

## **Government and parliamentary links**

- 2.1 In Chapter One the Committee made clear its finding that the bilateral relationship between Australia and Indonesia is not an even one. In this chapter the Committee has three objectives: firstly to explore ways in which the Committee and parliamentarians in general can strengthen the relationship at the political level ; secondly, to describe some aspects of the architecture of the relationship, an architecture that provides for and supports a well developed, functional and valuable relationship between government agencies; and finally to provide some data — about funding and other arrangements that support many aspects of the engagement — that is contextually relevant for the remaining chapters of the report.

### **Strengthening parliamentary links**

- 2.2 As part of this inquiry, several members of the Committee spent four days in Jakarta towards the end of February 2004 holding meetings with political leaders, senior officials and a wide range of other government and non-government organisations.
- 2.3 In a busy schedule of meetings, the Committee met with HE President Megawati Soekarnoputri; HE Vice President Hamzah Haz; Chairman of the DPR HE Akbar Tandjung; members of DPR Commission I (Defence, Security, Foreign Affairs and Information); members of the Inter-parliamentary Cooperation Group; the Head of the Indonesian Armed Forces, General Sutarto; senior officials including Dr Sudjadnan Parnohadiningrat, Secretary-General, Ministry of Foreign Affairs, and Maj. Gen. Sudradjat, Director-General, Defence Strategy, Department of Defence; senior Indonesian National Police (POLRI) staff; the full Board of

the National Human Rights Commission (Komnasham); Muslim Leaders; and representatives of the International Monetary Fund (IMF), the World Bank, and the Asian Development Bank. In addition to these meetings, the Committee had informal discussions with other members of the DPR, parliamentary officials, representatives of the Asia Foundation, representatives from Australian Volunteers International, economic and political commentators and other prominent figures.

2.4 The Committee also received a detailed briefing from the Charge d’Affaires and officials from the Australian Embassy, and on-going background explanations and briefings during the course of the visit.

2.5 The Committee was delighted by the very warm welcome extended by HE President Megawati Soekarnoputri during a 45 minute call at her residence. The delegation was pleased to hear of the President’s interest in visiting Australia and her wish to do so at the earliest opportunity. The Committee also appreciated the generous welcome from HE Vice-President Hamzah Haz who took the opportunity to express thanks to Australia for its support with the elections.



Figure 2.1 Courtesy call on HE President Megawati Soekarnoputri

2.6 The meetings served many purposes beyond the important extension of courtesies and the acknowledgement of the high level of cooperation that exists in a number of areas and of the need to maintain and extend this cooperation. Discussions were wide ranging and often robust and covered

economic and political and administrative developments in Indonesia; human rights issues; Islam; progress towards democratisation including the elections and the work of the National Human Rights Commission; defence and security matters.

- 2.7 After months of immersion in a vast amount of written and oral evidence about the bilateral relationship, the visit enabled the Committee to test out some of the conclusions it was in the process of forming. Discussions on many of the issues and developments within Indonesia also enabled the Committee to confirm or deepen its understanding on these matters.



Figure 2.2 Call on HE Akbar Tandjung, Speaker of the DPR and Chairman of Golkar

- 2.8 The meetings also gave an opportunity to Indonesia's political leaders and parliamentarians to express some of the concerns they have in relation to the bilateral relationship. Concerns expressed included the representation of various events and issues by the Australian media, particularly the ABC; handling of NGOs; travel advisories; and the proposed Christmas Island Spaceport.
- 2.9 Some of the concerns mentioned were born of simple misunderstandings in response to which the Committee was able to provide some clarification. Such matters included Australia's participation in the US

missile defence program and allegations of the bugging of the Indonesian Embassy in Canberra. The Committee was also able to reiterate Australia's position about other concerns relating to more complex misunderstandings including Australia's involvement around East Timor's independence and its position in relation to Papua. The Committee valued the straightforward discussions which were held on these matters. Both parties raised questions relating to human rights issues.

