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JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Foreign Affairs Subcommittee

Monday, 23 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

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

Senators and members in attendance: Senators Bolkus, Eggleston, Ferguson and Sandy Macdonald and Mr Beazley, Mr Brereton, Mr Edwards, Mr Laurie Ferguson, Mr Jull and Mr Snowdon

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.

WITNESSES

Subcommittee met at 9.08 a.m.

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

We have received a large number of substantial submissions to this inquiry from a range of organisations, including government agencies, schools 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 with their counterparts in other agencies in Indonesia. We have learned 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 key agencies as well as by the Australian Strategic Policy Institute on developments since they made their submission.

[9.10 a.m.]

CASTLES, Mr Shane Francis, General Manager, International, Australian Federal Police

DAVIES, Mr John Alexander, Deputy Commissioner, Australian Federal Police

CHAIR—On behalf of the subcommittee, I welcome representatives of the Australian Federal Police. 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 the proceedings of the House itself. I invite you now to make a short opening statement before we proceed to questions.

Mr Davies—Thank you, Mr Chairman, and thank you to the subcommittee for inviting the AFP to appear before you today. My opening statement to the committee will follow a similar structure to our submission to the inquiry. For the AFP, the most important element of Australian relations with Indonesia is our relationship with the Indonesian National Police, or INP, in our joint efforts to combat transnational crime, including terrorism. The strength of our relationship with INP is most strongly evidenced in the joint investigation into the Bali bombing. I am conscious that the AFP made its submission to this inquiry only one month after the Bali bombing. Eight months have since passed and, as you know, the investigation has had much success. I will talk later about Bali and how it relates to the inquiry's terms of reference. I cannot stress enough how the positive foundations of the Australian Federal Police and Indonesian National Police relationship through both thick and thin not only enabled the successful investigation and current prosecutions in Bali but has given a tangible basis to the efforts of Australia and Indonesia in combating terrorism in the region.

There are three levels to the relationship between the AFP and the INP: the formal framework; the ongoing operational cooperation; and the AFP's contribution to INP capacity building through the AFP's Law Enforcement Cooperation Program. I will cover each of these elements as well as how they are reflected in the joint investigations into the Bali bombings. The AFP-INP relationship is positive and mutually beneficial and this almost by definition requires a strong element of understanding and respect of each other's culture, law, society and the role of each agency in the national law enforcement environment. It might be useful at the outset to very briefly outline the role of the AFP in Australian law enforcement and likewise the role of the INP in Indonesian law enforcement.

The AFP is the instrument of government and of law enforcement and a major instrument of Commonwealth law enforcement. Its role is to enforce Commonwealth criminal law and protect the Commonwealth and national interests from crime both in Australia and overseas. The AFP occupies a unique position in the Australian criminal justice environment as Australia's international law enforcement and policing representative and chief source of advice to the government on policing issues. The AFP has a presence in each Australian state and territory, including our responsibilities for community policing here in the ACT, as well as an extensive international network, which will shortly have 31 posts in 26 countries involving 65 staff.

The INP is a large police force of some 250,000 staff. Until 1999, it was part of the Indonesian military, the TNI. The separation of INP from the military is a necessary but not sufficient step in the reform of the police into a truly civilian police service. I note that the INP is at a unique point in its transition to a civilian policing structure. The challenges of this transition have become even more important for Indonesia in the wake of the Bali bombing and the war on terror. The INP has met the challenge of terrorism by a mix of domestic initiative and resolve together with an astute acceptance of significant assistance from foreign countries, particularly Australia and the AFP.

The framework that underpins the AFP-INP relationship is an MOU between the two police agencies. The current MOU was signed in June 2002. It is supported by a government to government MOU on combating international terrorism signed in February 2002. Other agreements and whole of government cooperation support the law enforcement relationship, as noted in the AFP's submission. Indonesia and Australia are co-hosts of the two Bali regional conferences on people smuggling, trafficking in persons and related transnational crime, and we both remain active members.

I will now turn to the operational coordination between the AFP and the INP. This is underpinned by the AFP's invaluable international network, one of two key planks of the AFP's international presence and cooperation. The AFP currently has four AFP members in Jakarta and is conducting a feasibility study for a liaison officer in Bali. AFP members at the post also provide a link into Indonesia for Australian law enforcement and facilitate visits for Australians wishing to engage with the INP. AFP officers also remain in Indonesia as part of the Bali investigations.

The AFP has no jurisdictional mandate outside Australia. Therefore, the role of the AFP members in Jakarta is largely one of cooperation, liaison and advice. The crime types on which the AFP and INP have most substantial cooperation continue to be, in no particular order, people smuggling, fraud and money laundering, illicit drug trafficking, trafficking in women and children, and terrorism. There have been and continue to be a number of operational successes resulting from cooperation with the INP. Many of these matters are before the courts and, therefore, it would be inappropriate to comment on them. The AFP's submission notes some previous successes.

The AFP's Law Enforcement Cooperation Program is the second plank of our AFP international cooperation. As our submission notes, the AFP is engaged in a range of training and capacity building initiatives in Indonesia. One of the most significant law enforcement issues in Indonesia was announced at the APEC summit in Mexico in October 2002. At that summit, the Prime Minister and Indonesian President Megawati Sukarnoputri discussed how Australia and Indonesia could advance the joint efforts to fight terrorism. The Prime Minister subsequently announced that Australia would provide an initial $10 million to Indonesia. Approximately $3 million to $4 million of this will be provided to the INP to strengthen their counterterrorism and transnational crime fighting capacity.

Much of this money will be spent in developing a transnational crime centre, or TNCC, at police headquarters in Jakarta. The Jakarta TNCC is modelled on the transnational crime coordination centre we opened here last year at AFP headquarters. The TNCC project will be managed by the AFP under a record of understanding with AusAID. Its goal is to develop the

capacity of the INP to counter terrorism by strengthening its capability at both strategic and operational levels. There is a need for the LECP to coordinate its activities with other donors. The AFP works closely with AusAID and other Australian agencies in an effort to coordinate law enforcement assistance to Indonesia. This is relatively successful, as we have regular operational contact with these agencies. But donor coordination at the international level is not always easy as each donor has certain agendas and objectives, as of course does the INP.

I should also note that one of the challenges facing LECP projects, as with all assistance projects, is sustainability and the ability of the INP to pick up the ongoing costs associated with maintaining the project once LECP support ceases. These risks have been identified and measures are taken to safeguard the AFP's investment and interests.

To sum up on the three levels—the formal framework, operational cooperation and capacity building support—the AFP-INP relationship is strong. The Bali bombings on 12 October 2002 were a real test for the INP and the Indonesian government. Equally, it presented a major challenge for the AFP. There are four important points I would like to make about the investigation which highlight that the AFP could not undertake an investigation in a traditional sense. First, the crime was committed in another jurisdiction—Indonesia. Second, for the AFP, even if we could deploy, we would not have any powers to arrest, search and/or seize. Third, the logistics issues behind operating in another country were considerable. Fourth, there existed a national imperative to do something.

The MOU between the AFP and INP provided the basis for cooperation. After numerous discussions, a formal joint investigation plan was signed between AFP Commissioner Keelty and General Da'i Bachtiar, chief of the INP on Thursday, 17 October 2002. This gave formal recognition to the joint investigation team. Inspector-General Made Mangku Pastika was placed in charge of the INP case. The case now had national recognition in Indonesia.

The investigation team faced many challenges in those first few days, not only from a traditional policing perspective but also from the obvious grief and anxiety felt by victims and their families and friends as well as the massive and intense media interest. Within the investigation team there was a unique mix of INP field and local policing skills combined with AFP intelligence and investigational skills augmented by technology. The team was truly an outstanding demonstration of meaningful regional cooperation. I also add that as many as 10 countries have also assisted the INP in the investigation, including the UK, France, Germany, New Zealand and the United States.

The AFP acted as the coordination agency for all international law enforcement contributions. The success of the joint investigation is most clearly reflected in the ongoing trials of the major perpetrators of the Bali bombings. In total, 33 arrests have been made in relation to the Bali investigation. The AFP continues to assist the INP in the prosecution of major suspects. The trial poses major additional challenges. The proceedings are conducted in Bahasa Indonesian in a process based on a Dutch judicial model and in crowded and tropical conditions under the gaze of international media. The AFP has set up trial monitoring teams, which include family liaison officers. Again, this is done with the cooperation of INP. The AFP also has an ongoing role in the location of outstanding suspects. A second joint team now operates from Jakarta in a joint task force arrangement with the INP. The willingness of the INP to accept all types of assistance has

brought great credit to them in law enforcement circles and beyond. It is, in the AFP's view, highly justified.

It has also, though, brought some challenges to the INP. The widely noted international cooperation is not something the INP can always trumpet locally. The AFP remains conscious of this fact both with Operation Alliance and with our ongoing operational cooperation. Indeed, despite the Australian and broader Australia-Indonesia relationship over the years, most recently in relation to East Timorese independence, the importance of the law enforcement relationship for both countries has remained strong. Obviously the Bali tragedy focused the world's attention in the war on terror on our region of the world. Since then, President Sukarnoputri has been quick to reassure Australia that Indonesia is doing everything in its power to deny terrorists a safe haven under challenging circumstances. The AFP believes this to be true. JI has been dealt a serious blow, but it does remain active. Hambali remains a suspect in the Bali investigations, and his arrest is a high priority for the joint investigative task force.

The INP has done its country proud by working openly with law enforcement partners and by sending a message that terrorism will find no sanctuary in Indonesia. The AFP-INP relationship continues to strengthen at the three levels I have talked about, much of it reinforced by personal trust and respect between officers. It would be wrong to claim that there are not challenges, as I have touched upon. What helps to overcome these challenges is the strength of the relationship and the lessons learned through its successes. Both the AFP and the INP remain acutely aware of the devastating effects of terrorism in particular but also other transnational crime on the economy and society of our respective countries. Law enforcement plays a central role in preventing crime and terrorism in the region, and law enforcement cooperation has therefore never been more important.

If I can refer back to the committee's terms of reference for this inquiry, the law enforcement relationship between Australia and Indonesia is indeed positive and mutually beneficial not only for the two agencies but, we trust, for the two countries. It is the AFP's firm commitment that it remain so. Thank you.

CHAIR—Thank you very much indeed. Is the relationship with the Indonesians the biggest and best you have in terms of overseas forces?

Mr Davies—I deem it hard to try and compare. I think we have done very well in our relationship with Indonesia, as I have outlined this morning. But I think it is fair to say we have close arrangements and a successful working cooperation across a broad range of areas not only in the region but in the wider concept. Our liaison posts obviously are scattered across the world—in the Americas, including South America, and Europe. I believe that over recent years we have been able to build those relationships up to a very high level in all areas. I do not know whether Shane has a particular comment to make.

Mr Castles—Each particular country presents unique and different cultural and legal and law enforcement frameworks to deal with. So the status quo perhaps in Indonesia is very different in countries, for example, like Vietnam, Thailand and even broader than that, such as in South America, as the deputy commissioner has alluded to. I would say to the committee that our relationship with the Indonesian National Police is a very strong one but it needs and requires constant attention and constant work. Our relationships more broadly, particularly with the Royal

Thai Police, are a bit more stable and require albeit a level of maintenance, perhaps not to the levels we have currently with the Indonesian National Police. The political framework in a country like Indonesia will very much determine the senior levels of the police, as it does in other countries. There is a constant need to make sure that we remain relevant and that our relationships of trust and confidence with the police particularly remain robust.

CHAIR—Would it be true to say that the relationship with the INP has taken off since it was split from the TNI, or has it always been there?

Mr Davies—There has been a relationship preceding the split in 1999. I think it would be fair to say that we have had a strong relationship through the 1990s, which preceded that. It obviously creates a new footing, given the change to a civilianised police force, but I do not think it has been a catalyst. I think there was already a strong bond between our agencies.

CHAIR—While your comments this morning were firmly focused on Bali, it was interesting in your submission to read some of the work that has been done and what has been achieved in terms of things like illegal migration and drug smuggling. Is there anything that you can bring us up to date with in that respect in terms of further developments since October and November last year?

