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The Parliament of the Commonwealth of Australia

# **Australia's Overseas Representation—Punching below our weight?**

**Inquiry of the Foreign Affairs Sub-Committee**

**Joint Standing Committee on Foreign Affairs, Defence and Trade**

October 2012  
Canberra

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## Foreword

This report follows the findings of two earlier inquiries by the Committee and identifies a chronic underfunding of DFAT over the last three decades.

The previous inquiries concerned Australia's relationship with the countries of Africa, and a review of the DFAT 2009–10 annual report.

In the review of DFAT's annual report, the Committee commented that there was a substantial question regarding DFAT's future role and the adequacy of the services it provides on behalf of Australia.

An underlying theme throughout this report is the effect of this underfunding on the spread and depth of Australia's diplomatic network (Chapter Two), the activities undertaken at diplomatic posts (Chapter Three) and the ability to take up innovative forms of e-diplomacy (Chapter Four).

DFAT has experienced cuts and financial constraints through successive governments and this has resulted in a diplomatic network which is seriously deficient and does not reflect Australia's position within the G20 and OECD economies. Australia has the smallest diplomatic network of the G20 countries and sits at 25th in comparison to the 34 nations of the OECD. Australia clearly is punching below its weight.

The Committee has recommended in this report that the budget priority for overseas representation should be significantly raised because of the benefits that accrue from diplomacy.

The Committee has also recommended that in the medium term Australia should substantially increase the number of its diplomatic posts to bring it to a level commensurate with its position within the G20 and OECD. This amounts to at least 20 posts.

In the longer term, funding to DFAT should be increased to a set percentage of gross domestic product sufficient to reflect Australia's standing as a middle power.

During the inquiry it became apparent that there appears to be no overall strategy for Australia's diplomatic engagement with the world or any criteria for establishing, continuing, or closing the diplomatic posts. To address this deficiency, the Committee has recommended that the Government produce a White Paper to set the agenda for Australia's whole of government overseas representation.

The Committee challenged DFAT to set out its priorities for increasing Australia's diplomatic footprint under three increased funding scenarios – annual increases of \$25 million; \$50 million; and \$75 million. Chapter Two contains DFAT's response.

The Committee also received a number of suggestions from interested parties for opening new diplomatic posts in particular countries. The Committee, however, has restricted itself to recommending that there should be additional posts in Asia, and in particular in China and Indonesia.

The Committee believes, however, there would be value in Parliamentary involvement when new embassies are proposed or posts are closed and has recommended that DFAT provide briefings or discuss the matter before this Committee at public hearings.

The Committee's review of the activities undertaken by Australia's diplomatic posts is contained in Chapter Three. The Chapter commences with a review of the activities which posts must undertake and proceeds with a review of the ability of posts to efficiently and effectively meet their responsibilities. This includes discussion of staffing levels at DFAT.

The Committee recognises the valuable activities undertaken abroad by Australia's representatives in promoting Australia's interests, promoting trade opportunities and assisting Australians abroad. It is unreasonable, however, to expect DFAT and Austrade to be successful in promoting a particular overseas market if business is unaware of the potential, or is focused elsewhere. As a result, the Committee has recommended that DFAT and Austrade broaden their contacts with Australian business boardrooms to deepen business understanding of how government agencies can assist business in facilitating their overseas activities.

In reviewing the effectiveness of overseas representation at the State, Territory, and Federal level, the Committee has identified opportunities for greater cooperation with consequent savings. Co-locating offices and sharing back office capacity may provide a significant benefit. The Committee recommends that the Australian Government place on the COAG agenda discussion of the location,



coordination and effective use of State and Commonwealth trade representations in the national interest.

A further way to save costs in the long term is to reduce the potential need for aid and rebuilding assistance by preventing conflict. This can be achieved through Australia acting as a mediator and legitimate third party. Mediation activities in South-East Asia and Pacific regions are poorly resourced so there is opportunity for Australia to take a leading role through the creation of a mediation unit. The Committee has recommended that such a unit be created within AusAID and funded from the aid budget.

Posts also undertake extensive consular work, assisting Australians who are living and travelling overseas. Over recent decades the number of Australians who travel abroad to work or on holiday has increased significantly – the demand for consular services has followed suit.

The Committee believes that meeting the costs of an ever increasing demand for consular services through existing resources is unsustainable. Diverting resources to meet consular demands reduces the ability of DFAT and Austrade to adequately represent Australia overseas.

The Committee has therefore recommended that the provision of consular services should be funded in part from revenue sources such as increased passport fees and a small tiered levy. This should be structured so that it takes into account those Australians who have taken out travelling insurance or who are unable to obtain travel insurance.

Chapter Three proceeds with an examination of the structure and effectiveness of DFAT's staffing regime. This includes a discussion of the proportion of Australian based staff who are serving overseas, the function of locally engaged staff serving at posts and the language proficiency of staff.

The Committee is generally satisfied with the performance of Australia's overseas representatives. The Committee notes, however, that issues relating to the effect of recent funding cuts on overall effectiveness, resource allocation of any additional funding and the number and performance of locally engaged staff would benefit from further examination.

Both Austrade and AusAID have undergone recent independent reviews, but it is some time since DFAT was independently assessed. Evidence suggests that such an external review would allow the canvassing of new ideas, allow community engagement, and correct inaccurate perceptions of DFAT's work.

The Committee has therefore recommended that there be an external review of DFAT to include consideration of the effectiveness and efficiency of DFAT activities; ensuring effective resource allocation; the appropriate use of locally

engaged staff; and ensuring that the department has the capacity to attract and retain high quality staff.

E-diplomacy, the subject of Chapter Four, provides great potential to more effectively manage information and facilitate communication within DFAT and the whole of Government, to improve consular service delivery, and to understand, inform and engage audiences both overseas and at home.

The creation of new information and communication systems has transformed the ways in which people receive and transmit information away from the traditional media of newspapers and television, towards the internet and social media platforms. Although DFAT has made significant steps towards a greater online presence, the Committee considers that the internet and social media remain underutilised, particularly as tools for public diplomacy.

The Committee believes that there is merit in establishing an office of e-diplomacy within DFAT as the best way to harness the potential and deal with the challenges of e-diplomacy, particularly in light of the constantly evolving nature of this technology. The US State Department's Office of eDiplomacy is considered to be a best practice model.

The Committee has also recommended that DFAT make better use of social media platforms to promote Australia's foreign policy, trade opportunities, and the department's role to the wider Australian public and key audiences in Asia and the Pacific.

## **Conclusion**

Since World War II, Australia has traditionally played a significant role in the world. For example, Australia was the president of the UN General Assembly in 1948 and was involved in drafting the UN Universal Declaration of Human Rights. Australia was also the first President of the UN Security Council in 1946. Later, in 1986 Australia was instrumental in the creation of the Cairns Group and, in 1989, the Asia-Pacific Economic Cooperation group.

Throughout this Inquiry it has become clear that presence and person-to-person contact remains the cornerstone of diplomacy.

Such representation facilitates a deeper understanding of other countries and the broader international environment, allowing quicker and more informed responses to changing circumstances. It allows for the development of long-lasting networks, which in turn enhance Australian influence and the ability to effectively promote Australia's position on international issues.

The operations of our diplomatic network are limited by a lack of funding. They are also being challenged by the growth and development of Australia's economy,

the shift of global power towards Asia, the impact of technology, and the rising importance of public diplomacy.

This report along with recent reports by the Lowy Institute highlights the urgent need to rebuild Australia's diplomatic network and enhance our international standing.

Our diplomatic network must be resourced to grow if Australia is to again punch above its weight in the world.

Mr Nick Champion MP  
Chair  
Foreign Affairs Sub-Committee



# Membership of the Committee

**Chair** Senator M Forshaw (to 30/06/11)

Mr M Danby MP (from 1/07/11)

**Deputy Chair** Mrs J Gash, MP

**Members**

Senator M Bishop	Hon. D Adams MP (from 24/03/11)
Senator the Hon. J Faulkner (from 30/09/10 to 14/02/11)	Hon. J Bishop MP
Senator D Fawcett (from 1/07/11)	Ms G Brodtmann MP
Senator the Hon. A Ferguson (to 30/06/11)	Hon. A Byrne MP (to 14/03/12; from 19/09/12)
Senator M Furner	Mr N Champion MP
Senator S Hanson-Young	Mr M Danby MP (to 30/06/11)
Senator the Hon. D Johnston	Hon. L Ferguson MP (to 19/09/12)
Senator S Ludlam	Hon J Fitzgibbon MP
Senator the Hon I Macdonald	Mr S Georganas MP (to 24/03/11)
Senator A McEwen (from 1/07/11)	Mr S Gibbons MP (to 7/02/12)
Senator C Moore	Hon. A Griffin MP
Senator K O'Brien (from 14/02/11) to 30/06/11)	Mr H Jenkins MP (from 7/02/12)
Senator S Parry (from 1/07/11)	Dr D Jensen MP
Senator M Payne	Hon R McClelland MP (from 14/03/12)
Senator the Hon. U Stephens (from 1/07/11)	Mrs S Mirabella MP
Senator R Trood (to 30/06/11)	Hon. J Murphy MP
	Mr K O'Dowd MP (from 25/10/10)
	Ms M Parke MP
	Mr S Robert MP
	Hon. P Ruddock MP
	Ms J Saffin MP
	Hon. B Scott MP
	Hon. Dr S Stone MP (from 25/10/10)
	Ms M Vamvakinou MP

## Membership of the Sub-Committee

**Chair** Mr N Champion MP

**Deputy Chair** Hon. Dr S Stone MP

**Members**

Senator S Ludlam	Hon. L Ferguson MP
Senator the Hon. I Macdonald	Mrs J Gash MP (ex officio)
Senator A McEwen	Hon. A Griffin MP
Senator C Moore	Mr H Jenkins MP
Senator S Parry	Dr D Jensen MP
Senator M Payne	Mrs S Mirabella MP
Senator the Hon. U Stephens	Ms M Parke MP
Hon. D Adams MP	Mr S Robert MP
Hon. J Bishop MP	Hon. P Ruddock MP
Ms G Brodtmann MP	Ms M Vamvakinou MP
Mr M Danby MP (ex officio)	

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<b>Secretary</b>	Mr J Brown
<b>Inquiry Secretary</b>	Dr J Carter
<b>Research Officers</b>	Mr J Bunce Mr P Kakogiannis
<b>Administrative Officers</b>	Ms J Butler Mrs S Gaspar Mr R Jackson



## **Terms of reference**

The Joint Standing Committee on Foreign Affairs, Defence and Trade shall examine and report on Australia's overseas representation, in particular:

- the activities that Australia's diplomatic posts must undertake;
- their geographic location and spread;
- the appropriate level of staffing, including locally engaged staff; and
- the affect of e-diplomacy and information and communications technology on the activities of diplomatic posts.

13 September 2011





## List of abbreviations

Austrade	Australian Trade Commission
AIG	Australian Industry Group
AAMIG	Australia Africa Mining Industry Group
ACT Labor FADTC	ACT Labor Foreign Affairs, Defence and Trade Committee
ADF	Australian Defence Force
AEC	Australian Electoral Commission
AEI	Australian Education International
AFP	Australian Federal Police
AFUO	Australian Federation of Ukrainian Organisations
AGC	Australia Gulf Council
ANZ	Australia, New Zealand
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
ASX	Australian Securities Exchange
AusAID	Australian Agency for International Development
CEO	Chief Executive Officer

COAG	Council of Australian Governments
DAFF	Department of Agriculture, Fisheries and Forestry
DEEWR	Department of Education, Employment and Workplace Relations
DIAC	Department of Immigration and Citizenship
DIISRTE	Development of Innovation, Industry, Science, Research and Tertiary Education
DFAT	Department of Foreign Affairs and Trade
DRET	Department of Resources, Energy and Tourism
EAS	East Asia Summit
EU	European Union
FCO	British foreign and Commonwealth Office
G20	Group of Twenty
GDP	gross domestic product
GNI	gross national income
GSC	Global Support Centre
HOM/HOP	Head of Mission/Head of Post
ICN	international communications network
ICT	information and communications technology
LES	locally engaged staff
MIA	Migration Institute of Australia
NATO	North Atlantic Treaty Organization
NGO	non government organisation
OECD	Organisation for Economic Cooperation and Development
PVA	postal vote application

PRP	Passport Redevelopment Programme
RFT	request for tender
SATIN	Secure Australian Telecommunications and Information Network
SMS	short message service
UK	United Kingdom
UMD	United Macedonian Diaspora
UN	United Nations
US	United States of America
USSR	Union of Soviet Socialist Republics
UYAA	Ukrainian Youth Association of Australia
VIP	very important person



# List of recommendations

## Australia's diplomatic footprint

### Recommendation 1

The Committee recommends that Budget priority for overseas representation should be significantly raised because of the benefits that accrue from diplomacy.

### Recommendation 2

The Committee recommends that the Government produce a White Paper to set the agenda for Australia's whole of government overseas representation. The White Paper should include, but not be restricted to:

- a consideration of the value to Australia of its diplomatic network;
- criteria for establishing, continuing or closing diplomatic posts; and
- a statement of the Government's priorities for expanding the network.

### Recommendation 3

The Committee recommends that, in the medium term, Australia should substantially increase the number of its diplomatic posts to bring it to a level commensurate with its position in the G20 and OECD economies. This increase should be by at least twenty posts.

### Recommendation 4

The Committee recommends that the Department of Foreign Affairs and Trade's funding be increased in the long term to a set percentage of gross domestic product sufficient for the creation of a diplomatic network appropriate to Australia's standing in the G20 and OECD.

**Recommendation 5**

The Committee recommends that Australia should increase its diplomatic representation, including increased Austrade representation, in North Asia and Central Asia, and in particular China.

**Recommendation 6**

The Committee recommends that Australia should deepen its relationship with Indonesia by opening a diplomatic post in Surabaya, East Java.

**Recommendation 7**

The Committee recommends that the Department of Foreign Affairs and Trade discuss the reasons for proposing to open or close Australia's diplomatic posts either by way of private briefings or public hearings before this Committee.

**Activities at overseas posts****Recommendation 8**

The Committee reiterates its recommendation in its report of its Inquiry into Australia's Relationship with the Countries of Africa that the Government should increase the number of Austrade offices and personnel that are based in Sub-Saharan Africa.

**Recommendation 9**

The Committee, noting the valuable activities of the Department of Foreign Affairs and Trade and Austrade in promoting overseas trading opportunities, recommends that these agencies broaden their contacts with Australian business boardrooms to deepen understanding of how the Department and Austrade can assist in facilitating their overseas activities.

**Recommendation 10**

The Committee recommends that the Australian Government place on the Council of Australian Governments agenda, discussion of the location, coordination and effective use of State and Commonwealth trade representations in the national interest.

**Recommendation 11**

The Committee recommends that the Minister for Foreign Affairs should create a mediation unit within AusAID and funded from the aid budget. The aim of the unit would be to prevent conflict by providing timely

assistance to mediation efforts, and acting as a mediator and legitimate third-party.

#### **Recommendation 12**

The Committee recommends that the cost of meeting increasing demand for consular services should be met through a combination of increased passport fees and a small hypothecated and indexed travel levy.

#### **Recommendation 13**

The Committee recommends that the Department of Immigration and Citizenship engage in an ongoing dialogue with interested parties, including the Migration Institute of Australia, to identify poor client service performance by locally engaged staff at overseas offices and by Service Delivery Partners, with the aim of strengthening the performance management and training for underperforming overseas staff and Service Delivery Partners.

#### **Recommendation 14**

The Committee recommends that there be an external review of the Department of Foreign Affairs and Trade. The terms of reference for the review should include, but not be limited to:

- ensuring the Department is able to effectively carry out the Government's priorities as identified in its White Paper;
- strategies and procedures to ensure the integrity and probity of Australian businesses with which the Department's overseas operations become associated;
- ensuring effective resource allocation of current and any additional funding;
- the efficiency and effectiveness of multiple country accreditation and representation;
- back to back postings of A-based staff;
- the capacity of posts to provide infrastructure and accommodation to meet the needs of increases in AusAID staff and staff other agencies;
- examining the use of locally engaged staff; and
- ensuring that the Department has the capacity to attract and retain high quality staff.

## **E-diplomacy**

### **Recommendation 15**

The Committee recommends that the Department of Foreign Affairs and Trade immediately refurbish Australian embassy websites to make them more informative, attractive and user-friendly.

### **Recommendation 16**

The Committee recommends that the Department of Foreign Affairs and Trade establish an Office of e-Diplomacy, subject to the external review, the Government White Paper and any increase in resources.

### **Recommendation 17**

The Committee recommends that the Department of Foreign Affairs and Trade should make better use of social media platforms to promote Australia's foreign policy, trade opportunities, and the Department's role to the wider Australian public and key audiences in Asia and the Pacific.





## **Introduction**

### **Background to the inquiry**

#### **Reference from the Minister**

1.1 On 13 September 2011, the acting Minister for Foreign Affairs, the Hon. Craig Emerson MP referred to the Joint Standing Committee on Foreign Affairs, Defence and Trade (the Committee), an inquiry into Australia's overseas representation. The terms of reference were:

- the activities that Australia's diplomatic posts must undertake;
- their geographic location and spread;
- the appropriate level of staffing, including locally engaged staff; and
- the affect of e-diplomacy and information and communications technology on the activities of diplomatic posts.

#### **The Committee's interest**

1.2 From late 2009 to early 2011, the Committee reviewed Australia's relationship with the countries of Africa. Part of the review focused on Australia's diplomatic representation with the countries of that continent. The Committee made a number of recommendations designed to broaden

and deepen Australia's diplomatic presence, especially in Francophone Africa.<sup>1</sup>

1.3 Notwithstanding suggestions that new posts be established in a number of countries, the Committee drew back from recommending opening posts in particular countries. The view of the Committee was that it did not have enough information on the competing demands for opening diplomatic posts in other regions of the world to determine whether posts should be opened in Africa in preference to these other regions.

1.4 The Committee revisited the issue of Australia's diplomatic footprint in early 2011 when it reviewed the Department of Foreign Affairs and Trade's (DFAT's) Annual Report 2009–2010. The Committee commented:

The Committee is of the view that there is a substantial question in relation to DFAT's future role and the adequacy of the services it provides on behalf of Australia. The Committee believes a substantial inquiry should be undertaken by the Committee on Australia's representation overseas in order to provide comprehensive advice to the Government on how Australia's interests might be better served by Australia's diplomatic network, and invites the Foreign Minister to provide it with a reference to conduct this substantial inquiry.<sup>2</sup>

1.5 The Minister subsequently requested the Committee inquire into the issue of Australia's overseas representation and provided terms of reference.

## **Australia's diplomatic footprint**

1.6 Australia's overseas representation is the responsibility of agencies within the Foreign Affairs and Trade portfolio:

- the Department of Foreign Affairs and Trade;
- the Australian Trade Commission (Austrade); and
- the Australian Agency for International Development (AusAID).

## **Aims of diplomacy**

1.7 DFAT has primary responsibility 'for advancing the interests of Australia and Australians internationally.' The department has three outcomes:

- the advancement of Australia's international strategic, security and economic interests including through bilateral, regional
- 

1 Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT), *Inquiry into Australia's relationship with the countries of Africa*, p. 29.

2 JSCFADT, *Review of the Department of Foreign Affairs and Trade Annual Report 2009–2010*, p. 12.

and multilateral engagement on Australian Government foreign and trade policy priorities;

- the protection and welfare of Australians abroad and access to secure international travel documentation through timely and responsive travel advice and consular and passport services in Australia and overseas; and
- a secure Australian Government presence overseas through the provision of security services and information and communications technology infrastructure, and the management of the Commonwealth's overseas owned estate.<sup>3</sup>

1.8 Austrade too has a role in diplomacy, primarily in promoting Australia's trade interests but with a secondary role of providing consular and passport services in specific regions.<sup>4</sup>

1.9 AusAID's responsibility is to deliver Australia's aid program currently amounting to about \$4.1 billion.<sup>5</sup>

### Overseas posts

1.10 Australia's overseas diplomatic posts are managed by DFAT or Austrade.

1.11 DFAT manages 95 overseas posts in 77 countries. The network comprises:

- 76 Embassies and High Commissions, some of which act as Permanent Missions to United Nations institutions and to the European Union;
- 13 Consulates-General;
- 3 Permanent Missions attached to United Nations institutions;
- a Delegation to the OECD;
- a Representative Office in Ramallah; and
- the Australian Commerce and Industry Office in Taipei.<sup>6</sup>

1.12 In addition, there are 46 consulates managed by DFAT and headed by Honorary Consuls. Of these, 23 are in countries where there are no Australian Embassies or High Commissions. This number includes the recently opened posts in Mongolia and Columbia.<sup>7</sup>

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3 DFAT, *Annual Report 2010–2011*, October 2011, p. 11.

4 Austrade, *Submission No. 26*, p. 4.

5 AusAID, *Submission No. 23*, p. 1.

6 DFAT, *Submission No. 28*, p. 13.

7 DFAT, *Submission No. 28*, pp. 33–4.

- 1.13 Austrade also has an international network. It has a presence at 92 locations in 52 countries served by 74 trade commissioners – the number being made up by locally engaged staff (LES). As well, Austrade currently manages 15 consular posts in 12 countries, only one of which (Czech Republic) is not served by an Australian Embassy or High Commission.<sup>8,9</sup>
- 1.14 AusAID is located in 40 diplomatic posts, with officers also in the field, delivering Australia's aid program in 84 countries.<sup>10</sup>
- 1.15 Australia's overseas diplomatic posts also provide accommodation and services for officials and officers from other Commonwealth agencies who also contribute to Australia's overseas diplomatic efforts, most notably:
- Australian Customs and Border Protection Service;
  - Australian Federal Police;
  - Department of Agriculture, Fisheries and Forestry;
  - Department of Defence; and
  - Department of Immigration and Citizenship.
- 1.16 The breadth of Australia's diplomatic footprint is discussed further in Chapter Two.

### **Funding the diplomatic footprint and activities**

- 1.17 In 2010–11, to fund Australia's overseas diplomatic network and its departmental activities, DFAT's appropriation, identified as 'revenue from Government', amounted to \$875.6 million.<sup>11</sup> In 2011–12, the figure was \$831.1 million, with the estimate for 2012–13 being \$874.5million.<sup>12</sup>
- 1.18 For Austrade, the equivalent figures were \$175.6 million for 2010–11,<sup>13</sup> \$167.7 million for 2011–12, and \$158.0 million estimated for 2012–13.<sup>14</sup>
- 1.19 For AusAID, the revenue from Government amounted to \$251.2 million for 2010–11,<sup>15</sup> \$274.7 million for 2011–12, and \$312.3 estimated for 2012–13.<sup>16</sup> This amount is used to administer Australia's \$4.1 billion aid and assistance program.

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8 Austrade, *Submission No. 26*, p. 22.

9 The Austrade post in Libya was closed in 2011.

10 Mr Peter Baxter, *Transcript 17 February 2012*, p. 31.

11 DFAT, *Additional Estimates Statements 2011–12*, February 2012, p. 38.

12 DFAT, *Portfolio Budget Statements 2012–13*, May 2012, p. 46.

13 DFAT, *Portfolio Budget Statements 2011–12, Austrade Budget Statements*, May 2011, p. 82.

14 DFAT, *Portfolio Budget Statements 2012–13, Austrade Budget Statements*, May 2012, p. 79.

15 DFAT, *AusAID Additional Estimates Statements 2011–12*, February 2012, p. 65.

16 DFAT, *Portfolio Budget Statements 2012–13, AusAID Budget Statements*, May 2012, p. 120.

- 1.20 The activities of Australia's overseas representatives are discussed in detail in Chapter Three.

### **Staffing levels**

- 1.21 As at 31 October 2011, DFAT employed 4154 staff, comprising 2493 (60.0 per cent) Australians based in Australia and overseas (A-based staff), and 1661 LES staff. Of the A-based staff, 599 (24.0 per cent) were serving overseas.<sup>17</sup>
- 1.22 As at 30 June 2011, Austrade employed 1087 staff, comprising 544 (50.0 per cent) A-based staff and 543 LES. Of the A-based staff, 74 (13.6 per cent) were serving overseas.<sup>18</sup>
- 1.23 As at 17 February 2012, AusAID employed 1929 staff, comprising 1381 (71.6 per cent) A-based staff and 548 LES. Of the A-based staff, 212 (15.4 per cent) were serving overseas.<sup>19</sup>
- 1.24 The staffing of Australia's diplomatic network is discussed in Chapter Three.

### **Information and communications technology**

- 1.25 Australia's overseas representatives rely on a number of communications systems.
- 1.26 DFAT connects its posts with Australia through the Secure Australian Telecommunications and Information Network (SATIN). This comprises SATIN High – a National Security classified system – and SATIN Low for unclassified communications. The system supports:
- diplomatic cables;
  - consular services;
  - passport and visa services;
  - telephone, e-mail and internet connectivity; and
  - desktop computing and associated applications.
- 1.27 In addition, Australian posts maintain some 100 internet sites.<sup>20</sup>
- 1.28 Austrade has a separate communications network which supports:

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17 DFAT, *Submission No. 28*, p. 15.

18 Austrade, *Submission No. 26*, pp. 6–7.

19 Mr Peter Baxter, *Transcript 17 February 2012*, p. 31.

20 DFAT, *Submission No. 28*, p. 24.

- Austrade's corporate applications such as its business database, and document management and collaboration system;
  - telephone communications; and
  - video conferencing.<sup>21</sup>
- 1.29 A further network is being deployed by AusAID which aims at providing simple mandated corporate systems to all AusAID locations overseas – 83 per cent of AusAID's overseas staff are currently connected. In addition, AusAID relies on DFAT's communications system, including SATIN, through a service level agreement.<sup>22</sup>
- 1.30 E-diplomacy and the use of information and communications technology are discussed in Chapter Four.

## Conduct of the inquiry

- 1.31 The Chair of the Committee's Foreign Affairs Sub-committee, Mr Nick Champion MP announced the inquiry via media release on 13 October 2011 and the inquiry was subsequently advertised in *The Australian* on 19 October 2011. Letters inviting submissions were also sent to Ministers, Commonwealth agencies, Ambassadors and High Commissioners from countries who were based in Canberra, and a wide range of individuals and organisations with an expected interest in Australia's overseas representation.
- 1.32 The Committee received 54 submissions (listed at Appendix A), 12 exhibits (listed at Appendix B) and took evidence from 24 organisations and individuals during five public hearings in Canberra and Melbourne (listed at Appendix C).

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21 Austrade, *Submission No. 26*, p. 9.

22 AusAID, *Submission No. 23*, pp. 14–15.

## **Australia's diplomatic footprint**

### **Introduction**

- 2.1 In this Chapter, the Committee discusses the geographical extent of Australia's diplomatic network (the breadth of the footprint); and the number of posts within a particular country (the depth of the footprint).
- 2.2 The diplomatic network has been criticised for not meeting Australia's interests in the 21st century. The Committee has received arguments for Australia to both open posts in new countries and to deepen the footprint in particular countries. The Committee also reviews how any expansion of the footprint might be funded.
- 2.3 As noted in Chapter 1 the footprint comprises Embassies, High Commissions and Consulates managed by DFAT and Austrade, as well as the offices of Honorary Consuls (although honorary consuls do not have diplomatic status).
- 2.4 The Chapter does not include a review of another aspect of the depth of Australia's diplomatic representation – the number of A-based staff at particular posts. This is discussed in Chapter Three, Staffing Issues.

## Australia's current footprint

### Value of diplomatic contacts

- 2.5 Several benefits arise from on-the-ground diplomatic representation as opposed to electronic communication and occasional diplomatic visits. These include:
- more effective communication and understanding;
  - enhancing business and trade links;
  - culturally appropriate interaction with the host country;
  - indicating to Australian business and the public Australian diplomatic support;
  - management of Australia's aid program; and
  - consular services.

### Effective communication and understanding

2.6 DFAT's primary responsibility includes advancing the interests of Australia and Australians internationally through advocacy, developing relations with key partners and countries of significance to Australia's interests, and enhancing 'international awareness and understanding of Australia's policies and society to the benefit of our foreign and trade policy goals.' The work of Australia's diplomatic posts is key to achieving these objectives.<sup>1</sup>

2.7 Former Director of the UN Division for Social Policy and Development, Professor John Langmore advised that personal interactions played an important role in diplomacy.

... the expenditure patterns of other states shows that they still judge that person to person contact continues to be vital in both ensuring effective understanding between states, and also in discerning and interpreting the meaning of communications from others. By failing to have sufficient overseas diplomatic representation, Australia risks failing both to communicate its own positions effectively and also to fully understand the policies of others.<sup>2</sup>

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1 DFAT, *Submission No. 28*, p. 5.

2 Prof. John Langmore, University of Melbourne, *Submission No. 29*, p. 1.



- 2.8 This view was supported by the ACT Labor Foreign Affairs, Defence and Trade Committee (FADTC) who told the Committee that Australia needed to 'understand the currents and trends of thinking' in the region especially regarding China and middle powers such as South Korea, Vietnam and India. It was important to understand 'their trends and their thinking in order to best position ourselves'.<sup>3</sup>

### Enhancing business and trade links

- 2.9 Austrade raised the concept of 'the badge of government' as often being invaluable to a company when it was seen to have received advice from Austrade and to have access to Austrade.<sup>4</sup> The Lowy Institute for International Policy (Lowy Institute) also told the Committee that the attendance of government representatives at business meetings in many overseas countries was important to a meeting's commercial success.<sup>5</sup>
- 2.10 This view was supported by the Australia Gulf Council who told the Committee there was 'an inexplicable nexus between effective commercial activity and our diplomatic presence.'<sup>6</sup>

For example, doing business in the Gulf States is linked to government connections and networks, similarly with China, and it is often the case that you need to get in the door of government first before anything can happen in terms of business and then the doors really open up.<sup>7</sup>

- 2.11 The Australian Industry Group (AIG) and the ANZ Bank confirmed the value of DFAT opening doors with host governments.<sup>8</sup> The ANZ Bank also commented that personal contact was important in building relationships:

... you build relationships and you build influence through relationships. I am not sure you build them over a telephone line or a videoconference in the long run. You need people on the ground. It can enhance it and quicken the pace. After you have had your initial dialogue and have met someone and known someone, you can possibly have a videoconferencing, which we

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3 Mr Andrew Carr, *Transcript 10 February 2012*, p. 54.