- 2.10 Further references to some of the discussions are made at relevant sections in this report. The insights gained made the visit a very significant part of this inquiry.
- 2.11 The Committee's visit to Indonesia, brief as it was, enabled it to get some sense of the pulse of the relationship, and some sense also of how Australia is perceived by Indonesia. It is a complex relationship and, as already stated, in the Committee's view, not an even one. The strongest part of it, exemplified by the very positive and broad ranging cooperation that exists between government agencies, is in the most part built around genuine shared endeavour towards clearly articulated mutually beneficial ends. At the political level, things are less straightforward.
- 2.12 The Committee acknowledges that there are well established ministerial links and exchange visits at this level and at the level of senior officials. The Committee considers that parliamentarians also have a role to play in strengthening the relationship at the political level. It also considers that visits such as that described above are an effective means of building the relationship at this level.

### **Bilateral Committee Visits**

- 2.13 The Australian Parliament is already involved in arranging bilateral visits between the Australian Parliament and parliaments of other countries with the aim of fostering direct relationships. Since January 1991, 17 Australian Parliamentary Visits have been made to Indonesia, ten of which have taken place since 1999. There have been 13 Indonesian Parliamentary Visits between December 1990 and December 2003, nine of which have been made since 1999. Such visits are an important means of promoting understanding and familiarity and of building links between institutions.
- 2.14 Given the importance to the national interest of building Australia's relationship with Indonesia, the Committee considers that there would be value in establishing regular meetings between the Australian parliamentary foreign affairs committees (the Joint Standing Committee

on Foreign Affairs Defence and Trade; and the Senate Foreign Affairs, Defence and Trade References and Legislation Committees) and their counterpart in the Indonesian Parliament, Commission I, a powerful and influential committee.

- 2.15 The Committee's meeting with Commission I during its recent visit was an important step in establishing a valuable connection. It allowed, too, for both parties to air concerns, exchange view points and, on occasion, to clarify misunderstandings. At the meeting the Committees also exchanged information on their respective roles and staffing arrangements in place to support their work.
- 2.16 Regular meetings would provide the opportunity to develop this relationship. They would enable the type of communication to develop that is only achieved with regular contact over time – communication characterised by open dialogue and mutual respect. For this reason the Committee sees much value in establishing a program of exchange visits between Parliamentary Committees along similar lines to the New Zealand/Australia Committee Exchange Program<sup>1</sup>, a program established after negotiations at the Prime Ministerial level. Unlike the New Zealand /Australia Committee Exchange Program, the proposed program would focus specifically on the foreign affairs committees.
- 2.17 Given the role both Commission I and the Australian parliamentary foreign affairs committees have in foreign policy and foreign relations, it is appropriate that they be enabled to take a direct role in building the relationship. Just as regular meetings between Ministers of counterpart portfolios are a critical element of building the bilateral relationship, so too is there a role for regular meetings of the committees that focus on foreign relations and that have an impact, potentially a very positive impact, on the bilateral relationship.

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1 In 1991, following a two year trial, an agreement was reached between Australia and New Zealand for a New Zealand/Australia Committee Exchange Program. Since 1991, there have been 12 visits to Australia by New Zealand committees and 10 visits to New Zealand by Australian committees. Each committee is selected on the basis of topicality of subject matter to be examined and the length and nature of the visit is designed to allow committee delegations to consult with their counterparts and to discuss topics of interest with the other country's public servants, senior private enterprise personnel and relevant experts.

## Recommendation 1

**The Committee recommends that the Minister for Foreign Affairs establish a program of exchange visits between the Foreign Affairs, Defence and Trade Committees of the Australian Parliament and the equivalent committees of the Indonesian Parliament. Incorporated in the program should be a formal, structured one day conference with agenda items prepared by both sides covering all aspects of the relationship that may be of concern. The program should be additional to the current bilateral visits program and be separately funded.**

## The Architecture of the relationship

2.18 As explained in DFAT's submission to this inquiry, Australia's approach to the bilateral relationship with Indonesia is to build on the interests that the two countries have in common. To underpin this approach, the Government has developed a network of contacts with the 'Megawati administration at the most senior level in Indonesia'.<sup>2</sup> Since 2001, the Prime Minister has made a number of visits to Indonesia. Australia's Foreign Affairs and Trade Ministers also maintain close contact with their counterparts in Indonesia. As described by DFAT, these strong relationships are also supported by a host of ministerial and official visits between both countries.<sup>3</sup>