Mr Castles—We have a considerable amount of operational work with the INP across a broad range of crime types, including people smuggling, money laundering, fraud and illicit drug trafficking. The level of that work ebbs and wanes. People smuggling is still a high focus for us in Indonesia. There are clearly still individuals who would take the opportunity to again organise vessels and smuggle people to Australia. The whole of government approach to people smuggling, working with the Indonesians, the Indonesian government and its agencies as well as the INP, we believe, has been quite effective. But we cannot drop our guard in that regard, and nor have we, particularly from the Jakarta point of view.

CHAIR—From memory, you quoted something like 3,000 people being prevented from obviously entering illegally. There is no update on that? Is there any more or less, or has the thing quietened right down?

Mr Castles—I would say that it has quietened down considerably. There are still, we believe, a number of people as clients that would take up the offer of an organiser to bring them to Australia, if the opportunity presented itself. We are still working very closely with the authorities in Indonesia, including the Indonesian National Police, to monitor the activities of these people through the Indonesian National Police and the Indonesian immigration service.

CHAIR—In the drug work you do, is Indonesia a transit point or a supplier? I think in particular your submission made reference to some concerns about the amount of ice that was coming through.

Mr Castles—Yes. The illicit drug trafficking patterns in the region at the moment are shifting very strongly towards the manufacture of amphetamine type stimulants. Ice is a very potent component of ATS, or amphetamine type stimulants. For the most part, those products in the region are being produced over the Thai-Burma border. That is what our intelligence is telling us and that is what the regional law enforcement are also telling us. That is not to say that these

illicit drugs are also being produced in other parts of Asia. You might recall, certainly through our Law Enforcement Cooperation Program, that some training was delivered into Indonesia through the Queensland Police Service in relation to the identification and examination of crime scenes such as a clandestine laboratory. That training resulted in the identification of two significant labs in Indonesia the year before last, I believe, if my memory serves me correctly, which indicates that not only is Indonesia perhaps a country of manufacture but it has also been a country of transit for not only ATS but cocaine from South America and heroin from the Golden Triangle, as is every other country virtually in the South-East Asian region.

Mr Davies—Those incidents, including some recent ones, as stated by Shane, indicate that there is not enough there to say there is an issue of it becoming a problem as a transit point, but there have been a couple of significant cases which are still before the courts. As I say, it may well have been convenience rather than the commencement of a particular trafficking route. As we say, the drug scene is moving and changing very rapidly and evolving into something quite different from what we were used to dealing with through the 1990s, certainly. That is obviously why our overseas posts are so important to us—to be at the sharp end working with the agencies and trying to get on top of the trends and what is occurring.

CHAIR—Are you any closer to the establishment of a post in Bali? Are negotiations still going on there?

Mr Davies—That is still going on.

Mr Castles—We have commissioned a six-month feasibility study in Bali, which is nearing completion. The comprehensive and detailed study is due probably in the next 30 to 60 days. It will then be considered through me to the deputy commissioner and the commissioner with a recommendation to either open or not open a permanent post in Bali. Our feasibility study officer has received accreditation for the six-month feasibility study, but we need to look closely at the detail in terms of the strategic placement of a person there on a permanent basis. The other indication I might give early but perhaps prematurely would be positive in many respects.

Mr Davies—I want to make a correction to our submission to the inquiry. On page 8 under the heading of the AFP's international liaison network, we made reference to the feasibility study for Bali. We stated in the second-last line of that paragraph that it was likely to begin before the end of 2002. That should have been 2003.

Mr EDWARDS—I want to ask you about the amphetamines. Have the bulk of amphetamines that hit the streets in Australia been manufactured locally, or are they coming from overseas?

Mr Castles—It is a combination of both.

Mr EDWARDS—Could you give us a rough estimate.

Mr Castles—Of the vast majority of amphetamine type stimulants, of which ecstasy or MDMA is part of the family, the higher quality product is still coming from Europe. Regionally manufactured ATS is coming out of the region principally from the Thai-Burmese border, more on the Burmese side, where traditional heroin manufacturing laboratories are now mixed with ATS in terms of production. The traffickers and manufacturers are using traditional heroin

trafficking routes and people to distribute the product ATS to world markets, including Australia. Of course, there is still, I would say, a small percentage of locally produced ATS here in Australia.

Mr EDWARDS—So Burma is still the origin of both amphetamines and other hard drugs?

Mr Castles—Yes. The quality of the ATS coming out of the South-East Asian region is not quite at the level still being introduced and trafficked from Europe, but it is catching up rapidly.

Senator FERGUSON—I have one question. Our inquiry is about our relationship with Indonesia over a broad scale. Many so-called expert commentators and the odd former ambassador and a number of others have suggested that our relationship with Indonesia is now not as good as it was previously—in other words, some time ago, maybe 10 years ago. You have outlined this morning your close cooperation with the INP. We have had other departments say that their working relationship with Indonesian counterparts has never been better. How would you rate our relationship with Indonesia currently compared with what it was in times gone by?

Mr Davies—Obviously, I am only really in a position to comment from a law enforcement perspective. Clearly, I think the relationship is as fine as it ever has been. Certainly I think through the tragedy of Bali, in a sense, it was an opportunity to test the system. It tested trust and cooperation. Certainly that has been very successful from their point of view. As I say, we continue to work across a range of crime types with every bit of demonstrated cooperation that one would expect. So certainly from our perspective it is now as strong as it ever has been, I would have to say.

Senator SANDY MACDONALD—I have a couple of questions for you. Deputy Commissioner, you say that there are 250,000 members of the INP. Clearly since the Bali bombings we have cooperated at a senior level. Do we have a capacity to cooperate at a more junior level for the benefit of a long-term relationship? I understand the senior level of the AFP is very good. But how do we look to the future?

Mr Davies—Absolutely. There are many instances. Shane might be able to give some specific examples. Firstly, I will go back one step. People on the ground in Indonesia are obviously working at a local level in the sense that they are working with the operatives in the particular areas of activity, be it narcotics or fraud or money laundering, and are working with the people who are central to that. So they are the normal working-day police whose relationships we obviously value and need to develop. We do try and offer opportunities for development and work. We have undertaken a number of training programs in Indonesia. We have brought Indonesian officers here to train. We actually currently have a member of the Indonesian police here in Canberra undergoing our Management of Serious Crime course, which is one of our pre-eminent courses. Not only does that involve officers from the AFP; each of the Australian states and territories is represented on that course.

We also often bring on board people from other Australian departments. On this occasion, as I say, we have somebody from Indonesia as well as somebody from the Philippines and the United States. So we actually do look to develop those particular relationships. In fact, back in time, for what it is worth, General Pastika was in fact a graduate of that MOSC course in the early 1990s with our commissioner. In fact, I think it was a good stepping stone to move forward. So there

was some foresight at the time to see him as an up and coming officer and bringing him on board to see how we manage serious crime.

Senator SANDY MACDONALD—Do they have any other decentralised or regional police forces?

Mr Davies—No. It is all central, as I understand it.

Senator SANDY MACDONALD—You said both in your submission and in your opening statement today that the separation of the INP from the military is widely acknowledged as a necessary but not sufficient prerequisite for reforming the police. What can you say about the reform processes that they themselves are undertaking?

Mr Davies—Shane would be better versed in this. He has been a part of it. I have not travelled there.

Mr Castles—I co-chair here an annual working group with my counterpart in the Indonesian National Police. This will be the second year. Last year was my first year on that working group steering committee. This is now five years old in terms of the relationship of the working group. Suffice it to say that the first two years involved getting to know each other organisationally. Certainly I can say from where I sit that last year there was a distinct and very impressive demonstration not only in dialogue but also in developing programs under GSLP, the Government Sector Linkages Program, and the Law Enforcement Cooperation Program, for the INP to develop community policing skills and awareness frameworks. My view is that they are hungry for that type of capacity building and development.

I have also witnessed dialogue between our commissioner and the chief of the INP, General Da'i Bachtiar, and his senior officers. We constantly talk. The dialogue has been about capacity building, human resource training and development, financial training and development. They are really looking for assistance to take them beyond what was a traditional military and paramilitary model into very much a community serving law enforcement organisation. I think they have a long way to go, and I am sure they are the first ones to recognise that. But we are seeing some very positive signs in that direction.

Senator SANDY MACDONALD—I have one final question that relates to something Mr Edwards said about another matter, which is drugs. Is Indonesia a substantial source of facilitation for drug entry to Australia? Is there any evidence that domestic terrorist groups within Indonesia use the drug trade as a means by which they can finance their operations?

Mr Davies—To answer the first part of your question, I do not believe there is evidence at the moment to show that it is a major issue coming out of there. As I said, there are isolated cases of drugs transiting the country. I am unable to comment on the question of laboratories producing within Indonesia. I suspect there are. However, the reality is that it is not known at the present time as being a major issue. The major issue certainly still sits up in what we recognise as the Golden Triangle area. As far as the terrorism groups are concerned, that does not sit directly under me, but certainly I am not aware—I will ask Shane to correct me if I am wrong—of information that we have to date that would indicate they have been reliant on drugs in any way, shape or form as being a significant part of financing their activity.

Mr BRERETON—Deputy Commissioner Davies, I think we are all greatly encouraged by the report on the progress that has been made on the building of the relationship between yourself and your counterpart agency. I want to ask a question about the alleged JI involvement in the church bombings during Christmas 2000 across the archipelago. What is the state of AFP knowledge of that, and when, how and in what circumstances did we become aware of these matters?

Mr Davies—I am not in a position, unfortunately, to be able to answer your question. The terrorism area of investigations does not report through me; it reports through the Executive Director, Protection. I can certainly undertake to come back to you on that.

Mr BRERETON—I would appreciate it.

Senator BOLKUS—I have one quick question. You mentioned earlier that you were satisfied with the state of the operation in Jakarta. Does that imply that in terms of regional outposts and hot spots in some of the regions, both in terms of people smuggling and in terms of other issues, you are satisfied with the relationships you have there as well, or would you need more infrastructure? I took your answer to mean that in terms of the capital the infrastructure is all right, but what about those hot spots in terms of people smuggling or terrorism, as Mr Brereton said?

Mr Davies—In regard to that, I do not think we mean it sits within the capital itself. Clearly, that is the centre of issues because that is where they are centrally devolved. However, for such things as people smuggling, which clearly, as you say, do go out into remote areas, our people have worked closely with the Indonesians not only in Jakarta but in local areas and have actually travelled to areas to work with locals if there is a sense that there may be some activity in a particular area. So it is not true to say that we can only act regarding things happening in or near the capital; we do have the ability to reach out. I have to say that given it is an archipelago of umpteen thousand islands, obviously there will be areas where it is probably beyond our reach and may well be beyond the reach of the locals, I imagine.

Senator BOLKUS—The feasibility study in respect of Denpasar: have the Indonesians had any problems in terms of our proposal to set up an AFP post there, or have all the feasibility issues been from our side rather than theirs?

Mr Davies—I understand they are from ours, if there are any, but I will hand over to Shane, who is the General Manager, International, to respond.

Mr Castles—No, there have been no negative indications or connotations at all at this stage in terms of our counterparts in the Indonesian National Police, nor from a foreign affairs perspective from Indonesia. Bear in mind that the feasibility study was commissioned for Bali well before the Bali bombings. From that point of view, illicit drug trafficking was more our focus out of Bali, with a lot of expat Australians and known illicit drug traffickers going to Bali as probably what one would call a safe place to conduct meetings and negotiate deals. That was our focus and still is our focus. We want to make sure that that is still the case or potentially is the case, and what other crime strategies we can manage from the Australian perspective out of the Bali area.

Mr BEAZLEY—With respect to the relationship between the Indonesian police and the military on counterterrorist activities, what are the basic divisions of responsibility between the two? Is there cooperation, or is that division a fault line? What impact does it have on your collaboration with the Indonesian police?