4 Mr Peter Gray, CEO, *Transcript 10 February 2012*, p. 48.

5 Mr Andrew Shearer, Former Director of Studies, *Transcript 17 February 2012*, p. 14.

6 Hon. Michael Yabsley, Chief Executive, *Transcript 17 February 2012*, p. 40.

7 Ms Georgie Skipper, Director, Government and Corporate Affairs, *Transcript 17 February 2012*, p. 40.

8 Mr Innis Willox, Chief Executive Designate, *Transcript 27 February 2012*, p. 9; Mr Alex Thursby, CEO, Asia Pacific, Europe and America, *Transcript 23 February 2012*, p. 5.

do commercially. But in the end you still have to have regular face-to-face dialogue.<sup>9</sup>

### **Cultural appropriateness**

- 2.12 The submission from the Department of Agriculture, Fisheries and Forestry (DAFF) emphasised the value of face-to-face communication in establishing relationships in emerging markets and especially where there may be cultural sensitivities:

The importance of communicating in person is relevant in countries where there may be cultural sensitivities and language barriers. In some countries it can be seen as insensitive to engage someone through non-visual communications, where body language is integral to building rapport.<sup>10</sup>

### **Providing assurance**

- 2.13 Positioning a diplomatic post in a particular country can provide assurance to business that it is safe and worthwhile to engage, and encourage Australian tourists to visit.<sup>11</sup>
- 2.14 Posts can also facilitate effective visits by Parliamentarians and Government Ministers. The Secretary of DFAT, a former Ambassador to the US, told the Committee:

I was in Washington and we got, on average, a ministerial visit every two weeks ... Parliamentary visits are really important, because you guys can connect in a way in which bureaucrats cannot connect. I have seen members of Parliament, from both sides of the aisle, interact with congressmen and women in a way in which I do not think it is possible for an official to do.<sup>12</sup>

- 2.15 Adverse signals can also be sent by closing diplomatic posts. The Lowy Institute cautioned that 'turning posts on and off is really damaging to us because it causes enormous resentment' and that careful strategic consideration was needed.<sup>13</sup>
- 2.16 There is also the risk that occasional ministerial visits can be seen as an alternative to a permanent diplomatic presence. The Lowy Institute
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9 Mr Alex Thursby, *Transcript 23 February 2012*, p. 7.

10 DAFF, *Submission No. 12*, p. 4.

11 Mr Andrew Carr, *Transcript 10 February 2012*, p. 54.

12 Mr Dennis Richardson, Secretary, DFAT, *Transcript 19 March 2012*, p. 9.

13 Mr Andrew Shearer, Former Director of Studies, *Transcript 17 February 2012*, p. 15.

commented:

... there is no substitute for having some smart, well-qualified people on the ground because you cannot build the relationships that you need to take advantage of the opportunities without that. ... There has been an assumption that a minister flying in once every two years can sort of get the relationships going and give you enough purchase in a country. I just do not think that is right ...<sup>14</sup>

- 2.17 A similar risk was created by having an Ambassador cross-accredited to a number of countries. This was because they were only able to visit countries where they were not resident once or twice a year.<sup>15</sup>

### Criteria for the location of diplomatic posts

- 2.18 The Committee sought to gain an appreciation of the criteria which are used or could be used to determine where to site diplomatic posts.
- 2.19 The United Macedonian Diaspora (UMD) suggested that the priorities for locating diplomatic posts were set by the Foreign Minister or DFAT for 'political, cost-cutting and diplomatic reasons without any meaningful involvement of relevant stakeholders like parliamentarians, the corporate sector, diasporas and citizen diplomacy organisations'. There was often a mismatch, it suggested, between political and bureaucratic priorities and the priorities of key stakeholders. An example given by the UMD was the poor representation in Africa despite the Australian mining industry's priorities.<sup>16</sup>
- 2.20 The AIG, whose witness had been Chief of Staff to a former Foreign Minister, was unaware of any written criteria:

As you know, when you go into an [Expenditure Review Committee] meeting and put up a case for a new post, the first thing Finance say is: 'Why? What's the value? What's the net economic value of this?' And you have to argue that through. They take the view that, unless it is completely beyond argument that we have a need for a post in a certain place, we should not have it. ...

I do not think they have any objective evidence. ...

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14 Mr Andrew Shearer, Former Director of Studies, *Transcript 17 February 2012*, p. 10.

15 Mr Jeff Hart, Special Adviser, Australia Africa Mining Industry Group, *Transcript 27 February 2012*, p. 3.

16 United Macedonian Diaspora, *Submission No. 7*, p. 7.

I think they have a very subjective, Finance view of the world. It is a trade-off. Why should we spend \$5 million here when we could spend it there?<sup>17</sup>

- 2.21 The AIG also raised the need to focus on the fundamental question of the national benefit of a post. Was it to gain information on the country 'which goes into government, into the bowels of DFAT and never gets heard of again?' Or were the intended outcomes commercial or consular?<sup>18</sup>
- 2.22 Several witnesses provided their view of criteria which might be important. Professor Langmore identified:
- where Australia's economic interests were strong;
  - where strategic interests were strong;
  - where it was very important there should be improved understanding of Australia; and
  - where it was very important that Australia understood what was happening in that country.<sup>19</sup>
- 2.23 The AIG identified:
- 'political and economic needs, current and future and a little bit in the past, too' ...;
  - trade links;
  - significant consular responsibilities;
  - historic ties; and
  - population flow.<sup>20</sup>
- 2.24 DFAT provided six criteria:
- diplomatic and strategic importance, for example Brazil;
  - economic and trade;
  - strong people-to-people links, for example Malta;
  - global balance – the need for a global presence even if only thin;
  - particular issues, for example Cyprus where Australia has a significant police presence; and
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17 Mr Innes Willox, CEO Designate, AIG, *Transcript 27 February 2012*, p. 12.

18 Mr Innes Willox, *Transcript 27 February 2012*, p. 11.

19 Prof. John Langmore, *Transcript 23 February 2012*, p. 14.

20 Mr Innes Willox, *Transcript 27 February 2012*, p. 9.

- regional proximity, for example East Timor.<sup>21</sup>
- 2.25 To the list provided by DFAT, the Lowy Institute added aid expenditure.<sup>22</sup>
- 2.26 No witness suggested that reciprocity of diplomatic representation warranted consideration. Indeed, the AIG said:
- No, there is no linkage. North Korea has one here; we don't have one there. Syria still has one here; we don't have one there. There are quite a few examples; that is just decisions they have made. ...
- You quite often hear from an ambassador from one of those types of countries where we do not have postings that they are here in fact to try and work out with us what is going on with our bigger neighbour to the west, with whom we are close. It is just part of a geopolitical decision to come here. We should not operate our foreign policy or diplomacy on that basis.<sup>23</sup>
- 2.27 Both the AIG and the ANZ bank considered trade to be the priority.<sup>24</sup>

### **Committee comment**

- 2.28 Over the last three decades there has been continuous tightening of DFAT's budget. This has seriously compromised Australia's overseas network and its capacity to meet Australia's diplomacy needs in the 21st century.
- 2.29 The Committee recognises that the recommendations that follow in this report raise issues for the Budget. The Committee firmly believes that the Budget priority for Australia's overseas representation should be significantly raised because of the benefits that result.
- 2.30 There are strong reasons for on-the-ground Australian diplomatic representation. Such representation facilitates a deeper understanding of a country, allowing quicker and more informed responses to changing circumstances. It provides the ability to develop long-lasting networks, which in turn enhances Australian influence and the ability to effectively promote an understanding of Australia's position on international issues. Such relationships enhance Australia's trade and other interests, and allow for the provision of effective support for Australians travelling overseas.

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21 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 2.

22 Lowy Institute, *Submission No. 48*, p. 16.

23 Mr Innes Willox, *Transcript 27 February 2012*, p. 9.

24 Mr Innes Willox, *Transcript 27 February 2012*, p. 11; Mr Alex Thursby, *Transcript 23 February 2012*, p. 4.

## Recommendation 1

- 2.31 **The Committee recommends that Budget priority for overseas representation should be significantly raised because of the benefits that accrue from diplomacy.**
- 2.32 Australia is faced by a complex world of emerging influential nations and groupings, and their changing relations/alliances with existing world powers. The Committee considers there needs to be a clear strategy for Australia in this new environment to maximise potential benefits to Australia and reduce possible risks including those to Australians travelling overseas.
- 2.33 Australia needs to direct its diplomatic effort to countries where it can maintain its influence and trading position and also where it can take advantage of emerging opportunities. Identifying and clarifying this strategy should be the subject of a White Paper which should inform the criteria for opening continuing or closing diplomatic posts.
- 2.34 The Committee is not surprised that there appears to be no written or published set of criteria for opening diplomatic posts. Posts are opened for reasons of 'national interest' which is a broad criterion open to great variance in interpretation by different groups. Nevertheless, Australia needs to have a clearer understanding of the national interest criteria for establishing new diplomatic posts.
- 2.35 The Committee believes that establishing a new diplomatic post based on just one or two criteria is risky, unless these criteria are particularly strong. Risks arise because circumstances can change making the post ineffective and the funds invested in new diplomatic posts are essentially 'sunk costs', as explained later in this Chapter.
- 2.36 Opening posts should be accompanied by a detailed explanation of the reasons, as this provides transparency and sets an implied direction for the post and the means by which its performance can be judged.
- 2.37 The Committee believes there is value in the Government stating its long-term goals for its whole of government representation overseas. An appropriate vehicle would be the preparation of a White Paper. This should include discussion of the value to Australia of its overseas representation network, the criteria for establishing diplomatic posts, and the Government's priorities for expanding the network.

- 2.38 The Committee believes that such a White Paper would set the agenda for Australia's overseas representation into the 21st century and raise the profile of the overseas service by informing the public of the contribution to the national interest of its overseas representatives.

## **Recommendation 2**

- 2.39 **The Committee recommends that the Government produce a White Paper to set the agenda for Australia's whole of government overseas representation. The White Paper should include, but not be restricted to:**

- a consideration of the value to Australia of its diplomatic network;
- criteria for establishing, continuing or closing diplomatic posts; and
- a statement of the Government's priorities for expanding the network.

- 2.40 The creation of a White Paper sets out a long-term vision for Australia's overseas representation, but the Committee considers there are major deficiencies which should be addressed in the medium to long term. These are discussed in the rest of this Chapter.

## **Distribution of diplomatic posts**

### **Embassies, High Commissions, and Consulates**

- 2.41 Information provided by DFAT and Austrade has been used by the Committee to provide an image of Australia's diplomatic footprint.
- 2.42 Table 2.1 is based on data from DFAT showing the distribution of diplomatic posts by geographical region,<sup>25</sup> and information showing the country location of DFAT managed diplomatic posts.<sup>26</sup> The number of countries in particular regions has been determined using DFAT's criteria. For example, Turkey is considered as being in Europe, and Afghanistan as being in the Middle East.

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25 DFAT, *Submission No. 28*, p. 13.

26 DFAT, *Submission No. 28, Attachment A*, p. 29.

Table 2.1: Australia's diplomatic footprint

Region	Number of countries in the region	DFAT managed Embassies, High Commissions, and Consulates		Austrade managed Consulates		Countries where Australian diplomats are located	Diplomatic effort		Diplomatic coverage ***
		Number of posts	Countries where located #	Number of posts	Additional countries where located		Countries where located*	Number of posts**	
Europe	50	26	23	3	0	23	29%	27%	46%
S and SE Asia	19	21	17	0	—	17	22%	19%	89%
Pacific	23	11	10	1	0	10	13%	11%	43%
Middle East	14	9	8	1	0	8	10%	9%	57%
Americas	35	13	8	5	1	9	11%	17%	26%
Africa	55	8	8	0	—	8	10%	7%	15%
North Asia	6	7	3	4	1	4	5%	10%	67%
Central Asia	5	0	—	0	—	0	0%	0%	0%
<b>TOTAL</b>		<b>95</b>	<b>77</b>	<b>14</b>	<b>2</b>	<b>79</b>	<b>100%</b>	<b>100%</b>	<b>—</b>

# Representation in Ramalla, Palestinian West Bank, and in Taipei, Taiwan is not included.

\* The number of countries in the region where a post is located as a proportion of the 79 countries where Australia has posts.

\*\* The number of posts in the region as a proportion of the total number (109) of Australian posts.

\*\*\* The number of countries in the region where a post is located as a proportion of the total number of countries in that region.



- 2.43 The Australian Consulates managed by Austrade are also included in the Table 2.1. This results in Australian diplomats being located in an additional two countries – Mongolia and Columbia.<sup>27</sup>
- 2.44 Honorary consuls do not have diplomatic status. For this reason, Australia's Honorary Consulate network, while providing an on-the-ground presence in an additional 26 countries,<sup>28</sup> has not been incorporated into Table 2.1. Similarly, the locations of officials of Australian Government agencies and those of other jurisdictions have also been omitted from Table 2.1.
- 2.45 A measure of diplomatic effort in each geographical region has been attempted through calculating the number of countries in the region which has Australian diplomatic representation as a proportion of the total number of countries hosting Australian diplomatic missions, either through DFAT or Austrade.
- 2.46 A similar calculation has been made using the total number of Australia's diplomatic posts in a country because several countries have an Australian Embassy or High Commission together with several Consulates. A complicating factor is that four posts are dedicated to providing diplomatic representation to multilateral bodies such as the UN (2), the World Trade Organisation (1), and the Organisation for Economic Co-operation and Development (1).<sup>29</sup>
- 2.47 As geographic regions have different numbers of countries, the proportion of the countries covered by Australian diplomatic posts has also been calculated to provide information on the diplomatic coverage of the region.

### Committee comment

- 2.48 Table 2.1 provides a snapshot of Australia's diplomatic footprint. It shows that Australia's diplomatic effort, measured by proportion of DFAT and Austrade posts in the region, is highest in Europe followed by South and South-East Asia. On this measure, Australia's diplomatic effort is the lowest in Africa.

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27 Austrade, *Submission No. 26, Attachment B*, p. 22.

28 DFAT, *Submission No. 28, Attachment B*, p. 33; Austrade, *Submission No. 26, Attachment C*, p. 22; *Government Response to the Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry into Australia's relationship with the countries of Africa*, March 2012, p. 3.

29 DFAT, *Submission No. 28*, p. 13.

- 2.49 When measured on the basis of whether or not Australia has a diplomatic presence in a country, Australia's regional coverage is best in South and South-East Asia followed by North Asia and the Middle East. Africa and the Americas are the least covered regions.
- 2.50 The Committee notes that the Table does not provide an accurate indication of the depth of engagement with the region (discussed later in this Chapter) as it does not show the size of diplomatic posts or the expertise and experience of staff. It does, however, reflect to some degree Australia's focus on Asia.
- 2.51 The poor coverage of Africa shown by both the number of posts and regional coverage seems incompatible with Australia's increasing interests in Africa.
- 2.52 The Committee notes that the size of Australia's diplomatic network ranks 24th out of the 35 OECD countries. This is discussed later in the chapter.

### **Honorary Consulates**

- 2.53 A way of extending Australia's representation, albeit not at the diplomatic level, is through the appointment of honorary consuls.
- 2.54 Honorary consuls are usually a private businessperson (mostly an Australian citizen) who agrees to perform limited consular functions on a part-time basis, in a city where Australia does not have an Australia-based representative. Such appointments assist in extending Australia's consular coverage in areas which are not within close proximity to Australia's regular overseas missions. Suitable candidates are identified by DFAT and are recommended to the Minister for Foreign Affairs who makes the appointment.
- 2.55 DFAT told the Committee that while honorary consuls did not have the same standing with the host country as an ambassador, consul general or consul, in some situations they were 'really important and really valuable in being able to represent you and wave the flag more widely than you could otherwise do and therefore increase your representational reach.' DFAT added:

Normally, an honorary consul gets a small amount of money a year. They are normally someone of considerable standing in their own community, in their own country. They normally have another job, so being an honorary consul is an add-on to what they

otherwise do. They are not looking at it occupying a big part of their time.<sup>30</sup>

- 2.56 The United Macedonian Diaspora agreed that honorary consuls were 'used by many countries as a way of reaching out to various societies with minimal investment.' If they were provided with resources they could initiate 'high impact projects', but 'without funding it is just talk and very little action.'<sup>31</sup>
- 2.57 The Australian Industry Group was not convinced as to the value of honorary consuls – the witness doubted whether they had 'much effect at all in a real, overall sense, except [as] a feel good factor.'<sup>32</sup>
- 2.58 Turning to a specific region, the Australia Africa Mining Industry Group (AAMIG) commented that there were 'fewer honorary consuls in Africa than anywhere else.' This was because there were insufficient government resources on the ground for a successful honorary consul appointment initiative.<sup>33</sup>
- 2.59 During its inquiry into Australia's relationship with the countries of Africa, the Committee received positive comments regarding the success of honorary consuls in Mozambique and Angola.<sup>34</sup>
- 2.60 Recognising the need to increase Australia's representation in Francophone Africa and elsewhere on the continent, the Committee recommended that as a short to medium term measure, the number of honorary consuls appointed in African countries should be increased.<sup>35</sup>
- 2.61 The Government agreed with the recommendation and advised in March 2012, that there were now five Honorary Consulates operating in Africa;<sup>36</sup> one temporarily closed;<sup>37</sup> and five more at various stages of being established.<sup>38,39</sup>

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30 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 6.

31 Mr Ordan Andreevski, Director, Australian Outreach, *Transcript 23 February 2012*, p. 22.

32 Mr Innis Willox, Chief Executive Designate, *Transcript 27 February 2012*, p. 12.

33 Mr Jeff Hart, Special Adviser, *Transcript 27 February 2012*, p. 4.

34 Hon. Kerry Sibraa, former President of the Senate, High Commissioner to Zimbabwe, and Honorary Consul-General in Australia for Mozambique, *Africa Inquiry Transcript 28 April 2010*, p. 3.

35 JSCFADT, *Inquiry into Australia's relationship with the countries of Africa*, Recommendation 3, June 2011, p. 29.

36 Angola, Botswana, Mozambique, Nigeria (Lagos), Uganda.

37 South Africa (Cape Town).

38 Cameroon, Namibia, Tanzania, Malawi, Zambia.

39 *Government Response to the Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry into Australia's relationship with the countries of Africa*, March 2012, p. 4.

## Criticisms of Australia's footprint

- 2.62 Debate concerning the adequacy of Australia's diplomatic footprint has been underpinned by two reports by the Lowy Institute:
- *Australia's diplomatic deficit: reinvesting in our instruments of international policy*, March 2009; and
  - *Diplomatic Disrepair: rebuilding Australia's international policy infrastructure*, August 2011.
- 2.63 The first report suggested that Australia's diplomatic network had not kept pace with Australia's 'interests or with a changing world. ... overseas representation compared very poorly with almost all other developed nations', and was constraining DFAT's ability 'to understand, interpret and influence Australia's rapidly changing external environment.'<sup>40</sup>
- 2.64 The second report acknowledged some improvements in the situation such as the broadening of the footprint by establishing posts in Ethiopia and Peru; and deepening the footprint for example by opening Consulate-General posts in India and increasing overseas staff numbers. Funding had increased as well as language training for diplomats.<sup>41</sup>
- 2.65 The report, however, remained critical:
- Australia has the smallest diplomatic network of all G20 nations, and only nine of the 34 OECD countries (all far smaller than Australia) have fewer diplomatic missions. ...
- The average number of posts for an OECD nation is 133. Australia has only 95, and sits at 25th of 34 nations in the OECD league table of diplomatic representation – numbers which are wholly incompatible with Australia's standing in the world.<sup>42</sup>
- 2.66 The Lowy Institute's submission concluded:
- Our traditional diplomatic footprint is simply outdated and inadequate. ... Australia is over-represented with missions in Europe compared with higher priority regions.
- New posts are needed in emerging centres of influence and economic opportunity, particularly inland China and Eastern Indonesia – both increasingly important to Australia. The Gulf,

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40 Lowy Institute, *Submission No. 15*, p. 3.

41 Lowy Institute, *Submission No. 15*, p. 5.

42 Lowy Institute, *Submission No. 15*, pp. 6, 7.

Latin America and Central Asia are also priorities. ... Our 2009 recommendation in *Diplomatic deficit* that Australia should open 20 new missions over the next decade stands.<sup>43</sup>

2.67 Witnesses from the Lowy Institute told the Committee that Australia was heading into a much more complex international environment with the emergence of new powers, increasing competition for scarce resources, and extraordinary global economic instability. Some of Australia's neighbours were coming under growing stress and strain.<sup>44</sup> In contrast, Australia's diplomatic footprint was:

... still very much that of the 1980s when we were focused, rightly, on North Asia and to a lesser extent on South East Asia. If you look at places like Francophone Africa, in particular, where a lot of the big miners are, they are operating in a vacuum. ... there should be some alignment of our resources with our emerging economic opportunities.<sup>45</sup>

2.68 The Lowy Institute commented that an increase of 20 posts recommended in its report was below the 35 posts which would be needed to restore Australia to the middle of the OECD table.<sup>46</sup>

2.69 The AAMIG compared the diplomatic effort of the G20 country South Africa with Australia:

South Africa, with a GDP of \$354 billion in 2010 has a total network of 117 overseas posts, including 102 embassies or high commissions. Australia, with the GDP of \$1.22 trillion, has a diplomatic network of 108 posts, with 80 embassies or high commissions. It is hard not to conclude that South Africa attaches far more importance to its engagement with the rest of the world to secure its interests than does Australia.<sup>47</sup>

2.70 The ACT Labor FADTC commented that Australian mining companies had a large number of projects in Africa and significant investment, yet countries such as Zambia, Tanzania, Botswana and Angola with substantial Australian mining operations, had no Australian diplomatic missions.<sup>48</sup>

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43 Lowy Institute, *Submission No. 15*, p. 15.

44 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 8.

45 Mr Andrew Shearer, *Transcript 17 February 2012*, pp. 13–14.

46 Ms Alex Oliver, *Transcript 17 February 2012*, p. 10.

47 AAMIG, *Transcript 27 February 2012*, p. 2.

48 ACT Labor FADTC, *Submission No. 18*, p. 6.

- 2.71 Professor Langmore agreed that Australia was underrepresented in Africa, as well as in Latin America.<sup>49</sup>
- 2.72 The ACT Labor FADTC also drew attention to the fact that Australia's representation to China, India, Indonesia, Vietnam was collectively equal to Australia's presence in the United States alone. Also, while the number of Australian diplomatic missions in Europe (25) and was almost the same as to East Asia, South Asia and ASEAN combined (28), trade to the EU accounted for only 14 per cent of Australia's foreign trade compared to almost 70 per cent in the Asia-Pacific. This mismatch was made worse by the fact that 45 per cent of Australia's trade with the EU was with the UK.<sup>50</sup>
- 2.73 This view was supported by the ANZ bank which suggested:
- ... consideration should be given to reallocation of resources to align Australia's diplomatic representation with our economic and strategic interests as a country. To be a little more candid about it: it may be less in Europe and North America and more in the Asia-Pacific region.<sup>51</sup>
- 2.74 Notwithstanding the criticisms of Australia's current diplomatic footprint, both DAFF and Defence indicated they were content with the current situation.<sup>52</sup>
- 2.75 In contrast, both Austrade and the Department of Innovation, Industry, Science, Research and Tertiary Education said they would benefit from an increase in DFAT's diplomatic network.<sup>53</sup>

## **Consequences of an inadequate diplomatic footprint**

### **Opportunities lost**

- 2.76 The Committee challenged the witnesses from the Lowy Institute to provide examples of opportunities lost to Australia arising from its relatively small diplomatic network.

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49 Prof. John Langmore, *Transcript 23 February 2012*, p. 13.

50 ACT Labor FADTC, *Submission No. 18*, p. 6.

51 Mr Alex Thursby, *Transcript 23 February 2012*, p. 2.

52 Ms Jo Evans, First Assistant Secretary, Trade and Market Access Division, *Transcript 10 February 2012*, p. 18; Mr Peter Jennings, Deputy Secretary, Strategy, *Transcript 10 February 2012*, p. 31.

53 Mr Peter Gray, Chief Executive Officer, *Transcript 10 February 2012*, p. 47; Mr Colin Waters, Head, International Education Division, *Transcript 10 February 2012*, p. 40.

- 2.77 The witnesses responded in a supplementary submission by pointing to the diplomatic standing of small European countries such as Norway, Sweden and Finland.<sup>54</sup>
- 2.78 More recently Argentina and South Africa had achieved considerable success internationally – Argentina had been included in the G20 despite its 27th position in economic importance; and South Africa had been recognised for its work on democratisation, reconciliation and nuclear non-proliferation despite its mixed record in peacekeeping and lack of intervention in African conflicts.
- Argentina has 144 diplomatic missions globally, and South Africa has 117. They are ranked, respectively, the 27th and 28th largest economies in the world – around a quarter of the size of Australia's economy.<sup>55</sup>
- 2.79 The Lowy Institute also suggested that diplomatic success might be measured by the nation's leadership records in key multinational organisations:
- ... it is apparent that many of the smaller OECD and G20 nations have gained significant traction in the principal organs of the global governance framework: the UN Security Council, the International Monetary Fund, the World Trade Organisation, the World Health Organisation, the International Court of Justice, the UN Development Programme, the International Atomic Energy Agency and the UN Economic and Social Council.
- The nations which recur frequently in these lists are Argentina, Belgium, Chile, Mexico, Portugal, South Africa, Poland, Netherlands, Denmark, Norway, Turkey, Sweden, Austria, Korea and Switzerland.** These are all nations with smaller economies but larger overseas networks than Australia. By comparison, Australia's representation on these lists is slight.<sup>56</sup>
- 2.80 It was acknowledged that while such a comparison was an imperfect measure because of other influencing factors,<sup>57</sup> there were no perfect measures of diplomatic success.<sup>58</sup> The Lowy Institute concluded that:

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54 Lowy Institute, *Submission No. 48*, pp. 2-3.

55 Lowy Institute, *Submission No. 48*, p. 3.

56 Lowy Institute, *Submission No. 48*, p. 3. Emphasis provided by the Lowy Institute.

57 For example, Australia's inclusion in the UN Western European and Others Group had impeded Australian bids for a UN Security Council seat because 'almost every election is highly competitive' in contrast to other groupings. Lowy Institute, *Submission No. 48*, p. 3.

58 Lowy Institute, *Submission No. 48*, p. 3.

It remains impossible to provide the Committee with irrefutable proof that Australia would have been better served with a more comprehensive foreign presence.

However, in the absence of such unattainable proof, the quantitative analysis ... which correlates overseas representation against senior positions in key international organisations, is an available concrete measure of these opportunity costs.<sup>59</sup>

## Benefits of a deeper engagement

2.81 An example outlining the benefits of a deeper engagement was provided by the AAMIG. Nigeria is Canada's largest sub-Saharan trade partner with two-way trade in 2011 amounting to \$2.7 billion. In contrast Australia's two-way trade with Nigeria in 2010 was \$302 million, largely comprising Nigerian exports of crude oil to Australia.

2.82 In 2003, Export Development Canada returned to Nigeria and was based in the Canadian Lagos Consulate. Since that time Canadian exports to the country had increased by 'more than 300 per cent.' The AAMIG concluded:

All in all we could say that the levels of Australian and Canadian commercial engagement with Nigeria do reasonably parallel the respective levels of government engagement in the country.<sup>60</sup>

## Committee comment

2.83 The Committee agrees with the Lowy Institute that Australia's overseas diplomatic representation is less than it should be for a nation which is a member of the G20 and OECD. DFAT, in fact, has acknowledged that the Lowy Institute 'is not telling the department anything it does not know, and ... is not saying anything that the Department itself has not been drawing attention to.'<sup>61</sup>

2.84 The Committee agrees that it is impossible to demonstrate the missed opportunities resulting from a sparse diplomatic network. The evidence that Australia has not often enjoyed a leadership position in world bodies provided by the Lowy Institute, however, goes some way in providing evidence of such missed opportunities.

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59 Lowy Institute, *Submission No. 48*, p. 9.

60 AAMIG, *Submission No. 53*, p. 2.

61 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 2.



- 2.85 Australia should not shirk from putting itself forward for leadership in world bodies. This is precisely what a middle power would be expected to do. Australia has a substantial economy and if it wishes to cement its position as an influential middle power it should have a diplomatic network to match.
- 2.86 The Lowy Institute noted that its recommendation of an increase of 20 diplomatic posts was well below the 35 needed to bring Australia to the middle of the OECD table. The Committee believes such a goal is achievable and worthwhile in the medium term as Australia restores its budget to surplus.

### Recommendation 3

- 2.87 **The Committee recommends that, in the medium term, Australia should substantially increase the number of its diplomatic posts to bring it to a level commensurate with its position in the G20 and OECD economies. This increase should be by at least twenty posts.**

## Funding an expanded footprint

### Costs associated with opening and closing diplomatic posts

- 2.88 DFAT told the Committee that opening a post 'costs a fair amount of money in the first four years.'<sup>62</sup> It included a one-off capital setup cost:
- ... to fit out and secure the Chancery as well as Head of Mission and staff residences, and to purchase the equipment needed to operate the post (e.g. motor vehicles, computers). This would generally be spent over the first 12 months.<sup>63</sup>
- 2.89 In contrast, DFAT added:
- Closing a mission saves very little, the reason being once you have got a mission up and running your running costs are quite low. It might cost you \$25 million over three or four years to open a post,

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62 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 6.