## Australia-Indonesia Ministerial Forum

2.19 A central feature of the relationship is the Australia-Indonesia Ministerial Forum (AIMF). Established in 1992, principally as a means of expanding 'the relationship between Australia and Indonesia into areas of practical economic and trade cooperation'<sup>4</sup>, the AIMF appears from the many references made to it in submissions to have evolved into the overarching structure for the bilateral relationship at the formal level. The Joint Ministerial Statement from the most recent AIMF meeting (March 2003) covers a range of economic areas but it also covers political and strategic issues including terrorism, people smuggling and trafficking, money

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2 Submission No 89, p 13

3 Submission No 89, p 14

4 Submission No 89, p 23

laundering and terrorist financing and disarmament. (The statement is attached at Appendix C.)

2.20 The AIMF has a number of working groups which provide a framework for much of the very extensive cooperation that exists between the two countries. The working groups that reported to the AIMF in 2003 were as follows:

- Working Group on Trade, Industry and Investment;
- Working Group on the Environment;
- Working Group on Education and Training;
- Working Group on Health Cooperation;
- Working Group on Agriculture and Food Cooperation;
- Working Group on Science and Technology;
- Working Group on Transport and Tourism;
- Working Group on Marine Affairs and Fisheries;
- Working Group on Legal Cooperation; and
- Working Group on Energy and Minerals.

2.21 The Joint Statement mentioned above recognises the value of maintaining flexibility in the development of the Ministerial Forum structures and notes that 'new Working Groups have been developed and existing ones merged in the past to reflect the natural evolution of the bilateral cooperation agenda'. In this context, it announced the establishment of a new Working Group on Social Security, the abolition of the Working Group on Public Works and Infrastructure and the formalisation of the new Working Group on Marine Affairs and Fisheries.<sup>5</sup>

## MOUs

2.22 Supporting the framework provided by the AIMF and its working groups is a whole raft of agreements between government departments or agencies and their counterparts in Indonesia. The following list, which is by no means exhaustive, of areas covered by the Memoranda of Understanding (MOUs) mentioned in the submissions to this inquiry, gives some impression of the breadth of engagement at this level. The MOUs provide for a range of joint ventures; technical exchanges;

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5 Joint Ministerial Statement of the Sixth Australia-Indonesia Ministerial Forum and Fourth Australia-Indonesia Development Area Ministerial Meeting

operational cooperation; information sharing; collaborative research activities; and education, training and capacity building exercises in areas as diverse as: meteorology; marine affairs and fisheries; agriculture; post and telecommunications; sport; scientific research; fisheries; transport; maritime, land, rail and aviation transport; transport planning and regulations; transnational crime; law enforcement; environmentally sound and sustainable development; conservation and management of cultural heritage; the development of legal systems, laws and legal institutions; education and training; animal and plant health and quarantine matters; aquaculture development and illegal fishing; trade promotion; forestry and food production; counter-terrorism; air safety accident and incident investigation; and tourism.

- 2.23 A host of Federal Government agencies is involved in implementing the MOUs including the Bureau of Meteorology; DFAT; ACIAR; CSIRO; the Department of Communications, Information Technology and the Arts (DCITA); the Department of Family and Community Services (FaCS); the Department of Transport and Regional Services; AFP; AusAID; Environment Australia; the Attorney-General's Department; Austrade; and the Department of Agriculture Fisheries and Forestry (AFFA). Again this list is by no means exhaustive, and as pointed out by the CSIRO, many interactions occur without the aid of formal agreements.<sup>6</sup>

## Engagement at the State and Territory level

- 2.24 A similarly complex labyrinth of engagement occurs at the State and Territory level, at least in relation to Western Australia and the Northern Territory.<sup>7</sup>

### Northern Territory

- 2.25 The comprehensive submission from the Northern Territory describes in detail its long history of building a relationship with Indonesia. It identifies Indonesia as offering, along with the general South East Asian Region 'the best options for expansion by the Territory in a range of fields, including business and trade, political, educational and sporting links'. Explaining the importance of the relationship, it notes, 'our closeness and history of engagement creates a mutual imperative for stronger and more sensitive engagement with each other than with other parts of the world.'<sup>8</sup>

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6 Submission No 41, pp 2-3

7 The Committee received submissions from the WA, NT and ACT Governments. It did not receive submissions from other states.

