



COMMONWEALTH OF AUSTRALIA

# Official Committee Hansard

JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS,  
DEFENCE AND TRADE FOREIGN AFFAIRS SUBCOMMITTEE

**Reference: Australia's relations with Indonesia**

MONDAY, 18 AUGUST 2003

CANBERRA

BY AUTHORITY OF THE PARLIAMENT



## **INTERNET**

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

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

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

## JOINT COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

### Foreign Affairs Subcommittee

Monday, 18 August 2003

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

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

**Senators and members in attendance:** Senators Bolkus, Eggleston, Ferguson, Hutchins and Payne and Mr Beazley, Mr Byrne, Mr Jull, Mr Price, Mr Bruce Scott 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**

**JOHNSON, Mr Simon Charles, Director, Export and Market Development, Department of Industry and Resources, Western Australia ..... 435**

**SARTI, Mr Neil Lindsay, Senior Policy Officer, Strategic Planning and Policy, Department of Fisheries, Western Australia ..... 435**

**STEINGIESSER, Mr Henry, Executive Director, Trade and Development, Department of Agriculture, Western Australia ..... 435**

**TAN, Dr Soon Chye, Principal Research Officer and Project Manager, Department of Agriculture, Western Australia ..... 435**



**Subcommittee commenced at 10.33 a.m.**

**JOHNSON, Mr Simon Charles, Director, Export and Market Development, Department of Industry and Resources, Western Australia**

**SARTI, Mr Neil Lindsay, Senior Policy Officer, Strategic Planning and Policy, Department of Fisheries, Western Australia**

**STEINGIESSER, Mr Henry, Executive Director, Trade and Development, Department of Agriculture, Western Australia**

**TAN, Dr Soon Chye, Principal Research Officer and Project Manager, Department of Agriculture, Western Australia**

**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 submissions to this inquiry from a range of organisations, including government agencies, schools, universities and non-government organisations with an interest in aid and human rights, and from individuals.

We are grateful to the Western Australian government for its substantial submission to this inquiry setting out a number of initiatives that it has in place to further its engagement with Indonesia. We welcome the opportunity today to be updated on developments over the past few months. The public hearing today will be conducted by videoconference, and I would like to thank the Western Australian government for its assistance in making this possible.

On behalf of the subcommittee, I welcome the witnesses in Perth to this hearing. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will give consideration to your request. Although the subcommittee does not require you to give evidence 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 like, and then we can proceed to questions.

**Mr Sarti**—Thank you, Mr Chair. Western Australia and the Department of Fisheries recognise that fisheries sustainability is a global issue and there is a need for an international cooperative approach. In that context, the fisheries department has increasingly developed its capability to liaise with other countries, in particular neighbouring countries such as Indonesia, to assist them to develop and build their fisheries management capacity. Since 1990 Western Australia and Indonesia have had a sister state relationship focused on East Java. That has been an opportunity for the fisheries department to certainly assist East Java in developing some capacity and strengthen their ability to manage their fisheries. We have also been involved with other fora in

liaising with Indonesia, and we would seek to continue our involvement with those fora so that we can assist.

In relation to trade, seafood trade between Australia and Indonesia is not great. It accounts for about only three per cent of the total value of seafood product imports into Australia, and exports are minimal. However, there is scope there for further development of that, and that is also a useful opportunity in the future for Western Australia and Indonesia to pursue.

As I indicated earlier, there really are two areas of opportunity for Western Australia and Indonesia to develop stronger links and cooperation. The first is through trade. That is, as I say, minimal at this stage in terms of seafood products but has opportunity. The second is through assisting Indonesia to build capacity within both its fisheries management and its fishing industry. To that end, Western Australia has focused on a couple of initiatives, and they have been mainly associated with developing capacity within the eastern part of the Indonesian archipelago. A couple of years ago we managed to get some funding from AusAID to do a development project in South-East Sulawesi which was focused at the community level and at the local management level in order, firstly, to develop their capability in the management of the reef platform adjacent to the Wakatobi marine park; secondly, to develop some alternative livelihood projects for local Bajo fishermen—the Bajo fishermen are the sea gypsies; these are fishermen who live on the sea and have a habit, unfortunately, of sometimes visiting Australia and fishing illegally, so we focused on that group in order to try to deter them from fishing within Australian waters by finding them alternative sustainable incomes back in Indonesia—and, thirdly, to build some capacity with the local community in strengthening their structure, providing some seed capital so that they can develop some alternative income-generating opportunities and providing some ongoing support.