Mr Castles—It is a difficult question. We are aware, as best you can be, that there are some divisions between the military and the intelligence organisations and the INP. But for the most part, when a significant and verified piece of intelligence indicates criminal activity, particularly in respect of terrorism, we have witnessed a certain amount of cohesion between the military and particularly the INP. I am not saying it will not be problematic from time to time. But certainly we have been aware of General Da'i Bachtiar, in his capacity as the chief of the INP, directly having discussions and consultations with his counterparts in the military and the intelligence services of Indonesia.

Mr BEAZLEY—You do not find at any point in time your relationship with the police force becomes a source of cantankerous behaviour on the part of the military? Are they suspicious of us and do they try to interfere? Is there any difficulty?

Mr Castles—I am not aware of any specific instances or circumstances. I would say that, yes, there is the potential for that, but it has not been particularly evident to me at this point in time.

Mr Davies—I am certainly not aware of that.

Mr BEAZLEY—On a completely unrelated matter, what would you say your principal or top priority would be in the relationship with Indonesia? Is it still people smuggling, or has that fallen well below terrorism?

Mr Davies—I think terrorism has to be up there, clearly, because of where things sit across a range of things. People smuggling certainly stays on the radar. There is information from time to time that there are people out there who are still willing to try and bring people in. Clearly, it does cross a range. Obviously, I would say that terrorism, for the crime it is and the short and recent history, has to be the No. 1 priority. Beyond that, I think it just covers the scope. People smuggling still remains the key issue, but certainly narcotics, fraud and money laundering would be key issues for us at this point in time. Equally, we are about to conduct workshops with the Indonesians on intellectual property issues. So we try and ensure that we canvass the full scope of transnational crime.

Mr BEAZLEY—Does any other international police force have this depth of relationship with the Indonesians?

Mr Castles—I would say not. I mean that from perhaps a Western perspective versus what would traditionally be an Asian or South-East Asian perspective. I think we have seen a real change in the attitudes and the willingness of regional law enforcement, including Indonesia, to embrace the region as a whole on particular issues, particularly terrorism and illicit drug trafficking and human exploitation. I think the relationships between the INP perhaps with Malaysia, Singapore and Thailand are different from what they might be with a traditional Western law enforcement culture or framework. When you speak from a Western perspective, I would say that by virtue of the closeness of the countries in terms of geography, the AFP or

Australia is in a better position, and would naturally be so—I would expect that to be the case—to establish a relationship, particularly with the INP.

Mr BEAZLEY—Can you characterise the attitude of the Indonesian police to the situation with JI? Do they think it is a problem they are getting on top of? Do they think it is a problem the dimensions of which they are only just beginning to find out? Are they concerned, and what are they doing about, JI's links with Muslim militants in the Philippines, for example, and neighbouring countries?

Mr Davies—Again, it is not particularly my area. Clearly, for the whole region the tragic events of last year were an eye opener to some degree. Yes, there was, I guess, an issue with coming to realise there was a major problem. I think, though, the Indonesians have taken remarkable steps in moving forward and tackling this head-on. I have to say that at the time of the Bali bombing we did wonder a little what their reaction would be and how much effort would be required. There were some concerns on our behalf that whoever might have been closest at the time might have been a suspect. That is where things went. By the actual continuing cooperation, the AFP still has 35 people, including five APS members, in Indonesia working with the Indonesians not only for the briefs for the bombing but obviously trying to get others and looking at the extension of those networks, as you rightly say, into other areas, particularly the activities within the Philippines. I know that there have been a number of joint meetings between senior Indonesian police, Philippines police, the Malaysians and so on and Singaporeans. They have been getting together to ensure that their cooperation is lifted a peg to try to ensure that they are on top of what has become a rapidly emergent issue and a very difficult issue.

Mr BRERETON—Deputy Commissioner, you have clarified this morning that the feasibility study on the Denpasar posting will now commence before the end of this year, not last year. Did I hear that correctly?

Mr Davies—It is actually ongoing as we speak.

Mr BRERETON—This was a feasibility study planned prior, you have said, to the Bali bombings?

Mr Davies—That is correct.

Mr BRERETON—Why is it taking such a long time for a feasibility study to establish this post, especially given that you have told us this morning you do not foresee any difficulties at the Indonesian end?

Mr Davies—I have to say that it is in part because the substance did change, as Federal Agent Castles indicated to you a little earlier. The reality is that we were clearly looking at Bali through the late 1990s and into 2000. As we correctly pointed out, we had identified a number of interesting people, shall we say, to law enforcement travelling on a regular basis to Bali. There were also small importations coming out of Bali. So it was an extremely drug focused endeavour at that point in time. We were thinking that there was enough in that alone for us to move in. Obviously the bombing has changed the focus. We do not now see that since Bali has become a hotbed of terrorism. But I guess it caused us to take a deep breath. In the meantime, we have

actually added to our numbers in Jakarta. So there was a bit of a balance between what we were doing in Jakarta as opposed to whether we would put somebody into Bali or put extra into Jakarta and cover from there. I think they are some of the issues we were dealing with, if I am correct on that.

Mr Castles—Yes.

Mr BRERETON—Do you see Jakarta as replacing this objective of the feasibility study?

Mr Davies—I think the feasibility study is to establish whether the extra people in Jakarta overcome the need to have a separate position or not. Is that correct?

Mr Castles—Yes.

Mr BRERETON—And you are still working on that? It is inconclusive at this stage?

Mr Davies—Because those numbers have only been recently added to within Jakarta. Again, we obviously have to assess what impact that has had for us. We are always very keen, in opening any post, to ensure that we believe we are going to get a bang for the buck. So it is very important to establish that the workload is there.

Senator BOLKUS—Are you saying that potential terrorism was never part of your considerations in terms of developing this proposal for an AFP officer in Bali?

Mr Castles—No.

Senator BOLKUS—So it was a consideration? Drugs was the major one?

Mr Castles—Yes. Prior to Bali, no. Prior to Bali, we are talking about?

Senator BOLKUS—Yes. There was never an issue?

Mr Castles—No.

Senator BOLKUS—Even though there was conflagration in all sorts of parts of Indonesia in previous years?

Mr Davies—We had no information from a law enforcement perspective that would have caused us to take that on.

Mr Castles—The other thing I might add is that the island of Bali is rather unique in the sense that it is a Hindu enclave in Indonesia rather than a traditional Muslim part of the archipelago. So from that perspective, although terrorism particularly was not an area of focus for the feasibility study in Bali, it was more along the lines of our other crime management strategies, illicit drugs being the most prominent, and money laundering and the propensity for Australian people or persons of interest travelling from Australia quickly to Bali to conduct meetings and associate with other criminal identities from, more broadly, the region and even further across the globe.

CHAIR—Do you have any relationship with TNI these days?

Mr Castles—No.

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

[9.59 a.m.]

CARMODY, Mr Shane, Deputy Secretary, Strategic Policy, Department of Defence

CHAIR—On behalf of the subcommittee, I welcome you. Although the committee prefers all evidence to be given in public, should you at any stage wish to give any evidence in private, you may ask to do so and the committee will give consideration to your request. Although the committee does not require you to give evidence on oath, I should remind that you 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 Carmody—I actually do not have a formal opening statement. We have provided a submission. I am very happy and comfortable to take questions.

CHAIR—Thank you. It was an interesting submission. I thought the biggest claim you probably made was that the Indonesian military was the state's most important national institution. That is a bit different from the way I guess we see the military. Can you give us some reasons why you attribute that status to the military in Indonesia? Does it have much of a bearing in terms of the relationship between Australia and Indonesia?

Mr Carmody—Yes, I can. Indonesia is a large and geographically spread out and diverse society. TNI, the Indonesian military, has for a long period of time been a force for stability within Indonesia. There are varying views of TNI's performance and TNI's role throughout Indonesia, but it is certainly the organisation in the country which is most represented everywhere, from the tip of Aceh through to Irian Jaya, or West Papua as it is now. Through its territorial apparatus, it is probably most visible to the people. So as a national institution, it has played a very, very important role ever since independence. It still does, although its role has certainly diminished with the advent of the change or the move towards a more democratic Indonesia. The role of the institution has changed, but it is still very central to Indonesian life. It is still very powerful. It still has a role to play, a very large role.

Senator FERGUSON—Mr Carmody, we have had lots of agencies come before us. Many public commentators, and that includes ex-ambassadors and a whole range of other people, have said that our relationship with Indonesia is not as strong as it used to be. Just about every agency we have spoken to, and the AFP were the last ones, have said that the relationship is as good as it has ever been, and one or two have said that it has never been better. So is it accurate to describe our relationship with Indonesia at an official level as being as good as it has ever been? Perhaps if you are talking about misunderstandings amongst the population that might have occurred over East Timor, perhaps from some of their elected representatives who do not always make representations at official levels, it is fair to describe it as not being as good as ever at an official level. Perhaps there are some underlying misgivings amongst some of the Indonesian population?

Mr Carmody—I would probably differ from some of my colleagues. I do not think it is as good as it has ever been. My first exposure was studying at university in 1981, so I do not think

the relationship is as good as it has ever been. This is particularly in the defence context that I am referring to.

Senator FERGUSON—I am only repeating what they have said, not necessarily what I think.

Mr Carmody—It is probably where I am best qualified to speak. But it is getting better. I will explain. The high point in the relationship was probably in 1998-99 in terms of understanding in the relationship. We had things like the large-scale forums between our Chief of the Defence Force and Panglima, the Indonesian commander of armed forces. We had lots of military exchange. We had a very high-level relationship. I thought it was probably the high point of the defence relationship. Our expenditure has varied. It almost coincides with probably one of the highest points in our defence cooperation expenditure with Indonesia, which is not that much money, but it was a reasonably high point. It changed very quickly in East Timor. Having said that, many commentators have said, and I agree, that the long relationship with Indonesia is the thing that facilitated the smoothness of the transition in East Timor when INTERFET arrived. So we got a lot from our investment. What we got back from our investment then was not engaging in fire fights in and around East Timor. That is the reality of it.

It went to quite a low level around that point and beyond, particularly at middle to senior levels within the military. I think it is a matter of mistrust. In the Indonesian sense, there was a sense of betrayal. We understood what they were doing in East Timor. Therefore, we went in, and there was not much of an acknowledgement necessarily of going in on behalf of the UN. Therefore, with individuals there was a sense of betrayal. That has taken some time to turn around.

My view is that the relationship is on the improve. It is certainly better than, in my view, it has been in the last couple of years. So it is on the up but it is nowhere near the sort of relationship we had in 1999. That said, I am not necessarily convinced that we want the relationship we had in 1999 either. Things have moved on and there have been some changes. So I would argue, I suppose in summary, that the relationship at the moment at a military level is not as good as it has ever been, but it is better than it has been in the last couple of years. I think it is reaching a point that is quite positive in a relationship sense for us.

Senator FERGUSON—Do you think that in many ways the Bali bombings have strengthened our relationship, or do you think it has increased any tensions that might have been there?

Mr Carmody—No, I think it has strengthened it. I feel quite strongly that the police interaction in particular has had a strengthening element to it. I also believe that the Indonesians prior to Bali, the Indonesian people more generally, did not recognise or would not acknowledge that there was any element of terrorism or terrorist type groups within their society apart from the ones they might consider to be secessionist and verging on terrorist, but in a secessionist sense rather than a purely terrorist sense. So they were very, very surprised. I think it showed that we had a common interest and we share a common strategic security interest, which I am not convinced was as readily acknowledged prior to Bali. So I think it has helped the relationship in many dimensions, not only the police relationship but the defence relationship, and probably the foreign policy relationship and others. So from the point of view of that element, there have been some positive results.

Senator FERGUSON—My final question relates to our role in the war in Iraq. Apart from any political implications, has it had any impact at all on our defence relationships with Indonesia?