63 DFAT, *Submission No. 51*, p. 1.

but if, 10 years later, you were to close that post you would probably only save about \$2 million a year.<sup>64</sup>

## Closing diplomatic posts and reallocating resources

2.90 The AIG suggested that there needed to be a 'hard-headed rigorous analysis' of the value of Australia's diplomatic posts, especially the smaller ones:

... do they provide benefit or ... are you better off bringing them back closer to home to the markets that matter while perhaps putting consulates or other offices in those markets?<sup>65</sup>

2.91 The value of posts in Malta, Denmark and Hungary was questioned.<sup>66</sup> Support for closing Hungary was provided by Mr Kerry Fisher who added Portugal to the list. He advocated closing those two posts and opening Norway and Ukraine.<sup>67</sup>

2.92 The AIG acknowledged that closing embassies would 'annoy some of our old historical friends and partners'.<sup>68</sup> The Lowy Institute too suggested that careful strategic consideration should be given to closing embassies because 'turning posts on and off is really damaging to us because it causes enormous resentment'.<sup>69</sup> The need for consistency and 'greater strategy' was also advocated by ACT Labor FADTC.<sup>70</sup>

2.93 An innovative solution canvassed by the Committee was the creation of a 'super embassy' to the EU countries situated in Brussels with a rationalisation of the posts in the various EU countries.

2.94 The AIG responded that it was 'theoretically possible', but had not been tried before. A key issue would be where to site the post – whether in Brussels, Geneva, Berlin, or Paris:

Brussels is the headquarters of Europe, but they are still covered off in each of those markets. I think that is a hard one because these are still separate economies of scale, and each have cultural differences – different ways of doing business, different approaches to the globe. I think we need to respect that and take it

64 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 6.

65 Mr Innes Willox, *Transcript 27 February 2012*, p. 11.

66 Mr Innes Willox, *Transcript 27 February 2012*, p. 14.

67 Mr Kerry Fisher, *Submission No. 1*, p. 2.

68 Mr Innes Willox, *Transcript 27 February 2012*, p. 14.

69 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 15.

70 Mr Andrew Carr, *Transcript 10 February 2012*, p. 52.

seriously. But some of the smaller, what I would say were more satellite posts in Europe, you might want to have a hard-headed look at.<sup>71</sup>

2.95 DFAT responded to the concept of a super embassy in Brussels:

I think it is bizarre and fails to understand the nature of the EU and the nature of the relationship between the members of the EU and Brussels. You would not be able to do the bilateral work that you need to do with countries such as France, Germany and the like by doing it through Brussels. They simply would not wear it. If you are a small country with very few resources then that would make sense, but not a country of our size.<sup>72</sup>

2.96 DFAT provided further information in a supplementary submission:

To downgrade an already existing Embassy/High Commission to a Consulate-General/Consulate would risk harming relations and affect diplomatic protections/privileges for posted staff. It also requires the permission of the host country, most of who are unwilling to host Consulate-General/Consulates in their capital cities. ...

It would not be at all practical to try to manage our relations with the major European powers, including the UK, Germany and France, remotely from Brussels. Given the very broad scope of our engagement with those countries, our diplomatic missions need to engage with, and develop a network of contacts in, a wide range of government and non-government actors. That could not realistically be done from another country.<sup>73</sup>

2.97 In a supplementary submission, the Lowy Institute indicated it did not support the closing of Australian diplomatic posts. It drew attention to DFAT's evidence indicating the small savings gained from closing a post when compared to opening one, and commented:

Given the now wider acknowledgement of the thinness of Australia's overseas representation, the closing of posts is not a viable option and is a threat to Australia's interests.<sup>74</sup>

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71 Mr Innes Willox, *Transcript 27 February 2012*, p. 13.

72 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 2.

73 DFAT, *Submission No. 45*, pp. 12-13.

74 Lowy Institute, *Submission No. 48*, p. 17.

## Taking funds from other portfolios and programs

2.98 Professor John Langmore suggested there needed to be a more holistic approach to the funding of Australia's overseas related expenditure such as 'defence, diplomacy, intelligence and aid.'<sup>75</sup> A paper reviewing the 2009 Australian Defence White Paper suggested that it was a fundamental misjudgement to treat defence as 'a silo remote from other aspects of foreign policy.' It prevented discussion of the 'relative priority and weight given to other aspects of foreign policy'. As well:

Increasing conventional capabilities do little to equip Australia to be active in setting international conditions in its favour. Rather increased military spending resembles an insurance policy that Australia may hope to defend itself if the international system deteriorates.<sup>76</sup>

2.99 Professor Langmore noted that in the May 2010 Budget, Defence funding was budgeted to increase by \$1.57 billion which was greater than DFAT's total annual budget. The intelligence community was also being financed at about the same level as DFAT.<sup>77</sup>

2.100 DFAT did not support Professor Langmore's suggestion:

... I do not believe increased funding to DFAT should be at the expense of Defence. I have stated that publicly, so my own personal view – others would disagree with me – is that Defence just happens to cost a lot of money. ...

I think 1.9 per cent of GDP is not an unreasonable amount for a country in our strategic circumstances to be spending on defence.<sup>78</sup>

2.101 An alternative way to increase funding of DFAT – by taking from increases to the aid budget – was suggested by the Lowy Institute:

... we are looking at increasing aid from 0.35 per cent [gross national income] to 0.5 per cent GNI over the next four years – that could be delayed or you could take a tiny percentage of that growth.

We are not talking about cutting existing programs ... If you took just six percent of the growth over the next four years of the aid

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75 Prof. John Langmore, *Transcript 23 February 2012*, p. 13.

76 *Exhibit No. 3, The 2009 Australian Defence White Paper: Analysis and Alternatives*, John Langmore, Calum Logan, Stuart Firth, Nautilus Institute Australia, September 2010, p. 7.

77 Prof. John Langmore, *Submission No. 29*, p. 2.

78 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 6.

budget which is going from \$4 billion to \$8 billion, you could take, say, \$200 million of the money and open five new posts.<sup>79</sup>

2.102 AusAID responded:

... we are a substantial donor but we are not overly generous. The OECD average of the donors, ... is 0.49 per cent of GNI. We are currently at 0.35 percent of GNI, and the target we have been set and which has bipartisan support is to get to 0.50 of GNI. That will place us, when we achieve that, at 0.01 above the OECD average. If you look at the OECD donors, we are the only one physically located in the developing world. Twenty-two of our 24 closest neighbours are developing countries. ...

We provide approximately 50 per percent of all aid that goes to Pacific island countries. ... their development prospects are long-term at best. We have an ongoing and enduring responsibility to engage with that region and to engage on the issues that are important to them, which are development issues. ... trying to convey that somehow the aid budget is over generously provisioned is wrong ...<sup>80</sup>

## User-pays

2.103 The Committee canvassed the seeking of funds from those businesses who benefit from DFAT's overseas diplomacy. The AAMIG responded that it suspected the mining industry 'would say they already pay their fair share of taxes and therefore have the right to get something back for them.'<sup>81</sup>

## Committee comment

2.104 The Committee recognises current budgetary constraints mean that substantially increasing DFAT's funding for diplomacy would be difficult. The Committee also considers it unrealistic to expect DFAT to increase Australia's diplomatic network from reallocating its existing resources.

2.105 Evidence from DFAT concerning the cost of opening a post and the financial benefit due to closing a post show that on economics alone it is not feasible to close embassies to save enough funds to open another – on DFAT figures about 10 embassies would need to close to open just one new post.

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79 Ms Alex Oliver, *Transcript 17 February 2012*, p. 10.

80 Mr Peter Baxter, *Transcript 17 February 2012*, pp. 32–3.

81 Mr Jeff Hart, *Transcript 27 February 2012*, p. 3.

- 2.106 The Committee agrees with the Lowy Institute that embassies should not be closed, rather new posts should be opened so there is a net increase in the diplomatic footprint.
- 2.107 The Committee also agrees with DFAT that creating a super-embassy to cover a number of countries is not a practical option.
- 2.108 The Committee also considers it impractical to obtain funds from businesses and individuals who might benefit from increased diplomacy. Placing a value on the potential benefit of increased diplomatic representation and apportioning it to various businesses and individuals is not possible.
- 2.109 The Committee believes that as the Government's budgetary situation permits, DFAT should receive increased funds. The goal should be to provide DFAT with a fixed percentage of GDP sufficient to enable it to create an appropriately sized diplomatic network.

#### **Recommendation 4**

- 2.110 **The Committee recommends that the Department of Foreign Affairs and Trade's funding be increased in the long term to a set percentage of gross domestic product sufficient for the creation of a diplomatic network appropriate to Australia's standing in the G20 and OECD.**

### **Specific proposals for expanding the footprint**

- 2.111 The Committee received a number of proposals for Australia to open posts in additional countries thereby broadening the diplomatic footprint. Deepening the footprint by increasing the number of posts within particular countries is discussed later in this Chapter.
- 2.112 The Committee was impressed by the range of interest shown and the arguments which were put.

### **Africa**

- 2.113 The AAMIG advised the Committee that Africa was experiencing growth in the natural resources sector. The continent had 30 per cent of global mining resources, but currently received only five per cent of global exploration expenditure. There were at least 230 Australian resource

sector companies active in the continent undertaking 650 individual projects in 42 countries:

The total investment is at least \$24 billion with many more billions in the pipeline. ...

But the relatively few Australian officials on the ground has to mean that significant Australian interests in many countries of non-resident accreditation can only receive relatively modest attention or attention at the expense of other significant priorities. Major Australian mining engagement in countries of non-resident accreditation include Guinea, the Democratic Republic of Congo, the Republic of Congo, Burkina Faso, Niger and Cameroon.<sup>82</sup>

- 2.114 In addition, there was only one A-based Austrade post in Africa as opposed to four in Latin America.<sup>83</sup> Anomalously, the positions in Latin America included a mining specialist trade commissioner despite there being 70 ASX mining companies in Latin America as opposed to 230 ASX mining companies working in Africa.<sup>84</sup>
- 2.115 The AAMIG recommended that Australia establish an embassy in Francophone Africa and also significantly strengthen its Austrade presence in the continent.<sup>85</sup>
- 2.116 The AAMIG subsequently told the Committee that Senegal followed by Côte d'Ivoire would be good candidates for a new mission, although the latter country 'had some issues'. Opening a purely Francophone post would also provide some relief to the posts in Ghana and Nigeria allowing them to give more attention to their other accredited countries.<sup>86</sup>
- 2.117 The Lowy Institute also noted that Australia was not represented in Mozambique and Tanzania which were in the top six Australian export destinations in Africa. It suggested that based on Australia's mining interests two other countries worth considering for new posts were Zambia and Botswana.<sup>87</sup>
- 2.118 The view from the ANZ Bank was that Africa was 'appreciably changing' and was an area where the Australian brand could grow:

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82 AAMIG, *Submission No. 20*, pp. 3–4.

83 Austrade has offices in Accra, Ghana; Nairobi, Kenya; and Johannesburg, South Africa – the South African post is the only A-based post. Austrade, *Submission No. 26*, p. 23.

84 AAMIG, *Submission No. 20*, p. 4.

85 AAMIG, *Submission No. 20*, p. 4.

86 Mr Jeff Hart, *Transcript 27 February 2012*, p. 5.

87 Ms Alex Oliver, Mr Andrew Shearer, *Transcript 17 February 2012*, p. 16.

It is an area where there is a lot that Australia can offer with its expertise, particularly in the mining sector, and our mining corporations have been the forerunners in investing in there and running the risks that are associated. So Africa would possibly be for us the second stage after we build our Asia business to a really substantive level.<sup>88</sup>

- 2.119 In contrast to these views, the AIG suggested that beyond South Africa, Africa was of 'marginal interest'.<sup>89</sup>
- 2.120 During its review of Australia's relationship with the countries of Africa, the Committee received much evidence proposing the opening of additional posts in Africa and in particular French speaking West Africa. As part of the inquiry, a delegation from the Committee also visited South Africa, Zimbabwe, Ghana and Ethiopia. This visit helped to inform the Committee's views on Australia's representation in Africa.
- 2.121 The Committee subsequently recommended that DFAT undertake a comprehensive review of Australia's diplomatic representation in Africa with a view to opening an additional post in Francophone Africa.<sup>90</sup>
- 2.122 The Committee notes that DFAT has acknowledged that Australia was 'underdone in Africa' and that 'there would be some merit in further representation in Africa, noting that we have no representation in French speaking Africa at all.'<sup>91</sup>
- 2.123 The Government confirmed this view in agreeing to the Committee's recommendation:
- The Government sees value in the establishment of an additional diplomatic post in Francophone Africa. The composition of the network of diplomatic posts overseas is under constant review and the Government will pursue the establishment of a new post in the region as soon as possible.<sup>92</sup>
- 2.124 In May 2012, the Government announced that a new embassy would be opening in Senegal.<sup>93</sup>

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88 Mr Alex Thursby, *Transcript 23 February 2012*, p. 6.

89 Mr Innes Willox, *Transcript 27 February 2012*, p. 10.

90 JSCFADT, *Inquiry into Australia's relationship with the countries of Africa*, Recommendation 1, June 2011, p. 29.

91 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 2.

92 *Government Response to the Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry into Australia's relationship with the countries of Africa*, March 2012, p. 3.

93 Senator the Hon Bob Carr, Minister for Foreign Affairs, *Media Release, Opening of new Embassy in Senegal*, 9 May 2012.



## Morocco

2.125 The Committee received evidence from the Ambassador for the Kingdom of Morocco putting forward the advantages of Australia opening an embassy in Morocco. The reasons provided included:

- Morocco was a 'very stable country' in the Arab Maghreb; it was a multi-party state with elections and where 'there are alternatives between political parties who wish to rule'.<sup>94</sup>
- There were 'more than 100 international representations in Morocco between embassies and international organisations.' Rabat was one of the African capitals with the highest number of embassies including all the members of the G20.<sup>95</sup>
- Morocco had very good transport infrastructure including the trans-Saharan road and good connection by ferries to Europe and the West African coast.<sup>96</sup>
- Morocco could provide a hub for the delivery of humanitarian aid to third countries in North Africa.<sup>97</sup>
- Morocco had a very good investment climate with the possibility of 100 per cent foreign ownership of companies and generous tax benefits to companies which exported goods from Morocco. There was also the opportunity to take advantage of free trade agreements with other countries and groupings such as the EU, US, Egypt, Tunisia, Jordan and in the 'near future' all the Gulf Cooperation Council countries.<sup>98</sup>
- Morocco was the second major African investor in the continent after South Africa. It was the first investor in West Africa. Half of Morocco's foreign investments were in Africa.<sup>99</sup>
- Morocco had an active education sector providing education to '8000 students from 42 African countries, 6500 of whom are granted scholarships by the Moroccan government.'<sup>100</sup>
- Some '33,000 Australian tourists visit Morocco every year' and there is a corresponding demand for consular services.<sup>101</sup>

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94 HE Mr Mohamed Mael-Ainin, Ambassador, *Transcript 17 February 2012*, p. 30.

95 HE Mr Mohamed Mael-Ainin, Ambassador, *Transcript 17 February 2012*, p. 27.

96 HE Mr Mohamed Mael-Ainin, Ambassador, *Transcript 17 February 2012*, p. 28.

97 HE Mr Mohamed Mael-Ainin, Ambassador, *Transcript 17 February 2012*, p. 29.

98 Ambassador of the Kingdom of Morocco, *Submission No. 10*, p. 3.

99 Ambassador of the Kingdom of Morocco, *Submission No. 10*, p. 3.

100 Ambassador of the Kingdom of Morocco, *Submission No. 10*, p. 3.

2.126 AusAID commented that if it continued to expand in Africa it would need a Maghreb hub:

We have just opened in Cairo last year as a result of the so-called Arab spring, and there is a lot more work that we are doing there to support the transition to democracy. It may be that that is something that is needed in the future.<sup>102</sup>

2.127 When questioned by the Committee, DFAT responded that an embassy in Morocco would increase Australia's capacity to engage with 'a significant player in North Africa, including in the Arab League and the Organisation of Islamic Cooperation.'<sup>103</sup>

2.128 On the other hand, DFAT noted, 'opening an embassy in Rabat could raise expectations among Morocco's neighbours for similar resident Australian representation.'<sup>104</sup>

2.129 The AAMIG which represents the Australian mining sector in Africa also responded to the question of whether an embassy should be opened in Morocco. It said that it was more a question for the Australian ambassador in France, but if a choice was to be made it would instead 'choose a sub-Saharan Francophone post.'<sup>105</sup>

## Latin America

2.130 In its submission, the Lowy Institute identified Latin America as one of a number of emerging centres of influence and economic opportunity and suggested it should be a priority of opening new posts,<sup>106</sup> even though it had noted that Australia had recently reopened a post in Lima, Peru.<sup>107</sup>

2.131 Professor Langmore also identified Latin America (along with Africa) as being a region where Australia was 'severely under represented'.<sup>108</sup>

2.132 The Committee received a submission from the Venezuelan Embassy which suggested opening an Australian post in Venezuela would 'provide

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101 HE Mr Mohamed Mael-Ainin, Ambassador, *Transcript 17 February 2012*, p. 26.

102 Mr Peter Baxter, Director General, *Transcript 17 February 2012*, p. 35.

103 DFAT, *Submission No. 45*, p. 5.

104 DFAT, *Submission No. 45*, p. 5.

105 Mr Jeff Hart, *Transcript 27 February 2012*, p. 5.

106 Lowy Institute, *Submission No. 15*, p. 15.

107 Lowy Institute, *Submission No. 15*, p. 5.

108 Prof. John Langmore, *Transcript 23 February 2012*, p. 13.

a better service for Venezuelan migrants coming to Australia' and would strengthen relations between the two countries.<sup>109</sup>

2.133 The AAMIG did not support opening a post in Venezuela, but rather Colombia:

... if we open another post in that region we should go into Colombia, not into Venezuela. I think we opened the post in Venezuela in 1975. ... There was a lot of oil. ... Venezuela is a complicated country and now there are a lot of political issues in Venezuela, but it has never been a driving force in Latin America.

If you look at the Northern region – Venezuela, Colombia, Ecuador – you would say that Colombia is the key country.<sup>110</sup>

## Europe

2.134 The Committee received a number of submissions and received evidence from witnesses advocating the opening of embassies in several European countries.

2.135 These included brief submissions from the Embassy of the Czech Republic,<sup>111</sup> and the Embassy of the Slovak Republic.<sup>112</sup>

## Ukraine

2.136 The Ukrainian Charge d'Affaires supported by the Australian Federation of Ukrainian Organisations (AFUO) and the Ukrainian Youth Association of Australia (UYAA) called for Australia to open an embassy in Kyiv. Reasons provided included:

- Ukraine was the biggest country of the former USSR outside of Russia and was strategically important in the region;<sup>113</sup>
- with 46 million consumers, Ukraine was the biggest market in Eastern Europe and presented huge potential for trade and investment;<sup>114</sup>
- levels of trade had fluctuated in recent years and an embassy would foster business and investment links;<sup>115</sup>

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109 Bolivarian Republic Venezuela Embassy in Australia, *Submission No. 11*, p. 1.

110 Mr Jeff Hart, *Transcript 27 February 2012*, p. 6.

111 Embassy of the Czech Republic, *Submission No. 5*, p. 1.

112 Embassy of the Slovak Republic, *Submission No. 6*, p. 1.

113 AFUO, *Submission No. 13*, p. 3.

114 AFUO, *Submission No. 13*, p. 4.

115 Mr Stanislav Stashevskyi, Charge d'Affaires, *Transcript 17 February 2012*, p. 44.

- there was a potential for significant numbers of full fee paying Ukrainian students to study in Australia;<sup>116</sup>
- there were increasing numbers of Australians visiting Ukraine for tourism and business reasons;<sup>117</sup>
- Ukrainians had to obtain Australian visas from Australia's post in Moscow – this was inconvenient and a disincentive;<sup>118</sup>
- an Australian post in Kiev would provide more accurate travel alerts – DFAT issued travel alerts had been disputed 'on numerous occasions';<sup>119</sup>
- there were close people-to-people links between the two countries;<sup>120</sup>
- of the G20 countries, only Australia did not have an embassy in Kyiv;<sup>121</sup> and
- an embassy would provide support for human rights in Ukraine and send a message to the region.<sup>122</sup>

2.137 Regarding human rights, the European Commission and the High Representative of the Union for Foreign Affairs and Security Policy published a country progress report for the Ukraine in May 2012. The report, commenting on the political dialogue and reform, included:

The area of deep and sustainable democracy experienced a further deterioration in 2011. Several leading opposition figures, including former Prime Minister Tymoshenko, were subjected to selective justice, characterised by un-transparent judicial processes. ...

Authorities are increasingly hostile to public displays of discontent and on occasions tried to limit freedom of assembly. Concerns are also expressed regarding the future of media freedom.

Despite the adoption of a National Anti-Corruption Strategy in October, corruption perception remains high. Conditions for business and investment has further deteriorated.

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116 UYAA, *Submission No. 37*, p. 1.

117 Embassy of Ukraine, *Submission No. 8*, p. 3.

118 Mr Stanislav Stashevskiy, *Transcript 17 February 2012*, p. 47.

119 AFUO, *Submission No. 13*, p. 11.

120 Mr Stanislav Stashevskiy, *Transcript 17 February 2012*, p. 45.

121 Mr Stanislav Stashevskiy, *Transcript 17 February 2012*, p. 48.

122 AFUO, *Submission No. 13*, p. 10.

Cases of discrimination on the basis of nationality or ethnic origin continue to be reported. Roma, Crimean Tartars, as well as other minority groups are affected.<sup>123</sup>

2.138 DFAT advised that an Australian embassy in Kyiv:

... could enhance Australia's trade and investment outcomes through a presence in a key European growth economy with large, developing natural resource reserves [and] also increase engagement on trans-national security issues.<sup>124</sup>

2.139 On the other hand, DFAT considered Ukraine was well served by Australia's embassy in Vienna:

... due to cost-efficiency, policy alignment with other non-resident accreditations, the frequency of visits by Post, helpful consular sharing arrangements and the appointment of a new Honorary-Consul in Kyiv.<sup>125</sup>

2.140 Support for opening a post in Kyiv was provided by Mr Kerry Fisher who commented that Ukraine was 'a major player in the future of East Europe, is a large country with yet-unrealised economic potential, and is a source of many immigrants to Australia.'<sup>126</sup> A further reason elicited during the inquiry was the potential for graduates from Ukrainian mining institutions to meet the demand for skilled labour in Australia's mining industry.<sup>127</sup>

2.141 Responding to whether there was a demand for visas for Ukrainians wishing to migrate or travel to Australia, the Department of Immigration and Citizenship (DIAC) advised that 'the demand for Australian visas by Ukrainian clients is comparatively small.' The submission continued:

It is not necessary for Ukrainian clients to visit the [Moscow] office in person to lodge a visa application. Most Ukrainian clients choose to lodge their applications by courier or in person. The department conducts a small number of interview trips to the Ukraine each year to follow up on complex cases.<sup>128</sup>

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123 ENP Package, *Country Progress Report – Ukraine*.

<<http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/12/344&format=HTML&aged=0&language=EN&guiLanguage=en>> Accessed June 2012.

124 DFAT, *Submission No. 45*, p. 5.

125 DFAT, *Submission No. 45*, p. 5.

126 Mr Kerry Fisher, *Submission No. 1*, p. 1.

127 *Transcript 10 February 2012*, p. 15.

128 DIAC, *Submission No. 46*, p. 5.

2.142 DIAC added that skilled Ukrainians working in the mining industry could 'generally apply for a General Skilled Migration visa online or by post or courier.' The applications would be processed at the Adelaide Skilled Processing Centre.<sup>129</sup>

2.143 The Lowy Institute did not think a post in Kyiv would be a major priority:

I think it would be possible to construct a case for opening in Kyiv, but for me, it would not be the same priority as what we have talked about. I think inland China, eastern Indonesia, Phuket and beefing up in Africa would come ahead of that.<sup>130</sup>

## Romania

2.144 The opening of an Australian Embassy in Bucharest was proposed by the Romanian Ambassador to Australia, supported by a submission from the Australia Romania Chamber of Commerce. Reasons provided included:

- Romania was geo-strategically located on existing and forthcoming energy transport networks.<sup>131</sup> It also provided alternative maritime transport access to the European market thereby shortening travel time and distance.<sup>132</sup>
- Romania was in a sound economic situation with positive economic growth, a balanced external debt and current deficit, and inflation and unemployment below the EU average. Consequently, it was experiencing increasing foreign direct investment.
- Romania was a leader in the field of green energy (wind) and IT with a 'rapidly growing fibre optic network' and a 'substantial number of very good' computer software companies.
- There were 'extensive possibilities and opportunities for economic cooperation, and investments, not only direct, bilateral ones, but also on third regional markets.'
- There was increasing interest being shown by Australians wishing to travel to Romania.
- Bucharest hosted the embassies of 82 countries and permanent missions of '14 important international organisations'.

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129 DIAC, *Submission No. 46*, p. 5.

130 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 15.

131 Embassy of Romania, *Submission No. 49*, p. 2.

132 Australia Romania Chamber of Commerce, *Submission No. 50*, p. 8.

- Romania was an important NATO member 'with substantial contribution to various NATO missions' and ranked seventh in population size in the European Union.<sup>133</sup>

## Former Yugoslav Republic of Macedonia

2.145 The United Macedonian Diaspora (UMD) provided the following reasons for opening an Australian post in Skopje:

- the country was growing economically through developing economic relations with 'the east' including the Gulf states;<sup>134</sup>
- an embassy would strengthen ties at the government, business, academic, and sporting levels; and
- an embassy would serve the 'unmet needs of tens of thousands of Australians who visit Macedonia, Kosovo and Albania and other parts of Southeast Europe.'<sup>135</sup>

2.146 The UMD also suggested that:

Australia still does not have an embassy in the Republic of Macedonia in order to appease Athens and the Hellenic lobby in Australia rather than advance its own commercial and strategic interests in Southeast Europe.<sup>136</sup>

## Middle East

### Qatar

2.147 The Australian Gulf Council proposed that Australia should open an embassy in Qatar. The reasons provided were:

- the Gulf region collectively was a significant trading and investment partner for Australia;<sup>137</sup>
- the absence of diplomatic representation particularly in Qatar, was 'a real deficit and does not match the level of interest both from Qatar into Australia and into our market and also the other way around';

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133 Embassy of Romania, *Submission No. 49*, p. 2.

134 Mr Ordan Andreevski, *Transcript 23 February 2012*, p. 20.

135 UMD, *Submission No. 7*, p. 8.

136 UMD, *Submission No. 7*, p. 8.

137 Australia Gulf Council go to sleep, *Submission No. 35*, p. 4.

- there was 'an enormous amount of sovereign wealth, [creating] an insatiable demand for education and training, health and transport infrastructure'; and
- there was increasing demand on existing Australian embassies in the region due to increasing business visits and ministerial and heads of government visits.<sup>138</sup>

2.148 The Lowy Institute noted that 'the Middle East benefits from a significant level of Australian diplomatic representation.' It also commented, however, when suggesting that new posts were 'needed in emerging centres of influence and economic opportunity,' that the Gulf was one of a number of priorities.<sup>139</sup>

### **Kurdistan Region of Iraq**

2.149 The Kurdistan Regional Government-Australia proposed that Australia should open a diplomatic post in its capital Erbil. The arguments included:

- the international community had recognised the economic potential of the region through the opening of 25 consulates and foreign offices;
- it would enable accurate Australian travel advice which currently did not distinguish the Kurdistan Region from Iraq as a whole – there had been no Coalition or western fatality in the region since 2003;
- 'thousands of foreign companies, businessmen and citizens [were] now living and working in the Kurdistan Region';
- there were opportunities for tourism following the listing of the region by National Geographic and the New York Times on their lists of 'top places to visit in 2011'; and
- there were opportunities for Australian universities to benefit from 'the \$100 million international scholarship program provided by the Kurdistan Regional Government.'<sup>140</sup>

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138 Ms Georgie Skipper, *Transcript 17 February 2012*, p. 39.

139 Lowy Institute, *Submission No. 15*, pp. 11, 15.

140 Kurdistan Regional Government-Australia, *Submission No. 54*, p. 2.



## Deepening the diplomatic footprint

- 2.150 While the distribution of embassies and high commissions indicates the breadth of Australia's diplomatic footprint, the number of diplomatic posts, whether consulates or consulate-general posts, within a particular country provides a measure of the depth of that footprint.
- 2.151 DFAT has consulate or consulate-general posts in the following countries:
- China – Guangzhou, Hong Kong, Shanghai, and the recently announced Chengdu;
  - India – New Delhi, Chennai, and Mumbai;
  - Indonesia – Bali (Denpasar);
  - Turkey – Canakkale;
  - US – Chicago, Honolulu, Los Angeles, and New York; and
  - Vietnam – Ho Chi Minh City.<sup>141</sup>
- 2.152 Austrade also manages diplomatic posts providing consular services. Countries where Australia has an embassy or high commission and where there are also Austrade posts thereby deepening the relationship include:
- Brazil – Sao Paolo;
  - Japan – Fukuoka, Osaka, and Sapporo;
  - Turkey – Istanbul;
  - United Arab Emirates – Dubai; and
  - US – Atlanta, and San Francisco.<sup>142</sup>
- 2.153 The Lowy Institute welcomed the recent opening of four diplomatic posts, including Chennai and Mumbai in India, as being 'consistent with Australia's expanding economic and other interests in these regions.'<sup>143</sup>
- 2.154 In its submission, the Lowy Institute suggested that Australia should 'urgently address its underrepresentation' in China, particularly in the inland cities such as Chongqing and Chengdu:

Chongqing has a population of 30 million. ... It is a city the size of a province and it is moving into high technology in a big way.

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141 DFAT, *Submission No. 28*, pp. 31–2.

142 Austrade, *Submission No. 26*, p. 22.

143 Lowy Institute, *Submission No. 15*, p. 7.

Annual laptop production capacity is set to hit 100 million units by 2015. The numbers, to my mind, are compelling.

Chengdu, the other one that we mentioned, has a population of 14 million. Shenzhen has 13 million and so on. The other point that is pertinent here is that, because they are earlier in the development curve, growth has actually slowed down a bit along that coastal belt. These cities are growing much faster, at an average of between 10 and 15 per cent over the last five years, whereas growth on the seaboard has slowed to a dreadfully sluggish 10 per cent! The centre of growth, or the engine of growth, in China has moved and we are still where it was 20 years ago.<sup>144</sup>

- 2.155 The ANZ Bank told the Committee that Chinese government policy had determined that Chongqing and Chengdu would be the cities which would 'capture the growth of western China':

China needs to grow those areas substantively because the economic gap between the eastern seaboard and western China has widened considerably over the last 15 to 20 years. They realise that they need to bring western China into the high-development models and Chongqing is the designated city to do that.<sup>145</sup>

- 2.156 Deepening Australia's diplomatic footprint in Indonesia was also proposed.