For a number of years Western Australia has been involved in the issue of illegal incursions by Indonesian fishermen who enter the Australian fishing zone. Those incursions continue to be a problem. I did appear before this subcommittee 10 years ago. They were a problem then, and the situation has not changed much. On the upside, however, the fact that it has not got any worse means that the problem is being contained. Indonesia does its best to deal with fishermen who transgress. Australia has made significant inroads in containing the situation, but it does continue. As a side issue, there is a significant problem with the taking of turtles at some of the offshore reefs adjacent to Western Australia. The WA government is also trying to deal with that issue through some cooperation with Indonesia.

WA is involved strongly with the Australia-Indonesia Ministerial Forum through the fisheries group associated with that. We see that as an important link in continuing dialogue with Indonesia. Shared fish stocks between Australia and Indonesia, such as snapper and shark, continue to be depleted. So there is a very strong need for cooperative management of those shared stocks. To that end, I am in fact going up to Darwin this afternoon for some meetings with some northern counterparts. Over the last year or two we have been engaged with Indonesia and East Timor in trying to strengthen our management of those shared stocks. That is going to be a challenging issue for all of us.

The issues for the Department of Fisheries are that we need to have strong links with Indonesia and to continue those links so that we can develop capacity and assist them as much as possible in training techniques and management knowledge so that our fisheries in that northern



sector will remain sustainable for both Indonesia and Australia, more importantly, and that any other issues that might be peripheral to fisheries management can be assisted also.

**CHAIR**—Thank you very much for that. Does anybody else have any introductory comments they wish to make?

**Dr Tan**—Good morning, Mr Chairman. The Department of Agriculture in Western Australia is committed to maintaining current activities and strengthening, hopefully, trade with the Indonesian business sector. Indonesia is Western Australia's third largest agricultural export market and is our closest neighbour, with more than 200 million people. So we would like very much to further develop this relationship. When the situation in Indonesia becomes more stable, there will be real opportunities for Western Australia to feed some of the Indonesian population with our products.

This morning I would like to highlight a few points on what we have done to develop this bilateral relationship and to improve trade. First of all, I would like to touch on our seed potato business. Indonesians traditionally do not eat a lot of potato, but in the last few years they have caught up to the Western world: potato crisps have become very popular. Large companies like Indofood Frito-Lay are looking for potatoes to make crisps to supply the local market. The problem is that at this stage Indonesia does not have enough potatoes to supply this market. These companies also look to Western Australia but on a very ad hoc basis. They say, 'We would like five tonnes of potato by next week.' Obviously, without planned marketing, we cannot supply them.

So we have developed this project with Indonesia to teach them to grow potatoes by using high-quality Western Australian seeds. That means Indonesian farmers import the seeds from Western Australia and grow the potatoes to supply the market. It has been proved that seeds from Western Australia are of a very high quality and can grow very well in Indonesia. Traditionally in the East Java area the Indonesians could produce about only eight tonnes per hectare by using their local seeds. With the certified seeds imported from Western Australia the yield increased to about 30 to 40 tonnes per hectare. That is a big improvement. We are also doing a further step: we send our farmers and scientists to help the Indonesians to develop this seed potato system. Also, we bring Indonesian farmers to Western Australia to show and teach them how we manage our potato industry. This train-the-trainer program has worked out very well. So at this stage we are strengthening this seed potato program with them. Also, in the research area we are developing a project to be funded by ACIAR. It is at stage 2.

The next issue I would like to highlight is livestock. Western Australia has set up a strategic alliance with Santori in Indonesia to export live cattle to Indonesia. The beauty of this in relation to live cattle is that, as you all know, the cattle are sent up there a bit young and they are paid to be fed up in Indonesia and then sent to a slaughterhouse. That will provide a little bit of employment and so on for Indonesia.