8 Submission No 87, p 1314



- 2.26 The relationship is supported by an MOU between the two governments and a Joint Policy Committee whose role is to administer the MOU and to 'meet regularly to discuss trade and seek opportunities to facilitate the development of the relationship between the two regions'.<sup>9</sup> The relationship encompasses trade, cultural and educational exchanges, sporting links, development assistance and cooperation projects across a wide range of areas, some of which are funded through AusAID and others with direct NT Government involvement.
- 2.27 The Northern Territory Government makes a number of suggestions aimed at further developing Australia's relationship with Indonesia. The Committee notes its call that Australia recognise that:
- [The] Northern Territory is ideally situated to support national initiatives at a regional level and work cooperatively with the Northern Territory to promote this role. The Northern Territory's geographical location makes it a natural neighbour to the eastern part of Indonesia however location is not the only factor. Because of the nature of the Territory, with its vast area and sparse population, a high degree of technology and infrastructure development and service delivery adaptation has been achieved to cope with remoteness and community isolation from major service providers.<sup>10</sup>
- 2.28 The Northern Territory also calls for recognition of its role as an observer of BIMP-EAGA. It described the 'acceptance of the Northern Territory as an interested neighbour and observer by members of BIMP-EAGA (a sub-regional grouping of ASEAN) as a milestone in establishing the place of Australia as a contiguous part of the Oceania, Australia, ASEAN region'. It suggests that the Federal Government's recognition of the Territory's unique position will 'reinforce the legitimacy of the Territory's role in BIMP-EAGA.'<sup>11</sup>

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9 Submission No 87, p 3

10 Submission No 87, p 7

11 Submission No 87, p 7

**Recommendation 2**

**The Committee recommends that the Federal Government acknowledges the Northern Territory's role as interested neighbour and as observer of BIMP-EAGA (a sub-regional grouping of ASEAN) and consider providing special assistance to the Northern Territory to enable it to enhance its role.**

**Western Australia**

- 2.29 The submission from the Western Australian Government also conveys how important it considers the relationship to be. As Western Australia's third largest export destination, Indonesia is already important economically. Western Australia, like the Northern Territory, has its eye to the future and has identified Indonesia, 'as one of the most important destinations for future agricultural exports from WA, particularly in the horticulture, livestock, meat and dairy sectors.'<sup>12</sup>
- 2.30 The Western Australian Government describes a wide range of areas of cooperation and interaction and identifies a number of opportunities which would be mutually advantageous in strategic, economic and cultural terms.
- 2.31 The Western Australian Government makes a number of recommendations which suggest the need for a more coordinated approach to Australia's relationship with Indonesia. It recommends for instance that the 'Federal Government should seek to invite the States to jointly examine ways in which Australia can maximise opportunities through a more cohesive approach to education'.<sup>13</sup> It also recommends that the 'Federal Government partner with the States to provide the required expertise in environment-related fields, human resource training, town planning, and land management or as requested by the Indonesian Government'.<sup>14</sup>

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12 Submission No 33, p 1

13 Submission No 33, p 8 of the contribution from WA State Development Portfolio

14 Submission No 33, p 9 of the contribution from WA State Development Portfolio

### Recommendation 3

**The Committee recommends that the Federal Government jointly invite the States to examine ways in which the educational relationship with Indonesia can be more cohesively managed.**

## Features of the agency-agency relationship

2.32 It is not within the Committee's resources nor would it serve a great purpose to describe in detail the myriad interesting and constructive activities that are described in the submissions from the government sector. The Committee, however, offers the following observations about some of the features of the bilateral relationship at this level. The features of the engagement between counterpart agencies mirror in some respects the features of the bilateral relationship as a whole. The engagement is multifaceted and generally mutually beneficial.

### Engagement is multifaceted

2.33 The Committee was struck by the multifaceted nature of the engagement that most of the departments that made submissions to this inquiry have with their counterparts. The engagement typically encompasses some research collaboration; some sharing of information or intelligence; and some education, training or capacity building components. Engagement is often extended further by joint participation in regional and international fora.

