about 3½ per cent per year to around 340,000 visitors per year in 2012.

Senator FERGUSON—What impact is the travel advisory having? Or do you think the visa requirements might have more effect?

Mr Riethmuller—Australia's visa requirements?

Senator FERGUSON—No, Indonesia's.

Mr Riethmuller—I think in a fairly competitive market, the extra cost of \$US40-odd for a visa may have an impact if the elasticity of demand is such that people weigh that up. For a family of four, \$US160 may have an impact when compared to other perhaps cheaper destinations. For a young, independent person travelling, it may not have such a significant impact. It is hard to say. The Indonesian industry is probably lobbying, particularly in Bali, in the face of seeking to recover after the Bali event, and then SARS and the downturn generally.

Senator FERGUSON—What about the travel advisories? Do you think they deter many people?

Mr Riethmuller—They would. I would hope that people at least are considering them. In the wake of October, in particular, people may be paying more attention to them than previously, but

my understanding anecdotally is that some of the diehards, some of the younger travellers, are returning. People who feel a sense of loyalty towards Indonesia, and Bali in particular, who have been there a number of times for holidays, are going. It is a personal call. As an official, we would naturally have to draw people's attention to the fact that the department of foreign affairs has raised concerns.

Senator FERGUSON—I would have thought that the reaction amongst travellers would be that a travel advisory issued basically because of a single incident has less effect on their intentions than a travel advisory to Zimbabwe, Afghanistan or somewhere like that where there have been incidents over a long period of time.

Mr Riethmuller—It is really a matter for the department of foreign affairs to talk about the basis of the advisories, but, on face value, the advisories talk about the intelligence material that they receive from a variety of sources—not just a single source—that suggests that there are still concerns there. In the time since October it has been noted that a lot has been done in Indonesia; nevertheless, the department of foreign affairs makes judgments, based on the information they have in each review of the advisory, to retain the level of advice that they provide.

Mr HAWKER—I want to switch to the problems you identified for mining companies trying to operate in Indonesia. You talk about the uncertainty of contracts and work drawn up and say that the problem may continue. Firstly, to what extent is it a problem? Secondly, what work are you able to do to try and improve certainty of contracts?

Mr Hartwell—The concerns of the Australian mining industry investing in Indonesia have broadly been in about three areas. One relates to the devolution of authority from the central government to regional governments. As a part of that process there has been a lot of uncertainty in decision making. Another issue has been the effects of the new forestry law on mining operations there. Protected forest areas in Indonesia have been designated and that has created uncertainty about opening up new mining operations and has also created a bit of uncertainty around existing ones—although, working with the authorities there, Newcrest have recently received a mining concession which was possibly made somewhat more attractive, if it all goes in that direction. And, of course, there is the whole issue of illegal mining there, where a mining company might be granted a concession but others come onto the mining lease and take away value from that mining concession.

There are a whole range of issues there which, despite the attractiveness of Indonesia in a geological sense and its rich resource base, have made investors somewhat wary about going into Indonesia in recent times. In terms of the investment attractiveness scale for a mining company, they have fallen way down. We have been working as best we can with the authorities in Indonesia to try and at least provide our corporate sector with greater certainty and they have been making their own representations.

That is not to say that they do not want to work with the new Indonesian laws; it is just to try and clear up some of the uncertainty. The devolution from the central authority to regional authorities has been of particular concern, because there are a whole range of issues there in terms of decision making that they have just not been able to clarify at this time. We are certainly working with the companies involved, through the embassy in Jakarta, to try and address some of those issues.

Mr HAWKER—When you say that you are working with them, in what way can you make some progress on it?

Mr Hartwell—All we can do is engage the Indonesians and say, ‘If you are still interested in furthering the development of your mining industry and you want to attract foreign capital, then you’re going to have to provide a clearer path for decision making. You’re going to have to be a bit more certain about the obligations you expect on mining companies’—that sort of thing. It is, if you like, a persuasion tactic—‘If you want to still be prominent in the world’s mining industry, then they are the sorts of things that you really have to address to provide clarity.’ We have mentioned the fact that we have the embassy working on those issues. In addition to that, under the Australia-Indonesia Ministerial Forum we have a joint working group on minerals and energy and we prosecute many of those issues through that vehicle.