In relation to the dairy industry, Indonesia, because of government policy, needs a good deal of milk supplied. There was a request from the East Java government whether it was possible for Western Australian experts to help them improve their milk quality. We are planning to send an expert to Indonesia as soon as possible when permission is granted. Last year the Minister for Agriculture, Forestry and Fisheries, Mr Kim Chance, visited Indonesia and had a very fruitful

meeting with the Indonesian Minister of Agriculture. We are in the process of drafting an MOU to be signed by both ministers, the Indonesian minister and the Western Australian minister for agriculture, to further improve agriculture, scientific exchange and things like that. Hopefully, this MOU will be signed in the near future.

So that is what we plan to do and will continue to do. But they do have a few issues with Indonesia. For example, the Indonesian government have imposed a so-called value added tax, VAT, of about 10 per cent. In the past they did not enforce this, but I think they have indicated that in the future they will look very seriously at enforcing the 10 per cent VAT and also recoup what they did not collect over the past few years. If that happens, it will probably have some bad effect on importers of live cattle there.

In relation to bilateral trade, Indonesian migrants in Western Australia contribute quite a bit to the Western Australian economy. For example, new migrants here start up all kinds of new businesses, such as selling things and exporting those things back to Indonesia. Some of them set up businesses here to import products like furniture into Western Australia. So I think it is good for bilateral and social economy development. Thank you.

**CHAIR**—Thank you.

**Mr Johnson**—Western Australia and Indonesia have a strong relationship, and this is supported by several factors. The first is the sister state relationship, which has been alluded to by my colleagues. This was signed in 1990, is still functioning and was recently re-signed by the Governor of East Java and our Premier. Within the MOU there is an exchange program. Until recently this was jointly funded. Now it is more of a facilitation role but is still active. It covers various sectors, including education, agriculture, fisheries as well as trade and investment. The Western Australian government also maintains two offices in Indonesia in order to help Western Australian companies access the Indonesian market, as well as Indonesian companies wishing to buy products from Western Australia or invest in this state. These offices are located in Surabaya as well as in Jakarta.

There are several issues that have come to notice which we would like to bring to the attention of the committee. One relates to the uncertainty surrounding the mining industry, in particular the serious downturn in mining exploration, and the ways and means in which that can be tackled. We also feel that in terms of the devolution process there is an increasing need for education and training of officials. We are, through the sister state relationship and other channels, working towards providing services in that area. Despite the problems that exist in Indonesia at the moment, Western Australia enjoys a good trading relationship with Indonesia. Bilateral trade between Indonesia and Western Australia exceeds a billion dollars, and Indonesia is Western Australia's eighth largest export market. The exports vary considerably, from mining products and services to agricultural products. In services, tourism and education also play an important role. I think I will leave it there, and then we can have a general discussion. Thank you.

**CHAIR**—We received your submission last October. Could you update us on whether or not there have been significant changes in the relationship particularly post Bali?

**Mr Steingiesser**—The majority of the relationships we have in the agricultural sector have not been affected at all since Bali. There was an increase in demonstrations of solidarity and willingness to overcome this stage and look forward to further development, and I am talking specifically to the agricultural sector. We really did not have any deviation of the activities that we were holding at that time. The major problem at the moment is due to all the travel advice that impedes us in sending officers from the state to follow up some of the projects we are developing there.

**CHAIR**—In your submission you in fact highlighted the importance of air links. I think you said there were virtually dailies from Perth to Denpasar and—what was it?—six a week to Jakarta. Have they been maintained?

**Mr Johnson**—As far as air links are concerned, there is a daily flight by Garuda to Denpasar; there are two flights a week between Perth and Jakarta, operated by Qantas; and recently Air Paradise commenced two flights a week between Denpasar and Perth. That is the current situation as far as direct links between Perth and Indonesia.

**CHAIR**—Have you had any indication of the numbers—both ways, inbound from Indonesia and Western Australians going there?

**Mr Johnson**—I was recently in Jakarta, admittedly before the Jakarta bombing, and the flights to and from Jakarta were about 80 to 85 per cent full. We have heard that flights between Perth and Denpasar are enjoying good patronage, but I could not tell what the exact percentages are.

**CHAIR**—But you would say things are obviously picking up?

**Mr Johnson**—Yes, I would.

**Senator FERGUSON**—I am interested in the comments you made about your current agricultural trade relationship. I notice particularly that on page 2 of your submission you talk about a 74 per cent increase between 1997-98 and 2001-02. That increase came during the Asian economic crisis, which affected Indonesia quite significantly. How did you manage to gain that increase during that time? Can you give us some examples that might help the rest of Australia in the way that you approached your trading relationship during that period?