Mr Carmody—I am quite surprised, actually, at the lack of negativity at the senior military level. There are a few officers—and I have spoken to a number—who have said things like, 'Why are you following the United States? Why did you go into Iraq?' and all of the normal questions that are around. But in terms of what appears to be public pressure in Indonesia, it does not seem to be an issue at all. I am only surmising, but I think it is the way that the Indonesian government dealt with the issue themselves—they were pretty comfortable with at least reinforcing the point that it was not a war on Islam. Those sorts of elements were really very, very helpful because it could have gone the other way. So I think it was quite positive, and I was surprised at how positive it was. I am not saying that it is overwhelmingly supportive in any sense, but it is not overwhelmingly negative, which it could have been.

Mr EDWARDS—Mr Carmody, in this submission you make a number of strong references to the state of the Australian-Indonesian defence relationship. How important was it that there was a full and transparent investigation into the various allegations made in relation to the conduct of Australian forces in East Timor, particularly allegations of unlawful killing?

Mr Carmody—That level of transparency is very important for both sides. We have different views of transparency. It is difficult to look consistently and look at Indonesia through our eyes and actually set particular standards for Indonesia. So their standards of transparency might be slightly different from ours. But I think it is very important to be as open and frank as you can be. As Western nations have consistently applied pressure to Indonesia on a range of these issues, I think we have to be able to do the same things ourselves.

Mr EDWARDS—Are you aware that the Indonesian defence authorities have kept a fairly close eye on that investigation and its conduct?

Mr Carmody—No, I am not. I was not aware. I was in Indonesia last week, for example, and it was not raised. It has never been raised in my discussions with senior Indonesian military or civilian figures. They may be keeping an eye on it, but certainly not at the level in the organisations that I was operating in.

Mr EDWARDS—Given that you felt it was a fairly important thing to have a good, transparent and strong investigation, when do you think this matter might be finally determined? When do you think the fellow facing charges there will be finally dealt with? I understand this matter has been deferred now seven times following an investigation that has been going on for three years. Will it be in our interests and the interests of that relationship to have that matter dealt with?

Mr Carmody—I think it would be. It is one that is slightly outside my framework. I presume the Chief of Army is running the activity. I think it is Army's investigation, to my knowledge, but I am a little out of my depth or beyond my level of knowledge here. Let me go back to the point: I think it is important for it to be managed as expeditiously as possible. I do not know why it has been delayed. I think it would be important for the relationship at one level because we are

being transparent. But at another level let me say that I have not felt the slightest bit of pressure from the other side for us to come out and resolve it.

Senator SANDY MACDONALD—I am a great believer in bilateral visits at every level of government. In your submission you said that maybe visits were restricted in October 2002. Have naval visits recommenced? If they have not, when are they likely to?

Mr Carmody—Just on that point, the Chief of Navy was scheduled to go to Indonesia this year. I do not see any reason why Navy visits will not continue. I have to find that point in the submission. I do not recall that actual point. So we are saying that no-one has actually visited since August 2002. That is only six months. I think my point would be that there is no preference for us not to visit. We have had a few issues with tempo and other things that have probably kept the Navy going in the last six months in particular. I expect they would recommence very soon.

Senator SANDY MACDONALD—In your submission I think you say security concerns were the reason why naval vessels did not visit.

Mr Carmody—There were two ships in Surabaya at the end of May, which I am aware of.

Senator SANDY MACDONALD—So your submission has not been updated for current operations?

Mr Carmody—I was not aware of it either. I knew that two of our mine hunters had been in to Sihanoukville last week and I presume that they went there on the way.

Senator SANDY MACDONALD—I have another question. I asked the same question of the AFP. It is one thing to have a good working relationship with senior people in TNI or in the national police force. I know that in the past we have put a lot of effort into the up and coming senior members of the TNI. Has that recommenced, and how is it working?

Mr Carmody—It is probably a matter of perspective with senior people. We try to engage at a range of levels, particularly from the junior officer level up. We are looking at middle level in terms of staff college access and those things. As you would probably be aware, those activities have not stopped. They have continued, despite the highs and lows in the relationship. We do have a range of senior level contacts as well at the service chief, deputy chief, northern commander and their equivalent levels as a measure of confidence building.

The TNI is as constrained as any other military force by the views and the policy framework its government sets on engagement. Sometimes we have wished to engage at various levels with TNI and found that our engagement has been constrained as much at that end if not more than at this end. In summary, we are still engaging at the officer level in particular, and that is really the focus. We find that in going down much below that, the field is too vast and there are just too many players and it is too difficult to influence. The way that TNI runs, it is much better to get people who are going in and through and around the staff college and beyond. Picking winners is not quite the terminology, but it is close. It is identifying people who we think would benefit from the Australian staff college and maybe have a bigger and brighter future in TNI. Therefore, we will be able to continue to engage with them for a long time.

Mr BEAZLEY—Mr Carmody, how would you characterise the attitude of the Indonesian military to our current reluctance to enter into the extensive exercise activities we used to have with their special forces? Do they see us as sitting in judgment on them? Does it put a spoke in the wheel, or do they not care much about it?

Mr Carmody—It is an interesting question, Senator, or Mr Beazley, I am sorry.

Mr BEAZLEY—You have promoted me!

Mr Carmody—I will leave that one.

Mr BEAZLEY—I am having trouble getting promotion these days!

Mr Carmody—So am I. Talking to the Indonesian special forces, the engagement between Indonesian special forces in particular or TNI AD, Indonesian army, of which special forces are a part, in my view, is constrained quite a lot by the views of the current Indonesian chief of army, who has not had much exposure to Australia and/or the West. Even were we to be eager, and I mean very eager, to re-engage with Indonesian special forces, the pace would be set by them, not by us. So at one level the TNI AD, the Indonesian army, is setting the pace. At the special forces level, certainly they have felt the fact quite keenly that we have not worked with them since 1997 and they have seen a diminution of their skills. At the middle ranking level and the soldier level they would like to get their skills up again, or they would like to have the opportunity to rebuild their skill set. They are still probably some of the most skilled servicemen in Indonesia, but they would like to do it. So at one level they would like to engage. Certainly members of our Defence Force would like them to engage as well because they like to work with other soldiers. The limits are really being set at a higher level than that.

Mr BEAZLEY—What do they think are the bases of our decisions in relation to activities with their special forces?

Mr Carmody—I think they have now more of a pragmatic view of our decisions than they might have had a few years ago. There is a bit more of a public acknowledgement in Indonesia, at least amongst noted academics but more broadly in Indonesia, that sometimes the Indonesian special forces were involved in excesses. There is a bit of a recognition of that probably within the special forces.

At the practical level, the soldiers are saying, ‘We don’t know what all the fuss is about. Let’s get on and do some more work.’ But at the practical level, I do not think they harbour any resentment. They certainly have some professional respect. But there will still be pockets—I am talking generally—of resentment over the fact that we have ceased our cooperation and training. But, then again, so have many others. We are not actually alone. In terms of running or managing our relationship with Indonesia, we are probably one of the very few nations that has managed to run a continuum, at least in access and contact and talking to people.

Mr BEAZLEY—With respect to the continuing action in Aceh, what is the basis of that, in your judgment? Is this the military stealing a march over their civilian heads? Is this the military taking control of an element of policy? To what extent is this Megawati initiated, in your

judgment, and to what extent is it military initiated? How do our contacts with the military assist us in knowing the answers to those sorts of questions?

Mr Carmody—There are a couple of points. To the extent I know, we are not seeing TNI operating without the authority of the government. So I can only draw the conclusion that this is Megawati's view as well. That is where the leadership is coming from. To put it another way, that is where the licence to employ TNI and endeavour to resolve some of the problems with GAM has come from. Certainly our senior level contacts with Indonesia do allow us at a military level to know a little more about what is going on and allow us also the opportunity to talk and to deal with our senior Indonesian colleagues and discuss quite frankly the fact that the Indonesian campaign in Aceh is an issue for Indonesia to resolve.

But the world is watching the operations of TNI. The Indonesian armed forces need to act inside a government framework in a professional way because the media and the world will be watching. They know that. I have discussed that with my colleagues in Indonesia. They have said exactly the same things back to me. They have said things like, 'We are not using certain British aircraft for attacks. We are using them as a show of force. We are controlling our military,' and those sorts of things. I think that is a good sign.

Mr BEAZLEY—From your contacts with the Indonesian military—and obviously members of the military, like any other political entity, have differing views—there tends to be a prevailing view that that is the fashion, even if there is some dissidence within their ranks. How do they see the workings of the Indonesian constitution, the activities of the Indonesian politicians, the outcomes of decentralisation and administration? Are they prepared to live with all the possible ramifications of it?

Mr Carmody—It is hard to speak entirely from an Indonesian perspective, I am afraid.

Mr BEAZLEY—You are supposed to be able to, Mr Carmody. You are about the only one in the show who can.

Mr Carmody—I will make a couple of observations. As you are probably aware, the Indonesian military do not vote. Their representation in parliament has been the quid pro quo for them not having voting rights. That is how they have managed. That is one of the elements of the constitutional structure in Indonesia that has provided some stability. It is also another key linchpin to the centrality of TNI. There are elements within the Indonesian military who have been very reformist in the last few years. Most of those people seem to have moved on, so it is probably slightly less of a reforming military culture than existed probably in the mid-1990s. But at the same time it is a more aware military culture regarding the consequences of their operations.

There is a debate going on at the moment about the territorial nature of Indonesia and whether the territorial structure, which is essentially underpinned by TNI, will remain. There are different views on that. I think the military's view is that territorial structure will remain. I think there are other speculations that it may not.

Dealing with my Indonesian interlocutors broadly, there is a lot of discussion in Indonesia about the transition to democracy, about the move to a democratic process and what this means

and what it means for the nation and what it means for the role of TNI, what it means for the separation of the police from TNI and essentially where the nation is going. Those things are quite positive. So, in summary, the role of TNI in Indonesian society is diminishing, but there does not seem to be an enormous amount of resentment in the military. That is my view. There is an understanding that their role is changing, but there is not a groundswell of resentment because of that fact, or there does not appear to me to be.

Mr BEAZLEY—Do they have a distinct view of the political parties? Are they overtly hostile to the Islamic parties or partly hostile to them or supportive of them? What is their view?

Mr Carmody—There are factions within TNI, as there are within most other political constructs. Some are very pro particular parties. Some are more Islamic than others, for example, and some are less so. There is still some support for Golkar, which was the central party under previous regimes, but there still is residual support for Golkar. To the extent that you would expect it in Indonesia—and Indonesia is different from here and most other places, I am sure—there is a reasonably healthy debate and political process going on. I presume that members are free to support the political parties of their choice. But I must say I have not actually asked the question. So the answer is more of an intuitive guess.

CHAIR—We are getting a bit tight for time.

Senator EGGLESTON—The question I was going to ask relates to differences between the political people in Indonesia and the military in terms of their view of Australia's defence forces and the paramilitary. You have given an overview which seems to suggest that the Indonesian military have a fairly understanding attitude towards our defence forces. I was in Indonesia last September with a parliamentary delegation. A lot of politicians expressed a view to us that they were deeply suspicious of Australia's military, particularly in relation to our intentions in Papua, or West Irian. Could you comment on how important the issue of Australia's attitude towards the territorial integrity of Indonesia is in colouring their military attitudes towards this country? Is there a difference between the views of the politicians with whom we spoke and the military people with whom you deal?

Mr Carmody—There is. Maybe it is motivationally based. The question of Indonesian territorial integrity is an important one. It is an important one for Indonesia. Therefore, it is an important one for us. There are views that are constantly put. I have heard them many times in Indonesia as well. They are that we in Australia have some plan, that we do not support Indonesian territorial integrity. Our response is, 'We cannot do any more than have everyone from the Prime Minister down state that we support territorial integrity.' There are organisations like non-government organisations that operate in places like Papua. We have been at pains to make the point that non-government is just that, and therefore we do not and will not control them; that is not something we do within a democratic system. However, if the Indonesian side has evidence of them acting illegally or inappropriately, we would like to know. That is a different issue. But we do not control non-government organisations.

At the same time, the first commission, Komisi satu, of the parliament has for a number of years and continues to be strident in its views about Australia and, regardless of what we say, is looking for proof rather than words. We cannot prove that we are not doing anything in Papua if we are not doing anything. We just cannot prove the negative. All we can do is say we are not.