- 2.157 Surabaya, the capital of East Java, was identified by Ms Herlina Yoka Roida, as a potential site for an additional Australian diplomatic post. The city was strategically placed between the large provinces of Central Java and Bali and was a growth centre for industry and trade – its growth rate in 2009 had exceeded that for Indonesia. It was also the home of the highest number of universities in Indonesia.<sup>146</sup>

- 2.158 This view was supported by the Lowy Institute which explained:

... Indonesia has always been important to Australia, but it has largely been important for reasons to do with its weakness. That is all changing. Indonesia is growing at about 6½ per cent. ... it will be in the top five or six economies in the world in a couple of decades, yet our diplomatic representation there is confined to Jakarta and Denpasar. The other reason is that in Indonesia power

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144 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 14.

145 Mr Alex Thursby, *Transcript 23 February 2012*, p. 4.

146 Ms Herlina Yoka Roida, Faculty of Business, Widya Mandala Catholic University, Surabaya, *Submission No. 9*, p. 1.

is being devolved away from the centre to the provincial level of government, which means that you need to be there when the policy decisions are made and when the big contracts are awarded. ... Indonesia's middle class will be 50 million in size within a decade from now. They are not all going to be in Jakarta, and we need to be there. If you take Surabaya, for example, it is the second largest city in Indonesia. It has nearly 6 million people in it. East Java, alone, has nearly 50 million people.<sup>147</sup>

- 2.159 The AFP told the Committee that increasing DFAT representation in Indonesia would have a 'positive flow on to the AFP' especially in the area of combating people smuggling.<sup>148</sup> In contrast, the Commonwealth Bank told the Committee that its business had not been affected by inadequate Australian representation in Indonesia.<sup>149</sup>
- 2.160 Support for deepening Australia's diplomatic footprint in China, India and Indonesia was provided by ACT Labor FADTC, the ANZ Bank, and the AIG.<sup>150</sup>
- 2.161 Responding to the Lowy Institute report, DFAT told the Committee that it believed Australia's diplomatic representation in China was 'underdone, particularly in western China', and there 'would be value in consular representation in Phuket in Thailand.' Further representation across the Indonesian archipelago could also be considered, but this was not as big a priority as China.<sup>151</sup>
- 2.162 Subsequent to the Committee's hearings, the Government announced it would open a new diplomatic post in Chengdu, the capital of China's Sichuan Province, with funding being provided in the 2012-13 Budget.<sup>152</sup>

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147 Mr Andrew Shearer, *Transcript 17 February 2012*, pp. 14-15.

148 Mr Ian McCartney, Acting National Manager, Serious and Organised Crime, *Transcript 17 February 2012*, p. 51.

149 Mr Geoff Coates, *Transcript 23 February 2012*, p. 26.

150 ACT Labor FADTC, *Submission No. 18*, p. 2; Mr Alex Thursby, *Transcript 23 February 2012*, p. 4; Mr Innes Willox, *Transcript 27 February 2012*, p. 14.

151 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 2.

152 Joint Media Release, *Opening of new Consulate-General in Chengdu*, The Hon Julia Gillard MP, Prime Minister; Senator the Hon. Bob Carr, Minister for Foreign Affairs; The Hon Dr Craig Emerson MP, Minister for Trade and Competitiveness, 20 March 2012.

## Committee comment

- 2.163 It is generally accepted that the centre of global growth is in Asia and in particular in North Asia and India. If Australia is to maintain and increase its participation in this growth through providing resources and engaging in trade it must have an adequate diplomatic network to promote Australian interests.
- 2.164 The Committee agrees that Australia's diplomatic representation needs to be deepened in North Asia and in particular in China.
- 2.165 The Committee has seen at first hand the value of Australia's embassies through its delegation visit to four countries in Africa in April 2011. A Committee delegation also visited Indonesia in November 2011 and saw for itself the economic and trade potential of Surabaya in East Java. Indonesia as a whole is increasing in importance as its economy grows. The Committee believes that deepening Australia's representation in Indonesia by opening a post in Surabaya is warranted.
- 2.166 Such an initiative is consistent with the importance of the Australia-Indonesia relationship which has been recognised as a 'true strategic partnership of great importance to both our countries.'<sup>153</sup>
- 2.167 The Committee notes that Australia opened an embassy in Kazakhstan in 1995 in support of Australian commercial activities. Unfortunately, the expected benefits were not achieved and the post closed in 1995.<sup>154</sup>

### Recommendation 5

- 2.168 **The Committee recommends that Australia should increase its diplomatic representation, including increased Austrade representation, in North Asia and Central Asia, and in particular China.**

153 Media Release, *Remarks following Indonesia-Australia Leaders' Meeting, Darwin*, The Hon Julia Gillard MP, Prime Minister, 3 July 2012.

154 Mr Innes Willox, *Transcript 27 February 2012*, p. 12; DFAT, *Kazakhstan country brief*, [http://www.dfat.gov.au/geo/kazakhstan/kazakhstan\\_brief.html](http://www.dfat.gov.au/geo/kazakhstan/kazakhstan_brief.html)> Accessed September 2012.

## Recommendation 6

- 2.169 **The Committee recommends that Australia should deepen its relationship with Indonesia by opening a diplomatic post in Surabaya, East Java.**
- 2.170 The Committee's review of Australia's relationship with Africa and the evidence received in this inquiry has highlighted the potential of the continent for investment and, with a growing middle class, as a trading partner. The Committee notes the Government's acceptance of its recommendation that an embassy be established in Francophone Africa and its decision to open an embassy in Senegal.
- 2.171 The Committee also considers there is merit in opening an embassy in Morocco to serve the Maghreb and notes that this is in DFAT's plans for an expanded network should it receive sufficient funds.<sup>155</sup>
- 2.172 Regarding opening other new embassies elsewhere in Africa and Asia, in Europe, and the Gulf, the Committee does not have the full range of evidence to properly assess the various suggestions made during this inquiry. Whether or not to open a new post needs careful and rigorous analysis against national interest criteria. The Committee expects DFAT and other interested departments to undertake such an assessment.
- 2.173 It is for this reason the Committee has recommended the preparation of a Government White Paper (see Recommendation 1).

## Priority areas for overseas diplomacy

- 2.174 The Committee challenged DFAT to set out its priorities for increasing Australia's diplomatic footprint under three increased funding scenarios – annual increases of \$25 million; \$50 million; and \$75 million.
- 2.175 DFAT replied that it would open a mix of new posts and new positions at existing posts. Table 2.2 summarises DFAT's information. It does not include DFAT's highest priority post – Chengdu, China – since its opening had already been announced.

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<sup>155</sup> DFAT, *Submission No. 51*, p. 2.

Table 2.2: DFAT's priorities for increasing Australia's diplomatic footprint

Funding level	New positions at existing posts	New posts		
\$25 m per year—\$100 m over the forward estimates	12 new positions prioritising G20 and consular locations	Astana, Kazakhstan Ulaanbaatar, Mongolia Dakar, Senegal Phuket, Thailand Funafuti, Tuvalu		
\$50 m per year—\$200 m over the forward estimates	32 new positions prioritising G20, regional and consular locations	Astana, Kazakhstan Ulaanbaatar, Mongolia Dakar, Senegal Phuket, Thailand Funafuti, Tuvalu	Algiers, Algeria Luanda, Angola Chongqing, China Bogota, Colombia Dar es Salaam, Tanzania	
\$75 m per year—\$300 m over the forward estimates	50 new positions prioritising G20, East Asia Summit, smaller posts and consular locations	Astana, Kazakhstan Ulaanbaatar, Mongolia Dakar, Senegal Phuket, Thailand Funafuti, Tuvalu	Algiers, Algeria Luanda, Angola Chongqing, China Bogota, Colombia Dar es Salaam, Tanzania	Rabat, Morocco Oslo, Norway Berne, Switzerland

Source: DFAT, *Submission No. 51*, pp. 1–2.

## Committee comment

2.176 Information provided by DFAT and presented in Table 2.2 provides an additional insight into the costs of expanding and deepening Australia's diplomatic footprint. It also shows that any increase in the network would largely focus on Asia and Africa.

- 2.177 The Committee notes that Table 2.2 represents DFAT's priorities, but considers that decisions concerning any increase in Australia's diplomatic representation should be transparent and subject to bipartisan support.
- 2.178 The Committee has considered at some length the arguments for opening an embassy in Kyiv. On the one hand, the country offers potential in terms of trade and as a hub for the representation to the former Soviet republics.
- 2.179 On the other hand, there is ongoing concern regarding human rights. The Committee also notes the decision by France, Germany, and UK Ministers and European Union Commissioners to not attend 2012 European Championship football games in Ukraine because of human rights concerns.<sup>156</sup>
- 2.180 During its deliberations, the Committee discussed its own priorities for establishing new diplomatic posts. The Chair of the full Committee and some members of the Committee strongly advocated opening an embassy in Ukraine citing the large population and the wealth of technically skilled students graduating from various mining institutes in that country.
- 2.181 The Committee concludes that there would be value in Parliamentary committees becoming involved when new embassies are proposed either by way of Parliamentary briefings or Parliamentary inquiries.

### **Recommendation 7**

- 2.182 **The Committee recommends that the Department of Foreign Affairs and Trade discuss the reasons for proposing to open or close Australia's diplomatic posts either by way of private briefings or public hearings before this Committee.**

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<sup>156</sup> Agence France Press, *UK ministers to shun Euro 2012*, 8 June 2012.





## **Activities at overseas posts**

### **Introduction**

- 3.1 In this Chapter, the Committee discusses the activity of Australia's overseas diplomatic posts. The Chapter is in two parts. The first is a review of the activities which posts must undertake – Term of Reference One.
- 3.2 In the second part, the Committee considers the ability of posts to efficiently and effectively meet their responsibilities. This includes discussion of staffing levels at DFAT – Terms of Reference Three.
- 3.3 The use of information and communications technology and opportunities presented by the development of new technologies and communication platforms – Terms of Reference Four – is discussed in Chapter Four.

### **Framework for managing overseas posts**

#### **Prime Minister's Directive**

- 3.4 The management of Australia's overseas diplomatic posts is underpinned by the *Prime Minister's Directive: Guidelines for Management of the Australian Government Presence Overseas* (the Guidelines). DFAT told the Committee

that the Guidelines were created in the 1970s and 1980s and that successive Prime Ministers had re-issued them.<sup>1</sup>

- 3.5 The Guidelines had the 'core expectation that [Australian Public Service] agencies work together productively on issues that cross traditional agency boundaries.' It applied to:
- ... all activities undertaken overseas by diplomatically accredited and non-accredited staff, staff not covered by the *Public Service Act 1999*, staff deployed under various international and bilateral agreements, and official delegations.<sup>2</sup>
- 3.6 The Guidelines stipulate that the management of each overseas post was 'vested in one agency ... the "managing agency", under the overall authority of the HOM/HOP [Head of Mission/Head of Post].' The managing agency was usually DFAT, but other agencies could be the manager where DFAT was not present and the Foreign Minister agreed.<sup>3</sup> This provides the authority for Austrade to be the managing agency for its 13 consular posts.<sup>4</sup>
- 3.7 To put into effect its cooperative arrangements, DFAT has service level agreements with '30 government departments, agencies and federally-funded bodies with overseas representation – and, on certain occasions, to the New Zealand Government.' The agreements underscore the provision of management services on a cost recovery basis.<sup>5</sup>
- 3.8 AusAID advised that its service level agreement with DFAT was:
- ... negotiated on an annual basis and details key performance indicators to ensure AusAID and DFAT have a common understanding of the services to be delivered. AusAID and DFAT meet regularly, both in Canberra and at post, to monitor and discuss the operation of the [agreement] and the delivery of services.<sup>6</sup>
- 3.9 DFAT also provides information and communications technology (ICT) services to '40 agencies in Australia and overseas' under separate memorandums of understanding, and to an additional four agencies

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1 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 4.

2 *Exhibit No. 13*, DFAT, Prime Minister's Directive: Guidelines for Management of the Australian Government Presence Overseas, p. 1.

3 DFAT, *Exhibit No. 13*, p. 1.

4 Austrade, *Submission No. 26*, p. 6.

5 DFAT, *Submission No. 28*, p. 8.

6 AusAID, *Submission No. 23*, p. 11.

under a cost recovery arrangement. Payroll services are also provided to 15 agencies overseas.<sup>7</sup>

3.10 The HOM/HOP is the Australian Government's senior representative with 'ultimate responsibility for the conduct of relations in the country/ies of accreditation.'<sup>8</sup>

3.11 Customs told the Committee that this had not always been the case:

That is certainly quite different from the circumstance that I was familiar with when I first joined the Defence Department a quarter of a century ago. ... Agencies had a very strong sense of connection back to their home agency and it was really only by personal relationships, grace and favour that in some cases ambassadors would find themselves graced by being advised of things. ... That has been fundamentally changed over the last 10 to 15 years by the formal recognition of the standing authority of the head of mission and, in some cases by delegation, the deputy head of mission.<sup>9</sup>

3.12 Australian government agencies who are not the managing agency can determine the profile of their A-based staff present at the post, but this has to be in consultation with the managing agency. The HOP/HOM and the managing agency are:

... responsible for the deployment and withdrawal of A-based staff, the work undertaken by A-based employees and the impact of A-based employees' work and travel on the conduct of Australia's bilateral, regional or multilateral relations.<sup>10</sup>

3.13 DFAT commented that in practice, departments wishing to change their overseas staffing profile sought its agreement because DFAT provided services at the post, there were accommodation considerations, and DFAT 'might have policy issues in terms of different people from different departments and agencies.' DFAT added that it always sought to be cooperative, but it would 'raise more questions' if departments were withdrawing staff.<sup>11</sup>

3.14 The managing agency is also the legal employer of locally engaged staff (LES) on behalf of all Australian Government agencies, although separate

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7 DFAT, *Submission No. 28*, p. 9.

8 DFAT, *Exhibit No. 13*, p. 2.

9 Mr Michael Pezzullo, Chief Operating Officer, *Transcript 10 February 2012*, p. 25.

10 DFAT, *Submission No. 28*, p. 6.

11 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 4.

provisions apply to AusAID and Austrade who are responsible for their own LES employment.<sup>12</sup>

- 3.15 The Guidelines add that where the managing agency is the legal employer of LES:

... it will be responsible for the appointment, termination, setting of salary and conditions of service for LES, in accordance with contemporary Commonwealth management principles, local labour and other relevant laws and good employer practice. Agencies are responsible for all costs associated with their LES establishment.<sup>13</sup>

- 3.16 DFAT told the Committee that it applied the labour laws of the local country which varied considerably around the world, but in any event its employment conditions were competitive compared to those provided by the diplomatic missions of other countries.<sup>14</sup>
- 3.17 The managing agency is also responsible for security and for 'coordinating business continuity and contingency planning'. Where other agencies at the post had their own business continuity plans they had to be consistent with, and stored alongside, the post's plans.<sup>15</sup>
- 3.18 The Guidelines also empower the HOM/HOP to require all staff to 'undertake additional functions that are part of the regular activities of the mission which are outside their normal area of work.' The agreement of the staff's parent agency is needed if additional duties are to be on a long-term basis.<sup>16</sup>
- 3.19 Witnesses told the Committee that in times of overseas emergencies, posts adopted a whole of government response – it was 'all hands on deck'.<sup>17</sup>

### Committee comment

- 3.20 There is always the potential for disjointed management and coordination at Australia's diplomatic posts. As the Australian Industry Group (AIG) commented, the main agencies with staff at posts – DFAT, Austrade and AusAID – have different perspectives:

12 DFAT, *Exhibit No. 13*, p. 3.

13 DFAT, *Exhibit No. 13*, p. 3.

14 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 4.

15 DFAT, *Exhibit No. 13*, pp. 4, 5.

16 DFAT, *Exhibit No. 13*, p. 4.

17 Mr Peter Vardos, Deputy Secretary, DIAC, *Transcript 10 February 2012*, p. 9;  
Mr Peter Jennings, Deputy Secretary, Defence, *Transcript 10 February 2012*, p. 30.

... the DFAT people have their political perspectives and Austrade have their commercial perspectives, and what that commercial perspective is is always the subject of question and dispute. ... The AusAID people are doing God's work, as AusAID do. There are often not the linkages between the three. ... So you have all these competing objectives and suspicions about what the others are up to, and that comes across quite often in places; they are not talking to each other.<sup>18</sup>

- 3.21 Members of the Committee have observed at first hand the working relationship of staff at a significant number of overseas diplomatic posts during delegation visits. Organisation at posts is underpinned by a robust framework that will always be influenced by the personalities involved and the leadership qualities of the head of the post.
- 3.22 Notwithstanding the AIG's criticisms, the Committee is confident, from its own observations and the fact that there is a formal management framework, that Australia's diplomatic posts are well-managed and their activities well coordinated.
- 3.23 This will be an advantage when posts have to respond at very short notice to international crises and natural disasters.

## Activities of overseas posts

- 3.24 There follows a snapshot of the activities undertaken at Australia's overseas posts. It is not intended to be a definitive list, but instead reflects the evidence presented to the Committee.
- 3.25 Activities undertaken by staff at Australia's posts can be grouped into the following categories:
- representation and liaison;
  - promoting trade and investment;
  - managing assistance programs;
  - managing immigration; and
  - assisting Australians overseas.

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<sup>18</sup> Mr Innis Willox, *Transcript 27 February 2012*, p. 12.

3.26 The proportion of work devoted to particular categories will vary from day to day and from post to post. All activities, however, will create a picture of the host nation whether it be the trade, political, or societal environments. The post conveys this picture to the Australian Government to be used to inform the position of the Government and subsequent representational activities of the post.

## Representation and liaison

3.27 An important role of Australia's overseas representatives is to convey Australian views to the host government. The value of face-to-face contact by Australian diplomats has been discussed in Chapter 2, but the overseas staff of other departments also undertake advocacy on behalf of Australia.

3.28 Examples provided to the Committee included:

- AusAID representatives at the medium and larger posts who undertake 'advocacy and dialogue with host governments'.<sup>19</sup>
- DIAC and officials 'representing and advocating the Australian Government's immigration and citizenship policies'.<sup>20</sup>
- Department of Agriculture, Fisheries and Forestry (DAFF) counsellors who seek to 'improve the rules of trade and the trading environment ... through negotiation in multilateral and bilateral government to government forums as well as through policy advocacy with host governments'.<sup>21</sup> A supplementary submission also detailed market access achievements for Australian exporters.<sup>22</sup>
- Department of Innovation, Industry, Science, Research and Tertiary Education (DIISRTE) education counsellors who engage in 'confidence building cooperation strategies with government representatives and other major stakeholders, such as major educational associations, peak groups and alumni organisations'.<sup>23</sup> An example was the creation in India of the Bureau of Vocational Education and Training Collaboration which brought together Australian State TAFE organisations and their Indian counterparts.<sup>24</sup>

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19 AusAID, *Submission No. 23*, p. 7.

20 DIAC, *Submission No. 21*, p. 2.

21 DAFF, *Submission No. 42*, p. 2.

22 DAFF, *Submission No. 31*, pp. 1-2.

23 Mr Colin Walters, Head, International Education Division, *Transcript 10 February 2012*, p. 37.

24 Mr Colin Walters, *Transcript 10 February 2012*, p. 44.

- Department of Education, Employment and Workplace Relations (DEEWR) Education Counsellors who support 'government to government relationships through Joint Working Groups, Memoranda of Understanding and high level delegations'.<sup>25</sup>
  - Department of Resources, Energy and Tourism (DRET) which relies on posts to 'lobby other governments ... on key issues ... that potentially affect Australia's resources, energy and tourism sectors'.<sup>26</sup>
- 3.29 Representation and advocacy activities are strengthened by visits of Australian Government ministers and parliamentary delegations. Such visits are regarded by DFAT as 'the lifeblood of a relationship'.<sup>27</sup>
- 3.30 Examples provided to the Committee were:
- a visit by the Minister for Agriculture, Fisheries and Forestry to the Middle East which relied heavily on the DFAT network;<sup>28</sup> and
  - DRET which 'make significant use of Australia's existing overseas representation to support ministerial and senior official-level visits'.<sup>29</sup>
- 3.31 Australian officials also represent Australia at multilateral organisations and meetings. Examples include:
- AusAID officers in New York, Geneva and Washington working with World Bank and UN agencies;<sup>30</sup>
  - DAFF representing Australia at the World Organisation for Animal Health, participating in its Regional Animal Welfare Strategy,<sup>31</sup> and working with the EU on a range of standards, including environmental standards and animal welfare standards;<sup>32</sup>
  - DEEWR's involvement with the OECD Education Directorate and the Directorate for Employment, Labour and Social Affairs, and representing Australia at the International Labour Organisation and at UN committee meetings;<sup>33</sup> and

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25 DEEWR, *Submission No. 16*, p. 1.

26 DRET, *Submission No. 4*, p. 2.

27 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 9.

28 Mr Philip Glyde, Deputy Secretary, *Transcript 10 February 2012*, p. 21.

29 DRET, *Submission No. 4*, p. 2.

30 Mr Peter Baxter, Director General, *Transcript 17 February 2012*, p. 32.

31 DAFF, *Submission No. 42*, p. 3.

32 Mr Greg Williamson, First Assistant Secretary, Biosecurity Division, *Transcript 10 February 2012*, p. 20.

33 DEEWR, *Submission No. 16*, p. 2.

- Customs officers posted to Brussels, Washington and Beijing working on border issues such as maritime surveillance, and revenue collection.<sup>34</sup>

3.32 Australian representatives also liaise with their counterparts in the defence and law enforcement areas. Examples provided to the Committee included:

- 94 Defence Attachés and advisers in 29 countries,<sup>35</sup> promoting defence policies and liaising with their counterparts on a range of issues;<sup>36</sup>
- AFP advisers in Southeast Asian countries, London and Washington liaising in the areas of people smuggling, cyber crime, transnational crime, and counterterrorism;<sup>37</sup>
- DIAC officials identifying and reporting on people smugglers and irregular people movements;<sup>38</sup> and
- Customs officers coordinating and ensuring that the targets selected for disruption were in fact being targeted, and also engaging in 'strategic communications and market research in relation to maritime people smuggling.'<sup>39</sup>

## Trade and investment promotion

### Austrade and DFAT

3.33 Austrade's core functions include the promotion of trade, investment and Australian education overseas. Austrade also administers the annual \$150 million Export Market Development Grants scheme.<sup>40</sup>

3.34 Austrade told the Committee that DFAT and Austrade served different aspects of the trade and investment market:

... DFAT, for example, will pick up major resource companies and major banks whose interests and concerns tend to be high-level economic and often political issues, whereas [small and medium enterprises] and medium sized businesses who are looking for a

34 Mr Michael Pezzullo, Chief Operating Officer, *Transcript 10 February 2012*, p. 23.

35 Defence, *Submission No. 32*, p. 4.

36 Defence, *Submission No. 27*, p. 2.

37 AFP, *Submission No. 24*, p. 2.

38 DIAC, *Submission No. 21*, p. 2.

39 Mr Michael Pezzullo, *Transcript 10 February 2012*, p. 27.

40 Austrade, *Submission No. 26*, p. 5.



distributor or advice on how to go about selling their product or how to attract investment, will often come to Austrade ... it works very well when you have DFAT and Austrade at the same location.<sup>41</sup>

- 3.35 Austrade explained that it sought to position posts in markets where there was 'difficulty in doing business as a result of culture, language or opaque regulatory process; in other words, the more difficult markets.' An example was China where nearly 50 per cent of the 5000 Australian merchandise exporters used Austrade services. There were similar figures of assistance for India and for Japan.<sup>42</sup>
- 3.36 Austrade would also target emerging economies such as Columbia where there was 'strong actual potential growth prospects,'<sup>43</sup> and markets where barriers to trade were decreasing.<sup>44</sup>

### **Relations with Australian business**

- 3.37 Austrade told the Committee that Australian businesses sought practical advice on 'what sort of distribution policy approach they should take, who they should be seeking to target as consumers and what the competition was.'<sup>45</sup>
- 3.38 The AIG provided more information – businesses were looking for:
- ... local market information, contacts on regulatory issues, particularly local politics and economics, and information about how to gain approvals. ... The bigger posts can do that to some extent, but the more regional posts are overall better at doing that, and those that are linked in with Austrade are particularly beneficial.<sup>46</sup>
- 3.39 Businesses and business groups generally indicated they were happy with the efforts of DFAT and Austrade.
- 3.40 The ANZ Bank commented that DFAT had a good understanding of the need to tailor lobbying strategies for different countries:

The process of lobbying in Malaysia would be different from the process of lobbying in India. I have found DFAT to be able to do

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41 Mr Peter Grey, Chief Executive Officer, *Transcript 10 February 2012*, p. 47.

42 Mr Peter Grey, Chief Executive Officer, *Transcript 10 February 2012*, p. 47.

43 Mr Peter Grey, Chief Executive Officer, *Transcript 10 February 2012*, p. 47.

44 Mr Peter Grey, Chief Executive Officer, *Transcript 10 February 2012*, p. 48.

45 Mr Peter Grey, Chief Executive Officer, *Transcript 10 February 2012*, p. 48.

46 Mr Innis Willox, *Transcript 27 February 2012*, p. 10.

more than understand; they actually set out individual strategies for individual markets to do that lobbying. Sometimes you have to be very patient.<sup>47</sup>

- 3.41 The Bank advised it had taken some two and half years for it to obtain its Indian banking licence. DFAT assistance was vital:

... we would not have got that licence without both the ambassadors – the current ambassador and the predecessor – actively pursuing in very difficult circumstances of multiple tiered relationships. They were a huge help. I personally did probably 12 visits over a two-year span. I think the ambassadors did probably twice-that-plus to help. They were tenacious and value added.<sup>48</sup>

- 3.42 The Commonwealth Bank also provided positive comments:

DFAT's facilitation of networks with key Indonesian government representatives has been invaluable. The ambassador and his team also make themselves available where practicable to support our business growth ... the activities that the Australian Embassy in Indonesia undertakes have been very positive from the group's experience.<sup>49</sup>

- 3.43 The Australia Gulf Council (AGC) told the Committee that it worked well with DFAT and Austrade, who were both happy to step back when they reached their boundaries. The AGC added that 'the more effective dovetailing between, say, Austrade and organisations like ours can offer an efficiency in itself.'<sup>50</sup>

- 3.44 The AAMIG, on the other hand, commented that there should be an increase in Austrade's representation in Africa. While the involvement of Austrade's sole South African representative at the Indaba mining conference had been 'hugely successful', increasing Austrade numbers in Africa would achieve a greater impact than adding to the already significant numbers of Austrade staff in China.<sup>51</sup>

- 3.45 Witnesses told the Committee that often the lack of interest in a particular overseas market was not the fault of DFAT or Austrade, but instead was a boardroom issue. The AIG commented that corporate Australia and DFAT:

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47 Mr Alex Thursby, *Transcript 23 February 2012*, p. 5.

48 Mr Alex Thursby, *Transcript 23 February 2012*, p. 3.

49 Mr Geoff Coates, Executive General Manager, Indonesia, *Transcript 23 February 2012*, p. 25.

50 Hon. Michael Yabsley, Chief Executive, *Transcript 17 February 2012*, p. 41.

51 Mr Jeff Hart, *Transcript 27 February 2012*, pp. 7-8.

... operate in parallel universes in some ways. They have different core objectives. Business decisions are directed from the boardroom, but then as you go down and actually implement them they are done on the ground, and that is where those linkages are really important to find contacts and to get started. ...

Companies make their own decisions too about how much linkage they want to have with the posts and embassies. Sometimes some companies are not very good at doing that; others are.<sup>52</sup>

3.46 A similar view was expressed by the ANZ Bank:

The issue of expanding into Asia is more to do with Australian corporations' strategy, their boldness and their understanding of what opportunities are required, not only for growth but maybe for survival. ...

I think we are missing opportunities, but it is a boardroom issue, not a DFAT issue.<sup>53</sup>

### **Coordination with State and Territory Government agencies**

3.47 DFAT and Austrade are not the only government agencies promoting Australian trade and investment overseas. States too, have overseas offices thereby creating potential competition with Commonwealth efforts.

3.48 Austrade was not concerned:

... we work pretty well as team Australia rather than in competition. Nowadays, for the most part, we are able to establish quite good relationships with the states. Some of them actually operate in our offices, inside the office. You get more concerned by the states on investment issues because they are worried that a lead might go to one state over another state and that might lead to an investment in that state, but we have protocols in place for handling that ... I am fairly relaxed about having states involved.<sup>54</sup>

3.49 DFAT also appeared unconcerned, commenting that there were no criticisms in the department about the states and the Commonwealth getting in each other's way or acting in competition. On the other hand, in London where the states had 'a bigger sense of self' there might have been issues 'from time to time'.<sup>55</sup>

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52 Mr Innis Willox, *Transcript 27 February 2012*, p. 10.

53 Mr Alex Thursby, *Transcript 23 February 2012*, p. 3.

54 Mr Peter Grey, *Transcript 10 February 2012*, p. 49.

55 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 9.