2.34 The Committee cites just one example but stresses that it is typical of most of the submissions.

The Department of Agriculture, Fisheries and Forestry – Australia's (AFFA's) contribution to the Australia-Indonesia relationship is substantial and multifaceted, encompassing trade and investment support and facilitation, portfolio-management of bilateral fora and sub-fora and the provision of technical cooperation and support, including under bilateral AFFA-sponsored Memoranda of Understanding in a range of specific activity- and industry-related areas, and through both provision of and input to the coordination of international assistance.<sup>15</sup>

## Engagement is mutually beneficial

- 2.35 Most of the departments that made submissions to the inquiry described some engagement involving research collaboration or education and training programs and other activities with a capacity building focus.
- 2.36 The Committee was struck by the mutually beneficial nature of these activities. As such, the Committee considers that ongoing commitment to these activities is a sound investment for Australia. The Committee cites a few examples to give a sense of the diversity of activities being undertaken:
- WA has identified an opportunity to develop the Indonesia potato industry. In 2002 it initiated a six month seed project with the East Java Department of Agriculture the aim of which was to ‘build capacity in agronomy, nutrient and irrigation management, plant pathology, integrated pest and disease management, agricultural economics, group facilitation, post-harvest marketing, and industry development’.<sup>16</sup> Here the gain for Australia is in terms of developing markets; for Indonesia, developing an industry. In addition, several farmers had conducted training programs for Indonesian farmers. WA described these programs as having had a ‘significant effect in strengthening Western Australian-Indonesian relations’.<sup>17</sup> Such programs, the Committee suggests, illustrate how strong people-to-people links can be built through interaction over projects of common interest and mutual gain.
  - Australia provides quarantine related capacity building and infrastructure support for Indonesia. For example, NAQS (Northern Australia Quarantine Strategy)<sup>18</sup> is assisting with the second phase of the GSLP-funded *Papua Quarantine, Animal and Plant Health Support* project, the aims of which ‘are to implement policy and legislation support activity and commence public awareness work on quarantine issues’. The third phase of the project aims to ‘deliver enhanced quarantine inspection and systems, training in field surveillance and monitoring, facilities and training in sugarcane quarantine, training in monitoring, identification and control of fruit flies, and support for quarantine public awareness initiatives’.<sup>19</sup> Improving quarantine management in Papua, of value to Indonesia, also lessens the risk of

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16 Submission No 33, p 3 of the contribution from the WA Premier & Cabinet

17 Submission No 33, p 3 of the contribution from the WA Premier & Cabinet

18 Submission No 88 describes NAQS as ‘a discrete program administered by the Australian Quarantine and Inspection Service (AQIS) with input from Biosecurity Australia (BA), p 16

19 Submission No 88, p 17

pest and diseases of quarantine concern entering Australia via Papua and then PNG.<sup>20</sup>

- The Commonwealth Bureau of Meteorology outlined to the Committee the importance of meteorological oceanographic data from Indonesia and neighbouring areas to weather and climate prediction in Australia. The Indonesian archipelago including East Timor, the Bureau explained, 'is recognised as a major source of energy for the global atmospheric circulation and plays an important role in the El Nino southern oscillation phenomenon, which impacts on the occurrence of drought and floods in many parts of Australia'.<sup>21</sup> According to the Bureau, its relationship with its Indonesian counterpart, Badan Meteorologi dan Geofisika (BMG), continues to strengthen and bring economic, social and environmental benefits to both countries. Technical assistance flows from Australia to Indonesia, for instance, help strengthen the capacity of the BMG to 'provide meteorological data, information and services to the people of Indonesia but also supports 'an increased flow of data and information from Indonesia to Australia which aids weather and climate monitoring and prediction in Australia'.<sup>22</sup>
- CSIRO outlines a number of mutually beneficial projects in its extensive submission. These projects are managed across different divisions within the organisation, often in collaboration with other relevant international organisations. For example Forestry and Forest Products is working on seed collection and distribution projects looking at genera endemic to both Indonesia and Australia, which make valuable additions to the seed collections held in both countries and provide information on the characteristics of species, and the establishment of commercial plantations. Other collaborative research projects by Indonesian and Australian forest scientists include studies on fungal pathogens of tropical *Acacias*, shared flora, and productivity of tropical plantation forests. The Division of Livestock Industries is working on collaborative projects such as avian virology, which focuses on the infectious bursal disease virus (vvIBDV), an economically important disease of chickens, and aims to develop cheap and effective vaccines for control of the disease. The disease is widespread in Indonesia and causes significant economic losses to the poultry industry, while Australia currently holds a vvIBDV disease-free status, and would like