**Mr Steingiesser**—Most of the relationship is really based on personal relationships if it is beyond the single desk, the Australian Wheat Board. Luckily, most of the grains that Australia exports to Indonesia come from Western Australia. The livestock trade, which is the second most intensive activity, is really based on the development of strategic alliances between local exporters, farmers, producers and feedlotterers in Indonesia. I do not think there will be major differences between our increases and Northern Territory's increases when it comes to livestock. I would imagine that there is a parallel there. Additional products in agricultural trade were in the area of horticulture, which had a better acceptance of certain seasons and varieties. But, other than that, I cannot really highlight to you any other major factors that could differentiate what we have been doing from others. I think overall in the agricultural sector there was a similar increase country-wide, not only WA specifically.

**Senator FERGUSON**—But it came at a time of significant economic downturn in the area, didn't it?

**Mr Steingiesser**—Yes. They kept eating!

**Senator FERGUSON**—I am pleased to hear that.

**Dr Tan**—I would like to add a little to Henry's comment. In fact, in the past few years, although the situation in Indonesia was not the best, we have had a special project called Country Focus. We called it the Focus Indonesia project. This project basically looks to increase our profile in Western Australia both ways. That means we send our spotters to Indonesia and, more importantly—I think this is what makes some difference—we invite potential Indonesian buyers to visit Western Australia to show them how our clean and green environment produces a large range of good quality product and how that can be sourced by Indonesian importers for supermarket chains and wholesalers. Buyers visit Western Australia and they can see for themselves what is offered and what is good, and they start to import them. That probably also contributed in some way to the increase in trade to Indonesia over the past very difficult years.

**Senator EGGLESTON**—I would like to ask questions on two issues which are related to each other: health and education. In your submission you refer to the fact that it is difficult for people requiring medical treatment in Perth to get quick access to visas because of the need to have X-rays for TB. The Lions Eye Institute in Perth raised that issue with me last September. I was wondering, since your submission was written last October whether there has been any improvement in the mechanisms for getting visas for people requiring urgent medical treatment not only in Perth but also in other capital cities around Australia. The other part of my question relates to education. Education is obviously a very important component of our relationship with Indonesia. As you say, we have about 18,000 Indonesian students in Australia. Just by way of comment, I believe four members of the Indonesian cabinet have Australian degrees. You refer to difficulty in getting visas for people doing short-term courses in English, for example, and you also mention the need for a more cohesive overall approach to education services provided to Indonesia from Australia as a whole. Would you like to comment on that?

**Mr Johnson**—In answer to your first question about visas, since the submission was submitted nothing has changed. The situation that existed then still exists. The feedback that we have got from the health sector is that there are still problems in attracting patients to come down to Western Australia. Our Minister for State Development, the Hon. Clive Brown, recently visited Indonesia. He met with the World Bank and with other people involved in the health sector. Part of his mission was to discuss this very issue. But, to date, nothing has changed.

Visas are part of the education issue, but I think there are other aspects of our downturn in the market share of our educating students from Indonesia and they relate to the travel warnings issued by the government. I know that the insurance of some universities does not enable them to travel to markets or countries where there is such a warning. That has curtailed the ability of some universities to market in Indonesia effectively. I do not know about the other states, but our market share of students coming from Indonesia has decreased. I think, if we are to regain the prominent position that Western Australia and Australia had, we need to market ourselves far more effectively in that market.

**Mr BEAZLEY**—The issuance of travel warnings is a matter of some interest to us. Has the issuance of travel warnings affected every Western Australian university and others who recruit students, like private schools and TAFEs, or is that limited to just a few?

**Mr Johnson**—It is my understanding that it is mainly affecting the university sector. The independent schools and TAFE are not as affected by it because they are able to obtain insurance for their employees that visit the market.

**Mr BEAZLEY**—Have the universities indicated to you that they have attempted to get better insurance coverage that enables them to go in these circumstances?

**Mr Johnson**—I would have to check that out, to be honest with you. We have an education sector within the agency, and I would have to get an update on that, but to my knowledge they have not directly approached us as the state government. In Perth, we do have a central group called the Perth Education Centre, which includes the universities and up to 19 education institutions. If you would like, I will follow that up and check with them to see what feedback they have.