- 3.50 A similar mixed response was provided by the AIG witness who had been a former Australian diplomat in the US:

I have good examples of the states working well with the Commonwealth and examples of states going off to do their own thing and competing against each other and against the Commonwealth to attract business, which is just infuriating in many cases. But the states have worked well with the Commonwealth, and there is my own example of Los Angeles, where we were able to drive some really good outcomes because we were a unity ticket. ... The states are competing purely in their own interests all the time. They will take a very hard-headed, parochial view.<sup>56</sup>

- 3.51 The AGC presented a pragmatic view – that state governments would not accept that they should not have an international presence. It would not be ‘fair’ or ‘prudent to expect that’. The AGC suggested, however, that there were efficiencies to be gained because in a major commercial market it was not sensible for there to be Commonwealth government representation and state representation in standalone premises. There was ‘the opportunity to effectively work alongside Austrade, particularly with respect to back office capacity, sharing premises and so on’. It was a ‘perfect agenda item for COAG [the Council of Australian Governments].’<sup>57</sup>

### **Committee comment**

- 3.52 The Committee considers that Australia has adopted an effective model for promoting trade and investment with DFAT and Austrade acting in partnership in their overseas activities. In this regard, the Committee notes Austrade’s comment that other countries often seek advice about Austrade’s processes for promoting trade and investment.<sup>58</sup>
- 3.53 In its Africa report, the Committee noted that, with about 30 per cent of the total mineral resources of the world, Africa is enjoying a resources boom. This will translate into increased wealth and spending power for the continent which in Sub-Saharan Africa has a population in excess of 870 million people. This presents significant opportunities for Australia.
- 3.54 The Committee notes Austrade’s advice that it targets countries where there are ‘strong actual potential growth prospects’, and considers that the
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56 Mr Innis Willox, *Transcript 27 February 2012*, pp. 12, 13.

57 Hon. Michael Yabsley, *Transcript 17 February 2012*, p. 41.

58 Mr Peter Grey, *Transcript 10 February 2012*, p. 47.

countries of Africa qualify for Austrade's attention. Consequently, the Committee agrees with AAMIG's call for Austrade's presence in Sub-Saharan Africa to be increased,<sup>59</sup> and reiterates its recommendation in the Africa report.<sup>60</sup>

- 3.55 The Government agreed with the Committees recommendation that 'the Government should increase the number of Austrade offices and personnel that are based in Sub-Saharan Africa' and advised:

The government recognises that emerging markets across Africa offer growing prospects for Australian businesses. As part of the reform, Austrade will strengthen its presence in Sub Saharan Africa as resources become available.<sup>61</sup>

- 3.56 The Committee, however, has yet to see the outcome of its recommendation to which the Government agreed.

## Recommendation 8

- 3.57 **The Committee reiterates its recommendation in its report of its Inquiry into Australia's Relationship with the Countries of Africa that the Government should increase the number of Austrade offices and personnel that are based in Sub-Saharan Africa.**
- 3.58 Whether to enter an overseas market is a strategic decision made at the managerial and boardroom levels of business. It is unreasonable to expect DFAT and Austrade to be successful in promoting a particular overseas market if business is unaware of the potential or is focused elsewhere.
- 3.59 Evidence from the AIG and the ANZ Bank indicates that, notwithstanding any current activity undertaken by DFAT and Austrade, there is room for both agencies to improve their effectiveness in promoting overseas trade opportunities to the higher levels of businesses.
- 3.60 The Committee is aware that representatives of other countries do promote the benefits of trade with their countries to Australian businesses, but the Committee considers that DFAT and Austrade should seek ways

59 Mr Jeff Hart, *Transcript 27 February 2012*, p. 8.

60 JSCFADT, *Inquiry into Australia's relationship with the countries of Africa*, Recommendation 11, June 2011, p. 130.

61 *Government Response to the Report of the Joint Standing Committee on Foreign Affairs, Defence and Trade Inquiry into Australia's relationship with the countries of Africa*, March 2012, p. 3.

to broaden their contacts with Australian business boardrooms to further promote the opportunities of overseas trade.

### **Recommendation 9**

3.61 **The Committee, noting the valuable activities of the Department of Foreign Affairs and Trade and Austrade in promoting overseas trading opportunities, recommends that these agencies broaden their contacts with Australian business boardrooms to deepen understanding of how the Department and Austrade can assist in facilitating their overseas activities.**

3.62 While there appear to be few conflicts between Commonwealth and State trade and investment promoting bodies, the Committee sees opportunity for greater cooperation with consequent savings. Co-locating offices and sharing back office capacity would seem to provide a significant benefit. The Committee agrees with the AGC that such cooperation is a 'perfect agenda item for COAG.'<sup>62</sup>

### **Recommendation 10**

3.63 **The Committee recommends that the Australian Government place on the Council of Australian Governments agenda, discussion of the location, coordination and effective use of State and Commonwealth trade representations in the national interest.**

## **Managing assistance programs**

### **AusAID**

3.64 AusAID is responsible for managing about 90 per cent of Australia's aid program. In 2011–12 the aid budget was some \$4.1 billion – 0.33 per cent of gross national income,<sup>63</sup> and is set to rise to 0.05 per cent of gross national income by 2016–17.<sup>64</sup>

62 Hon. Michael Yabsley, *Transcript 17 February 2012*, p. 41.

63 AusAID, *Submission No. 23*, pp. 1, 3.

64 Senator the Hon Bob Carr, Minister for Foreign Affairs, *Media Release, Australia's four year plan to help the world's poorest*, 8 May 2012.

- 3.65 In 2009–10 about 40 per cent of the aid program was delivered through multilateral organisations. AusAID advised that the percentage was expected to increase as the aid budget grew.<sup>65</sup>
- 3.66 Aid-related work undertaken by AusAID staff at Australia’s overseas posts includes:
- design, implementation and management of aid program activities (including overseeing work undertaken on AusAID’s behalf);
  - program monitoring, performance assessment and reporting; ...
  - managing and coordinating stake holder relations ... ; and
  - fraud prevention.<sup>66</sup>
- 3.67 AusAID’s submission provided details of the Indonesian bilateral aid program and the African regional program.<sup>67</sup>
- 3.68 AusAID commented that the aid program had recently been independently reviewed which had resulted in a ‘clear strategic policy direction from government’ and ‘a new aid policy’.<sup>68</sup>

### Other Commonwealth agencies

- 3.69 The Committee received evidence of capacity building activities of other agencies:
- DAFF staff assisting the Indonesian Ministry of Agriculture to develop its capacity to respond to emerging infectious diseases;<sup>69</sup>
  - AFP officers being seconded to non-law enforcement agencies to provide law-enforcement advice and to support capacity building initiatives;<sup>70</sup>
  - Defence Attachés and advisers managing the Defence Co-Operation Program, involving oversight of infrastructure and other capacity building projects, in East Timor and Papua New Guinea.<sup>71</sup>
- 3.70 Customs and DIAC also advised that they engaged in capacity building projects in a number of countries.<sup>72</sup>

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65 AusAID, *Submission No. 23*, p. 6.

66 AusAID, *Submission No. 23*, p. 7.

67 AusAID, *Submission No. 23*, pp. 7–9.

68 Mr Peter Baxter, *Transcript 17 February 2012*, p. 37.

69 DAFF, *Submission No. 42*, p. 2.

70 AFP, *Submission No. 24*, p. 2.

71 Defence, *Submission No. 27*, p. 2.

- 3.71 A further aspect of providing assistance is the granting of education scholarships. DIISRTE advised that its overseas councillors helped to promote the Endeavour Awards, which were part of the Australia Awards.<sup>73</sup>
- 3.72 A discussion of Australia's scholarship program and whether it provides a net benefit to overseas countries can be found in the Committee's report into Australia's relationship with African countries.<sup>74</sup>

### Response to overseas crises

- 3.73 As noted earlier, from time to time Australia's overseas diplomatic posts mount a whole-of-post response during times of overseas crises and natural disasters. Often the Defence Attaché plays an important role in that response.
- 3.74 For example, a submission from the Hon Tim Fischer highlighted the work of Defence Attachés during the change of government crisis in Libya in 2011 and prior to the arrival of INTERFET in East Timor in 1999.<sup>75</sup>
- 3.75 The role of the Defence Attaché in the response to Cyclone Nargis was also detailed in a Defence supplementary submission.<sup>76</sup>

### Potential to mediate conflicts

- 3.76 Professor John Langmore raised the issue of Australia increasing its involvement in overseas conflict resolution as a way to facilitate development assistance. He noted that it was 'clear to most development experts ... that one of the necessary preconditions to effective development strategy is peaceful conflict resolution'.<sup>77</sup>
- 3.77 Drawing on the example of Norway, Professor Langmore suggested that Australia create a mediation support unit:

There is a very close cooperation in Norway between government and NGOs [non-government organisations] ... That has been found to be very helpful in being able to work at a number of levels. They often link their mediation work with development work. The peace and reconciliation unit in the Ministry of Foreign

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72 Mr Michael Pezzullo, *Transcript 10 February 2012*, p. 26; DIAC, *Submission No. 21*, p. 2.

73 Mr Colin Walters, *Transcript 10 February 2012*, p. 45.

74 JSCFADT, *Inquiry into Australia's relationship with the countries of Africa*, pp. 82-92.

75 Hon Tim Fischer, *Submission No. 34*, pp. 2-4.

76 Defence, *Submission No. 38*, pp. 1-2.

77 Prof. John Langmore, *Transcript 23 February 2012*, p. 17.



Affairs has a budget of about \$100 million a year for development programs. In countries such as Burundi, for example, they have been significant in constraining what could have become another Rwanda.<sup>78</sup>

- 3.78 Under the proposal, Australia would create a unit comprising three or four staff based in Australia who would be deployed when they became involved in a particular mediation issue. They would coordinate with countries and organisations engaged in similar work, such as the UN's mediation support unit and several 'very high quality international NGOs working on mediation and peaceful conflict resolution, based in Geneva or London' such as the International Crisis Group.<sup>79</sup>
- 3.79 In a letter to the then Foreign Affairs Minister, the Hon Kevin Rudd MP, it was suggested that the mediation unit would enable AusAID and Australia:
- to establish capacity to provide good offices and mediation, providing knowledge and resources to mediation efforts and engaging with conflicts as both a mediator and a legitimate third-party;
  - to offer financial assistance to organisations already working in the mediation field; and
  - to become a regional leader in mediation and conflict prevention in South East Asia and Pacific – regions where mediation was poorly resourced.<sup>80</sup>

### **Committee comment**

- 3.80 The Committee considers that there is merit in Australia creating a mediation unit leveraging its provision of aid in particular to the South East Asia and Pacific regions. Preventing conflict through timely mediation reduces the potential need for aid and rebuilding assistance. The Committee believes a mediation unit should be funded from the aid budget because of this link.

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78 Prof. John Langmore, *Transcript 23 February 2012*, p. 16.

79 Prof. John Langmore, *Transcript 23 February 2012*, p. 17.

80 *Exhibit No. 5*, p. 5.

## Recommendation 11

- 3.81 **The Committee recommends that the Minister for Foreign Affairs should create a mediation unit within AusAID and funded from the aid budget. The aim of the unit would be to prevent conflict by providing timely assistance to mediation efforts, and acting as a mediator and legitimate third-party.**

## Managing entry into Australia

- 3.82 DIAC is responsible for managing the permanent and temporary entry of people into Australia. It has a network of 60 overseas locations and employs 128 A-based staff and 1026 locally engaged staff.<sup>81</sup> Locally engaged staff 'provide local knowledge and language skills as well as assistance with visa processing and decision-making'.<sup>82</sup>
- 3.83 In addition, DIAC engages service delivery partners to increase its footprint. These partners provide basic client information, receive visa applications and forward them to the relevant DIAC office – they do not make visa application decisions.<sup>83</sup>
- 3.84 DIAC told the Committee that it was increasing its service delivery partner network so that it could further expand its footprint in a cost effective way.<sup>84</sup>
- 3.85 The Migration Institute of Australia (MIA) criticised the performance of DIAC on two counts
- the long processing times for visa applications; and
  - the performance of locally engaged staff – their attitude, inconsistent decisions, and lack of compliance with the Migration Act.<sup>85</sup>
- 3.86 DIAC provided details of processing times in a supplementary submission. Figures provided indicate that as at June 2011 there were 5806 offshore visa applications older than 12 months that were still being

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81 DIAC, *Submission No. 21*, p. 2.

82 DIAC, *Submission No. 21*, p. 5.

83 DIAC, *Submission No. 21*, p. 3.

84 Mr Jim Williams, Assistant Secretary, Offshore Biometrics and Operations Branch, *Transcript 10 February 2012*, p. 12.

85 Ms Maureen Horder, Chief Executive Officer, *Transcript 10 February 2012*, p. 56.

processed.<sup>86,87</sup> This compares to DIAC delivering in 2010–11 ‘a migration program of over 168 000 places’ and ‘a humanitarian program of almost 13,800 places that included 8900 visas granted to people outside Australia’.<sup>88</sup>

3.87 DIAC advised that delays in visa processing could result from factors including:

... the need for checks to be completed (eg health and security checking), demand for visas which exceeds Migration Program planning levels, delays where DIAC is awaiting additional information requested from the client or their representative, an unexpected increase in visa applications or a need for the rebalancing of internal resource allocation.<sup>89</sup>

3.88 The issue concerning LES is discussed below.

### **Committee comment**

3.89 Using DIAC figures, the Committee calculates that the 5806 visa applications still awaiting processing after a year at the end of June 2011, represents 3.2 per cent of the migration and humanitarian program visas in 2010–11. The Committee considers that, nevertheless, DIAC should endeavour to reduce the backlog further.

### **Assisting Australians overseas**

3.90 The Committee received evidence on two forms of assistance provided to Australians overseas:

- providing Federal Election services; and
- providing consular services.

### **Federal Election services**

3.91 During Federal Elections all of Australia’s overseas diplomatic posts, and the Honorary Consulate in Vancouver Canada, provide election services.<sup>90</sup> A DFAT or Austrade staff member (depending on which agency manages the post) becomes an Assistant Returning Officer for the conduct of the

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86 DIAC, *Submission No. 46*, p. 4.

87 Afghanistan 1331; China 2981; Vietnam 637; Iraq 300; Pakistan 195; Lebanon 192; Thailand 170.

88 DIAC, *Submission No. 21*, p. 2.

89 DIAC, *Submission No. 46*, p. 4.

90 AEC, *Submission No. 22*, pp. 2–3.

- poll. In addition, the Australian Electoral Commission (AEC) provides an Overseas Liaison Officer to the posts in London and Hong Kong which 'traditionally experience the greatest workload throughout the election period.'<sup>91</sup>
- 3.92 AEC staff provide briefings at DFAT training sessions for staff being deployed to diplomatic posts in the 6 to 12 months before an anticipated election. As well, the AEC provides online training and a procedure manual.<sup>92</sup>
- 3.93 The AEC explained the eligibility criteria for Australians to vote overseas:
- If you are already enrolled you can register as an overseas elector if you are intending to return to Australia within six years. ... [It] is a matter of declaration by the elector ... if you are not enrolled and have been overseas for less than three years you may still be eligible to enrol if you are an Australian citizen aged 18 years or older intending to return to Australia within six years. You cannot enrol for an overseas address. Instead you must enrol in the electorate you were entitled to before you left Australia.<sup>93</sup>
- 3.94 For Australians who are overseas, however, voting is not compulsory.<sup>94</sup>
- 3.95 For the 2010 Federal Election, some 9252 postal vote certificates were sent out by overseas posts, the greatest number being from the London post (2618) followed by the post in Los Angeles (1349). 7351 postal votes were received back by overseas posts (79.6 per cent), but this number does not include postal votes sent direct to the AEC in Australia.<sup>95</sup>
- 3.96 Overseas posts also issued a total of 63 054 pre-poll votes, the greatest number being from London (13 423) followed by Hong Kong (7582).<sup>96</sup>
- 3.97 To determine the demand for election services, especially in countries where Australia did not have diplomatic representation, the Committee sought information on where postal votes had been sent. The AEC provided figures in a supplementary submission.
- 3.98 A total of 17 548 'postal vote certificates were sent to an overseas address from Australia or issued from an overseas post.' Of these 4301 (24.5 per cent) had not been returned.<sup>97</sup>

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91 AEC, *Submission No. 22*, p. 3.

92 AEC, *Submission No. 22*, pp. 3, 5.

93 Mr Ed Killesteyn, Electoral Commissioner, *Transcript 17 February 2012*, p. 5.

94 *Commonwealth Electoral Act 1918*, S 245(7) *Compulsory voting*.

95 AEC, *Submission No. 22*, pp. 11, 13.

96 AEC, *Submission No. 22*, pp. 11, 13.

- 3.99 Using the figures provided by the AEC in its supplementary submission, the Committee has estimated the number of postal vote certificates which were sent to the following countries:<sup>98</sup>
- UK – 6031;
  - US – 3819;
  - New Zealand – 727;
  - Canada – 612;
  - Hong Kong – 457; and
  - Singapore – 424.<sup>99</sup>
- 3.100 The countries where it has been suggested that Australia open a diplomatic post were the destination of very few postal vote certificates – a total of 93.<sup>100</sup>
- 3.101 The cost of overseas voting in the 2010 Federal Election was \$1.1 million, comprising:
- \$800 000 for packaging, dispatch and return of voting materials;
  - \$270 000 for reimbursement of DFAT expenditure; and
  - \$27 000 for reimbursement of Austrade expenditure.<sup>101</sup>
- 3.102 The AEC funds the additional expenditure associated with the election incurred by DFAT and Austrade – staff overtime and the hiring of additional staff who are employed based on the anticipated demand at the post.<sup>102</sup>
- 3.103 The Committee discusses electronic voting in Chapter 4.

### **Consular services**

- 3.104 A core responsibility of Australia's overseas posts is to provide consular services to Australian travellers and citizens living overseas. These include:

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97 AEC, *Submission No. 40*, p. 1.

98 Some of the addresses provided were ambiguous or unclear regarding the country

99 AEC, *Submission No. 40*, pp. 2–15.

100 Czech Republic, 54; Romania, 13; Macedonia, 12; Slovak Republic, 10; Ukraine, 3; Morocco, 1; Venezuela, 0.

101 AEC, *Submission No. 22*, p. 6.

102 Mr Ed Killesteyn, *Transcript 17 February 2012*, p. 7.

... assistance with welfare issues and notarial services, 'whereabouts' inquiries, arrest or detention matters, deaths, and medical emergencies and payment of travellers emergency loans<sup>103</sup> to Australians in need.<sup>104</sup>

3.105 DFAT told the Committee:

Clearly, any Australian government has a responsibility where Australians run into difficulties overseas, particularly difficulties arising from circumstances beyond their own control; for instance, if they get caught up in a natural disaster or if they get caught up in political upheaval. We also have an obligation to assist those Australians who run into the bread and butter problem of losing a passport or having a passport stolen, et cetera.<sup>105</sup>

3.106 DFAT added that sometimes Australians travelling overseas had unrealistic expectations:

... some people think that when they go offshore the rule of law does not apply to them while they are offshore. You sometimes receive an impression from some people that any Australian offshore could not possibly commit a crime. ... you can have Australians who are arrested offshore who are found guilty and sentenced way beyond what we would consider reasonable. ... clearly where Australians are subject to the death penalty overseas, regardless of conviction and the like, we pursue that vigorously ... Australians going abroad do need to understand that not all countries have the same legal system and the same sentencing procedures as we do ...<sup>106</sup>

3.107 The Lowy Institute advised that the number of DFAT's consular cases had 'risen by more than 50 per cent over the last five years to over 200 000 cases annually. By contrast, funding for consular operations has remained almost static, as has staffing.'<sup>107</sup>

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103 Emergency loans are granted, for example to a traveller who has lost their wallet and money. There is an expectation the money will be repaid, but interest is not charged. Passports are not issued if the loan is outstanding, and the loan is not written off unless there is very clear evidence that recovery is unlikely.

Review of DFAT Annual Report 2009–10, *Mr Dennis Richardson, Transcript 27 May 2011*, p. 19.

104 DFAT, *Submission No. 28*, p. 10.

105 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 5.

106 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 5.

107 Lowy Institute, *Submission No. 15*, pp. 12–13. The caseload figure was obtained from DFAT Annual Reports 2005–06 to 2009–10 and information provided to the Lowy Institute by DFAT.

- 3.108 Austrade too had experienced an increase in cases. In 2010–11 it assisted 129 592 Australians – a rise of almost 60 per cent over the previous five years.<sup>108</sup>
- 3.109 While the demand for consular services had increased, government funding for those services had not. Austrade advised that it managed the increased demand within ‘existing funding by flexible use of staff and other resources.’<sup>109</sup>
- 3.110 The Lowy Institute suggested that consular services should be funded in an analogous way to the funding for passport services:
- ... if you get a passport, then you pay a fee and the money goes into a sort of separate revenue stream. The number of people in DFAT issuing passports is hence growing in proportion to the number of passports. It is completely different with consular work. There is no relationship between the resources and the burgeoning caseload, so I would argue we need a model for consular that is analogous to the passport one.<sup>110</sup>
- 3.111 It could be a fee, the Lowy Institute commented – fees were placed on travel for ‘all sorts of different reasons’ and ‘looking after the welfare of Australians when they are travelling would seem to be a perfectly worthy reason to charge people’.<sup>111</sup>
- 3.112 DFAT advised it did not ‘consider it appropriate to charge consular clients for services provided.’<sup>112</sup>
- 3.113 The Lowy Institute also noted that about 20 per cent of Australians travelling overseas did not have travel insurance. It suggested an alternative would be to introduce a way to encourage Australians to take out travel insurance.<sup>113</sup>
- 3.114 DFAT told the Committee that it actively encouraged Australians to take out travel insurance and register on the department’s Smart Travel site. Whether to require travel insurance was a broader policy issue beyond consular responsibilities:
- ... it would require someone to sit down and work out the cost-benefit of whether it is more effective for the government to
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108 Austrade, *Submission No. 26*, p. 8.

109 Austrade, *Submission No. 26*, p. 8.

110 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 11.

111 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 11.

112 DFAT, *Submission No. 45*, p. 1.

113 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 11.

intervene at the front end and provide some sort of insurance for those people, or whether it is more effective not to do anything but to provide assistance to those people who need assistance in some way if the occasion arises.<sup>114</sup>

### **Committee comment**

- 3.115 The Committee considers that meeting the costs of an ever increasing demand for consular services through existing resources is unsustainable. Diverting resources to meet consular demands reduces the ability of DFAT and Austrade to adequately represent Australia overseas.
- 3.116 Provision of consular services should be funded in part from revenue sources such as increased passport fees or other modest travel levies. If travel levies are to be the instrument, the Government should review the feasibility of a tiered levy to take into account those Australians who have taken out travel insurance or who are unable to obtain travel insurance.

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### **Recommendation 12**

- 3.117 **The Committee recommends that the cost of meeting increasing demand for consular services should be met through a combination of increased passport fees and a small hypothecated and indexed travel levy.**

### **Ability of overseas posts to undertake their tasks**

- 3.118 The first part of this Chapter detailed the nature of the activities undertaken at Australia's overseas posts by DFAT and the staff of other departments. The question arises: how adequate is the level of resources that are provided to the departments involved in Australia's overseas representation, and in particular to DFAT? These resources will largely translate into the number of staff, both A-based and locally employed staff (LES).

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114 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 5.



## Level of staffing and budget

- 3.119 The Lowy Institute, focusing on DFAT, commented that DFAT staffing had not kept pace with the growth of the public service since the late 1990s:

The size of the Commonwealth public sector has expanded by 61 per cent since 1997–98. Over this period ... AusAID nearly doubled in size and the Department of Defence grew by nearly 40 per cent. The intelligence community also grew significantly. The Department of the Prime Minister and Cabinet took on new responsibilities, but its staffing expanded by a massive 650 per cent. By contrast, DFAT staffing has essentially flat lined. Budget comparisons tell a similar story.<sup>115</sup>

- 3.120 Recent Budget figures show Government funding for DFAT as being: 2010–11, \$875.6 million; 2011–12, \$824.3 million; and 2012–13, \$878.5 million.<sup>116</sup>

- 3.121 The Lowy Institute told the Committee that in the incoming government brief of September 2010, DFAT had advised it had exhausted ‘opportunities for re-prioritisation and efficiency gains’ and that it would need additional funding if it was to meet the ‘challenge of a more complex, diplomatic world’. The Lowy Institute added:

Since then there has been further demands for efficiency gains: 1.5 per cent per annum as at June 2011, a further 1.25 per cent from 2013–15 and then 1 per cent after that. In November last year that was added to further, taking the efficiency requirements for the department to sustain another 4 per cent for the financial year 2012–13. We are talking about another \$40 million to \$50 million a year which the department is required to sustain. Two years ago it said it could not do anymore; all the cuts had been made. ... The department is required to do more and more with less and less.<sup>117</sup>

- 3.122 The impact of efficiency dividends and budget savings measures was revealed during the 2012 Budget Senate Estimates hearings. DFAT advised that it needed to find savings of \$25–\$30 million and that, when other measures had been taken, the shortfall would require the department to downsize by between 100 and 150 positions. The overseas network and staff training and development would be quarantined, with

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115 Lowy Institute, *Submission No. 15*, pp. 11–12.

116 DFAT, *Additional Estimates Statements 2011–12*, February 2012, p. 38; DFAT, *Portfolio Budget Statements 2012–13*, May 2012, p. 46.

117 Ms Alex Oliver, *Transcript 17 February 2012*, p. 9.

positions being reduced in Canberra through natural attrition and voluntary redundancies.<sup>118</sup>

- 3.123 The Lowy Institute estimated that DFAT's budget now accounted for 'less than 0.2 per cent of GDP [gross domestic product].' This compared to Defence's 1.9 percent of GDP. It suggested DFAT's budget should be '0.3 to 0.4 percent of GDP'.<sup>119</sup> The Lowy Institute added, however, that the increases should be a 'staged investment' because it had 'taken 25 years to run it down and it will take another 25 years to build it back up again'.<sup>120</sup>
- 3.124 DFAT agreed that it had about 5 per cent less staff and about 14 per cent fewer overseas staff than in 1996. In comparison the public service had grown by around 12 per cent over the same period.<sup>121</sup>
- 3.125 The composition of Australia's overseas representatives, however, has changed over the years. The Lowy Institute commented that almost all government departments had international divisions and had increased their overseas representation 'over the last two decades'. While DFAT's workload had consequently eased, staff of other departments were often located at DFAT's overseas posts and therefore had increased the burden of coordination and administration. Staff of other departments also 'rely heavily on the diplomatic skills, local knowledge and contacts of heads of mission and DFAT staff.'<sup>122</sup>
- 3.126 A supplementary submission from DFAT advised there were 599 A-based DFAT staff and 633 A-based staff of other agencies at Australia's overseas posts. A-based DFAT staff are outnumbered by those of other departments in the S & SE Asia and Pacific regions, and in the Americas (excluding the Australia's UN post in New York). There are a further 549 unattached other agency staff working overseas but away from Australia's overseas posts, plus 99 staff working in host government agencies and other bodies.<sup>123</sup>

### **Committee comment**

- 3.127 In Chapter Two, the Committee recommended that Australia should increase its overseas representation. DFAT will not be able to achieve this

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118 Mr Dennis Richardson, Senate Foreign Affairs, Defence and Trade Legislation Committee, *Estimates, Wednesday, 30 May 2012*, p. 12.

119 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 10.

120 Ms Alex Oliver, *Transcript 17 February 2012*, p. 10.

121 DFAT, *Submission No. 28*, p. 15.

122 Lowy Institute, *Submission No. 15*, p. 12.

123 DFAT, *Submission No. 39*, p. 13.

without increased funding. The Committee believes there is merit in apportioning a set percentage of GDP to fund DFAT and has made a recommendation to this effect. This may not be immediately possible in the current environment of financial constraint, but should be achievable in the long term.

- 3.128 The Lowy Institute has recommended the opening of 20 new diplomatic posts. Based on DFAT's estimate of the cost of opening an embassy, '\$25 million over three or four years',<sup>124</sup> this would require additional funding amounting to approximately \$143 million per year.<sup>125</sup> Added to DFAT's 2012–13 appropriation of about \$875 million, total DFAT funding would come to \$1022 million.
- 3.129 Expanding Australia's diplomatic footprint would comprise more than just opening new diplomatic posts – it also entails increasing the number of diplomats at particular posts. DFAT advised the Committee how it would expand the diplomatic network if it was provided with an additional \$75 million per year. This amounted to opening an additional 13 posts as well as increasing the number of diplomats in particular geographic regions.<sup>126</sup>
- 3.130 On this figure, opening 20 new posts, albeit involving several consulates, would require about \$115 million per year. This would bring DFAT's 2012–13 appropriation to approximately \$994 million.
- 3.131 Figures on the DFAT's website indicates that Australia's GDP projected for 2012 amounts to \$1 586 000 million.<sup>127</sup> Therefore the cost of expanding DFAT's diplomatic footprint by 20 posts, as suggested by the Lowy Institute would amount to apportioning DFAT 0.06 per cent of GDP.
- 3.132 The Committee acknowledges that there are likely to be significant additional costs in maintaining an expanded diplomatic network, but apportioning DFAT a reasonable proportion of GDP would be expected to expand Australia's diplomatic footprint to that commensurate with Australia's standing in the OECD.

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124 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 6.

125 (25/3.50) x 20

126 DFAT, *Submission No. 51*, p. 2.

127 DFAT, *Country Brief, Australia*, <<http://www.dfat.gov.au/geo/fs/aust.pdf>> Accessed July 2012.

## Numbers of A-based staff overseas

- 3.133 A response to budgetary constraints can be reducing the number of staff overseas and employing proportionately more LES who are less of a budgetary burden.<sup>128</sup>
- 3.134 The Lowy Institute documented the changes in DFAT's A-based overseas staff noting the decline began in the late 1980s. The number reached a low between 2003 and 2005 when it had shrunk by '45 per cent' compared to 1988–89. It added that DFAT's current A-based overseas staff 'represents a workforce over a third smaller than it was at its highest point in 1988.'<sup>129</sup>
- 3.135 The Lowy Institute noted that 'the proportion of DFAT staff serving overseas is the lowest of the 13 diplomatic services' it had reviewed.<sup>130</sup> The size of Australia's overseas posts has also changed:
- ... the number of small posts (those with three or less Australia-based officers) has grown significantly over the last two decades. These posts are often accredited to a number of countries and are severely constrained in their ability to carry out core diplomatic activities in addition to growing administrative consular burdens. Despite the recent addition of staff on overseas postings, there remain at least 18 posts with only two A-based officers.<sup>131</sup>
- 3.136 DFAT responded that in addition to the 18 two A-based staff posts, there were 17 where there were three A-based staff. It was necessary, however, to look at the small posts individually because for some posts it was:
- ... not unreasonable that there be two people. ... a mission in Malta with two A-based people makes sense in terms of the size and population of Malta and Australia's interests. ... We have two people in Nauru and that probably is fine. But I am sure that, if you went through some of the places where we have three people, you would probably question whether we should not have more.<sup>132</sup>

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128 For example, Defence advised that the on-costs of deploying a Defence Attaché to Europe could annually amount to \$150,000 – allowances, relocation expenses, family needs such as the education of children.