Mr HAWKER—In other industry or related matters is the uncertainty problem prevalent as well, whether it be manufacturing or agricultural investment or services?

Mr Hartwell—It is not one that I can speak on with any authority. I suspect that in the case of devolution, which has been a gradual process in terms of decision making from the central government to some of the regional bodies—I am not sure to what extent it has happened in other sectors, but to the extent it happened—it probably has also caused some difficulties there. But it is not something that I can comment on with any real authority, I must say.

Mr Miley—In formulating our submission to the committee we canvassed the department. I think the engagement by Australian manufacturing industry in Indonesia is not large enough for it to be a window on how that works. It does not impact on Australian manufacturing that much because we are not engaged to any great extent in Indonesia.

Senator STOTT DESPOJA—I have two quick questions. I will continue on from David’s questions. Mr Hartwell, I know that the Australian government has given financial assistance to, for example, Rio Tinto. I am not sure if that was specifically for any Indonesian mining or business work. Can you tell me—you can take it on notice—whether in the last two financial years, for example, the Australian government has given any financial assistance to Australian mining companies with operations in Indonesia?

Mr Hartwell—I am not aware of a specific instance of supporting their operations in Indonesia. There have been some assistance measures in relation to projects within Australia, as you are probably aware.

Senator STOTT DESPOJA—Dr Williamson, in relation to the spaceport, are there any outstanding concerns or is the Indonesian government satisfied with the responses that the Australian government has taken in relation to Christmas Island and the Indonesian concerns?

Mr Williamson—Since the matter was raised in 2001 and 2002, we have responded in writing to the Indonesians and had nothing back from them in writing. The matter did come up again in the ministerial forum in March but it was resolved in that context. We emailed the Australian response to some Indonesian officials at their request in April this year.

Senator STOTT DESPOJA—There has been no feedback since that time?

Mr Williamson—No.

Senator STOTT DESPOJA—Does that imply that they are satisfied or that maybe they just have not pursued it? I am not sure.

Mr Williamson—I am not sure either. It could be that they are satisfied. We hope they are satisfied, yes.

CHAIR—In light of that answer, how would you describe the relationship between the Department of Industry, Tourism and Resources and their Indonesian counterparts? Is it warm, lukewarm or soft? Are the Indonesians doing much in approaching your department for assistance or advice?

Mr Miley—From my perspective, no, in a broad sense. The engagement is only in those specific industry issues, with the people who engage with Indonesians. I have responsibility for general international issues and I do not think any Indonesian engagement has occurred in the last 12 months.

Mr Hartwell—In terms of the minerals and energy working relationship—which has probably been one of the stronger ones because of the strong level of Australian investment in Indonesia—we would say it is a good working relationship.

Mr Williamson—In relation to the spaceport, it is a matter of confidence building and mutual understanding.

CHAIR—That is an ongoing process.

Mr Williamson—Yes.

Mr Riethmuller—It is the same for tourism. We get on very well and, although contact is not regular, we do stay in touch with the ministry in Jakarta and through the embassy here, particularly on the tourism industry summit that Mr Miley mentioned before. We see that as an opportunity to bring businesses together, to look at opportunities. There has been a bit of a falling off in, if you like, bilateral business relations since the late nineties and a closing down of the economy in South-East Asia. We would like to encourage businesses to build—establish even—a commercial collaboration with Indonesian businesses, on the basis that they are commercially viable. We think we can get something out of that and they obviously will, too.

To the extent that we can influence the timing and holding of that meeting, Minister Hockey has had several meetings with Minister Ardika on this and they are both supportive of it. Our conversations with the ministry and the embassy here suggest that we would like to work together to make things happen.

CHAIR—Have the training programs that were held at one stage concluded?