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20 Submission No 88, p 16

21 Transcript: 17 March 2003, Commonwealth Bureau of Meteorology, 72 (Mr Wilson)

22 Transcript: 17 March 2003, Commonwealth Bureau of Meteorology, 73 (Mr Wilson)

to remain that way. Another project on sustainable endoparasite control for small ruminants is working to prevent the spread of resistance to anthelmintics used for control of nematode parasites of sheep and goats, particularly in smallholder situations in Southeast Asia. This work also contributes to increased capability to diagnose susceptible and genetically-resistant nematode parasites in the Australian sheep flock.<sup>23</sup>

- FaCS (Department of Family and Community Services) is involved in a number of co-operation activities aimed at assisting Indonesia achieve critical social security reforms, reforms it describes as 'vital components in Indonesia's push to become a fully functioning modern society.'<sup>24</sup> A range of cooperative activities being developed 'are likely to focus on efforts to strengthen the social safety net so that it can respond to developments in social security reform.'<sup>25</sup> It is in Australia's national interest, FaCS suggests, to assist Indonesia achieve political and economic reforms which will enable it to realise its potential as a powerful player in the region.<sup>26</sup>
- The Australian Maritime Safety Authority's Australian Search and Rescue (AusSAR) has provided search and rescue training to officers of its Indonesian counterpart agency, Badan SAR Nasional (BASARNAS), aimed at improving Indonesia's search and rescue coordination, planning and procedures.<sup>27</sup>

### Government Sector Linkages Program

- 2.37 A large proportion of the submissions from the government sector made special mention of the great value of the Government Sector Linkages Program (GSLP).
- 2.38 Arising out of the 1994 Australia-Indonesia Ministerial Forum, the GSLP was established in 1995 to 'promote sustainable development and economic growth in Indonesia through the support of joint activities planned and implemented by Government sector agencies in Australia and Indonesia.' The GSLP was 'intended to complement existing relationships and activities where there is a strong development focus,

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23 Submission No 41, attachments 2 and 3

24 Submission No 47, p 2

25 Submission No 97, p 2

26 Submission No 97, p 2

27 Submission No 52, p 2

with particular emphasis on programs arising through the Australia-Indonesia Ministerial Forum Process.<sup>28</sup>

- 2.39 The estimated budget for the program is \$19.5 million with the program due for completion in 2006. As evident in the list of activities funded by the program, attached as Appendix D, the program enables a wide range of activities to take place in a diverse range of areas including counter terrorism, health, agriculture, the environment, education, health and customs.
- 2.40 One of the noteworthy features of the evidence presented to the Committee by departmental officials was the consistency with which they reported having good relations with their counterparts in Indonesia. While the Committee does not suggest this is solely the result of the GSLP, it does consider that that the GSLP has enabled many contacts to be made and exchanges to take place that would not have occurred without it. The GSLP is an example of a relatively low cost vehicle for building extremely constructive relationships. The Committee strongly supports its continued funding through to 2006, and the continuation of it or a similar program.
- 2.41 The Committee suggests that the GSLP be extended to facilitate the establishment and maintenance of better linkages between State governments and regional counterparts in Indonesia. Given that such arrangements are in the States' interests as well as the national interest, the Committee suggest that the Federal Government match State/Territory contributions on a dollar per dollar basis to a capped per annum amount.