129 Lowy Institute, *Submission No. 15*, p. 7. While the number has increased slightly since the Lowy Institute's submission, the proportion essentially remains the same.

130 Lowy Institute, *Submission No. 15*, p. 8. The countries reviewed were Switzerland, Norway, Republic of Korea, Sweden, Spain, Netherlands, Finland, US, Denmark, UK, Belgium, New Zealand.

131 Lowy Institute, *Submission No. 15*, p. 9. Referring to a DFAT incoming government brief prepared for the Minister for Foreign Affairs.

132 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 8.

- 3.137 In its submission the Lowy Institute recommended:
- Staff numbers should be increased across all functions, and particularly in the consular and policy areas.
  - Staffing in Canberra and at posts should be rebalanced to increase the proportion of our existing diplomats serving overseas by reducing administrative demands and layers of management at headquarters.<sup>133</sup>
- 3.138 DFAT responded that it agreed there needed to be ‘a better balance between people serving abroad and people in Canberra’ and there should be ‘a bigger percentage of our people overseas’. It added that it was achieving that aim.<sup>134</sup>
- 3.139 DFAT told the Committee that it was misleading to compare the proportion of A-based staff serving overseas to the total number of A-based departmental staff because there were areas in the department such as the Australian Passport Office and the department’s corporate ICT area where staff were permanently based in Australia.<sup>135</sup>
- 3.140 Further, referring to figures provided in its submission, DFAT commented:
- ... there [are] 1129 A-based policy staff, of whom 547 are in Canberra and 374 overseas, and you will see that 193 are staff off-line. A good proportion of the policy staff off-line are either doing language training or preparing for overseas posts in some way. So, when you look at policy staff we do not have a small percentage of people overseas; we have a significant percentage of people overseas.<sup>136</sup>

### Committee comment

- 3.141 The Committee recognises that DFAT’s commitment to increasing the percentage of A-based staff serving overseas. This has been exemplified by DFAT quarantining its overseas network from the current plan to reduce staff numbers.

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133 Lowy Institute, *Submission No. 15*, p. 15.

134 Mr Dennis Richardson, *Transcript 19 March 2012*, pp. 3–4.

135 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 3. Figures provided by DFAT indicate that at 31 October 2011, there were 411 Australian Passport Office staff and 145 ICT corporate staff. DFAT, *Submission No. 28*, pp. 223–4.

136 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 6.

- 3.142 The Committee draws attention to DFAT's advice that it would boost the number of A-based staff at overseas posts should it receive additional funding.<sup>137</sup>

### **Language proficiency of staff**

- 3.143 The Lowy Institute drew attention to the foreign language proficiency of DFAT staff. It noted that while language training had increased, as at February 2011, 'only around 10 per cent of DFAT staff have a working level proficiency in an Asian language'.<sup>138</sup>
- 3.144 The AIG also commented that sometimes diplomats with particular language skills were posted to countries with a different language.<sup>139</sup> There was also the problem of staff leaving after having received intensive language training and completing their first posting:

... [DFAT] will immerse people, particularly before a first posting. Then they will go off and do the posting, come back and leave. I think there is about a 50 per cent attrition rate. ... The big investment has been made, so they have come away and they can speak Japanese, Korean or whatever, and then they go and do other things, and go into the commercial sphere. That is a big problem for DFAT.<sup>140</sup>

- 3.145 DFAT responded:

People who have Mandarin, by and large, but not always, do in fact spend a fair amount of time in Mandarin speaking posts. It is a myth that someone who has got Mandarin goes to China one time and then spends the rest of their life doing other things. That can happen, but it would normally happen because the officer either did not want to continue with their Mandarin speciality or may not have been all that good in the job.<sup>141</sup>

- 3.146 DFAT also told the Committee that it needed to over recruit staff with language skills because of the attrition rate:

Firstly, you lose some because they do not want to continue on with the speciality in that country. Secondly, you lose some

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137 DFAT, *Submission No. 51*, pp. 1–2.

138 Lowy Institute, *Submission No. 15*, p. 13. Refers to an answer to a question taken on notice at a Senate Additional Estimates Hearing, 24 February 2011.

139 Mr Innis Willox, *Transcript 27 February 2012*, p. 14.

140 Mr Innis Willox, *Transcript 27 February 2012*, p. 15.

141 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 7.

because the private sector grab them. They have been well trained up and the private sector pay them more. We regularly lose people from that. Thirdly, you lose people sometimes because, while they have the language skills, they do not have the judgement you want with a policy job.<sup>142</sup>

3.147 DFAT advised that in 2010 it had undertaken an internal review of its language training which had identified the need to increase skills in several Southeast Asian languages, and had also resulted in an increase of language designated positions to 163.<sup>143</sup>

3.148 Further, the department advised that:

517 current employees (covering a total of 883 individual language proficiencies\*) [had] been tested to a professional working level proficiency (S3/R3 and above) during their career. ... \*(this number includes 178 employees with multiple language proficiencies)<sup>144</sup>

3.149 Figures provided by DFAT indicate that of the 883 individual language proficiencies, 211 were for a Southeast Asian language.<sup>145</sup>

### **Committee comment**

3.150 The Committee notes that DFAT is meeting the criticism offered by the Lowy Institute by increasing the foreign language proficiency of its staff. The Committee is pleased that DFAT has quarantined foreign language training from its current cost cutting measures.

### **Back-to-back posting of staff**

3.151 The issue of back-to-back postings was also raised by the AIG. It commented that such postings were not DFAT policy which meant returning diplomats had to wait before another posting, probably to a different country 'to broaden you out'. This differed from the British diplomatic service which had back-to-back postings and seemed 'to keep its people longer'.<sup>146</sup>

3.152 DFAT defended its policy of not having back-to-back postings for its policy officers:

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142 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 8.

143 DFAT, *Submission No. 45*, p. 3.

144 DFAT, *Submission No. 28*, p. 19.

145 DFAT, *Submission No. 28*, pp. 35–39.

146 Mr Innis Willox, *Transcript 27 February 2012*, pp. 15, 16.

Policy officers are also required in Canberra. ... [They] provide policy advice to government and draft Cabinet submissions. If something happens overseas it is the policy officers here who provide advice on it ... What about the policy officers back here who also want to work overseas? There is an equity issue. Secondly, if you keep people overseas too long they can sometimes forget the country they come from. That is important to avoid. ... It is important for policy officers in Canberra to actually have experience of the countries they are working on and to have that overseas experience.<sup>147</sup>

### **Committee comment**

- 3.153 The Committee does not accept DFAT's arguments concerning the back-to-back posting of staff. In certain circumstances there are clear advantages for a longer posting in a particular country, such as developing a greater depth of understanding of the country and developing broader networks. The Committee rejects the notion that diplomats on longer postings can 'forget the country they come from.'
- 3.154 The Committee notes that diplomatic services, such as that of the UK which has a network twice the size of DFAT's, have been able to accommodate requests for back-to-back postings.
- 3.155 The Committee believes the issue of back-to-back postings should be reviewed as part of the White Paper, the external review and subject to any increases in funding.

### **Effect on separation rates and morale**

- 3.156 The Committee has sought information concerning the effect of staffing constraints on the numbers of staff leaving DFAT – the separation rate – and the general morale of DFAT staff.
- 3.157 The Lowy Institute told the Committee that, anecdotally:
- ... there is a growing sense of strain and issues with morale because people are overstretched and run a bit ragged. ... I think there are issues there because of this long-term trend we have identified and it is difficult for people.<sup>148</sup>

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147 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 3.

148 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 17.



- 3.158 DFAT subsequently provided figures on staff retention rates and the results of a 2010 staff survey. It stated:

Over the past decade the average separation rate for DFAT was 5.7% compared to an [Australian Public Service] average of 7.1%. ... Staff and funding levels over recent years have had no discernible effect on separation rates. ...<sup>149</sup>

- 3.159 The DFAT separation rates are consistently (between 0.5 and 3.0 per cent) below of those of the Australian Public Service (APS) except for 2003–04 (6.2 compared to 6.0) – one of the years identified by the Lowy Institute as being the low point for the numbers of Australian diplomats serving overseas.<sup>150</sup>

- 3.160 DFAT advised that its 2010 staff survey ‘showed that staff perceptions and attitudes towards working in DFAT were positive’:

Around three-quarters of staff were satisfied with their job and with DFAT as an employer. Almost nine in ten staff (85%) are proud to work in DFAT (well above the APS large average of 68%).<sup>151</sup>

### **Committee comment**

- 3.161 On the surface it would appear DFAT’s staff morale, shown by retention rates and surveys, is good. Staff surveys, however, can be an inexact instrument. Without examining the survey in detail – for example, the questions and level of anonymity – it is difficult to draw a firm conclusion.

### **Locally engaged staff**

- 3.162 Evidence provided to the Committee shows that the majority of staff working in Australia’s overseas posts and offices were locally engaged.

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149 DFAT, *Submission No. 45*, p. 8.

150 Lowy Institute, *Submission No. 15*, p. 7.

151 DFAT, *Submission No. 45*, pp. 8-9.

**Table 3.1: Proportion of locally employed staff at overseas posts and offices**

<b>Agency</b>	<b>Total overseas staff</b>	<b>Locally engaged staff</b>	<b>% Locally engaged staff</b>
DFAT <sup>152</sup>	2260	1661	73
Austrade <sup>153</sup>	566	496	88
AusAID <sup>154</sup>	760	548	72
DIAC <sup>155</sup>	1154	1026	89
DAFF <sup>156</sup>	33	21	64
DIISRTE <sup>157</sup>	40	28	70
Customs <sup>158</sup>	22	9	41
Defence <sup>159</sup>	308	213	69
AFP <sup>160</sup>	179	87	49

3.163 Witnesses identified several advantages of employing LES, including:

- cost savings – DIAC told the Committee that the costs of converting its more than 1000 LES into A-based positions would cost ‘hundreds of millions’ of dollars;<sup>161</sup>
- providing posts with local knowledge and local language capability;<sup>162</sup>
- providing expertise;<sup>163</sup> and
- providing higher management skills, sometimes involving supervision of A-based staff.<sup>164</sup>

3.164 Austrade told the Committee that on occasions its locally engaged consular staff were brought to Australia to participate in DFAT consular

152 DFAT, *Submission No. 28*, p. 15.

153 Austrade, *Submission No. 43*, p. 1.

154 Mr Peter Baxter, *Transcript 17 February 2012*, p. 31.

155 DIAC, *Submission No. 21*, p. 4.

156 DAFF, *Submission No. 12*, p. 1.

157 Mr Colin Walters, *Transcript 10 February 2012*, p. 37.

158 Mr Michael Pezzullo, *Transcript 10 February 2012*, p. 23.

159 Defence, *Submission No. 27*, p. 3.

160 AFP, *Submission No. 24*, p. 4.

161 Mr Peter Vardos, *Transcript 10 February 2012*, p. 10.

162 Mr Peter Vardos, *Transcript 10 February 2012*, p. 10.

163 Mr Peter Grey, *Transcript 10 February 2012*, p. 46.

164 Mr Peter Baxter, *Transcript 17 February 2012*, p. 31.

training courses.<sup>165</sup> The Committee observes that this would enable a greater understanding of Australia and Australian culture.

3.165 The hiring of LES can, however, impact small labour markets. AusAID told the Committee:

... we have a higher ratio of A-based to locally engaged staff in the Pacific because the labour markets are small and the availability of high levels of local expertise are fairly thin on the ground. There is also another reason, in that we do not want to hire all of the good people out of the national government and have them working on the aid program. The brain drain is something that we are very conscious of.<sup>166</sup>

3.166 A further risk was identified by the AIG:

... there probably needs to be a much more co-ordinated effort put into getting [LES] to understand the Australian dynamic and what the Australian environment is like. You quite often see that they do not quite have their heads in the right places, particularly related to the latest political or economic developments in Australia or just generally what is going on in Australia. There is a great vagueness there in many cases.<sup>167</sup>

3.167 The MIA was more specific and listed concerns about the poor client service provided by some LES employed by DIAC at overseas posts. The criticisms included:

- arrogant, condescending or rude attitude of staff ... ;
- poor knowledge of immigration law and natural justice, and inaccurate advice and/or responses given ... ;
- inconsistency and bias in decision-making and failure to take into account valid evidence/policy/legislation ... and case officers conducting one-sided interviews ... ;
- poor record-keeping ... ;
- cultural insensitivity. For example, ... [failure to] understand cultural issues relating to marriage, family obligations, and other norms in cultures ... ;
- poor English language competency of staff.<sup>168</sup>

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165 Mr Peter Grey, *Transcript 10 February 2012*, p. 50.

166 Mr Peter Baxter, *Transcript 17 February 2012*, p. 31.

167 Mr Innes Willox, *Transcript 27 February 2012*, p. 9.

168 MIA, *Submission No. 33*, p. 2.

- 3.168 The MIA emphasised to the Committee that its criticism was not directed at DIAC,<sup>169</sup> but concerned the influence of individual LES case officers when applications were initially processed offshore:

It also depends on the particular case officers who may be at posts over two or three years ... some of these posts start to make very significant ... about 10, 15 or 20 per cent of a caseload being refused and on its way to the Migration Review Tribunal. ...

It varies over a period of time. It also varies from post to post. ... they have their prejudices – ...

Racial, religious, sexual in some cases, age. A lot of it is actually based on race and also on religious grounds. They will process a case according to those prejudices. Some cases go through very quickly and very easily. Others get bogged down in the minutiae and you are just forever spending time and time again trying to satisfy each of the requirements.<sup>170</sup>

- 3.169 The MIA told the Committee that LES tended to discriminate against other nationalities especially in Europe, the Middle East and Africa.<sup>171</sup> The overseas DIAC offices which were identified in the MIA's submission were: Hanoi, Laos, Sri Lanka, China, USA, Brazil, Cairo, and Thailand.

- 3.170 The MIA added that while A-based DIAC officers were ultimately responsible for applications at overseas posts and there was a review process, applicants were reluctant 'to lodge a complaint because of possible retribution.' It called for more A-based officers to be deployed especially in posts which were 'frequently cited in complaints' and, if necessary, improve LES 'training, rotations and reviews.'<sup>172</sup>

- 3.171 DIAC told the Committee that to replace its LES with A-based staff would be impossible to fund and would deny the department with a 'very critical resource' which understood the local environment. It endeavoured to look for an ethnic balance in its offices and if necessary constructed the jobs and duties to achieve that aim.<sup>173</sup>

- 3.172 Nevertheless, it employed LES staff on a merit basis:

We select the best people available to do the job, regardless of their ethnicity, religion or other affiliations, but certainly, we are aware

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169 Ms Maureen Horder, Chief Executive Officer, *Transcript 10 February 2012*, p. 56.

170 Mr John Hourigan, Member, *Transcript 10 February 2012*, p. 60.

171 Mr John Hourigan, *Transcript 10 February 2012*, pp. 57–8.

172 MIA, *Submission No. 41*, p. 2.

173 Mr Peter Vardos, *Transcript 10 February 2012*, p. 11.

of the nuances that exist in the countries in which we operate. ... the ethnic rivalries and the other issues that come into play.<sup>174</sup>

3.173 DIAC added that it explained the reasons for its decisions:

... yes we do provide answers, which are often not accepted, but there are appeal mechanisms. We accept the fact that if someone feels that they have been discriminated against they have access to a range of bodies that they can appeal to. We can be pursued for defective administration, bias, the failure of our duty of care, et cetera, and people do pursue those avenues of appeal. ...

I would say we are accurate in 99.99 per cent of the time, but we do make errors.<sup>175</sup>

3.174 The department was expanding its network of third party providers – Service Delivery Partners – to provide additional access to its services overseas. These partners:

... do not make visa decisions but their services include receiving visa applications and charges, delivering applications to the relevant DIAC office, providing basic client information, arranging client appointments and returning passports.<sup>176</sup>

### **Committee comment**

3.175 The Committee has not tested the specific allegations of the MIA through seeking a response from DIAC. It is clear to the Committee, however, that as A-based staff numbers are reduced and LES become more numerous, there is a risk of inadequate supervision. This may allow some LES to indulge any prejudices in processing visa applications.

3.176 Introducing Service Delivery Partners removes applicants further from DIAC's A-based decision-makers.

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174 Mr Peter Vardos, *Transcript 10 February 2012*, p. 11.

175 Mr Peter Vardos, *Transcript 10 February 2012*, p. 11.

176 DIAC, *Submission No. 21*, p. 3.

### Recommendation 13

3.177 **The Committee recommends that the Department of Immigration and Citizenship engage in an ongoing dialogue with interested parties, including the Migration Institute of Australia, to identify poor client service performance by locally engaged staff at overseas offices and by Service Delivery Partners, with the aim of strengthening the performance management and training for underperforming overseas staff and Service Delivery Partners.**

### Conclusion

3.178 The Committee welcomes the candour with which DFAT responded to the comments and criticisms of the Lowy Institute, and in providing information about how it would expand Australia's diplomatic network should it be provided with increased funding.

3.179 The Committee notes that both Austrade and AusAID have undergone recent independent reviews, but it is some time since DFAT was reviewed.<sup>177</sup>

3.180 AusAID told the Committee that its external review was 'very important' because it injected new ideas, allowed community engagement with the AusAID program, corrected inaccurate perceptions of AusAID's work, and provided a clear 'strategic policy direction'.<sup>178</sup>

3.181 Recent increases to Australia's aid budget and consequent increase in AusAID staff are likely to increase demands on DFAT's infrastructure and accommodation resources. The Committee notes that several posts which Parliamentary delegations have visited are severely constrained in the provision of infrastructure and accommodation.

3.182 The Committee considers that an external review would provide a timely evaluation of DFAT's effectiveness and provide it with a strategic direction to meet Australia's needs into the future. It could also evaluate DFAT's capacity to meet the needs of agencies that use its resources.

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177 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 9.

178 Mr Peter Baxter, *Transcript 17 February 2012*, p. 37.

3.183 In Chapter Two, the concept of the ‘badge of Government’ through Austrade and DFAT support and advocacy was raised as providing value to Australian companies operating overseas. On rare occasions businesses operating abroad conduct themselves in such a way that reveal them to be behaving with a lack of integrity and probity. Such activities risk tainting any badge of Government association. It is therefore important that DFAT have in place strategies and procedures to ensure the integrity and probity of Australian businesses with which it becomes associated.

#### **Recommendation 14**

3.184 **The Committee recommends that there be an external review of the Department of Foreign Affairs and Trade. The terms of reference for the review should include, but not be limited to:**

- **ensuring the Department is able to effectively carry out the Government’s priorities as identified in its White Paper;**
- **strategies and procedures to ensure the integrity and probity of Australian businesses with which the Department’s overseas operations become associated;**
- **ensuring effective resource allocation of current and any additional funding;**
- **the efficiency and effectiveness of multiple country accreditation and representation;**
- **back to back postings of A-based staff;**
- **the capacity of posts to provide infrastructure and accommodation to meet the needs of increases in AusAID staff and staff other agencies;**
- **examining the use of locally engaged staff; and**
- **ensuring that the Department has the capacity to attract and retain high quality staff.**





## **E-diplomacy**

### **Introduction**

- 4.1 This Chapter discusses the effect of e-diplomacy and information and communication technology (ICT) on the activities of diplomatic posts.
- 4.2 In the first part of the Chapter, the Committee discusses the definition of e-diplomacy and the changing nature of diplomacy in the face of new communication technologies.
- 4.3 The Committee then outlines the current e-diplomacy regime in Australia and issues raised about its effectiveness.
- 4.4 The Chapter concludes with an examination of the opportunities, costs and challenges in improving Australia's engagement with e-diplomacy and how this might affect on-the-ground representation.

### **Defining 'e-diplomacy'**

- 4.5 The Lowy Institute acknowledged that the term 'e-diplomacy' is still being defined, and adopted a broad working definition of e-diplomacy as 'the use of the web and ICT to help carry out diplomatic objectives'.<sup>1</sup>

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1 Lowy Institute, *Submission No. 15*, p. 18.

- 4.6 A witness from the Lowy Institute told the Committee that he had undertaken extensive research into the emerging role of e-diplomacy at the US State Department.<sup>2</sup> He commented that e-diplomacy was more than the use of either social media or public diplomacy:

... e-diplomacy is not just about diplomats getting on Facebook and Twitter and promoting government messages; most of it is invisible to the public.<sup>3</sup>

### **A new technological environment for diplomacy**

- 4.7 Submissions to the Inquiry emphasised the transformative effects that new communication technologies were having on traditional methods of diplomacy.
- 4.8 The Lowy Institute discussed the importance of new media in a changing international environment:

There are a lot of new actors out there that can affect our interests, whereas traditionally it was okay just to go in and hand over your third-person note to the desk officer in the foreign ministry. That is not good enough in a world where you have everything from global NGOs through to social movements and terrorist organisations, all of which can affect our interests. We have to be much more broad ranging and much more creative in reaching out and engaging those actors, so the internet and social media are very important components.<sup>4</sup>

### **Empowerment of non-state actors**

- 4.9 The Lowy Institute advised the Committee that the spread of new communication technology, illustrated by the presence of around one billion web-enabled phones worldwide, was empowering non-state actors:

The Arab Spring clearly highlighted at least some of the implications of this new reality, particularly in developing countries: revolutions can now be dramatically accelerated (reducing diplomatic decision time frames) and largely leaderless.<sup>5</sup>

- 4.10 The Lowy Institute added that these trends were particularly significant for Australia considering that it is located in a region where 22 of 24

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2 Lowy Institute, *Revolution @State: The Spread of Ediplomacy*, March 2012.

3 Mr Fergus Hanson, *Transcript 17 February 2012*, p. 19.

4 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 11.

5 Lowy Institute, *Submission No. 15*, p. 20.

neighbouring countries were developing or fragile states, the citizens of which were embracing communication technology.<sup>6</sup>

- 4.11 The Lowy Institute discussed how this new paradigm is impacting on the way that diplomats go about their business:

... online influencers, in key areas of interest to Australia, have become legitimate and important diplomatic contacts, because of the role they play in shaping and influencing debates.

Traditionally, identifying influencers has involved a degree of art and intuition, but the digital nature of the online space means diplomats should be using empirical data derived from analytic tools, not guesswork, to identify these influencers.<sup>7</sup>

### **Internet freedom and transparency**

- 4.12 The Lowy Institute suggested that the spread of new technologies had opened up 'new pressing and potentially ideological debates', and that perhaps the biggest was the debate over internet freedom:

This debate has assumed a higher profile in the wake of the Arab Spring as governments across the world have come to appreciate the power of connective technologies in disrupting previous power structures and in dramatically accelerating social and political movements. This has led many states to seek to censor, control and monitor Internet traffic.<sup>8</sup>

- 4.13 The Lowy Institute outlined the US agenda of promoting internet freedom, and asserted that Australian policy was somewhat at odds with this agenda.<sup>9</sup> The Lowy Institute continued:

Regardless of Australia's current policy position, if the US and UK analysis is correct, then as a democratic, Western country and US ally it is likely Australia will increasingly be called upon to actively engage on the issue of Internet freedom at a diplomatic level as part of its human rights, democracy, free trade and rule of law interests.<sup>10</sup>

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6 Lowy Institute, *Submission No. 15*, p. 21.

7 Lowy Institute, *Submission No. 15*, p. 21.

8 Lowy Institute, *Submission No. 15*, p. 21.

9 Lowy Institute, *Submission No. 15*, p. 21.

10 Lowy Institute, *Submission No. 15*, p. 21.

4.14 The Lowy Institute told the Committee that DFAT was 'uncomfortably perched' between 'a world which was about controlling information' and 'a world which was about exchanging information':

... there needs to be a sort of recognition that it is totally appropriate that some information which is sensitive remains in channels which can manage it and make sure the people who need it see it, but not others. But the mindset should be that most information is open and frankly, not that sensitive, and we should exchange it more freely. It is a shift of the onus, if you like, towards sharing and opening up the information away from holding it tight.<sup>11</sup>

## Australia's current e-diplomacy regime

4.15 Australian Government agencies use ICT systems and web-based communication platforms for a number of activities comprising:

- online public diplomacy;
- knowledge management;
- internal communication and global connectivity;
- consular service delivery;
- overseas voting in Australian elections; and
- responding to disasters and international crises.

## Online public diplomacy

4.16 The impact of e-diplomacy on the activities of posts is most visible in the area of public diplomacy. Evidence to the Inquiry focused on the opportunities and challenges created by technology on the conduct of public diplomacy, both in relation to traditional public websites and newer forms of social media.

4.17 In 2007 the Senate Standing Committee on Foreign Affairs, Defence and Trade produced a report into the nature and conduct of Australia's public diplomacy. The report defined public diplomacy as:

... work or activities undertaken to understand, inform and engage individuals and organisations in other countries in order to shape

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11 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 11.

their perceptions in ways that will promote Australia and Australia's policy goals internationally.<sup>12</sup>

- 4.18 DFAT emphasised that its digital media presence was a tool for advancing the department's priorities in public diplomacy and that it was an important part of its business:

DFAT delivers innovative and strategic public diplomacy as a core component of its daily work. We invest considerable energy and resources in long-term public diplomacy activities to advocate Australia's interests internationally, manage adverse perceptions and build images of Australia as a dynamic and diverse nation. DFAT also communicates with Australian audiences about the delivery of consular and passport services to the travelling public and about DFAT's role in advancing Australia's national interests globally.<sup>13</sup>

- 4.19 The ANZ Bank made the point that as a small country Australia should be focused on public diplomacy and, in particular, e-diplomacy because 'in the absence of deep people-to-people links with many of our regional neighbours, it is one of the most important tools the Government can use to influence our external environment'.<sup>14</sup>

## Public Websites

### Department of Foreign Affairs and Trade websites

- 4.20 DFAT's primary internet platform for public diplomacy is the department's public website. Ensuring its websites met the needs of clients and stakeholders is a key priority for DFAT.<sup>15</sup>
- 4.21 DFAT has over 100 websites comprising: the main departmental website, the *Smartraveller* website, and the individual websites of overseas posts. DFAT's main website attracted 5 million unique visitors per year while *Smartraveller* attracted over 30 million hits per year.<sup>16</sup>
- 4.22 DFAT improved the performance of its public websites, recently re-designing the *Smartraveller* website by making it more intuitive and incorporating social media and videos. The website was embedded with

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12 Senate Standing Committee on Foreign Affairs, Defence and Trade, *Australia's public diplomacy: building our image*, August 2007, p. 12.

13 DFAT, *Submission No. 28*, p. 21.

14 ANZ Bank, *Submission No. 19*, p. 2.

15 DFAT, *Submission No. 28*, p. 21.

16 DFAT, *Submission No. 28*, p. 21.

an e-learning tool intended to improve DFAT's engagement with the travel industry by better explaining its products and services.<sup>17</sup>

- 4.23 DFAT also introduced a mobile version of *Smartraveller* to target the increasing use of smart phones by the Australian public, enabling travellers to register their itinerary with DFAT and more conveniently access information that could affect their safety and security.<sup>18</sup>
- 4.24 DFAT noted that the *Smartraveller* enhancements have been the most significant recent development in new digital media platforms for the department.<sup>19</sup>

#### **Other Australian Government agency websites**

- 4.25 The Committee received input from other Government agencies on the importance of their websites in communicating to the wider public both in Australia and overseas.
- 4.26 AusAID advised the Committee of the importance of its public websites in directly connecting with individuals and organisations domestically and internationally. AusAID made particular reference to the use of its website to implement its Transparency Charter, which committed the agency to deliver clear, accessible and timely reporting on its aid activities. This was done via the publication of regularly updated information and data about its country program activities, including expenditure, results and annual performance reports.<sup>20</sup>
- 4.27 DAFF also commented on the usefulness of its departmental website as a tool for public diplomacy:
- ... we publish profiles of our overseas staff and their contact details. We also provide updates on Free Trade Agreement negotiations and market access issues and successes. We have pages dedicated to quarantine where we provide e-brochures in support of biosecurity and protecting Australia's agriculture.<sup>21</sup>
- 4.28 DIAC told the Committee that the web was the principal tool for conveying information to people who were in locations where DIAC did not have an office.<sup>22</sup> For example, DIAC's website provided easily accessible information on how to apply for Australian citizenship and a broad range of Australian visas, including a tool enabling clients to

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17 DFAT, *Submission No. 28*, p. 22.

18 DFAT, *Submission No. 28*, p. 22.

19 DFAT, *Submission No. 28*, p. 23.

20 AusAID, *Submission No. 24*, p 15.

21 DAFF, *Submission No. 12*, p. 4.

22 Mr Peter Vardos, *Transcript 10 February 2012*, p. 16.

identify which visa category was appropriate for their specific circumstances.

- 4.29 The DIAC website also facilitated the electronic lodgement of a broad range of visas. This will be discussed later in this Chapter under Consular Service Delivery.

## Social media

### Department of Foreign Affairs and Trade

- 4.30 DFAT outlined its approach to the increasing prominence of social media:

This shift towards social networking technologies has been most apparent in the area of e-diplomacy. DFAT recognises new digital media platforms present bold opportunities to broaden and deepen our digital reach. At the same time DFAT maintains a measured approach to adopting social media formats.<sup>23</sup>

- 4.31 DFAT headquarters' engagement with social media consisted of a departmental Twitter account and YouTube channels.
- 4.32 DFAT established a generic Twitter account in April 2011 with the stated aim of 'reach[ing] a wider and increasingly mobile audience, including people with limited internet access and travellers who may rely on Twitter for information'.<sup>24</sup> DFAT's Twitter account had 7859 followers as at 31 May 2012.
- 4.33 Four YouTube channels have been established by DFAT since December 2010 and consisted of a generic departmental channel and Ministerial channels.<sup>25</sup>
- 4.34 DFAT advised the Committee that it planned to increase the department's use of new media platforms in the near future, including:
- the launch of a DFAT *Smarttraveller* app for iPhones,<sup>26</sup> and
  - the development of in-house production capabilities to increase the volume of material on DFAT and Ministerial YouTube accounts.<sup>27</sup>

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23 DFAT, *Submission No. 28*, p. 22.