**Mr BEAZLEY**—Thank you, that would be good. Further to that point, what effect have those travel advisories had on decisions by either state government personnel who travel to Indonesia for business or any of the other organisations that you link with, such as the various agricultural and horticultural elements you have been talking to us about? Has that affected travel plans much? How do they discuss these things through with you?

**Mr Johnson**—I will start, and then I will pass over to Henry. It has an impact, for sure. If you have a travel warning, it does curtail the travelling of businesses and government personnel. A good example of that was our minister's recent visit to Indonesia. There was a travel ban on Australians visiting Surabaya, which meant that we could not visit the capital of our sister state. However, a couple of days before he was due to visit Indonesia, that was lifted and we managed to include Surabaya in the visit. But it is an impediment.

**Mr Steingiesser**—I believe the biggest problem is the definition of the word 'essential'—'essential travel'. We have been dwelling within the department and with representatives of the Department of Foreign Affairs and Trade on what is 'essential travel' to try to define this word 'essential'. We could not find a proper definition; therefore, we decided we would not send any of our scientists who were supposed to be in different areas of Indonesia until there was a substantial change in the travel advice. That had immediate effect.

**Dr Tan**—These travel warnings have actually affected two projects in the agricultural area. I just mentioned we have a seed potato project with Indonesia. In fact, because the East Java model is doing so well, other parts of Indonesia, Sumatra and places like that, would like to copy this model. Currently, there are some potato fields which have used our seed. The harvesting of the potatoes is supposed to be in September and October, and we are trying very hard to get one of our scientists there to assess the yield and things like that which they have not been able to carry out at this stage.

**Mr BEAZLEY**—I have two more questions. The first concerns matters that you raised here in your report about the issues of decentralisation or regionalism. It seems that an awful lot of

what you do with Indonesia or what we do from Western Australia is with agribusiness and away from Jakarta. Have Indonesian regionalisation and decentralisation impacted on us in any noticeable way to you?

**Mr Johnson**—The short answer to that is it has. It has created an opportunity and it has also created some problems. The opportunity has certainly arisen where we have institutions in Perth now offering training to government officials from many of the regencies. To date, in excess of 150 officials have come down to Perth for training, and this is beginning to build up a good momentum. That training covers governance, administration, accounting and the like. The impediment, as far as the devolution is concerned, is predominantly in the mining and mining services sector. Mining exploration in Indonesia I understand is down by 95 per cent. There is a great deal of uncertainty surrounding the mining sector and access to resources there. This has largely been brought about by the devolution process as well as debates between the mining sector and the forestry sector. Certainly we feel that that is an important area that needs to be rectified and some stability returned to that very important sector.

**Mr BEAZLEY**—My final question relates to one Senator Ferguson asked you a moment or two ago, and it relates to the export of grains, specifically wheat, from Western Australia to Indonesia. Did you suggest that that was mobilised outside the framework of single-desk marketing arrangements?

**Mr Steingiesser**—Not at all.

**Mr BRUCE SCOTT**—I was interested in the MOU. I missed what you said earlier about whether the MOU had been signed or it was still in draft form. Flowing from that is the potential ban of HGPs in livestock imported from Australia. Could you comment on those two points? I have another question after that.

**Mr Johnson**—I will comment on the MOU. The MOU was signed in 1990. It is still active. Every five years it is re-signed, and within that MOU we develop a range of activities that will be undertaken by both sides. So it is still active and very much alive.

**Mr Steingiesser**—I think the reference was to the MOU with the Minister of Agriculture—is that correct? Are you referring to the MOU with the Minister of Agriculture—

**Mr BRUCE SCOTT**—Yes, the potential ban of livestock containing hormonal growth promotants.

**Mr Steingiesser**—That and the 10 per cent VAT are the two major factors that can influence generally the industry, although the department has been developing activities in order to avoid the use of HGPs. It is still in its initial stages and has not been imposed as yet. We have not heard of or have not had any major impediment in the trade. It is always treated as a threat, not as effective. The memorandum of understanding in agricultural subjects is in its final draft and it should be signed as soon as the conditions in Indonesia are alleviated somewhat and we can invite the Minister of Agriculture from Indonesia to visit Western Australia—which we already did a couple of times but due to his own personal reasons he could not come.