#### Recommendation 4

**The Committee recommends that the Minister for Foreign Affairs arrange that the activities of the Government Sector Linkages Program be extended to facilitate the establishment and maintenance of better linkages between State governments and regional counterparts in Indonesia. The arrangements should be funded jointly by Federal and State and Territory Governments.**

#### Sister-State Province relationships

- 2.42 As discussed above, both the Northern Territory and Western Australian Governments have established specific regional relationships. Sister-State/Province and Sister-City relationships are important components of these regionally based relationships.

- 2.43 Western Australia has an MOU with Indonesia establishing a Sister-State relationship with the province of East Java which provides a framework for commercial and cultural linkages covering three broad areas of cooperation – ‘Economic, Commerce, Industry and Tourism; Science, Technology and Administration; and Education, Culture, Manpower, Social Welfare, Youth and Sports’.<sup>29</sup>
- 2.44 The Committee was disappointed to learn that the Sister-State relationship between WA and East Java had been less active, at least in terms of cultural exchanges, since 1995. The WA Culture and Arts Portfolio attributed this to ‘changing priorities of Government and a reduction in funds to support Sister-State related activities.’<sup>30</sup>
- 2.45 The Northern Territory Government has a number of Sister-City relationships — such as the Sister-City relationship between Darwin City Council and the City of Ambon in the Province of Maluku and between Palmerston City Council and the City of Kupang in Nusa Tenggara Timur Province. The Northern Territory Government also reported that the ‘Katherine Town Council has a mutual recognition arrangement with the local administration in the regency of East Sumba in the same province’.<sup>31</sup>
- 2.46 The ACT Government informed the Committee that the Indonesian community of the ACT had taken a lead role in proposing a formal relationship between the ACT and the Special District of Yogyakarta. The Government advised that it was continuing productive discussions with the Australia Indonesia Association Inc and the Indonesia Embassy.<sup>32</sup>
- 2.47 In addition to the Sister City affiliations mentioned above, the Australian Sister Cities Association lists three other affiliations with Indonesia: Bega Valley NSW with Bandung, West Java; Lismore NSW with Ujung Pandang, Sulawesi and Brisbane QLD with Semarang, Central Java.<sup>33</sup>
- 2.48 While the Committee is aware that arrangements such as Sister-State/Sister-City links can lose their vigour over time, the Committee considers that there is potentially great value in establishing links between specific communities – the smaller area of concentration making it easier to establish depth in a relationship. The Committee considers that the expanded GSLP type program referred to above also be used to facilitate

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29 Submission No 33, p 3 of the contribution from the WA State Development Portfolio

30 Submission No 33, p 7

31 Submission No 87, p 4

32 Submission No 48, p 1

33 Australian Sister Cities Association, Register of Affiliations



the establishment and maintenance of such relationships using the same capped dollar per dollar funding ratio explained above.

### Recommendation 5

**The Committee recommends that the Minister for Foreign Affairs confer with the Local Government and Planning Ministers' Council about strengthening the bilateral relationship through encouraging the establishment of links between local regions in Australia and Indonesia.**

## A whole-of-government approach

- 2.49 In the Committee's view, the submissions from the government sector reveal that Australia and Indonesia's bilateral relationship is substantial at this level. Its strength at this stage comes from its breadth. It is a relationship that is productive in the immediate term and is also, importantly, establishing the ground for a positive relationship in the long term.
- 2.50 The Committee concurs with the views of the Northern Territory Government that 'the development of a cooperative and productive relationship with Indonesia is a long term process that requires engagement at all levels of government and the business community.'<sup>34</sup>
- 2.51 In its submission to this inquiry, the Australian Council for Overseas Aid (now named the Australian Council for International Development) advocated that 'a comprehensive approach to Australia-Indonesia relations is vital' and 'that Government policies on bilateral relations, aid, immigration, defence, human rights and trade, must not undermine each other, but instead be positive and coherent'. It recommended that 'the Australian Government develops and maintains a long-term, whole of government strategy on Indonesia, recognising the need for foreign, defence, immigration, aid and trade policy to form a coherent whole'.<sup>35</sup> It argued for the inclusion of relevant non-government actors, including NGOs, in the development and implementation of such a strategy.

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34 Submission No 87, p 7

35 Submission No 84, p 8

- 2.52 The Committee considers that there is merit in this idea and supports the view that there is a need for better coordination of all aspects of Federal and State bilateral engagement with Indonesia.