24 <[http://www.dfat.gov.au/publications/public-diplomacy-handbook/part\\_five.html#onlineadvoc](http://www.dfat.gov.au/publications/public-diplomacy-handbook/part_five.html#onlineadvoc)> Accessed May 2012.

25 <[http://www.dfat.gov.au/publications/public-diplomacy-handbook/part\\_five.html#onlineadvoc](http://www.dfat.gov.au/publications/public-diplomacy-handbook/part_five.html#onlineadvoc)> Accessed May 2012.

26 DFAT, *Submission No. 28*, p. 22.

27 DFAT, *Submission No. 28*, p. 23.

- 4.35 Engagement with social media in DFAT is also undertaken by posts, which included a Facebook page for the Australian embassy in Jakarta.<sup>28</sup>
- 4.36 DFAT provided examples of posts successfully using social media:
- The Australian Embassy in Beijing, in January 2011, set up three Chinese language social media sites, similar to Facebook, Twitter and YouTube, to support Imagine Australia: Year of Australian Culture in China ([www.imagineaustralia.net](http://www.imagineaustralia.net)). Of the three, the Sina microblog has attracted most attention, exceeding 88,000 subscribers by July 2011. The three sites will ... build its existing follower base as a means of promoting both the Global China Dialogue and the 40<sup>th</sup> anniversary of diplomatic relations in 2012.
  - The Australian Embassy in Seoul has been using YouTube and a Korean language i-Phone application since January 2011 to promote events associated with Australia-Korea Year of Friendship 2011 - the bilateral 'Year of Friendship' program marking the 50th anniversary of diplomatic relations ([www.australiakorea50.com](http://www.australiakorea50.com))
  - ... Our posts in New Delhi and Pretoria established Facebook and Twitter accounts for the 2010 FIFA World Cup and 2010 Commonwealth Games respectively, while the Embassy in the Holy See established a Twitter account for the canonisation of St Mary MacKillop.<sup>29</sup>

### Other Australian Government agencies

- 4.37 AusAID,<sup>30</sup> Austrade<sup>31</sup> and DIAC<sup>32</sup> also advised the Committee about their engagement with social media platforms including YouTube, Twitter, Flickr and LinkedIn as tools for enhancing awareness, promoting events and programs and providing information to the public.
- 4.38 AusAID also told the Committee that it was using social media tools to increase the transparency of Australia's aid program:

In response to the need to communicate to a wide audience and the demand for more frequent communication of the aid program's outcomes, AusAID is investing in public diplomacy and communications tools, such as the 'Engage' blog and AusAID's twitter feed, which aim to reach a wider audience. In

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28 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 3.

29 DFAT, *Submission No. 28*, pp. 22-3.

30 AusAID. *Submission No. 23*, p. 15.

31 Austrade, *Submission No. 26*, p. 11.

32 Mr Peter Vardos, *Transcript 10 February 2012*, p. 16.



doing this, AusAID is making itself more accountable for its work.<sup>33</sup>

- 4.39 Austrade provided the Committee with a case study on how it used social media to deliver key marketing and promotional messages on trade, investment and education in Australia:

... Austrade established a Study in Australia Facebook page in 2009 to help promote an education exhibition in Indonesia. Using Facebook's internal advertising tool, an advertisement for the exhibition was created to promote it directly to Indonesian Facebook users. Approximately 200 users confirmed their attendance through the page and 1,500 Facebook users declared themselves as fans of the Study in Australia Indonesia page. The number of fans to this Facebook page has since risen to over 10,000. The page was used to promote another education event in early 2011, following which surveys revealed that 10 per cent of attendees reported the Facebook page as the reason for their attendance.<sup>34</sup>

- 4.40 DIISRTE's education counsellors used new media to advance their role of supporting the growth of Australia's international education links by 'confidence building cooperation strategies with government representatives and other major stakeholders':

In both China and India we have established blog services and we are monitoring carefully how they develop. A Twitter service for students in Chinese was established by AEI China Sina Weibo in May 2011, and it has over 10,000 subscribers. The service was recently ... honoured with an award at the annual sina.com education gala.<sup>35</sup>

- 4.41 Customs also used social media as a tool for public diplomacy to 'engage in strategic communications and market research in relation to maritime people smuggling'.<sup>36</sup> Customs had undertaken research into the attitudes of people regarding such travel to Australia, and whether they were aware of the dangers. 'Overt and sanctioned communications campaigns' were also conducted to provide factual information to communities where people smuggling crews were being recruited.

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33 AusAID, *Submission No. 24*, pp. 15-16.

34 Austrade, *Submission No. 26*, p. 11.

35 Mr Colin Walters, *Transcript 10 February 2012*, p. 37.

36 Mr Michael Pezzullo, *Transcript 10 February 2012*, p. 27.

4.42 Customs added it was constantly looking at how to reach people through the Internet and through the 'apps they have on their smart phones and the like'.<sup>37</sup>

### Criticisms of DFAT's online public diplomacy

4.43 Criticisms of the use of the internet for public diplomacy focussed on DFAT's:

- Australian embassy websites;
- risk aversion to social media;
- vulnerability to 'nation brand damaging incidents'<sup>38</sup>;
- failure to keep up with the leaders in e-diplomacy; and
- lack of engagement with the Australian community.

### Australian embassy websites

4.44 The Lowy Institute criticised the public websites of Australian embassies overseas as being:

... among the worst websites hosted by any arm of the Federal government and do nothing to capitalise on the main reason people visit the websites (for visa and immigration purposes). There is no serious effort, for example, to promote major Australian exports like education and tourism or to attract quality skilled migrants.<sup>39</sup>

4.45 Others expressed a similar sentiment. ACT Labor FADTC characterised Australia's embassy websites as 'quite old and tired'.<sup>40</sup> UMD told the Committee that the 'problem with the [Australian embassy in Belgrade's] website is that it is very basic and has no imagination'.<sup>41</sup>

4.46 DFAT agreed that some of the Lowy Institutes criticisms of their websites were justified:

I would let their criticism stand. I do not think we are in the business of defending everything we do as being the best. I think some of their criticisms of our website are probably justified.<sup>42</sup>

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37 Mr Michael Pezzullo, *Transcript 10 February 2012*, pp. 27–8.

38 Lowy Institute, *Submission No. 15*, p. 21.

39 Lowy Institute, *Submission No. 15*, p. 23.

40 Mr Andrew Carr, *Transcript 10 February 2012*, p. 53.

41 Mr Ordan Andreevski, *Transcript 23 February 2012*, p. 21.

42 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 9.

### **Risk aversion to social media**

4.47 A number of organisations also identified excessive risk aversion as a contributing factor to DFAT's perceived failure to harness social media as a tool for public diplomacy.

4.48 The Lowy Institute commented that DFAT's risk aversion in relation to social media engagement needed to be rethought:

DFAT needs to increase its risk appetite and be ready to back its staff when controversies surrounding new media arise. To use ediplomacy effectively requires acceptance of higher risk, for example, a small controversy erupted over a British Ambassador's blog post commenting on Ayatollah Fadlallah. This needs to be put in context: the [ UK Foreign and Commonwealth Office] has posted over 4,000 blogs over three years and estimates these have resulted in just three controversies.<sup>43</sup>

4.49 The Lowy Institute expanded on this point:

At the moment DFAT has one Twitter feed. They have trialled in a few ad hoc social media sites in China and Korea. ... I would recommend that every ambassador is essentially, if not made to, then strongly encouraged to get on social media. ... If there are middle ranking officers that want to try to use social media in their work they should be encouraged to do that. The fear in a lot of foreign ministries is that this creates some sort of enormous sense of risk and I think that is just not the case ...<sup>44</sup>

4.50 The ACT Labor FADTC also told the Committee that in order to effectively communicate Australia's message via new media, 'DFAT staff need to know that they will be backed if they do make a mistake occasionally'.<sup>45</sup>

4.51 DFAT advised the Committee that it was 'giving the opportunity and discretion for heads of mission in large posts to pursue e-diplomacy initiatives where they think it is worthwhile in their own setting':

Our embassy in Jakarta is going down the path of Facebook and the like. Our embassy in Beijing established the equivalent thereof for the Year of Australian Culture in China; however, the embassy

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43 Lowy Institute, *Submission No. 15*, p. 24.

44 Mr Fergus Hanson, *Transcript 17 February 2012*, p. 22.

45 Mr Andrew Carr, *Transcript 10 February 2012*, p. 53.

there has just been given the tick to go down that path more extensively.<sup>46</sup>

- 4.52 The Committee sought comments on the potential risks of social media as a tool for public diplomacy in countries where relations are strained, such as Iran. In response, DFAT also qualified its movement towards giving ambassadors greater autonomy in their use social media as a tool of diplomacy:

I would not do it in respect of Iran ... because we have diplomatic personnel in Iran and their safety on the ground is more important to me than an e-diplomacy effort into Iran. If we were to ... seek to foster what we think might be particular directions or particular policies in respect of Iran, we would need to do that very carefully ... What you do in different countries will depend very much on the circumstances of those countries.<sup>47</sup>

#### **Vulnerability to 'nation brand damaging incidents'**

- 4.53 The Lowy Institute commented on the need for DFAT to play a role in using social media to respond quickly to incidents that damage Australia's reputation:

It is unrealistic to have a traditional, old-school approach to this where you write to the newspaper editor or have a press statement or a media conference a couple of days later after you have had a chance to think about it. People demand that it is instantaneous.<sup>48</sup>

- 4.54 As an example, the Lowy Institute identified DFAT's lack of engagement with social media as limiting Australia's ability to defend itself against 'nation brand damaging incidents' such as the 2009 attacks on Indian students in Australia:

Events such as the Indian student crisis have the potential to do far more damage to Australia's reputation and commercial interests, because damaging information can be spread so rapidly and so extensively online. Online forums are critical in many of these instances, but DFAT's knowledge of online influencers is limited, its presence in online forums is non-existent or minimal and it has no digital knowledge centre to draw upon in preparing a rapid response. The rules of the game have changed, but so far diplomatic processes are yet to adapt.<sup>49</sup>

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46 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 3.

47 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 3.

48 Mr Fergus Hanson, *Transcript 17 February 2012*, p. 22.

49 Lowy Institute, *Submission No. 15*, p. 21.

- 4.55 DIISRTE commented that the Indian student crisis had contributed to a recent decline in student numbers and noted that international education was Australia's third largest overseas earnings sector.<sup>50</sup> It described how the issue quickly developed even though India had no permanent reporters in Australia:

[It] started as a result of social media interactions between students in Australia and people in India, be they media people or others. All of the images transmitted 24 hours across the many TV stations in India actually came largely from people who had taken those photographs and media clips on their mobile phones and sent them across. It just illustrates the power of the new media.<sup>51</sup>

- 4.56 The Lowy Institute provided the Committee with a examples of how e-diplomacy, and in particular social media, could be used to further Australia's diplomatic objectives in the context of the Indian student crisis:

First of all, it is very difficult to engage in these conversations from a standing start. You have to have some kind of presence in these social media forums if you want to have your voice heard ...

The second part is in the same way that a good diplomat will go out, meet with and form relationships with the key opinion shapers in traditional media, politics and business, now it is incumbent on a good diplomat to go out and meet the key opinion shapers in the online space and form relationships with them so that when a crisis breaks or when they need to try to exert influence in a particular area, they can try and make the best case to these powerful influences in the online world ...

The third element is that you need to have a team ready for exactly these types of incidents where they can respond rapidly and develop a communication strategy that brings in the key decision makers, that makes sure that the statements that they are making are consistent with the government line and that they craft a strategy that they think is going to play well in that local audience.<sup>52</sup>

- 4.57 DIISRTE added that it was important to engage in dialogue on the Internet rather than simply transmit government messages:

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50 Mr Colin Walters, *Transcript 10 February 2012*, p. 36.

51 Mr Colin Walters, *Transcript 10 February 2012*, p. 38.

52 Mr Fergus Hanson, *Transcript 17 February 2012*, pp. 21-2.

... if you have a blog you cannot just use it as a propaganda channel. It does not work that way, because if you want people to interact then you have to have a real dialogue. That has a multiplier effect, because for every tweet subscriber you get ... they will tweet the thing on to another five subscribers ... and you will have this kind of dialogue going and it is better to do that than just to try and run something as a propaganda channel.<sup>53</sup>

### **Failure to keep up with the leaders in e-diplomacy**

4.58 A number of submissions suggested that Australia was not keeping up with best practice in e-diplomacy.

4.59 The Lowy Institute told the Committee that Australia is 'underdone compared with the UK, certainly, and the US, which is moving very fast' on e-diplomacy.<sup>54</sup> UMD also endorsed the US State Department's use of social media and recommended that DFAT should do the same.<sup>55</sup>

4.60 The Lowy Institute added that the US State Department ran:

... about 600 social media platforms just on Facebook. That is not even counting the Chinese platforms or individual country platforms; it is just the major ones. They reach an audience, directly, of 8 million people a day.<sup>56</sup>

4.61 The ACT Labor FADTC noted that as of November 2011 the US State Department's Facebook page in Jakarta had 450,000 followers, and that given Indonesian internet users are overwhelmingly in the 15-19 age bracket, this allowed US diplomacy to reach, influence and engage more effectively with Indonesian youth.<sup>57</sup>

4.62 DFAT acknowledged the success of the UK and the US in the area of e-diplomacy, describing them as 'vanguards in the field',<sup>58</sup> but added that its engagement with e-diplomacy was constrained by limited funding:

We are not at the forefront of [e-diplomacy] and we do not apologise for that. We do not have the resources to do it.<sup>59</sup>

4.63 DFAT also sought to place comparisons between it and the US State Department in the context of their relative size:

53 Mr Colin Walters, *Transcript 10 February 2012*, p. 39.

54 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 11.

55 UMD, *Submission No. 7*, p. 9.

56 Mr Fergus Hanson, *Transcript 17 February 2012*, p. 20.

57 ACT Labor FADTC, *Submission No. 18*, p 7.

58 DFAT, *Submission No. 28*, p. 22.

59 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 3.

... the Department of State have 40 people working on Facebook. That is 40 in 30,000 people. Forty is to 30,000 as 5.33 recurring is to 4,000. We have about six or seven people, including in the consular area, working on e-diplomacy.<sup>60</sup>

### **Lack of engagement with the Australian Community**

4.64 The Lowy Institute commented that DFAT had failed to engage successfully with the Australian community:

Part of the problem for DFAT is, for example, if you take a trade liberalisation negotiation, which benefits Australians, but explaining exactly how that works to a family that is struggling to make the budget balance, how that trade negotiation can help them, seems to me something DFAT needs to get much better at.<sup>61</sup>

4.65 The Lowy Institute advised the Committee that an Office of E-Diplomacy would be one way for DFAT to engage the Australian community more broadly than it does now.<sup>62</sup>

4.66 The Lowy Institute added that risk aversion was also an impediment to DFAT properly selling its message to the Australian community, and that this related to social media:

What if one of our people says the wrong thing, gets the message wrong and so on? My answer to that is that if you are trusting them to be out there representing the country overseas then surely you can trust them to turn up and talk to Australians.<sup>63</sup>

4.67 AusAID emphasised the importance of communicating with the Australian community about AusAID's work, and the focus on online communication in achieving that aim:

If you think about it, not many Australians ever see anything we do. On your visits you have seen our work. Technology provides us with the opportunity to bring the aid program to Australians.<sup>64</sup>

4.68 AusAID compared its use of ICT to communicate and promote its work to DFAT's ability to do the same:

We are fortunate in that most of our work is unclassified and it is reasonable for Australians and the recipients of our assistance to

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60 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 5.

61 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 12.

62 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 12.

63 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 12.

64 Mr Peter Baxter, *Transcript 17 February 2012*, p. 36.

understand how much we are spending, what we are achieving and all the accountability requirements. It is harder for DFAT to do that about the intimacies of bilateral relationships or whatever. ... The community engagement in the aid program is much different from the level of community engagement in foreign policy.<sup>65</sup>

- 4.69 DIAC also advised the Committee about their use of social media to reach out to a domestic audience:

I even did a YouTube clip, a stand-up to camera, explaining visa changes that occurred 18 months to two years ago. ... When I did the YouTube clip it was mainly for the domestic market to explain visa changes that were going to impact the international student caseload in this country at that time.<sup>66</sup>

- 4.70 The Committee has discussed the need for DFAT to engage with the boardrooms of Australian companies in Chapter Three.

## Knowledge management

- 4.71 The Lowy Institute described the impact of poor knowledge management on activities at posts:

DFAT's most valuable asset is its knowledge, but ediplomacy tools to capitalise on and retain this have not been adopted. For example, at posts for sometime there have been no official handovers between departing and arriving officers and the transfer of experience between individual officers (eg of contacts) is ad hoc.

... Another related opportunity cost for DFAT is efficiently identifying its resources and then marshalling them. If you are in the Jakarta embassy, for example, and need to find a translator for X language the only option now is to ask around.

- 4.72 The Lowy Institute told the Committee that knowledge management was successfully facilitated by e-diplomacy tools at the US State Department:

Digital tools such as a modified Deskipedia (a US State Department tool) would allow every officer to detail all their contacts for specific issues on a centralised digital system... When officers finish a tour or are reassigned another problem is retaining that more senior and experienced officer's knowledge... Digital

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65 Mr Peter Baxter, *Transcript 17 February 2012*, p. 37.

66 Mr Peter Vardos, *Transcript 10 February 2012*, p. 16.



tools such as virtual communities help facilitate knowledge transfer...<sup>67</sup>

- 4.73 Austrade advised the Committee that their integrated communications network connects staff domestically and overseas to Austrade's business database and document management and collaboration system. Austrade advised the Committee that a key outcome of their integrated communications network has been enhanced knowledge sharing and retention.<sup>68</sup>

## Internal communication and global connectivity

### DFAT's international ICT network

- 4.74 DFAT advised the Committee about the importance of an effective, secure communications network with posts:

The timely and efficient dissemination of information among agencies with overseas representation is fundamental to ensuring effective whole-of-government approaches to the Government's international agenda. A robust and secure information and communication technology network is therefore critical to the [Head of Mission/Head of Post's] ability to function as the senior Australian Government representative in the host or accredited country.<sup>69</sup>

- 4.75 DFAT's core ICT system for posts is the Secure Australian Telecommunication and Information Network (SATIN). SATIN was developed to 'provide a secure, standards-based, whole-of-government approach for the provision of ICT services overseas.'<sup>70</sup> It features two specific operating environments, SATIN High and SATIN Low. SATIN High is the National Security classified system while SATIN Low is the unclassified system.<sup>71</sup>
- 4.76 SATIN links over 140 sites in Australia and overseas including 95 diplomatic posts, Ministerial offices, State offices, and over 40 Government agencies. The system supports a range of critical government business operations at posts, including:

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67 Lowy Institute, *Submission No. 15*, p. 22.

68 Austrade, *Submission No. 26*, p. 9.

69 DFAT, *Submission No. 28*, p. 7.

70 DFAT, *Submission No. 28*, p. 7.

71 DFAT, *Submission No. 28*, p. 24.

- diplomatic cables;
  - consular services;
  - passport services; and
  - visa services.<sup>72</sup>
- 4.77 SATIN also provides essential ICT capabilities both domestically and at posts, including email, telephony, internet and general policy, service delivery and administrative computing applications.<sup>73</sup>
- 4.78 SATIN has over 10 000 user accounts. 35 per cent of SATIN accounts are provided for staff in other Government agencies. DFAT noted that the 'ongoing growth in client agency user numbers reflects the department's evolving role as a whole-of-government coordinator and service provider on the international stage'.<sup>74</sup>
- 4.79 ICT support, monitoring and maintenance are provided centrally from Canberra to domestic sites and overseas missions by the Global Support Centre (GSC). The GSC delivers 'helpdesk and problem resolution on a 3-tiered model covering basic enquiries to complex technical issues based on priority and risk'.<sup>75</sup>
- 4.80 DFAT also provided ICT and security services 'off-post' to support Prime Ministerial, Ministerial and VIP delegations attending overseas forums such as the G20 in collaboration with posts.<sup>76</sup>
- 4.81 AusAID told the Committee that Australia's Whole-of-Government secure communications network 'works pretty well compared with what most other countries have', and commented on its value to government:

If you have a system where whole-of-government can be kept informed about what agencies and departments are doing in particular countries, that is pretty good. Every system can be made better and more effective, but I think it works pretty well.<sup>77</sup>

### **International ICT networks at other Australian Government agencies**

- 4.82 A number of Government agencies advised the Committee about their ICT networks which connected them internationally. All Government agencies

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72 DFAT, *Submission No. 28*, p. 24.

73 DFAT, *Submission No. 28*, p. 24.

74 DFAT, *Submission No. 28*, p. 24.

75 DFAT, *Submission No. 28*, p. 24.

76 DFAT, *Submission No. 28*, p. 24.

77 Mr Peter Baxter, *Transcript 17 February 2012*, pp. 36–7.

with independent international ICT networks rely in some way on DFAT's ICT network.

- 4.83 As at 4 January 2012, 83 per cent of AusAID staff in 36 offices overseas were connected to AusAID's independent ICT network, with plans to connect its entire staff globally. AusAID told the Committee that they would continue to rely on DFAT for certain ICT services including SATIN High, satellite and cable communications links to posts and SATIN low for AusAID staff in 20 countries. These services were provided under a Service Level Agreement with DFAT.<sup>78</sup>
- 4.84 Defence staff at posts were generally reliant on SATIN. DFAT ICT services were provided to Defence under a Memorandum of Understanding. Staff in London and Washington also have fixed connectivity to the Defence Restricted and Secret networks. Defence commented that the existing SATIN networks provided good connectivity for its representational staff.<sup>79</sup>
- 4.85 The AFP have their own secure international ICT system providing real-time connectivity to systems in Australia which 'leverages off' DFAT's ICT network. The AFP labelled their ICT system as 'absolutely crucial' and of 'huge benefit' in terms of working overseas. The AFP also stated that its ICT stood up well when compared to some of their international counterparts such as the US Federal Bureau of Investigation and the Royal Canadian Mounted Police.<sup>80</sup>
- 4.86 The AEC told the Committee that they used SATIN, and in particular the cable system, to task posts during Federal election delivery periods:
- The tasking directives for staff at diplomatic posts sent through the cable system covered election related tasks, such as performing stocktakes of election materials at their posts and receiving and checking election material despatch consignments.<sup>81</sup>
- 4.87 The AEC commented on the slowness of the cable system and advised the Committee that, because a high level of security was not generally necessary for its work, it was in the process of developing an alternative method of communication with posts:
- The cable system is slow, it is bureaucratic and it is layered, so one of the innovations that we want to employ for, I assume, 2013 is

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78 AusAID, *Submission No. 23*, p. 14.

79 Defence, *Submission No. 27*, p. 4.

80 Mr Ian McCartney, A/g Manager, International Network, *Transcript 17 February 2012*, p. 49.

81 AEC, *Submission No. 22*, p. 7.

that DFAT posts – Austrade posts – will be given direct access to an AEC portal. They will be able to use that portal, not only to get tasking instructions but training materials, forms and those sorts of things, rather than going through the layered process of the cable system. Obviously, the cable system has a range of security issues which are important, but we do not think that level of security is necessary for our current services ...<sup>82</sup>

4.88 The AEC outlined the benefits of its planned internet communications portal to officers at posts by providing:

- appropriate electronic election material;
- online training;
- easy and timely access to AEC materials and communications;
- minimised problems related to email congestion; and
- media release shells and templates for promotional activities which allowed posts to insert relevant local information.<sup>83</sup>

4.89 Austrade outlined the functionality of its independent global ICT network:

Austrade maintains a broad, independent electronic communications network which provides national and international end points with data, voice and video services. The network provides reliable, low-cost connectivity between Austrade's international posts and its office structure throughout the Australian states and territories.<sup>84</sup>

4.90 Austrade also highlighted the cost saving benefits on telephone costs and travel arising from its ICT network:

With the fixed infrastructure in place, telephone call costs via the network are negligible and the recent roll-out to all Austrade users of the internal network has seen mobile costs trend markedly lower ...

Austrade's use of videoconferencing increased by around 12 per cent in 2010-11 over the previous year to a total of almost 49,000 hours. In the same period, Austrade's total travel expenditure decreased by 28 per cent, to which videoconferencing has contributed.<sup>85</sup>

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82 Mr Ed Killesteyn, *Transcript 17 February 2012*, p. 7.

83 AEC, *Submission No. 22*, p. 7.

84 Austrade, *Submission No. 25*, p. 9.

85 Austrade, *Submission No. 25*, p. 10.

4.91 Cisco Systems Australia Pty Ltd proposed that the Australian government extend its highly successful deployment of its high definition video conferencing technologies for public administration activities. Cisco told the Committee that Australia's overseas representation could be an area where this technology could create greater efficiencies in a resource constrained environment.<sup>86</sup>

### **ICT reform at DFAT**

4.92 DFAT advised the Committee that it was facing increasing demands on its ICT systems as Australia's operational and strategic objectives continue to evolve.<sup>87</sup>

4.93 DFAT identified various challenges that are unique to a secure ICT network providing global connectivity, including:

- providing ICT support to different time zones;
- maintaining appropriate levels of resourcing in critical ICT disciplines to balance maintenance and project work in the context of the ICT employment market;
- logistics for securely transporting, installing and maintaining ICT assets at posts; and
- the security of staff, systems and information, which remains a paramount concern.<sup>88</sup>

4.94 DFAT added that while posts were electronically well-connected with the Government, Australia did not have the best available ICT network.<sup>89</sup>

4.95 DFAT commenced a major three year reform of ICT strategy and operations in July 2011, with a particular emphasis on performance at posts. This reform encompassed the following short to medium term projects:

- post infrastructure upgrades;
- mobility pilot project;
- Electronic Document and Records Management System;
- bandwidth upgrades; and

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86 Cisco Systems Australia, *Submission No. 52*, p. 1.

87 DFAT, *Submission No. 28*, p. 1.

88 DFAT, *Submission No. 28*, p. 25.

89 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 17.

- resourcing for ICT sustainability.<sup>90</sup>
- 4.96 DFAT is also planning two key long term ICT reform projects – replacing SATIN, and replacing the passport issuing system.
- 4.97 DFAT advised that the demand on SATIN, which was introduced in 2007, was exceeding its capacity and ‘nearing the end of its viable operating life’. This led to system instability and use of increasing resources to manage risk. As such, the replacement of SATIN was ‘a critical strategic goal’ for DFAT.<sup>91</sup>
- 4.98 DFAT advised the Committee about plans for the International Communications Network (ICN) as a replacement of SATIN. DFAT was taking forward the ICN’s business case through the Department of Finance and Deregulation’s Two-Pass process:
- ... the ICN will revitalise the department’s global ICT capability – providing standardised, modern, flexible, and sustainable ICT infrastructure for government out to 2023.<sup>92</sup>
- 4.99 DFAT added that the ICN proposal focussed on making it easier for users of the system, including those at overseas posts, to do their job and that ‘improved collaboration, interaction, information sharing, service provision and mobility’ were all key goals of the new system.<sup>93</sup>
- 4.100 A three year roll-out for the ICN was scheduled to commence in mid-2014.<sup>94</sup> The cost of replacing SATIN would be ‘up to \$250 million’.<sup>95</sup>
- 4.101 DFAT advised that a new passport issuing system would also be introduced by 2016 and would ‘provide a more secure, efficient and responsive passport service for Australia.’ The cost would be \$100.8 million.<sup>96</sup>

## Consular service delivery

- 4.102 Consular service delivery evoked a significant amount of discussion about the current uses and potential benefits of e-diplomacy.

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90 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 7.

91 DFAT, *Submission No. 28*, p. 27.

92 DFAT, *Submission No. 28*, p. 2.

93 DFAT, *Submission No. 39*, p. 10.

94 DFAT, *Submission No. 28*, p. 27.

95 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 7.

96 DFAT, *Submission No. 28*, p. 27.

## Travel advice

4.103 The Lowy Institute highlighted the ability for technology to create direct, personal communications channels with citizens travelling overseas, including in crisis situations:

With some six billion mobile phone subscriptions, an increasing proportion of which are smart phones able to access the web, it is now technically viable for foreign ministries to easily reach an increasingly large proportion of their citizens travelling or living overseas in crisis situations.<sup>97</sup>

4.104 The Lowy Institute criticised DFAT's engagement with new media to facilitate consular service delivery as an opportunity cost. The Lowy Institute made the point that the less than 70,000 people who subscribed to DFAT's travel advice in the year ending 30 June 2010 constituted a small fraction of the seven million overseas trips Australians take each year.<sup>98</sup>

4.105 The Lowy Institute suggested three digital solutions for improving the uptake of DFAT's travel advice subscriber service and the quality of its consular services and reducing the response burden:

- a smart phone travel app designed for the largest smart phone platforms beamed to all Australians at points of departure;
- online competitions to derive crowd sourced promotional material for the apps; and
- arranging the option to register with DFAT on online travel booking sites.<sup>99</sup>

4.106 As previously mentioned, DFAT advised the Committee of its plan to launch a *Smartraveller* app for iPhones.<sup>100</sup>

4.107 DFAT also drew attention to its *Smartraveller* website and advised that it played a critical role in enabling DFAT to advance its consular responsibilities.<sup>101</sup> DFAT launched an updated *Smartraveller* website in November 2011 'making the site more intuitive and easier to read as well as incorporating videos and social media tools'.<sup>102</sup>

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97 Lowy Institute, *Revolution @State: The Spread of Ediplomacy*, March 2012, p. 22.