All of the other allegations that surround that are impossible for us to prove if we are not doing it. So our only response is just to go back to them and continue the line, I suppose, and just let the issue itself play out.

I would say that there are different political tensions in Indonesia than exist in Australia. It is beyond me to fathom the notions of politicians in Indonesia. It is difficult in Australia. It is difficult in Indonesia as well. So the reasons that that parliamentary group might remain and continue to be opposed, regardless of what they know or understand, are reasons for them.

Senator EGGLESTON—I suppose part of it is their failure to understand the role of the NGO in contrast to the position of the government. It seems there are Australian NGOs which perhaps have a different point of view about territorial integrity and independence in parts of Indonesia than the government.

Mr Carmody—That could be so. But, again, I do not personally allocate any time at all to focusing on our NGOs. When I am talking with Indonesians who talk about NGOs, I am surprised that they tend to operate more on rumour than they do on fact as well. So it is actually very, very difficult. And they might have a different view, but that is part of our process.

Senator EGGLESTON—Yes, I understand that.

Senator BOLKUS—ASEAN at its meeting said Indonesia proposes a security community concept. Were we involved in discussions on that before it was proposed?

Mr Carmody—I am sorry, I do not know. I could take it on notice and find an answer for you. I am just not aware of whether we were or not.

Senator BOLKUS—Do we have any view of it?

Mr Carmody—My prima facie view is that any method of engagement with some sort of multilateral engagement with Indonesia on shared security interests is important. We should promote that.

Senator BOLKUS—In terms of your operation, who would be the point of contact?

Mr Carmody—Well, within Defence it would be my organisation in a policy sense. But it was the meeting of—

Senator BOLKUS—ASEAN.

Mr Carmody—It was in the—

Senator BOLKUS—The ministerial meeting.

Mr Carmody—Okay. This was the ministerial meeting last week?

Senator BOLKUS—Yes.

Mr Carmody—I was at the regional forum prior to that. It will eventually, no doubt in a security sense, come through my organisation when that happens.

Senator BOLKUS—So we were not consulted? You were there the week beforehand?

Mr Carmody—But Minister Downer may have been. At that level, it is more of a foreign policy relationship issue than it is purely a defence issue.

Senator BOLKUS—The last question I have is this: can you detail for us the current direct or indirect contact with Kopassus?

Mr Carmody—We have not had a formal relationship with Kopassus since 1997. However, in the last two weeks—I think I said I was there last week when in fact I was there the week before; I apologise because I have my weeks mixed up—we were talking to Kopassus about possible cooperation in two particular areas. One of them is hostage release and the other is in the anti-hijack area. They are the two areas we think are most at risk. In our judgment, Kopassus is currently the most capable counterterrorist force in Indonesia. If something happened tomorrow or next week, it would be inappropriate for our special forces and the Indonesian special forces to meet for the first time in a hangar five minutes before the assault. So our view is to try and find ways to build a very narrow relationship in that area and see whether or not there are opportunities to exchange views and work to our mutual interest. Our particular concern is things like aircraft hijacks and those sorts of issues.

Senator BOLKUS—Thanks.

CHAIR—Mr Carmody, thanks very much for your attendance today. If there are any matters on which we might need additional information, the secretary will write to you. The secretary will also send you a copy of the transcript of your evidence to which you can make any necessary corrections to errors of transcription. As usual and once again, thank you very much indeed for being so forthcoming.

Mr Carmody—Thank you.

[10.35 a.m.]

KESKI-NUMMI, Ms Arja, Assistant Secretary, Temporary Entry Branch, Migration and Temporary Entry Division, Department of Immigration and Multicultural and Indigenous Affairs

KILLESTEYN, Mr Edward Victor, Deputy Secretary, Department of Immigration and Multicultural and Indigenous Affairs

OKELY, Mr John Cameron, Assistant Secretary, International Cooperation Branch, Department of Immigration and Multicultural and Indigenous Affairs

CHAIR—On behalf of the subcommittee, I welcome members of DIMIA. Although the committee prefers all evidence to be given in public, should you at any stage wish to give any evidence in private, you may ask to do so and the committee 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, and then we can proceed to questions. Given you have no statement, perhaps we can go straight to questions. Could you give a comparison between our department and the Indonesian department? Are they similarly structured? Are their undertakings of a similar nature? How does that affect cooperation?

Mr Killesteyn—That is an interesting question, to compare Imigrasi with the Australian department of immigration. One thing that perhaps should be remembered is there is an entirely different context in which both departments are operating. Imigrasi operates in the context of an archipelago with some 17,000 islands. It has a substantially different visa approach than Australia. We have a universal visa scheme whereas the Indonesian government applies a selective visa approach. Issues of importance to both governments in terms of border control are substantially different. Then you have the institutional differences vis-à-vis the sort of resources we have at our disposal. Our department and our immigration system, including the formal migration program, I guess you would have to say is much more sophisticated, much more developed and much more mature than what you would find in Indonesia. However, one of the approaches that we have taken is to engage very positively with Imigrasi, particularly with the notion around capacity building. This is an issue that we have been working on in a bilateral approach between the department and Imigrasi as well as through fora such as APEC, where we look for opportunities to try to strengthen both the border management capacity of Imigrasi as well as their approaches to immigration issues. That can be through document examination techniques, it can be systems, or it can be their approaches to training their own individuals.

We found that over the last two or 2½ years we have been developing a very good relationship with Imigrasi. The differences between the departments have not really been an issue. I think the Imigrasi recognise that we have a lot to offer, particularly in recent times with the new director-general of Imigrasi. They, in my view, have taken a very open, enlightened approach to the way in which Australia might be able to offer things to them.

CHAIR—What I was really trying to get at is whether, because of that difference, it impedes cooperation. You say it doesn't?

Mr Killesteyn—Not at all, no.

CHAIR—How does that cooperation get on, then, in areas such as visa fraud, advance passenger clearing and some of these more technical aspects?

Mr Killesteyn—Again, it is important to look at context here. Our preoccupation over the last two years has been with unauthorised arrivals. So we have looked for opportunities to work with Imigrasi on that particular issue to help the management of that issue. So, for instance, one of the best examples that illustrates the level of cooperation we have—and this is not only with Imigrasi but, I guess, generally with the approaches taken by the Indonesian government—is something we call the regional cooperation model, which is an arrangement that was introduced I think about two years ago.

Mr Okely—Early in 2000. It is about three years ago now.

Mr Killesteyn—Essentially, it operates so potential illegal immigrants in Indonesia can be intercepted by Imigrasi and then handed over, if you like, to the International Organisation for Migration for their care, board and quarters whilst they are being managed by the UNHCR to determine whether they have any protection claims. That has been a terrific element of the approaches that we have had with immigration and has been one of the issues, I think, which has helped stem the flow of potential illegal immigrants into Australia.

You mentioned systems. We are right in the middle of a feasibility study with Imigrasi to look at their capacity to adopt some of Australia's approaches to systems at the border. They have opened themselves up. That involved a team of Australian experts going in and looking at their systems. Their ability to open themselves for us to have a look has been quite commendable.

CHAIR—Do the Indonesians themselves have a problem with illegal migration?

Mr Killesteyn—I think you would probably regard Indonesia as a source country as distinct from a destination country. Malaysia, I think, generally has a problem with Indonesian illegals. Obviously part of the issue is the economic attraction, particularly through the building industry in Malaysia. Certainly in the late 1990s when there was a very buoyant Malaysian economy, that attracted a considerable number of Indonesian workers into Malaysia.

Mr LAURIE FERGUSON—The business migration figures show that 70 per cent are establishing a business after the period for which they are being examined. That looks a bit worse than for some other nations in the region. Has that been reflected by any change in attitude towards the admission of people from Jakarta?

Ms Keski-Nummi—No.

Mr LAURIE FERGUSON—There has not been?

Ms Keski-Nummi—I would have to come back to you. Business migration is not my area. I would have to get some comparative statistics for you. As you know, we have a universal visa scheme. We do not differentiate between Indonesia and anywhere else. I could come back to you with more information.

Mr LAURIE FERGUSON—I notice that we are worse than a number of other hosts. In your document, you note that the non-return rate had been nearly four times higher a few years ago. It has improved. It is only twice as great as the global rate at the moment. Is it possible to get some figures in table 11 comparing Indonesia with nations with basically similar risk factors rather than globally?

Ms Keski-Nummi—Sure.

Mr LAURIE FERGUSON—Could you elaborate a bit more on paragraph 2.5. The number of third nation country nationals coming in illegally has tapered off somewhat. Could you elaborate a bit more on that comment.

Mr Killesteyn—The intelligence that we have available to us suggests that the profile of the potential illegal immigrants is starting to shift. Initially, the problem was primarily with people from the Middle East. Intelligence now is suggesting people from China again potentially moving in as well as people from the subcontinent. The numbers are still very small. It perhaps reflects the fact that much of the strength of the organisers operating within Indonesia has been quite significantly constrained. But we have just seen, as I said, a slight shift in the profile. There are still small numbers. But the ability to actually do anything with them from an organiser's point of view is quite diminished in comparison to what it was.

Mr LAURIE FERGUSON—Finally, over the weekend there was a comment by somebody regarding the alert list. I do not recall whether the figure was 25,000 or 250,000 people on the list. This comment was made: there are so many people on the list, is it worth putting somebody on? Could you go through the alert list as it operates in Jakarta and anywhere else and the process et cetera?

Mr Killesteyn—The alert list currently has about 230,000 names. So the ballpark figure is correct. Essentially, the alert list operates virtually at every point of a visa application process. It operates universally, irrespective of whether it is at Jakarta or whatever post. We have a process whereby we put names on ourselves. Generally they are people who have committed some sort of immigration offence. For instance, they may have overstayed or breached their visa condition in relation to work. More significantly, over the last couple of years, we have worked very hard with the law enforcement community to ensure that the alert list has those people who are of real character concern. We have seen that alert list grow quite significantly. In the mid-1990s when I first started working in Immigration, the alert list had about 70,000 names. Since that time—as I say, we have worked hard to make sure that we are getting the names we really want on there—we have seen growth. There are different issues. Terrorism is the more topical one. There is war crime, organised crime, drugs, paedophiles and a whole range of very serious offences involving people who are of known concern.

Whenever an application is made, whether it is by post or through an electronic travel authority, that name is processed through the alert list. The alert list is quite a complicated piece

of machinery. It is not just a matter of having names there. You need quite a lot of sophisticated software that sits behind it that does a whole lot around different permutations of names to see whether we have the right person. If a person is found, then we take steps to confirm whether it is a genuine hit. If so, we make a decision as to the visa. If it is not genuine, then we make an effort to ensure that the visa then goes through, subject to the person meeting all the other conditions, of course.

Mr LAURIE FERGUSON—There is no internal DIMIA refinement of that list of 230,000 people internationally? The argument put forward was whether it was worth putting a person on there.

Mr Killesteyn—Absolutely. Australia is not unique in running alert systems. This is a pretty important tool that most other Western developed countries have, including Indonesia. They come under various terminologies, such as black lists, watch lists, alert lists. There is a whole range of terminology, but it is very common. All you need is one hit for one terrorist and it has paid for itself.

Senator SANDY MACDONALD—You described Indonesia having a semi-visa system. Is that correct?

Mr Killesteyn—A selective visa free regime.

Senator SANDY MACDONALD—Is that why some of the people who were involved in people smuggling or illegal immigrants, boat people, have been able to enter Indonesia with valid documents and then disappear? They may not have been in a category which required a visa to enter Indonesia.

Mr Killesteyn—Whether they are carrying valid documents or not, essentially you find that throughout South-East Asia people from other Islamic countries can enter Indonesia and Malaysia primarily without any visa requirement. So it has been relatively—

Senator SANDY MACDONALD—Or without a travel document, maybe?

Mr Killesteyn—No. They would need a travel document. It is a question of how good the travel document is at the end of the day. Once entered, they would then be there legally and can go about their business in terms of waiting for the particular organiser to do their thing. But it is relatively easy for them to get from a source country or a country to which they have moved into Indonesia or Malaysia and then wait for the appropriate time.