Mr Riethmuller—The AusAID program, yes. That was done independently of us, but it was capacity building in the hospitality and restaurant areas, in the tourism infrastructure sector. We gather that has been reasonably successful. They are starting to build a reasonably strong

infrastructure on that side in Indonesia. We would like to retain or remain in contact with them on that, because we feel that, with the exchange that has occurred within industry and within the sector that teaches and builds the curriculum in that sort of area, there would be opportunities not only for them in Indonesia to build their capacity but from an export potential for Australia to deliver some of our expertise to the Indonesians there. Capacity building is very important in tourism, particularly in countries like Indonesia with great capacity but perhaps not the strength of infrastructure.

Ms Farquhar—From the perspective of the intellectual property system, our relationship with the relevant agencies in Indonesia has been close and very friendly for quite a long time. Currently we have this APEC funded project under way to provide specific training in public education and awareness-raising activities. Enforcement of IP rights is one of the big issues, of course, in the Indonesian context. A lot of the work that we are doing is aimed at increasing the level of understanding of how the IP system works and where there are advantages for the Indonesian community to respect and enforce the rights involved.

CHAIR—Would it be true to say that they have not necessarily welcomed the concept with open arms?

Ms Farquhar—I think they do understand and welcome it at the official level. They have a very large task in transmitting that message to the relevant members of the public. Work with their web site and publicity materials will be accessible to the average member of the public who is a consumer and does not necessarily appreciate the difference in paying a few rupiahs for a CD or a video as against the more market based price that the owners of the rights would like to see received.

CHAIR—Thank you very much for being with us today. 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.

[11.34 a.m.]

HARDWICKE, Ms Leanne, Director, Public Policy Unit, Engineers Australia

HURFORD, Ms Kathryn Louise, Policy Analyst, Public Policy Unit, Engineers Australia

CHAIR—On behalf of the subcommittee I welcome the Institute of Engineers 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 House itself. I invite you to make a short opening statement and then we can proceed to questions.

Ms Hurford—Members of the subcommittee, Engineers Australia is the peak body for engineering practitioners in Australia and represents all disciplines and branches of engineering, including information technology. Engineers Australia has around 70,000 members and is the largest and most diverse engineering association in Australia. While the political, strategic and cultural dimensions of the relationship between Australia and Indonesia are important generally, issues surrounding trade, particularly in professional services, are significant to the engineering profession.

Indonesia has an important role to play in the international economy. Australia is Indonesia's seventh-largest trading partner, while Indonesia was Australia's seventh-largest trading services partner in 2000. Export of engineering services has been measured by the OECD as having contributed \$497 million to the Australian economy in 1999-2000. Australia and Indonesia are no different from other countries in having to come to terms with the globalisation of the labour market. Higher levels of mobility and expansion in the international delivery of professional services has led to increased numbers of professionals undertaking activities in countries other than where they gained their initial qualifications and/or experience.

The provision of professional services between Indonesia and Australia is a growing trade area. The biggest barriers to trading engineering services are non-tariff impediments. Barriers that exist in Indonesia include restrictions on foreign engineering firms in tendering for projects funded wholly from Indonesian national budgets, commercial presence requirements linked to joint ventures, accreditation requirements and difficulties in obtaining work permits. Engineers Australia believes that the Australian government needs to be more proactive in supporting the Australian push for export opportunities. In addition to government to government discussions to address market issues, the Australian government must be prepared to use its leverage from other areas to ensure that Australian companies gain offshore work. There must be a commitment from government to support Australian initiatives and to encourage strategic alliances between Australian companies.

There are a number of links between Engineers Australia and our engineering counterparts in Indonesia. We have had a general agreement of cooperation with the Institution of Engineers (Indonesia) since 1994. Both Australia and Indonesia are members of the World Federation of

Engineering Organisations, the Federation of Engineering Institutions of South-East Asia and the Pacific and are signatories to the APEC Engineer Register. While Engineers Australia has created networks between Indonesia and Australia in engineering, the Australian government has a role to play in marketing, supporting and championing trade facilitation agreements and forums like the APEC Engineer Register in government to government interactions. Trading services issues should be a key consideration of any agenda passed between Australia and Indonesia.

CHAIR—Thank you. Basically you are asking that the government goes in and knocks down a few doors for you.

Ms Hardwicke—Basically, yes.

CHAIR—Can you describe to us how you think this can be achieved? What form do you want that intervention to take?