**Mr BRUCE SCOTT**—The other issue was the undersupply of dairy milk in Indonesia. The Department of Agriculture in Western Australia is currently assessing—this is as of the submission in 2002—the opportunities for increased trade in fresh milk and other dairy products. What stage is that at?

**Mr Steingiesser**—It is in a preliminary stage at the moment. As you may be aware, we have been very successful in exporting fluid milk in containers from Western Australia to Singapore and Taiwan. We are trying to develop this market as well in Indonesia. We are in the process of identifying potential partners to further develop this market segment.

**Mr SNOWDON**—Is any work being done about the export of dairy cattle for breeding purposes to Indonesia by Western Australia?

**Mr Steingiesser**—Not from a governmental point of view. We want the cattle here; we do not want the cattle going away from the state. We believe this industry can increase threefold in Western Australia, so there is not much support for that from the government. Live dairy cattle is a very attractive market in different countries, but since it is an open market we would not be able to identify whether there was a special drive towards Indonesia. We know for sure there are drives to mainland China more than Indonesia at this stage.

**Mr SNOWDON**—Some northern cattle producers indicated to me recently that they thought in Indonesia there was a strong live dairy cattle market for breeding purposes so that Indonesia could set up their own dairy herd.

**Mr Steingiesser**—Yes, that is correct. Not only is it in Indonesia; it is mainland China, the Middle East, Korea and other markets.

**Mr SNOWDON**—In the context of livestock initiatives, your submission talks about:

... opportunities for Western Australia to participate in the supply of breeder stock, feeder and slaughter cattle; feedlot management; abattoir, meat handling and butchering equipment ...

What are you doing, if anything, in abattoir and meat handling in Indonesia at the moment?

**Mr Steingiesser**—We are working very closely with the industry representative entity, Meat and Livestock Australia. Over the past three to four years we have been trying to identify private sector companies interested in better processing of animals in Indonesia with their own abattoirs, visualising perhaps a market opportunity in Muslim countries in the Middle East. But that is in the very embryonic stage and I cannot report further than that.

**Mr SNOWDON**—I am just conscious of the recent *60 Minutes* report on the export of live cattle and sheep, the concern which has been expressed by some exporters about the imagery that that portrayed and what might be done to educate people to handle our live cattle properly.

**Mr Steingiesser**—The MLA is doing intensive work in this area. Over the past two to three years the industry's contribution of several knocking boxes has improved the practice, but a lot of additional work and training have to be done to bring that up to our preferred standards.

**Mr SNOWDON**—On the issue of the 10 per cent VAT, you state in your submission:

Many importers are refusing to pay their tax bill and there is potential for the industry to be badly damaged as importers try to recoup their losses from a price-sensitive market.

What is your estimate of the impact of price sensitivity and the value of the dollar on the market for Australian live cattle?

**Mr Steingiesser**—It can have a very strong impact, not that much from the 10 per cent onwards but from the threat to use the tax in past transactions. This should be avoided by all means because it will certainly deviate market conditions from the importers and it can, no doubt, in combination with a stronger Aussie dollar, have immediate impacts in the capacity to import breeder cattle or feeder cattle to the marketplace.

**Mr SNOWDON**—Has your department or any other department in Western Australia done any projections on the likely impact these actions will have on the demand for Western Australian cattle?

**Mr Steingiesser**—Not at this stage.

**Senator HUTCHINS**—My question is directed to the gentleman from Fisheries. You said that you had set up an alternative livelihood program for seafarers and created alternative income-generating opportunities for those people. Could you elaborate on those and tell us what they are and how successful you think they are at the moment?

**Mr Sarti**—The first program that we did, as I indicated, was in South-East Sulawesi. The component that dealt with developing capacity within the government agency that was managing the Wakatobi Marine Park was very successful. We trained 53 of their park rangers in a range of skills from boat handling through to investigation and prosecution techniques, and basic fisheries ecology and fisheries management. But, aside from that, the most important thing I think we delivered was being able to liaise and interface with the local fishing community. They seemed to be poles apart. There was a government administration with very little to do with the local community. So I think our main influence there was breaking down that bond and getting some good linkages between the two groups so that they actually talked and understood and were able to transfer knowledge both ways. That, as we understand it, continues.