Senator SANDY MACDONALD—On another matter, do you recall how many ASIO raids took place?

Mr Killesteyn—No, I do not. I was not involved in any of those matters.

Senator SANDY MACDONALD—Well, there was a visa requirement, obviously. Are you aware of what kinds of visas the Indonesian citizens were on who were here?

Mr Killesteyn—No, I do not have that information at all.

Senator SANDY MACDONALD—Are you aware—

Mr Killesteyn—I would be guessing. I would have to take those sorts of questions on notice, I think.

Senator FERGUSON—Is it the fact that people smuggling in Indonesia is still not a crime?

Mr Killesteyn—At the moment they have legislation in their parliament which will make it a crime. But at this stage, in terms of the comparison of the way in which Australia has legislated to criminalise people smuggling, it is not at that level at this point.

Senator FERGUSON—So how have you been able to make arrangements with the Indonesian authorities to try to track people smugglers and others in Indonesia, bearing in mind that they are committing no crime in Indonesia? That may place difficulties on your department.

Mr Killesteyn—They may not be necessarily committing a crime in relation to people smuggling, but there could be other issues of criminality. For instance, it could be illegal entry of some kind or illegal exit or other types of criminality in being involved in harbouring individuals. There are a range of things that essentially would be for the Indonesian authorities to determine. But other approaches have been of a kind such that Imigrasi can essentially use whatever legislation they have available to them. They ensure there is enough intelligence around about the operations of the organisers for them to use whatever approach they have available to them to try to disrupt them in some way.

Senator FERGUSON—But if a person was just a people smuggler and had not committed any other crimes or was not suspected of committing other crimes, it would be very difficult for you to get cooperation from the Indonesian authorities to keep an eye on that person if, in our eyes, it was the only crime he was committing.

Mr Killesteyn—If that was the case. But invariably we have found that the organisers are not just involved in people smuggling; they are involved in many other activities as well.

Senator FERGUSON—But the fact remains that if that was the only activity they were engaged in, there would be no reason for the Indonesians to even keep an eye on the person, would there?

Mr Killesteyn—The Indonesians have been very cooperative in relation to people smuggling generally. We have a very good basis for sharing intelligence about the activities of smugglers, irrespective of whether they are involved in matters which are of a criminal kind within Indonesia. As I said before, the regional cooperation model is one which ostensibly operates in the full context of a people smuggling operation. Smugglers are there. They bring their people into safe houses. The Indonesian government has been quite cooperative in relation to intervening with those people, intercepting them and bringing them to IOM for their continued care and continued detention. So I do not think that has been a factor which has in any way hamstrung the Indonesian authorities at all. Admittedly, we would like to see the legislation passed. It is a point we make. Clearly, they are moving towards that, perhaps a bit slower than we would like, but they are moving in that direction.

Senator FERGUSON—In relation to Senator Macdonald's question, in light of the fact that the Indonesians are seeking to reimpose visa requirements on Australians travelling to Indonesia, how does that sit with the part of your submission which talks about Indonesia's plans to abolish its regime?

Mr Okely—The comment was that Indonesia was looking to cancel its visa free regime.

Senator FERGUSON—That is right. Cancel the visas.

Mr Okely—Impose visas for people who presently do not require a visa to come to Indonesia.

Senator FERGUSON—I got the impression from reading it, which I probably shouldn't have, that they were going to go further and abolish them all. I could not see how that stood with their decision to reimpose requirements for Australians.

Mr Okely—It is probably our very bad use of English. I am sorry.

Senator FERGUSON—Maybe just my reading. Thank you.

Senator BOLKUS—I have a couple of questions on the migration alert system. Is it categorised in terms of criminals?

Mr Killesteyn—Yes. It is categorised by risk factors. So the higher the seriousness of the reason for listing, the higher the risk category. That changes the parameters under which the software does the matching of names. So, for instance, with a person who has a minor immigration offence, for instance, we would want to match very closely the names, whereas for a person who is listed because of reasons of involvement in terrorism or organised criminality of some kind, the matching criteria are set so that it is more likely that a lot of names would be thrown out to give us an opportunity to then mainly check whether it is the real person.

Senator BOLKUS—Were any members of Jemaah Islamiah listed on our system and, if so, when?

Mr Killesteyn—I would not know.

Senator BOLKUS—Could you take that on notice. I am interested in leading members, such as Imam Samudra and Bashir. Could you come back to us with information on when they were listed, if they were listed.

Mr Killesteyn—When they were listed?

Senator BOLKUS—If they were listed and when. The other question I want to ask relates to student visa changes. You were doing an assessment on the impact of that. Could you tell us what you found.

Ms Keski-Nummi—We have not yet finalised the review of the changes. Generally speaking, after the initial introduction, it has actually settled down quite well. We are seeing numbers starting to climb again in terms of applications and approvals.

Senator BOLKUS—They climbed down?

Ms Keski-Nummi—After 1 July 2001, there was actually a dip and it has started coming back up again. We will be making some adjustments to particularly the financial requirements, lowering some of those financial requirements from particular areas. But if you look at Indonesia, there was a slight drop. About 7,500 visas this year will be approved for students, which is about a one per cent drop from last year. I think a lot of that has also to do with the fact that the rupiah is weak at the moment, so they are not meeting some of the financial requirements.

Senator BOLKUS—When you adjust for financial reasons, are you saying that the drop is primarily because of that financial requirement? Is that what you are finding?

Ms Keski-Nummi—We think so, yes. In a sense, there needed to be adjustment. Where there was only one policy previously for all visa applicants, now with the various sectors there has been an adjustment in terms of the sorts of application rates we have seen in all of them. There was a slight increase in some of the financial requirements in some countries, and that is certainly the case for Indonesia.

CHAIR—Post *Tampa*, how many illegal migrants have we had through from Indonesia and how many have you returned? Do you have those figures?

Mr Killesteyn—Immediately post *Tampa* there were still boats arriving. I can find the numbers for you. It might be around 1,000-odd. Since December 2001, there have been no illegal arrivals, with the odd one that has been dropped off at Ashmore. There might be one or two. In terms of boatloads of illegal arrivals, there have been none since December 2001.

CHAIR—I want to check the definitions. You described cooperation with Indonesia regarding prospective illegal immigrants to Australia. Does that include asylum seekers? What is the difference between a prospective illegal immigrant and an irregular migrant?

Mr Killesteyn—Probably very little, I think. The terminology we use is perhaps a bit of shorthand. PIIs, or potential illegal immigrants, I guess is terminology that comes from our intelligence collection. It is an identification of a group of people who ostensibly are probably from the Middle East or from other areas who do not seem to be engaged in traditional tourism activities and who seem to be behaving in a manner which suggests that they are looking for some sort of opportunity to come to Australia. So it is quite a large group. Essentially, we use that intelligence to make an assessment of what strategies we would employ. An irregular mover would be a similar descriptor, I guess. We would normally use the term as a person who comes undocumented or with some sort of inappropriate documentation. But they are probably interchangeable. Do they include asylum seekers? Invariably, yes, they do. Seeking asylum and having protection offered by a particular country is essentially what their objective is, which means staying in a country permanently.

CHAIR—So a person can be one or the other.

Senator EGGLESTON—You can understand the treatment of boat arrivals after *Tampa*. Before we had a period where most of the illegals were coming in by air. Post *Tampa* there were no boats. Was there any increase in the number of illegals coming through the airports?

Mr Killesteyn—I think I would have to take that on notice. We believe that air movements or illegal movements through air are likely to be one of the areas in which the organisers might move in the sense that the opportunities for boat arrivals have been diminished. But the numbers are still relatively stable. We have not seen significant patterns of growth of illegal air movements. But it is an area that we watch very carefully.

Mr LAURIE FERGUSON—Some people believe that there are refugee camps left in the Philippines. Some people believe Indonesia does not have them.

Mr Killesteyn—Left over in Indonesia? Galang was closed some time ago.

CHAIR—Thanks very much indeed for your attendance today. If there are matters on which we might need additional information, the secretary will write to you. The secretary will also send you a copy of the transcript of your evidence, to which you can make any necessary corrections to errors of transcription. Once again, thank you very much for your attendance today and for your cooperation.

[11.05 a.m.]

WHITE, Mr Hugh John, Director, Australian Strategic Policy Institute

CHAIR—On behalf of the subcommittee, I welcome the representative from the Australian Strategic Policy Institute. Although the committee prefers all evidence to be given in public, should you at any stage wish to give any evidence in private, you may ask to do so and the committee 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, and then we can proceed to questions.

Mr White—I will commence my observations by way of really reflecting on what has happened since the time of Suharto. I should say at the outset that ASPI at the moment has under way a fairly substantial policy study of the dynamics of our relationships with Indonesia, which we will be looking at. I think some of the matters are also raised by the committee's terms of reference.

It is very welcome to have a chance to share with you some of the thoughts we are starting to develop. I will make five quick points. The first is that transition in Indonesia since the fall of Suharto should be very good news for Australia. In my line of work, you usually focus on the bad news, so it was a good idea just to reflect briefly on some of the good news. A lot has been achieved in Indonesia over the last few years since Suharto fell: the successful conduct of elections; the successful dynamics of constitutional reform; the establishment of a pretty effective model of working representative democracy; the military staying more or less out of government; the revolution in Indonesian policy in relation to East Timor, which, painful as it was in the details, nonetheless resulted in that very difficult issue being resolved; and some partial success in what has been an immensely ambitious and probably underprepared program of decentralisation; some economic progress, although not at high enough levels to generate a sustained growth in Indonesian per capita GDP, which is probably the key indicator. Some of Indonesia's regional conflicts in Maluku, Kalimantan and Sulawesi have been at least contained and are not as acute as they were a few years ago. Particularly on the bilateral front, the tragedy of 12 October last year has at least provided a context in which Australia and Indonesia have been able to work remarkably effectively in prosecuting an investigation. From what I understand, the cooperation has extended beyond the investigation itself into some sustained cooperation on terrorist issues, which has been very significant and very successful and appears likely to be ongoing.

It is also worth making a point that President Megawati's capacity to respond effectively to Bali in terms of using that as a motivator for marginalizing the more extreme elements of Islam in Indonesia's political culture has been greater than we had expected and I think a lot of observers of Indonesian politics have expected. There has been some good cooperation on people smuggling. I guess it would be fair to say that the commitment of Australian forces to the coalition operations in Iraq has been less of a negative in the Indonesian relationship than we might have feared partly because the Indonesian government and to a certain extent the political elite were prepared to coalesce around the proposition that, whatever else it was, it was not a war

against Islam. Indonesia did not like it, but it did not become a big negative for us. So that is a bit of good news.

But there is some bad news. The democratic transition is not yet consolidated. I think it remains correct to call what Indonesia is doing in terms of its structure of government an experiment that we cannot yet say has succeeded. The elections next year, including, of course, the first direct elections for president and vice-president, will be terrifically critical, in particular whether they can deliver a really effective executive presidency with real powers to run the country and with the political backing to undertake some serious reforms. Those reforms are very important. As I said, there has been some economic progress, but a lot more is needed if Indonesia is to have the economic underpinnings for future stability and security. That is going to require reforms from basic Indonesian institutions, which have been remarkably resistant to reform over the last few years. So a strong presidency with a real commitment to reform and the political backing to make that real is going to be very important. There needs to be some progress on the really tough provincial security issues, such as Aceh and Papua, obviously both of which are very significant problems.

Lastly, I should mention that I think notwithstanding the positives I mentioned in the bilateral relationship, attitudes towards Australia in Indonesia have not yet recovered from the very deep trench they fell into in 1999. I do think it is important to stress that Indonesian attitudes to Australia not just amongst what you might call the bad guys but a broad cross-section of Indonesian opinion, including a lot of people who would otherwise be expected to be very pro-Australian, people with strong commitments to democracy, and a strong commitment to free press and so on, still regard what Australia did in East Timor in 1999 as an intentional dismemberment of Indonesia and an intentional humiliation of Indonesia. It is deeply wrong, but it is a very deeply held belief and colours a lot of what happens in Indonesia towards Australia at the moment. So that is the second point, some bad news.