98 Lowy Institute, *Submission No. 15*, p. 22.

99 Lowy Institute, *Submission No. 15*, p. 22.

100 DFAT, *Submission No. 28*, p. 22.

101 DFAT, *Submission No. 28*, p. 22.

102 DFAT, *Submission No. 28*, p. 22.

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## Visas

- 4.108 DIAC advised that the internet was the primary means by which the department engaged with clients that were located in areas abroad that do not have Australian representation. DIAC labelled its website as the 'core and principal source of detailed information about the multiple pathways for migration to Australia'.<sup>103</sup>
- 4.109 DIAC told the Committee that it was 'committed to improving the efficiency and effectiveness of the way it does business through innovative service delivery on and offshore', and described the digitisation of their visa process:
- DIAC has progressively moved more visa categories to electronic lodgement in recent years, particularly to client groups that demonstrate compliance with visa conditions and where safeguards can be put in place to ensure the integrity of the Australian visa program. Clients from a broad range of countries can now apply for a range of visas, particularly temporary entry visas, online. To date in 2011 DIAC has expanded the availability of the Electronic Tourist Visa (e676) to nationals of the Maldives, Chile, Croatia and Turkish officials and special passport holders. DIAC is aiming to further expand e-Visa access to clients over the next three years.<sup>104</sup>
- 4.110 DIAC provided the Committee with data indicating that a significant proportion of visitor visas are now lodged online. According to this data 83 per cent of temporary visas applications and 81% of permanent visa applications were lodged online in the 2010-11 financial year.<sup>105</sup>
- 4.111 DIAC also noted that the movement towards an online visa application model alleviated the need for a distribution network tasked with collecting visa applications.<sup>106</sup>
- 4.112 UMD agreed that 'e-consular' services alleviated the demands on consular staff on the ground. It added that 'most people prefer to engage online until such time as they get into trouble, then they need someone to help them out'.<sup>107</sup>
- 4.113 The Committee sought comment on the risks in conducting consular activities online in place of face-to-face contact, including the risk of fraudulent documentation.
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103 Mr Peter Vardos, *Transcript 10 February 2012*, p. 15.

104 DIAC, *Submission No. 21*, p. 5.

105 DIAC, *Submission No. 46*, pp. 16-17.

106 Mr Jim Williams, *Transcript 10 February 2012*, p. 12.

107 Mr Ordan Andreevski, *Transcript 23 February 2012*, p. 22.



4.114 UMD acknowledged that there were risks in processing visa applications without face-to-face contact and responded that there was an enhanced role for consular and diplomatic staff:

There has to be scrutiny. We have to be street smart as well; we cannot just say that everything will be online and we accept everything on face value – it does not work that way. Of course, there needs to be an assessable approach.<sup>108</sup>

4.115 The MIA also commented on the advantageous effect ICT had on consular service delivery, but emphasised that such technology ‘will never be a substitute for the need for direct face-to-face services or contact as sources of information’.<sup>109</sup>

## Overseas voting in Australian elections

4.116 The AEC works with posts to facilitate Australians voting in Australian general elections from overseas. This activity was discussed in Chapter Three.

4.117 The AEC commented that there was an increasing expectation by Australian electors travelling or residing overseas to be able to interact with the Australian Government through electronic means.<sup>110</sup>

4.118 The Committee explored the various ways in which overseas voting in Australian elections could be made more efficient by digitising whole or part of the process. The options discussed with the AEC included allowing overseas voters to:

- lodge postal voting applications online;
- cast votes on the internet; and
- cast votes electronically on specialised equipment at posts.

4.119 The AEC commented on the possibility of allowing overseas voters to lodge postal voting applications online in order to speed up the overseas postal voting process:

It is one of the complaints that we receive, that people do not have enough time to get their ballot papers back. That is one of the reasons that we are moving to online applications and we hope

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108 Mr Ordan Andreevksi, *Transcript 23 February 2012*, p. 22.

109 Ms Maurene Horder, *Transcript 10 February 2012*, p. 57.

110 AEC, *Submission No. 22*, p. 4

that will make a big difference, because it, essentially, cuts out one-third of the time.<sup>111</sup>

- 4.120 Building on this point, the AEC told the Committee that it had implemented an online enrolment update system and that it planned to implement an online postal vote application (online PVA) which would lighten the workload at posts:

The online PVA facility should significantly reduce the manual postal vote processing workload at diplomatic posts. This will mean that the processing workload is diverted away from diplomatic posts, back to the AEC for the central automated production of postal voting material. This should also result in a more timely outcome for electors.<sup>112</sup>

- 4.121 The AEC noted that legislation currently limits electronic voting to sight-impaired people.<sup>113</sup> It discussed, nevertheless, the possibility of allowing Australians overseas to cast their votes online:

... while it is an attractive proposition at a superficial level, it certainly does have some questions about its reliability. If you are extending it across the globe you can never be totally confident whether the systems are going to be available to everybody all the time.<sup>114</sup>

- 4.122 The AEC commented on the possibility installing equipment at posts that would allow overseas voters to lodge their vote electronically when attending posts on polling day:

First, we do not have the legislation for it but it would certainly be a mechanism that would overcome some of the issues in relation to handling of materials. If it is conducted at a consulate or a commission then you can be reasonably confident about the reliability of the systems.

... If you go to electronic, then the whole nature of the polling place changes and it is then a question of the sort of equipment that you have, the computers and so forth. That is extra work on DFAT's part and it is extra work on our part.<sup>115</sup>

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111 Mr Ed Killesteyn, *Transcript 17 February 2012*, p. 6.

112 AEC, *Submission No. 22*, p. 4.

113 Mr Ed Killesteyn, *Transcript 17 February 2012*, p. 3; Part XVB of the *Commonwealth Electoral Act 1918*.

114 Mr Ed Killesteyn, *Transcript 17 February 2012*, p. 5.

115 Mr Ed Killesteyn, *Transcript 17 February 2012*, pp. 5-6.

## Disaster response

- 4.123 The Lowy Institute commented on the potential role for social media in disaster response abroad:

E diplomacy and ICT tools played important roles in the Japan and New Zealand earthquakes. But the experience in Haiti where social media and SMS were used to raise funds for relief efforts, find missing persons, direct relief efforts and crowd source unmapped areas of the country perhaps offer the most important lessons for Australian posts in the Asia Pacific, but especially in Indonesia. These were pioneering (and not always successful) efforts, but there is clearly enormous potential to harness these tools in future disasters.<sup>116</sup>

- 4.124 The Lowy Institute added that effectively using social media tools in future emergencies required 'groundwork to be laid beforehand and disaster response plans worked through'. The Lowy Institute made the point that, with the exception of a Twitter feed, new digital tools are 'completely underutilised' in the disaster response toolkit at DFAT.<sup>117</sup>
- 4.125 Referring to its Twitter account, adopted in April 2011, DFAT advised that Twitter was 'immensely valuable in enhancing dissemination of key messages across the spectrum of DFAT's activities, most importantly in the context of consular crises'.<sup>118</sup>
- 4.126 DFAT also drew attention to its Australians Helping Japan portal which provided information about Australia's post Japanese tsunami assistance and links to 'accredited nongovernmental and community-based relief and reconstruction efforts'.<sup>119</sup>
- 4.127 Defence emphasised that secure and reliable ICT was particularly important regarding the role that Defence representational staff have in coordinating an ADF response to any crisis in a host country:

This has been demonstrated most recently through Operation PADANG ASSIST, following the earthquake in Padang, Indonesia (2009); Operation PAKISTAN ASSIST II, in response to the floods in Pakistan (2010), and most recently Operation PACIFIC ASSIST, following the earthquake and tsunami in Japan.<sup>120</sup>

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116 Lowy Institute, *Submission No. 15*, p. 21.

117 Lowy Institute, *Submission No. 15*, p. 21.

118 DFAT, *Submission No. 28*, p. 22.

119 DFAT, *Submission No. 28*, pp. 22–23.

120 Defence, *Submission No. 27*, p. 4.

4.128 Austrade agreed that a stable, reliable and broad communications network was important in responding to disasters abroad:

The 2011 Japan tsunami crisis, for example, represented a high, instantaneous peak of consular activity followed by continuing elevated levels of response. Communications support at such times is critical to operational effectiveness and Austrade's network remained stable and functional through this peak level of activity.<sup>121</sup>

## Future directions in e-diplomacy

### An office of e-diplomacy

4.129 In response to the perceived shortfalls in e-diplomacy, the Lowy Institute recommended the establishment of a single area within DFAT with responsibility for e-diplomacy along the lines of the US State Department's 'Office of eDiplomacy'. This recommendation was echoed by a number of organisations throughout the course of the Inquiry.

4.130 In the Lowy Institute report *Revolution @State: The Spread of Ediplomacy*, Fergus Hanson described the role of the Office of eDiplomacy at the US State Department as:

... the central ediplomacy hub at State, driving internal innovation, responding to requests for ediplomacy fixes and managing new internal ediplomacy communications platforms.<sup>122</sup>

4.131 The original, tripartite mandate of the Office of eDiplomacy, stemming from perceived internal failures, was:

- To promote end-user involvement in decision-making on information technology;
- To improve the way the State Department connects to and works with its [United States Government] foreign affairs partner agencies, with other nations' diplomatic institutions, and with other entities involved in international affairs;
- To foster knowledge management at State.<sup>123</sup>

4.132 The Lowy Institute described the structure of the e-diplomacy unit in the US State Department:

121 Austrade, Submission No. 26, p. 10.

122 Lowy Institute, *Revolution @State: The Spread of Ediplomacy*, March 2012, pp. 8–9.

123 Lowy Institute, *Revolution @State: The Spread of Ediplomacy*, March 2012, pp. 8–9.

The Office of E-Diplomacy at the US State Department was set up 10 years ago now. At the moment it has 80 staff members, about half of whom are exclusively focused on e-diplomacy work. However, there are another 24 separate e-diplomacy nodes at the State Department in DC. All of these different nodes employ collectively about 150 people in e-diplomacy and, if you include posts abroad, about another 900 people are working on e-diplomacy to some extent.<sup>124</sup>

4.133 DFAT does not have an office of e-diplomacy. Responsibility for social media in DFAT is held by the Website Management Section.<sup>125</sup> As mentioned above, DFAT has six or seven people working on e-diplomacy.<sup>126</sup>

4.134 The Lowy Institute saw the lack of a single area within DFAT that deals with e-diplomacy as a stumbling block:

This makes the successful adoption of the next wave of ediplomacy and ICT tools particularly difficult, as ediplomacy is a crosscutting issue. The utility of ediplomacy tools are not limited to a single area of DFAT and in many cases the same tools will serve multiple functions.<sup>127</sup>

4.135 The Lowy Institute suggested how a centralised e-diplomacy branch within DFAT could be established:

This should be staffed by a mix of policy and technical experts and have a mandate to take a reasonable level of risk with the platforms it develops and with which it experiments. This will likely require recruiting people with specialist journalistic, social media and programming expertise. Other related areas should be brought under its leadership (communications, website and technical).<sup>128</sup>

4.136 The Lowy Institute's submission proceeded to detail specific tasks for its proposed DFAT e-diplomacy office. These included:

- Developing and rolling out all e-diplomacy platforms. ...

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124 Mr Fergus Hanson, *Transcript 17 February 2012*, p. 19.

125 <[http://www.dfat.gov.au/publications/public-diplomacy-handbook/part\\_five.html#onlineadvoc](http://www.dfat.gov.au/publications/public-diplomacy-handbook/part_five.html#onlineadvoc)> Accessed May 2012.

126 Mr Dennis Richardson, *Transcript 19 March 2012*, p. 5.

127 Lowy Institute, *Submission No. 15*, p. 18.

128 Lowy Institute, *Submission No. 15*, p. 24.

- Developing ediplomacy guidelines for staff that encourage innovation and provide significant latitude for experimentation. ...
- Training staff, especially Heads of Mission, in the use and utility of e-diplomacy tools. ...
- Progressively consolidating e-diplomacy platforms as new ones are rolled out and old ones superseded.
- Taking the lead on e-diplomacy campaigns – that is, promulgating priority departmental messages using ediplomacy tools – and assisting with e-diplomacy strategies for regular departmental communications. ...
- Establish[ing] digital coordination mechanisms across relevant government agencies and departments as well as with external stakeholders.<sup>129</sup>

4.137 The establishment an office of e-diplomacy at DFAT was also supported by ACT Labor FADTC,<sup>130</sup> the ANZ Bank<sup>131</sup> and UMD<sup>132</sup>.

4.138 UMD added that an office of e-diplomacy could be used by Diasporas to enhance relationships without having extra posts and extra consuls.<sup>133</sup>

## The cost of e-diplomacy

4.139 DFAT advised the Committee that the opening of an office of e-diplomacy was not a high priority in the current budgetary environment:

We do not have the resources to do it. If I had additional resources now that is not where I would allocate those additional resources. I would put people into Western China before I established an office of e-diplomacy. It is not to say an office of e-diplomacy is not important, but you have to make choices when you are running an organisation. ...

I would love the resources to open an office of e-diplomacy, but if I got 10 additional people tomorrow I would be allocating them elsewhere before opening such an office.<sup>134</sup>

4.140 AAMIG expressed a similar sentiment to DFAT on the impact that funding constraints had on an increased engagement with e-diplomacy:

Certainly, [public diplomacy] is always the area that gets the squeeze when there is any budget tightening because it is a bit

129 Lowy Institute, *Submission No. 15*, p. 24.

130 Mr Andrew Carr, *Transcript 10 February 2012*, p. 53.

131 ANZ, *Submission No. 19*, p. 3.

132 Mr Ordan Andreevski, *Transcript 23 February 2012*, p. 22.

133 Mr Ordan Andreevski, *Transcript 23 February 2012*, p. 22.

134 Mr Dennis Richardson, *Transcript 10 February 2012*, p. 3.

fluffy. You will see in some of the submissions – I also read the submission of the Lowy Institute – how some of these areas, particularly when it is linked into social networking and so on, are major new directions in diplomacy. I would have said that for a long time our foreign ministry kept up, was able to keep up and, in many cases, was a leader. I do not for a moment decry the talent, ability and commitment of these people, but it is not possible for them to keep up in all areas now because there is just not enough money to do it – in my judgement, anyway.<sup>135</sup>

4.141 ANZ also supported DFAT's approach to placing additional resources in increasing Australia's diplomatic footprint ahead of increasing efforts in e-diplomacy.<sup>136</sup>

4.142 The Lowy Institute responded that although lack of funding was an impediment to increased engagement with social media, cultural change was also needed:

DFAT is a traditional foreign ministry, and foreign ministries are used to going overseas and talking to other diplomats. The whole history of the profession, if you like, is a slightly secretive state-to-state transaction, so it takes time to break that down.<sup>137</sup>

4.143 The Lowy Institute added that better use of e-diplomacy does not necessarily come at a high cost:

Part of what the adoption of e-diplomacy at State has involved is senior management encouraging staff to innovate and look for new solutions to the problems they face in their daily work.

In several cases this has allowed them to dramatically cut costs because using technology has allowed State to do the same job much more efficiently ...<sup>138</sup>

4.144 Customs had a different approach to DFAT regarding the allocation of limited resources to ICT versus on-the-ground representation:

Frankly, you will get a bigger bang for your buck improving that intelligence back end than having a formal diplomatic style representation overseas. If someone was to offer me an extra dollar... it would frankly not go to permanent presence overseas. Would it go to high-level exchanges, temporary missions, ICT

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135 Mr Jeff Hart, *Transcript 27 February 2012*, p. 3.

136 Mr Alex Thursby, *Transcript 23 February 2012*, p. 8.

137 Mr Andrew Shearer, *Transcript 17 February 2012*, p. 11.

138 Mr Fergus Hanson, *Transcript 17 February 2012*, p. 19.

connectivity with foreign intelligence and law enforcement agencies? Probably, but not to permanently assigned representatives.<sup>139</sup>

- 4.145 Customs also made the point that the choice between having people on the ground and ICT connectivity did not directly relate to Australia's diplomatic representation due to the nature of their operationally focused work. For Customs, the answer to that question was 'really a matter of judgement in each case'.<sup>140</sup>

## **E-diplomacy versus on-the-ground representation**

- 4.146 A number of organisations commented on the relationship between e-diplomacy and on-the-ground representation

- 4.147 DAFF advised that it did not consider e-diplomacy as a substitute for face-to-face communication, particularly in the context of emerging markets:

The importance of communicating in person is relevant in countries where there may be cultural sensitivities and language barriers. In some countries it can be seen as insensitive to engage someone through non visual communications, where body language is integral to building rapport. In many developing countries the use of internet communications is far more limited and we are unable to rely on information and communications technology.<sup>141</sup>

- 4.148 DIISRTE told the Committee that in doing business around Asia 'personal contact still means a lot'.<sup>142</sup>

- 4.149 DRET made the point that e-diplomacy should be used to support rather than to supplant Australia's overseas representation and that people-to-people links were vital to their mission.<sup>143</sup>

- 4.150 AAMIG advised the Committee that e-diplomacy increased the volume of communication rather than minimising in-country workloads:

People seem to think [e-diplomacy] is a panacea. But if you get 50 emails in your box from 50 Australian companies interested in something, and you are the people on the ground having to deal with that, it does not necessarily make it a panacea. The ease of communications means there are more of them coming in, but

139 Mr Michael Pezzullo, *Transcript 10 February 2012*, p. 24.

140 Mr Michael Pezzullo, *Transcript 10 February 2012*, p. 24.

141 DAFF, *Submission No. 12*, p. 4.

142 Mr Colin Walters, *Transcript 10 February 2012*, p. 42.

143 DRET, *Submission No. 4*, p. 3.



someone still has to deal with all that. So I do not really see e-diplomacy as a magical thing where you press the button and it means you do not need people.<sup>144</sup>

- 4.151 Similarly, the ANZ Bank told the Committee that building influence occurred through people-to-people contact rather than ‘over a telephone line or videoconferencing’, and that these tools helped to enhance already built relationships and ‘quicken the pace’.<sup>145</sup>

## Committee Comment

- 4.152 E-diplomacy is commonly perceived as the use of social media to promote government messages overseas. The Committee, however, agrees with the Lowy Institute that e-diplomacy encompasses a far broader range of activities and raises the issue of the balance between DFAT controlling information as opposed to exchanging information. The Committee considers the Government White Paper it has recommended should review this balance.
- 4.153 E-diplomacy comprises many different ICT systems and online communication platforms that are subject to rapid change and patterns of usage. It holds great potential to manage information and facilitate communication within DFAT and the whole of Government, to improve consular service delivery and disaster response, and to understand, inform and engage audiences both in Australia and overseas.
- 4.154 The Committee considers that the internet and particularly social media platforms are underutilised by DFAT as tools for public diplomacy.
- 4.155 Australian embassy websites are often the first port-of-call for foreigners seeking to visit, migrate or do business with Australia. The Committee has reviewed various Australian embassy websites and considers that they should be more informative, attractive and user-friendly.
- 4.156 The Committee notes DFAT’s advice that in the current budgetary situation improving its websites was less of a priority than increasing on-the-ground diplomatic representation. The Committee responds that it is not a competition between e-diplomacy and increasing on-the-ground representation.

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144 Mr Jeff Hart, *Transcript 27 February 2012*, pp. 4–6.

145 Mr Alex Thursby, *Transcript 23 February 2012*, p. 7.

**Recommendation 15**

- 4.157 **The Committee recommends that the Department of Foreign Affairs and Trade immediately refurbish Australian embassy websites to make them more informative, attractive and user-friendly.**
- 4.158 DFAT's international ICT network is vital to the functioning of Australia's overseas representation, as well as being of great value in connecting and informing the whole of Government. The Committee highlights the importance of obtaining the appropriate technology in the planned replacement of SATIN.
- 4.159 The progressive digitisation of the visa application process undertaken by DIAC has created a more accessible and efficient system, alleviating the demands on the activities of posts. The Committee encourages further progress in this direction.
- 4.160 The Committee believes there is merit in establishing an office of e-diplomacy within DFAT as the best way to harness the potential and deal with the challenges of e-diplomacy, particularly in light of the constantly evolving nature of ICT. The US State Department's Office of eDiplomacy is considered to be a best practice model.
- 4.161 During the course of the inquiry it became clear that a significant amount of e-diplomacy is successfully carried out by Australian government agencies other than DFAT. The Committee sees potential for an office of e-diplomacy to foster a more coordinated, whole-of-Government approach to these activities.
- 4.162 The Committee is sympathetic with DFAT's view that it would put any additional funding into increasing Australia's diplomatic footprint rather than into an office of e-diplomacy. The Committee considers, however, that better engagement with e-diplomacy requires cultural change and is not necessarily resource intensive. It should not be a choice between extending Australia's diplomatic network and an office of e-diplomacy.
- 4.163 E-diplomacy should be seen as an enhancement of Australia's on-the-ground representation, not a replacement of it.
- 4.164 The Committee concludes that the external review of DFAT which it has proposed should include a consideration of the merits and feasibility of establishing an office of e-diplomacy within DFAT.

**Recommendation 16**

- 4.165 **The Committee recommends that the Department of Foreign Affairs and Trade establish an Office of e-Diplomacy, subject to the external review, the Government White Paper and any increase in resources.**
- 4.166 It appears to the Committee that DFAT, and foreign policy in general, does not have a broad basis of support – people and organisations who see the value of DFAT’s overseas network and the work it does, and who are prepared to advocate on its behalf.
- 4.167 The Committee believes that the use of social media platforms is an ideal mechanism for DFAT to promote to a wider audience, knowledge and appreciation of Australia’s foreign policy, trade opportunities, and DFAT’s role. The aim should be to create a more dynamic public profile with a key focus on the wider Australian public and key audiences in Asia and the Pacific.

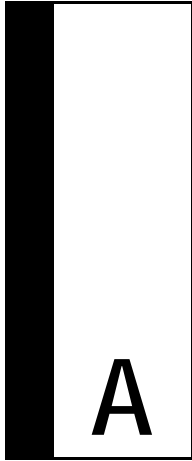
**Recommendation 17**

- 4.168 **The Committee recommends that the Department of Foreign Affairs and Trade should make better use of social media platforms to promote Australia’s foreign policy, trade opportunities, and the Department’s role to the wider Australian public and key audiences in Asia and the Pacific.**
- 4.169 The Committee has not commented on electronic voting as it considers this to be a matter for the Joint Standing Committee on Electoral Matters.

Mr Nick Champion MP  
Chair  
Foreign Affairs Sub-Committee  
October 2012

Mr Michael Danby MP  
Chair  
Joint Standing Committee on  
Foreign Affairs, Defence and Trade  
October 2012





## Appendix A – List of Submissions

1. Mr Kerry Fisher
2. Committee for Melbourne
3. Apostolic Nunciature Australia
4. Department of Resources, Energy and Tourism
5. Embassy of the Czech Republic
6. Embassy of the Slovak Republic
7. United Macedonian Diaspora
8. Embassy of Ukraine in Australia
9. Widya Mandala Catholic University
10. Embassy of the Kingdom of Morocco
11. Embassy of the Bolivarian Republic of Venezuela
12. Department of Agriculture, Fisheries and Forestry
13. Australian Federation of Ukrainian Organisations
14. The Migration Institute of Australia
15. Lowy Institute for International Policy
16. Department of Industry, Innovation, Science, Research and Tertiary Education
17. Embassy of the Hashemite Kingdom of Jordan
18. ACT Labor Foreign Affairs, Defence and Trade Committee
19. ANZ Banking Group Ltd

20. Australian African Mining Industry Group
21. Department of Immigration and Citizenship
22. Australian Electoral Commission
23. AusAID
24. Australian Federal Police
25. Embassy of Portugal
26. Austrade
27. Department of Defence
28. Department of Foreign Affairs and Trade
29. Professor John Langmore
30. National Farmers Federation
31. Department of Agriculture, Fisheries and Forestry
32. Department of Defence
33. The Migration Institute of Australia
34. Mr Tim Fischer
35. Australia Gulf Council
36. Department of Industry, Innovation, Science, Research and Tertiary Education
37. Ukrainian Youth Association of Australia Inc
38. Department of Defence
39. Department of Foreign Affairs and Trade
40. Australian Electoral Commission
41. The Migration Institute of Australia
42. Department of Agriculture, Fisheries and Forestry
43. Austrade
44. AusAID
45. Department of Foreign Affairs and Trade
46. Department of Immigration and Citizenship
47. Australian Federal Police

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48. Ms Alex Oliver, Research Fellow; and Mr Fergus Hanson, Director of Polling and Research Fellow, Lowy Institute for International Policy
  49. HE Dr Mihai-Stefan Stuparu, Romanian Ambassador to Australia
  50. Ausrotrade (Australia/Romania Chamber of Commerce)
  51. Department of Foreign Affairs and Trade
  52. Cisco Systems Australia Pty Ltd
  53. Australian African Mining Industry Group
  54. Kurdish Regional Government in Australia







## Appendix B – List of Exhibits

1. Ms Alexandra Oliver - Lowy Institute for International Policy – *Australia's diplomatic deficit*
2. Ms Alexandra Oliver - Lowy Institute for International Policy - *Diplomatic disrepair: rebuilding Australia's international policy infrastructure*
3. Professor John Langmore - *The 2009 Australian Defence White Paper: Analysis And Alternatives*
4. Professor John Langmore - *The Griffith Review Edition 32 - Learning from Norway: Independent, middle-power foreign policy*
5. Professor John Langmore - *Letter to Foreign Affairs Minister, January 2012*
6. Australia Gulf Council - *Australia Gulf Council Newsletter*
7. Australia Gulf Council - *Annual Business Mission to Gulf States*
8. Department of Defence - *Organisational structure of International Policy (IP) Division*
9. Department of Foreign Affairs and Trade - *Administrative Circular: Engaging with the Media*
10. Cisco Systems Australia Pty Limited - *Case Study: Australian Federal Government*
11. Cisco Systems Australia Pty Limited - *Full Media Coverage of National Telepresence System case study launch*
12. Department of Foreign Affairs and Trade - *Guidelines for management of the Australian Government presence overseas*





## **Appendix C – Witnesses appearing at public hearings**

**Canberra, 10 February 2012**

### **Australian Customs and Border Protection Service**

Mr Troy Czabania, National Manager, Corporate Governance and International Strategy

Mr Murray Edwards, Director, International

Ms Georgina Harrison, Acting Director, Strategy, Bilaterals and Posts

Mr Michael Edwards, Chief Operating Officer

### **Australian Trade Commission**

Mr Peter Grey, Chief Executive Officer

Ms Leanne Joyce, Group Manager, Promotions and Communications

Ms Marcia Kimball, Chief Human Resources and Change Management Officer

Mr Robert O'Meara, Chief Finance Officer

Mr Laurie Smith, Executive Director, International Operations

### **Department of Agriculture, Fisheries and Forestry**

Ms Jo Evans, First Assistant Secretary, Trade and Market Access Division

Mr Phillip Glyde, Deputy Secretary

Mr Greg Williamson, First Assistant Secretary, Biosecurity Division

### **Department of Defence**

Mr Peter Jennings, Deputy Secretary, Strategy

Mr Neil Orme, First Assistant Secretary, International Policy

### **Department of Foreign Affairs and Trade**

Mr Dennis Richardson, Secretary

Mr Christos Moraitis, First Assistant Secretary, Corporate Management Division

**Department of Immigration and Citizenship**

Ms Vicki Parker, First Assistant Secretary, Border Security, Refugee and International Division

Mr Peter Vardos, Deputy Secretary

Mr Jim Williams, Assistant Secretary, Offshore Biometrics and Operations Branch

**Department of Innovation, Industry, Science, Research and Tertiary Education**

Ms Anne-Marie Lansdown, Head, Science and Infrastructure

Mr Colin Walters, Head, International Education Division

**Foreign Affairs, Defence and Trade Committee, ACT Branch, Australian Labor Party**

Mr Andrew Carr, Deputy Convenor

**Migration Institute of Australia**

Ms Maurene Horder, Chief Executive Officer

Mr John Hourigan, Member

**Canberra, 17 February 2012****AusAID**

Mr Peter Baxter, Director General

Mr Ian Davies, Assistant Director General, Property and Financial Management

Mr Robert Tranter, Assistant Director General, Human Resources

**Australia Gulf Council**

The Hon. Michael Yabsley, Chief Executive

Ms Georgie Skipper, Director, Government and Corporate Affairs

**Australian Electoral Commission**

Mr Ed Killesteyn, Electoral Commissioner

Ms Marie Neilson, Assistant Commissioner, Elections Branch

Mr Thomas Rogers, Deputy Commissioner

**Australian Federal Police**

Ms Amanda Kates, Acting Manager, International Network

Mr Ian McCartney, Acting National Manager, Serious and Organised Crime

Mr Peter Whowell, Manager, Government Relations

**Australian Federation of Ukrainian Organisations**

Mr Stefan Romaniw, OAM, Chairman

**Private capacity**

Mr Fergus Edward Hanson, Visiting Fellow in e-diplomacy, Brookings Institution

**Embassy of the Kingdom of Morocco**

His Excellency Mr Mohamed Mael-Ainin, Ambassador  
Mr Abedelkader Jamoussi, Deputy Head of Mission

**Embassy of Ukraine**

Mr Stanislav Stashevskyi, Charge d'Affaires

**Lowy Institute for International Policy**

Ms Alex Oliver, Research Fellow  
Mr Andrew Shearer, Director of Studies; Senior Research Fellow

**Melbourne, 23 February 2012****ANZ Banking Group Limited**

Mr Alex Thursby, CEO, Asia Pacific, Europe and America  
Mr Michael Johnston, Head of Government and Regulatory Affairs

**Committee for Melbourne**

Mr Nathan Stribley, Policy Manager

**Commonwealth Bank of Australia**

Mr Geoff Coates, Executive General Manager, Indonesia

**United Macedonian Diaspora**

Mr Ordan Andreevski, Director, Australian Outreach

**Private capacity**

Professor John Vance Langmore, Professor, School of Social and Political Sciences,  
University of Melbourne

**Canberra, 27 February 2012****Australia Africa Mining Industry Group**

Mr Jeff Hart, Special Adviser

**Australian Industry Group**

Mr Innes Willox, Chief Executive Designate and Director, International and  
Government Relations

**Canberra, 19 March 2012**

**Department of Foreign Affairs and Trade**

Mr Tuan Dao, Chief Information Officer

Mr Christos Moraitis, First Assistant Secretary, Corporate Management Division

Mr Dennis Richardson, Secretary