Ms Hardwicke—There are probably a number of avenues. One of our engineers has given us an example of what happened in Hong Kong with the Chep Lap Kok airport. With the Australian delegation that went over to win the project, there was no overall coordination of it and that tended to annoy the proponents who preferred to talk to country groupings. The reason that the American consortia were much more successful was that they went over as a country grouping with a group of 10 senators and they used leverage in other areas to try to gain the work so they did eventually gain the majority of that project. That is the type of assistance that our engineering companies are looking for.

CHAIR—Which part of government should this come from?

Ms Hardwicke—That is a tricky question. Austrade would be the first area of focus.

CHAIR—It would be bigger than Austrade, would it?

Ms Hardwicke—Yes. It would be bigger than Austrade. We are not exactly sure which particular portfolio areas would be the most interested in doing it. I would suggest the Industry portfolio would be the major one but certainly others would be involved.

CHAIR—Did I hear you correctly when you were talking about that American delegation actually sending 10 senators? Is that a difficulty for Australians trying to get export markets: they do not get enough political support as well? It would certainly be a dramatic change if we were looking at the prospect of parliamentarians going off with every industry group, but you believe it can work.

Ms Hardwicke—It can work and it certainly works for the US companies, yes. That is something our engineering practitioners would certainly value. One of the problems we have found is that with trade there has been a great focus on trading goods and very little on trading services. We need to start putting more of the focus on trading services for Australians.

CHAIR—Do you know offhand whether or not there have been significant numbers of Indonesian engineers educated in Australia?

Ms Hardwicke—It is growing but I do not think there has been a huge amount. I could not tell you the figures offhand.

Senator STOTT DESPOJA—I am grappling with the notion of 10 senators from America going over in a delegation. Proportionally, that is 10 per cent of their Senate—100 senators. As you would appreciate, there is that fine line between obviously politicians not being commercially aligned. On the other hand, we can also see the benefits in touting Australian industry and trade. It might be an idea if you could provide the committee with some background on that specific example because I would like to read a bit more about that before undertaking to recommend it.

Mr HAWKER—Have there been any opportunities for the institute to be involved in a working party with the Australian government? Have you had any discussions along that line; if so, are the departments responsive?

Ms Hardwicke—We have not pursued that until recently. It has not been a focus of our activities. We have usually left it to the consulting engineers to deal with that. We have been dealing with much more professional issues. Because of the trade in services agenda that has come up in the WTO and other arenas, we started to focus on the area, so it is probably something we could do.

Mr HAWKER—It is fine to talk about the WTO but that is generalised. We are now specifically talking about Indonesia and the problems that you see in getting access, particularly for projects wholly funded within Indonesia by the Indonesians. There is a ministerial meeting almost every year. Have you considered or would you consider tapping into that because it is an opportunity that ought to be grabbed.

Ms Hardwicke—Yes. We will certainly be doing something about it in the future. We have not concentrated on a country by country basis as an institution before but now, with more bilateral arrangements coming into place, we are starting to focus on them.

Senator FERGUSON—You talk in your submission about Australian consortia in their initiatives being supported by high-level government representatives. I do not know of any initiatives that have been worth while that have not been supported by the government. They might not have sent 10 senators. The spaceport project, for instance, is a prime example where the Australian government has not only supported it; it has actually put money into it on Christmas Island for, basically, a non-Australian organisation, although we will get considerable royalties and things like that out of it.

It is a matter of whether you need to have visible support all the time or whether it is just acknowledged support of the Australian government. We have trade missions come to Australia. The Germans send out 50 business people touting for business and trade. I am not sure whether, other than the basic support of the government—or acknowledged support—the travelling 10 senators are going to have any more impact than just the acknowledged support of the government in the process, together with a high-level ranking representative.

Ms Hardwicke—One of the other areas that I think probably needs a bit of focus—and this is just feedback from a few of our members—is to get the consortia together in Australia and to get

some strategic alliances together to go overseas, rather than competing with each other and not having a coordinated attempt at it.

Senator FERGUSON—Because we have set up Austrade and all these other avenues for helping Australian businesses.