The third point that I am sure I do not need to expand on before this committee is that our interests in Indonesia are as big as ever. Nothing that has happened in the last few years did anything to change the basic significance of Indonesia to Australia's long-term security, especially now that our interests are focused on the success of the democratic experiment. I think that a failure of that experiment by reversion to a military backed authoritarian government is a possibility. If it occurred, I think it would be extremely serious for Australian-Indonesian relations, including the possibility that such a reversion to authoritarian government would use legitimising devices such as a cultivation of that rather rich and fertile seedbed of anti-Australian sentiment that has been there since 1999.

Fourthly, from Australia's point of view, public support for the relationship has never been strong. It has always been a relationship which has required leadership from government and from the political level to make it work. One of the difficulties we have faced is that often over the years we have become optimistic, bullish about the direction of the relationship and tried to push it forward too fast. We have reached further than we could. My own view, for example, is that the agreement to maintain security with Indonesia agreed at the end of 1995 was reaching too far. It was extended beyond the natural bounds of the relationship. I think we now have a major task in Australia to remind people of the significance of Indonesia and to remind people of the good news. There is now a fairly widespread assumption that Indonesia is a bit of a basket

case and you do not have to worry about it too much. I do not think that could be further from the truth.

Fifthly, we do have to see the success of Indonesia as one of two or three, or three or four, perhaps, key issues that will shape Australia's security environment over the next decade or two. What we need is not a series of big flashy gestures but long, slow, patient, dedicated attention to getting the relationship back to a position where we have better standing in Indonesia, we have a better capacity than we have at the moment to influence its interests and we can do more to support the positive trends I mentioned.

I think there are five things we might want to focus on. One is explaining ourselves to Indonesia better, particularly explaining what happened in 1999, where I think there are still a lot of straight factual misunderstandings. Another is explaining more clearly what is the very defensible broad direction of Australian policy at the moment. That includes, if I can put it this way, going beyond the practical business. We are doing good practical business with Indonesia at the moment on issues that matter, but we need to get beyond that to something a bit more strategic and structural. I think we need to work hard on a long-term basis to build constituencies in Indonesia in the future. My own view is that the stronger commitment to education, particularly educational opportunities in Australia, remain a very cost-effective way of doing that and a very worthwhile investment. I do not think we could spend too much on bringing Indonesians to Australia for educational opportunities.

I think we need to build our own familiarity with Indonesia. We have had successes in the past. We have fallen back. Things like support for Indonesian studies in Australian schools, the language and studies in Australian schools program, funding for which I think ceased in 2002-03, should be restored. I think we need to build connections to the grassroots beyond the Commonwealth government to government relationship. The Government Sector Linkages Program, for example, which does very good things at the Commonwealth to Commonwealth level, could be extended to state and local governments and get us down into some of the provinces and out into the wider Indonesian community, where we need to build our credentials.

Lastly, it seems like a small point, but I think it is very significant: I think we spend too little on our mission in Jakarta. We have a political section in Jakarta with something like half a dozen people trying to track one of the most complex and dynamic political cultures in the world today. One of the differences, of course, is that now that democracy has come to Indonesia, there is an awful lot of people you have to talk to in order to keep a handle on what is going on. I have never served in the Australian foreign service, so I can say this without any sense of conflict of interest. We have an absolutely world-class foreign service, but there are just not enough of them in Jakarta to give us the quality of data I think we need to manage our relationship there effectively. Thank you.

ACTING CHAIR (Mr Laurie Ferguson)—Before handing over to other members, I want to make one point. You used the phrase 'possibility'. The submission talks about some crisis possibly leading to a return of authoritarianism. Can you expand on possibilities and probabilities. What is the most likely scenario in terms of events you are worried about?

Mr White—It is worth bearing in mind that I am professionally in the business of trying to track the gloomy outcomes. But I think it is important to keep an eye on the gloomy outcomes.

We should not become so obsessed with them that we assume they are going to happen, but they certainly need to constitute some parameters around which we make policy. The reason I mention the gloomy outcome is that I think we should be conscious of the possibility that democracy in Indonesia will fail and there will be a return to military backed authoritarian rule. There are two reasons why I think this is a significant possibility. First, democracy in Indonesia, if I can put it this way, particularly in this building, has flourished as a system of politics but has not yet flourished as a system of government. There are tonnes of democratic politics going on. It is quite amazing to see the way the press works and the way the parliament has become a lot more than a rubber stamp. It is a very dynamic environment. But good executive government has not yet been delivered.

For the time being, but according to people who are much closer to Indonesia than I am, decreasingly, people are being sufficiently intoxicated by the novelty and the excitement of democracy to have, if you like, tolerated the lack of effective government coming out of it. But increasingly, I am told, you hear people in Indonesia saying, 'This is a lot of fun, but' to use a metaphor 'under the old man the trains used to run on time.' So I think there is a risk that the hunger for good government will overcome the hunger for democracy.

The second point is that in Indonesia, of course, there is always a standing model for what the alternative looks like. We in Australia should not be seduced into thinking that there does not remain in Indonesia a lot of nostalgia and a lot of respect for what Suharto did, I think actually rightly. He did some bad things, but he did a lot of good things for Indonesia. I do not see, but I would not necessarily expect to see, clear evidence in TNI of a move to overthrow democracy. On the contrary, I think TNI has been quite effective or conscientious in pulling itself back. But almost by definition you do not see these guys. It is not that the commander of TNI or a very senior officer, one of the top three or four, would necessarily be involved. It is whether it is a major-general or a brigadier or a colonel who sees himself as a man on horseback further down that is a risk.

Why would that be bad for Australia? There are two or possibly three reasons. The first is that in 1965 Australia could accept and work with and welcome in fact the emergence of a very clear military backed, authoritarian rule after some form of rather rocky democracy under Sukarno. That is notwithstanding the fact it was accompanied by horrendous violence, because we were at that stage very anxious about our regional security situation and very anxious about the potential for Indonesia to become a communist country. We were very anxious about major Indonesian armament programs coming from Russia and China. Of course, we had a few other problems on our mind in Vietnam and various other places as well. So it looked like a big net gain for Australian security.

But now I think circumstances are different. Time has moved on. For Australia to work comfortably with an authoritarian regime which has forcibly expelled a very vigorous democracy would I think be extremely difficult domestically in Australia and very hard for other countries like the United States as well. So I think it would be very hard for us to work well with such a government. But it would not just be that we would not want to work with them. I think it is highly likely that such a regime, in attempting to legitimise itself, would build on the level of anti-Australian sentiment in Indonesia that is left over from 1999 and which I think has not eroded very much, if at all, in the intervening period. They might well choose to identify

themselves partly as, 'We're the guys who are going to be tough on Australia.' So it could go the other way.

The third point, which I would not stress too much but which I think is significant, is that such a regime could well use more militant elements of Islam as a legitimising factor as well. It is worth making the point that I do not believe that Islamic influence on Indonesian politics is bad for Australia. There is nothing inconsistent with Australian national interests in Indonesia that sees a role for Islam in its government. But we obviously would be disadvantaged by an Indonesia in which more radical extremist elements of Islam were allowed to prosper or were tolerated. Such a regime might well seek to legitimise itself in that kind of way.

That is the sort of gloomy scenario that I do not predict as the most likely outcome but I think is a clear possibility. It illustrates how strong our stake is in Indonesian democracy failing. I think if Indonesia's democracy were to fail in a way we have just described, we would all turn around and history would turn around and we would ask ourselves, 'What did we do between the fall of Suharto and the collapse of this democratic experiment to try to make sure that it worked?' I think the answer we would come up with at the moment is, 'Not enough.'

Senator SANDY MACDONALD—You said there is nothing in Islam that Australia prima facie has a problem with in terms of the cooperative arrangements. Is that what you said?

Mr White—Yes. The goodwill may differ, but my own view is that the things we want out of Indonesia—stability, cooperative relations, economic growth, all of that sort of stuff—could easily be delivered by a government that had a much stronger element of Islamic input to their politics than we have at the moment. What would not serve our interests would be a government in Indonesia in which that was translated into specifically anti-Western views or which was more tolerant of anti-Western views amongst non-governmental Islamic groups. Under a democratic Indonesia, we may well see a rising role for Islam. I do not myself think it is by itself a bad thing. But under authoritarian rule, one could easily see a more rapid incorporation of more xenophobic elements of Islam or anti-Western elements of Islam, and that would be a bad thing for us.

Senator SANDY MACDONALD—I think you made the point before, though, that you only need 0.01 per cent of 250 million people who are radical Muslims to cause all sorts of problems.

Mr White—Yes. It is one of those concentric things that a tiny group of people who are genuinely extremist and violent can be supported by a much wider group of people who would never think of violence themselves but tend to sympathise with that line of thinking.

Senator SANDY MACDONALD—Or opportunists.

Mr White—That is that xenophobic element.

Senator SANDY MACDONALD—Both Senator Ferguson and I, and perhaps others on this committee, were lucky enough to be observers at the 1999 election. We talk about these people-to-people links at all sorts of levels. I do not think you should run yourself down too much and say you are always tracking the gloomy outcomes. You get some solutions as well, which is

rather refreshing. But when we were there in 1999, the AEC had clearly done a very good job in most difficult circumstances coming off the back of East Timor.

Senator FERGUSON—The election was before East Timor.

Mr White—But East Timor was already frothing.

Senator SANDY MACDONALD—The election was in early June. Do you understand that the AEC is still operating and is likely to be involved?

Mr White—I do not know. Put it this way, it would not surprise me that there would be less inclination to welcome the AEC in 2004 than there was in 2000.

Senator SANDY MACDONALD—The AEC provided the computers and the wherewithal. It was a very big effort. It involved many millions of dollars. You talk about democracy getting down at the street level. There were 320,000 polling stations across the nation. They were very enthusiastic democrats. I am not quite sure what it all meant to them. But every street had a street party. They wanted it to work.

Mr White—Yes, that is right. It is worth noting that, when one is feeling optimistic, at every point since 1997 at which Indonesia has had to make a critical choice which will determine whether democracy can be made to work or not, they tend to have made the right choice. If you look, for example, at the extraordinary set of judgments that were made by Habibie and the 60-something leaders of the political parties in the lead-up to the 1999 elections—I think it was February 1999; it might have been even late 1998—they got together and set the ground rules for those elections. It was one of those things. People expected the meeting to takes weeks, and they sat down and agreed the whole lot in a morning. People started to think, 'Wow! This can be made to work. This is not going to be a nightmare.'

Again, look at the difficult transition when Wahid lost the confidence of the parliament because it was obvious there was going to be a change. There was certainly plenty of temptation for the military to reintervene in politics. They held back. The decision to move to the direct election of the president was a major reform and a major opportunity to improve the quality of executive government. The enthusiasm to make it work and a national will to make the right decision when the time comes is certainly there. But it is not enough.

Senator FERGUSON—I want to raise a couple of things in addition to what Sandy said about their electoral process. We were fortunate to observe two extremes of electoral processes: in Zimbabwe, where it was the very worst it could possibly be, and in Indonesia, where it was probably the very best it could possibly be—there was no evidence of any force or any pressure being put on people at all. You have raised these five issues; you have raised the problems and given some solutions. The only one I cannot quite follow your solution on concerns the first dot point, where you said we should be explaining our position to the Indonesian people. How do you do that to the people that really count? I am not talking about those at the top; I am talking about those that are further down.

Mr White—You do have to start at the top not just with government leaders but with opinion leaders in the broad, including parliamentarians. Your opposite numbers in Committee One, I think, would be—

Senator FERGUSON—That is basically why we are doing this.