We are very fortunate, I suppose, in one respect that the island group that we were focusing on in South-East Sulawesi was also the home to a United Kingdom foundation called the Wallacea foundation. It has linkages to UK universities, and an ongoing youth ambassador type role has occurred there so that a number of university students from the UK and Europe have been, on a continuing basis, going out to this island group and continuing to conduct basic fisheries research projects. So a fair degree of science on the reef-top platform has continued since we were there.

It is unfortunate that our project got through really only the first phase because of problems in Indonesia at the time, and I am talking now of 1998. We were not able to continue with a more substantial kind of project. But, as I said, the involvement of the UK foundation there has assisted with the community groups continuing to grow the things that were started, specifically



the use of fish aggregating devices to move fishermen off the reef-top platform to allow them to develop some new markets—it has taken a bit of pressure off the reef top, so in some areas there has been regrowth—and the development of village management of certain areas of the reef top. So, in terms of the community that live in that particular area, there has been a considerable shift. However, part of that has been negated by adjacent communities, having seen the success that has occurred in that area, then transmigrating into the park area. That will always be a continuing problem with a population such as Indonesia has. If you are able to get things happening developmentally, unfortunately some of that gets negated by others moving into the area. Nonetheless, that project has been quite successful as a pilot project.

We are in the stages of developing some new projects also in eastern Indonesia but on the island of Roti, but they have yet to be finalised. Of course, one of the issues we have these days is always funding these types of things, and there are limited sources of funding available. To finalise my answer, I suppose the quick answer is that the ones we have done have been successful, we are encouraged by that, we would like to do more, but we do have funding impediments.

**Mr BYRNE**—I have a question with respect to your submission where you detailed an issue of significance which related to Bogasari Flour Mills, flour exports into Indonesia and its consequent potential effect on grain exporters. You mentioned that Bogasari had requested an antidumping measure be undertaken, which had not been supported by the Indonesian government, and that Bogasari then threatened to purchase grain from other countries. Could you give us an update, given that in your own submission you say that Western Australian exporters would be at risk if Bogasari started purchasing grain from other countries?

**Mr Steingiesser**—The sensitivity of these issues is mainly related to the quality of grains that we grow in Western Australia that are very well accepted in the Indonesian market. When there is an increase in the trade between our single desk and the Indonesian market we immediately notice that, and a large number of the produce produced in Western Australia is exported. We are sensitised to complaints about certain antidumping actions done by Western Australian companies that may affect some of our key buyers in Indonesia, and that is perhaps the main reason we thought that it would be relevant to raise this issue. Since that period, there has been an improvement in the relationship and, to my knowledge, at this stage there has been no major change in the patterns of purchasing from large Indonesian companies.

**Mr BYRNE**—In terms of improving the relationship, did you or did your department undertake any sort of negotiation with Bogasari or the Indonesian government? What actions did you take, given the concerns? This seemed to be a fairly significant concern that you had outlined.

**Mr Steingiesser**—The department as such did not take any action, but we certainly made sure that during Minister Chance's visit to Jakarta last year he visited Bogasari and highlighted to Bogasari our apprehension about the potential antidumping or dumping situations, and that was the only measure we undertook.

**Mr BYRNE**—Are you saying that Bogasari's concerns seem to have been met as a consequence of those discussions and negotiations?

**Mr Steingiesser**—No, I am saying that the concerns existed already, and through the visit we tried to, first of all, highlight the importance of the Indonesian market for Western Australian growers and that, if there were dumping measures, they should be corrected.

**Mr BYRNE**—Have flour exports diminished, been maintained or increased? That seemed to be the bulk of the concern that Bogasari was expressing, given that that then reduced its markets in Indonesia?

**Mr Steingiesser**—That is correct. I do not have the data at the moment.

**Mr BYRNE**—Would you be able to take that on notice?

**Mr Steingiesser**—Yes.

**CHAIR**—You raised in both your opening statement and the submission your two trade promotion offices in Indonesia. How big are they?

**Mr Johnson**—The trade offices in Indonesia are small. The one in Surabaya is staffed by two locally engaged Indonesians. That office has been operational since 1992. In Jakarta we have a service agreement with Austrade whereby our regional director works out of the Austrade office in Jakarta, and there is one person there. So altogether there are three people in Indonesia promoting Western Australia's trade investment.