CHAIR—How many engineering bodies are there? Are they a fairly well-coordinated group or are they a bit like the tourism industry was—and still is a bit—scattered all over the place?

Ms Hardwicke—They are scattered all over the place, but there has been a trend—particularly over the last five years—of medium sized engineering firms gobbling up each other and becoming large engineering firms and international firms coming over and taking over the structures and processes. You will find that the vast majority of Australian engineers are usually one or two-man bands around the place, with a lot of big firms and international firms. The trend is that they are moving towards the bigger end and have international links. We still have a few medium sized firms around, but they are fairly specialised.

CHAIR—In terms of looking at work in Indonesia, are there any specific areas they are going to? Is the emphasis on mining, civil projects or—

Ms Hardwicke—I think it is right across the board. I do not think it is one specific sector.

Senator FERGUSON—Kalimantan would be the biggest concentration, wouldn't it—

Ms Hardwicke—I could not tell you exactly.

Senator FERGUSON—for mining and other—

CHAIR—It probably is.

Senator FERGUSON—Or Borneo as a man of my age remembers it more.

CHAIR—Are they taking this approach with any other countries around Asia or is Indonesia just the pick?

Ms Hardwicke—I do not know. I cannot answer that question.

Senator FERGUSON—I might not have been concentrating as hard as I should have been, but you talked about the barriers to trade, including some of the restrictions where you want some help. What are those barriers?

Ms Hurford—Probably the major area where the government could take an interventionist role is the fact that the recognition of qualifications and experience to be able to work in another country is quite an onerous process to go through. You will find that when you try to export services to any country. We have put in place a lot of professional association to professional association agreements to try and make that easier. There are frameworks in place that the government could be more involved with that could make that easier. That is probably the major barrier. Others in Indonesia include that, in some areas, you have to form a joint venture and, as

a foreign company, you can only earn 49 per cent of that joint venture and issues like that. Those vary from province to province. It goes right down to the local level and, until you are an engineer trying to get into a project, you will not have any idea of what hurdles exist there for you to jump over.

Senator FERGUSON—In Indonesia specifically, are there enormous bureaucratic restrictions? Do you have to fill out a lot of forms, for instance, to be able to operate in Indonesia?

Ms Hardwicke—We do not know exactly.

Senator FERGUSON—We have just been to Central Europe and in one country it was 320 different application forms just to register, because of local government, federal government and state rules. I wondered whether Indonesia posed the same problems.

Ms Hardwicke—I cannot answer that question. I do not really know. One of the other issues that makes it difficult for Australian engineers to be recognised in other countries is that we do not have a nationwide registration system backed by government. It is done differently in each state. Queensland has a full registration system. Victoria, the Northern Territory and some parts of the South Australian building construction area are regulated, but all the other states are pretty well unregulated. If we had a government-backed registration system for engineers, it would be so much easier for them to gain recognition and registration in other countries. It is a barrier we put up for ourselves.

Ms Hurford—The other aspect of it is that a foreign engineer can come to Australia and work without being registered, but the same does not happen with the Australian engineer wanting to work overseas. They have to go through the registration process.

CHAIR—What restrictions do we have on the overseas people though? Are we a bit like the medical profession, where they have to meet certain standards before they—

Ms Hardwicke—No, only in Queensland. If they want to practise as an engineer for a fee or service, they have to be registered with the state registration body. The requirement is that they have a certain number of years of practice, that they have a certain engineering degree, that the practice has to have been supervised by someone and that they then practise on their own for a certain number of years. In other areas, no. You could go into Western Australia and practise as an engineer without anyone checking your qualifications.

CHAIR—You could walk in with a bit of paper from the University of Upper Volta and say, 'I'm an engineer,' and they can say, 'Go and build a bridge.'

Ms Hardwicke—Yes. Mind you, they would have to work with an engineering company and an engineering company probably would not employ them.

Senator FERGUSON—But, legally, there is nothing stopping them.

Ms Hardwicke—Legally, nothing stopping them.

CHAIR—Thank you for that. If there are any matters that we need more information on, the secretary will be in touch. 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. Thank you very much indeed.

Subcommittee adjourned at 11.50 p.m.