Mr White—Yes. They are a pretty feisty bunch. I think you would find the views I outline of Australia's role in Indonesia in East Timor pretty widely shared amongst your counterparts there. The heart of the problem is that a very widely held view in Indonesia is that Australia set out in 1999 to engineer the extraction of East Timor from Indonesia and that we sought to do it in a way that humiliated Indonesia. The humiliation of Indonesia was at least something we were reckless about and perhaps something we intended. Both of those are simply historically false. At the beginning of 1999, the Australian government quite specifically did not want an outcome which produced independence for East Timor. The Prime Minister said in his letter sent just before Christmas that we want East Timor to remain part of Indonesia. He stood up in Bali at the end of April 1999 after the Bali summit with Habibie, with Habibie standing next to him, and said, 'Our preferred outcome is for East Timor to remain part of Indonesia,' and he meant it.

Events having taken the course they did, it is harder now for the Australian government to present that issue as forcefully as I just have. It is hard not to say that the outcome that eventuated was what we always intended. That is very understandable and human. The fact is that we could do more to explain to Indonesians that the outcome that occurred was very much as a result of their decisions, Habibie's decisions in particular. They might not like it, but they should not be holding Australia responsible for it.

The other point is that a lot of what happened in East Timor in 1999 is read forward into the situation in Irian Jaya. To a certain extent, I think the government has been very sensible to stress in response to the clearly difficult situation in Aceh that our support for Indonesia's territorial integrity is unwavering. But all I can say is that most Indonesians I speak to do not believe it. They say, 'Well, that's what you said before East Timor as well.' Now it is a bit hard to ask of ministers that they do more than speak the truth as plainly as possible, but finding more persuasive ways of conveying that message would be a worthwhile investment. We need to do that, to restore something, if I can put it that way.

What we did in the decades after 1965 was to build with Indonesia a very strong sense that we shared basic strategic interests. That was not something that anyone took for granted back in 1965. Slowly but surely over those intervening decades, right up until 1999, we had a continually strengthening sense that, whatever our other differences of religion and culture and political systems and all the rest of it, our basic security interests were common and mutually reinforcing. We lost that in 1999 and we have not regained it. Most Indonesians do not believe we have Indonesia's best interests at heart. They are wrong, but they believe it. Until we can change that perception, I think it will be very hard to do much else.

Senator FERGUSON—I have one other question, which relates to your gloomy prediction about perhaps a return to authoritarian rule of some sort. It seems all the dictators get trains to run on time; I think Mussolini did too. What specific events would be likely to lead to a return to authoritarian rule? It would seem to me that they obviously love the elections and the democratic process. They would have to be very disappointed with the outcomes of democratic processes to

go back down the path of authoritarianism, I would have thought. What are the likely events that would lead there to be a return to authoritarian rule?

Mr White—I would not want to draw a very specific scenario, because it is a guaranteed way of being proved wrong. I think you can identify three or four events which together would create the environment in which such an outcome would be much less unlikely and much more likely than it is today. The first is a poor outcome in the 2004 elections which fails to deliver a strong executive. That is going to depend, for example, on who the candidates are.

Senator FERGUSON—The direct election of president would take out some of the tension. They had 48 parties.

Mr White—If the result is a precedent that can actually work. But there does not seem to be an embarrassment of a wealth of candidates at this stage. Maybe clever people are playing their cards close to their chest and are holding back. One of the things that would be important is that a good, strong, effective president comes out of that process delivering good, strong executive government. So that is the first issue. The second would be Indonesia's economy losing the very modest momentum that it has built up since it pulled out of the economic crisis. By far and away the most likely driver for that would be larger global economic concerns. I am a million miles from being an economist, but I note the gloom a lot of people have about the trajectory of the US economy and the influence it would have all around east Asia. Certainly Indonesia would not be immune from that. So I think that is a second factor we need to keep an eye on.

The third would be a resurgence or intensification of the kind of regional violence we have seen. National cohesion is an Indonesian obsession, and understandably so. I think one thing that would prompt a lot of Indonesians to support a return to more authoritarian rule was if it seemed that democracy was causing Indonesia to come apart. I do not think any of the present separatist issues or regional provincial security issues are serious enough to cause that problem right now. But if that were to get worse, it would be a third factor. A fourth factor would be a further infection, if I can put it that way, of extremist Islam coming from overseas.

Senator FERGUSON—And Megawati's strength has always been in East Java, hasn't it?

Mr White—Yes. But the management of Islam in Indonesian politics is a tough issue. That is why I made the point before that I do not think it is Islam itself which is the problem. But if you found a sharp increase in extremist influence in Islam and Indonesia, that would help to undermine the democratic process as well.

Mr BEAZLEY—Is there a base in the Australian community over these matters? Is there a general view through the community and the academic community that is of a character that could sustain the type of strong governmental effort to commend our views on Indonesian security to the Indonesians? In other words, do you think that what you see in the media and what you see emerging at academic conferences is likely to produce an attitude that is strongly nurturing of, firstly, a close bilateral relationship, and, secondly, a bilateral relationship that commends itself to Indonesia's understanding of what its priorities are?

Mr White—I think we still have, partly as a result of the earlier generation, a number of individuals who are very strong in their understanding of Indonesia. They are very sophisticated

in their understanding of Indonesia. They continue to be a very significant national resource. There are some very good younger people coming into the field, but you could number them on the fingers of one hand. Frankly, I do not think that is an adequate long-term basis of expertise to sustain the kind of engagement with Indonesia, the kind of sophisticated interpretation of Indonesia which shows that whatever happens in Indonesia is going to be essential. When you are a country of 20 million people living next to a country of 210 million people, you just have to make it one of your big national research priorities.

I guess what strikes me when I talk, as I do quite a lot in my line of work, to young people who are considering careers in this kind of business is that the excitement of Indonesia is no longer understood, if you know what I mean. You are always meeting bright young students that have spent some time there and have the bug. But people need to be persuaded of it. People do not take it for granted that Indonesia is this huge, incredibly interesting, complex, fascinating place which is also absolutely central to Australia's interests. It is a very natural place to focus on. Young Australians interested in these areas are as likely to put their energy into thinking about problems of failed states in east Africa. It is an interesting subject. I am not saying it is insignificant. But for Australia that focus on Indonesia is weaker than it used to be.

Mr BEAZLEY—My impression is that if you are an Indonesian looking at Australia and trying to characterise a popular view in Australia, whatever prime ministers might be saying to you, Timor did open the Pandora's box. What you would see most persistently emanating from Australia is attitudes about Papua and West Papua in particular, probably not Aceh. There has not been all that much said about that. But there is West Papua. You would be seeing from the Australian point of view that there is a knock-on effect there. Do you think there is adequate understanding in this country of how significant West Papua is to the Indonesian authorities?

Mr White—No. I think there are two sides to it. The first thing is that, from my conversations with Indonesians, the strength of the metaphor from East Timor to West Papua is very strong. I might say to a certain extent it is amplified by the duration of our substantial military deployments in East Timor. It is not an argument against sustaining a substantial presence there whilst the UN continues to request it. But Indonesians who think that Australia set out in 1999 to take East Timor off Indonesia argued that one of the reasons we wanted it was for a base. It is a bit hard prima facie to argue against that when there are 1,200 Australian troops on the ground there. It does tend to reinforce the sense that there was something in this for Australia. The fact that we might actually regard it as a bit of an onerous responsibility and something we would rather not do is hard to explain.

But when we say, as the government does, that there are a lot of NGOs in Australia focused on Papua but, 'Don't worry because the government's policy is rock solid,' they say, 'That is what you used to say about East Timor.' It remains a sustained lesson in what they read to be the fragility of the Australian government's commitments when coming under serious pressure. I think the actual correct historical argument is that Australian governments would not have changed their policy on East Timor if Habibie had not come out and said, 'Okay, you guys can be independent.' It was up to us to manage that very complicated process, made harder by the way some elements of the Indonesian state conducted themselves in East Timor in the months between Habibie making that statement and the election. But that is not the way it is seen in Indonesia.

Let me put it this way. It was once the case that you could get more or less effortless presumed consensus around the proposition that Australia's interests were best served by the territorial cohesion of Indonesia. It was a proposition that was a motherhood statement. It was really hardly up for grabs. My own view is that it remains the case very, very strongly that Australia's security interests are best served by that. But there has grown since 1999, and to a certain extent since 1997, a sort of view that Indonesia is a highly artificial empire. It is a bit like Yugoslavia; it is going to fall apart anyway, so why should we take lots of skin off our knuckles strategically or politically in a vain struggle to try to keep it together? I think it is wrong as an assessment of the trajectory of Indonesia, partly because I think whatever else Indonesia succeeds in doing, it will succeed in holding itself together, even if it has to throw democracy out in the process.

But I think there is a strand in Australian opinion, including in some influential media opinion, that sees the eventual disintegration of the 'Javanese empire' as inevitable and therefore thinks that the long-term implications for Australia of Indonesian displeasure over some level of Australian support or acquiescence in the separation of West Papua from Indonesia would be bearable because the whole country is going to fall apart anyway. I think that is wrong. I think it would be an unmitigated disaster and one which would make the management of the bilateral relationship almost unimaginably difficult.

Mr SNOWDON—The Indonesian constitution is notionally secular. There has been one attempt in the last two or three years to introduce sharia law as a state religion. Do you see any prospect that that might emerge as an issue in the forthcoming election process? If so, what might be the implications of that in terms of the democratisation process?

Mr White—A lot of people in this town have stronger credentials in that area, but. one point that experts who know these issues much better than me make is that, particularly out there in East Java, the hunger for the more Islamic style of politics is very deep. There are a lot of countervailing factors, but I do not think we can regard that yet as a finished story.

Senator EGGLESTON—You talked about Indonesia's attitudes to Australia over East Timor. To what degree is that compounded by the fact that East Timor received special and preferential treatment as a province, so I believe, and that the Indonesians have actually put a lot of effort into East Timor and did not expect the East Timorese to vote for independence? They were shocked and angered by the vote. Then came the Australian military action, which compounded all of that.

Mr White—That is quite right. I have certainly had Indonesians, and not just TNI people but people like journalists and academics, say that the vote in favour of independence would not have happened if Australia had not gone in there and rigged it. I tend to say, 'Give us a go, mate. TNI, the world's experts, are rigging ballots and we cannot compete with you.' But there is a lot of cynicism and deep suspicion of Australia's role in that. I am not sure that that would be a very widespread view, but certainly the sense that the East Timorese behaved ungratefully towards Indonesia is one of the reasons why a lot of Indonesians are resentful at East Timor having gone. I have to say that I have not come across many Indonesians who say, 'We wish we had it back.' I think a lot of them are glad to be rid of it but resentful of the role we played in the process even so.

Senator EGGLESTON—The only person I heard say that was a regional manager of the ANZ Bank, who gave us a briefing last year. He said that East Timor had to be incorporated in Indonesia. But there we are.

Mr White—This gets to the outer edge of gloom, but one of the new characteristics of our strategic environment after East Timor's independence is that East Timor does become, if you like, a pressure point on Australia for any Indonesian government. It is very easy to turn it up. If I were an Indonesian military officer or strategic bureaucrat and I was asked by my bosses how I would put pressure on Australia, I would say, 'That's easy. I'd put pressure on the East Timor border.' The nature of the history of the thing means that Indonesian pressure on East Timor translates directly into pressure on Australia in ways it is very hard for us to respond to. One of the ways in which the kind of gloomy scenario I painted as a possibility in Indonesia could play out would be Indonesian pressure on East Timor designed specifically to get at Australia. Let me be clear that I do not predict this as a likely outcome, but I make the point that that is the kind of potential vulnerability which is there for Australia if the kind of gloomy scenario I sketched as a possibility were to come to pass.

CHAIR—On that gloomy note, thanks, Hugh. Thank you for your submission today. If there are any questions that we may have, the secretary will certainly be in contact with you. We will also send you a copy of the transcript to which you can make any necessary corrections to errors of transcription.

Mr White—Thanks very much, Mr Chairman.

CHAIR—I thank Hansard and all the witnesses who have been with us today.

Resolved (on motion by **Senator Eggleston**):

That this subcommittee authorises publication, including publication on the parliamentary database, of the proof transcript of the evidence given before it at public hearing this day.

Subcommittee adjourned at 11.50 a.m.