**CHAIR**—I was going to ask about the relationship with Austrade. Obviously it works reasonably well.

**Mr Johnson**—It works fine. In fact, it is reciprocated whereby in Jakarta we share an office with Austrade and in Surabaya they share an office with us.

**CHAIR**—Why did you choose East Java for the sister state relationship?

**Mr Johnson**—Good question. I was not around when that happened, but my understanding is that Western Australia was looking to establish a range of sister state relationships with key markets in Japan, China and Indonesia, and it was East Java that expressed the keenest interest to establish a relationship with Western Australia. I think it is as simple as that.

**CHAIR**—To your knowledge, is Western Australia the only state that has this sister state relationship?

**Mr Johnson**—With East Java, yes. South Australia has a sister state relationship with West Java, and Queensland has a sister state relationship with Central Java.

**CHAIR**—I think the Queensland government also have roving ambassadors, don't they, who go around the place?

**Mr Johnson**—That is my understanding.

**CHAIR**—You do not know how effective they are? Do you think you are better in one area or on the move?

**Mr Johnson**—The Queensland government also maintain offices in Indonesia. They have an office in Jakarta, and I believe they also still maintain an office in Semarang. I think the roving ambassador program is more related to trade promotion and covers an area or a region rather than a specific country. I stand corrected on that. But we find that having people on the ground is very effective, especially in a market that is fairly complicated.

**CHAIR**—How effective do you think the Australia Indonesia Business Council is? Does it have any real impact up there?

**Mr Johnson**—The Australia Indonesia Business Council has a WA chapter. The chapter has been effective in the past. Because of the recent problems in Indonesia, I think its membership has declined. However, when our regional director resigned he took over the chairmanship of that, and we are already seeing a significant increase in membership in Western Australia. From our point of view, it is effective for networking and an effective organisation. It really depends on the chairman or presidency and depends on the membership.

**Senator EGGLESTON**—Can I ask a question consequent on the questions Mr Jull has asked. I believe in the past we had a West Australian trade person in Surabaya. When was that practice discontinued and why do we no longer send somebody from Perth up to Surabaya but just employ local people there?

**Mr Johnson**—It was just the aid based person who moved from Surabaya to Jakarta. They moved, from memory, in 2000-01. Jakarta is still the major commercial hub for Indonesia. We did not have any representation there, and we felt that it was strategic to have our aid based person working in Jakarta whilst maintaining an office in Surabaya.

**CHAIR**—Do you think there is any value in pursuing some sort of free trade agreement with Indonesia?

**Mr Steingiesser**—Absolutely. From at least a Western Australian perspective it is perhaps the closest market we have. It may abolish a series of hurdles that are being imposed at the moment through the tariff system, their being official or unofficial. I believe there are enormous grounds on which to control quarantine risks to our country. Today, Indonesia export, for example, animal feed to Western Australia after its having gone through an intensive process of acceptance through AQIS and all the measures that we have imposed on them in order for them to be able to do these exports. In my view, there will be much more benefits than risks if we were to engage in such an arrangement.

**Mr Johnson**—I would like to fully endorse that for the non-agricultural sector. I think a free trade agreement would be very beneficial. Western Australia has a very strong and vital relationship with Indonesia. Indonesia is, like it is for the Northern Territory, our closest neighbour, and we would see a lot of benefits from such an arrangement. Our economies are very compatible.

**CHAIR**—There being no further questions, I thank you very much indeed for your cooperation today. If there are any matters on which we might need further information, our secretary will certainly contact you. We will send you a copy of the transcript of your evidence, to which you can make any necessary corrections to transcription errors. Thank you indeed for your cooperation. I think this is the second time that a couple of us have been involved in video links of this sort. They seem to work very well. It is marvellous to be able to have these discussions. Once again, I thank you very much indeed for your excellent submission.

**Mr Johnson**—The pleasure is ours. Thank you.

**Mr Steingiesser**—We would like to see all of you here in WA.

**CHAIR**—I would love to be over there. It must almost be the lobster season.

**Mr Johnson**—Coming, coming!

**CHAIR**—Thank you.

**Mr Johnson**—Thank you very much.

**CHAIR**—We thank Hansard and everybody involved in this hearing today.

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

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

**Subcommittee adjourned at 11.34 a.m.**