## Australia's aid to Indonesia—supporting the engagement

- 2.53 Much of Australia's engagement with Indonesia, described in the following chapters of this report, is made possible by funding from Australia's aid program. Broad details of this funding are provided at this point in the report as they are contextually relevant for most of the remaining chapters.

### A statistical portrait of Australia's aid to Indonesia

- 2.54 Australia's bilateral development program to Indonesia is its second largest, reflecting the importance ascribed to the relationship. Australia is the fourth largest bilateral source of financial support to Indonesia.

Table 2.1 Australian Aid to Indonesia (1993-94 to 2001-02) \$ million

	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02 (est.)	02-03 (est.)
Country Program	60.3	70.1	65	75	80.4	82.9	90.7	93.5	99.5	102
Other <sup>36</sup>	70.3	65	65	31	16.7	44.1	30.4	27.0	22.0	19.6
<b>Total</b>	<b>130.64</b>	<b>135.11</b>	<b>127.98</b>	<b>102.68</b>	<b>97.09</b>	<b>121.2</b>	<b>121.1</b>	<b>123.7</b>	<b>121.5</b>	<b>121.6</b>

Source *STATS DB (1997-98), Budget Papers, as quoted on AusAID website<sup>37</sup> (1995 to 2003) Sub 116 (1993 to 1995)*

- 2.55 To examine Australia's aid to Indonesia relative to its aid to the immediate region, the Committee requested details of aid flows to Indonesia, PNG and the Pacific over the last decade. The details are provided in the table below.

36 Expenditure classified as 'Other' consists of official development assistance (ODA) made outside of the bilateral Indonesia country program. It includes 'expenditures made through AusAID regional and global programs such as the AusAID NGO Cooperation Program (ANCP), the APEC Support Programs and the Australia ASEAN Development Cooperation Program (AADCP). It also includes expenditures made by other national, state and territory government departments and agencies'. Submission No 116, Attachment A-1

37 AusAID. *Country Brief Indonesia*, Updated 10 October 2002, ([http://www.ausaid.gov.au/country/cbrief.cfm?DCon=3010\\_2150\\_4972\\_2067\\_3443&CountryId=30](http://www.ausaid.gov.au/country/cbrief.cfm?DCon=3010_2150_4972_2067_3443&CountryId=30))

**Table 2.2 Australian ODA flows 1993-94 to 2003-04 (est) current and constant prices (AUD millions).<sup>38</sup>**

Year	Pacific Island Countries			PNG**			Indonesia Total Aid Flow***		
	Current Prices	Constant Prices	% of Aust ODA	Current Prices	Constant Prices	% of Aust ODA	Current Prices	Constant Prices	% of Aust ODA
1993-94	125.6	151.08	8.90	339	407.78	24.03	130.64	157.14	9.26
1994-95	127.7	152.52	8.61	319.2	381.24	21.51	135.11	161.37	9.11
1995-96	130.6	151.81	8.39	336.7	391.38	21.63	127.98	148.76	8.22
1996-97	123.5	140.65	8.62	320.9	365.47	22.41	102.68	116.94	7.17
1997-98	125.1	140.44	8.67	340.1	381.81	23.57	97.09	109.00	6.73
1998-99	127.6	142.76	8.35	321.7	359.91	21.05	121.23	135.64	7.93
1999-00	135.2	147.75	7.73	321.5	351.35	18.38	123.74	135.23	7.08
2000-01	150.4	157.41	9.27	338.2	353.97	20.84	122.80	128.53	7.57
2001-02	161.1	164.48	9.18	328.9	335.81	18.74	122.80	125.38	7.00
2002-03 (provisional)	164.2	164.2	9.04	330.3	330.30	18.19	130.70	130.70	7.20
2003-04 (est)	175.8	175.80	9.48	333.6	333.6	17.99	151.70	151.70	8.18

Sources *\*AusAID Budget Papers 1997-98 to 2003-04*

*\*\*AusAID budget papers and annual reports (1974/75 - 2002/03)*

*\*\*\*AusAID statistical datamart, snapshot 10. 2003-04 Budget Papers*

Compiled by IRSU 26 November 2003.

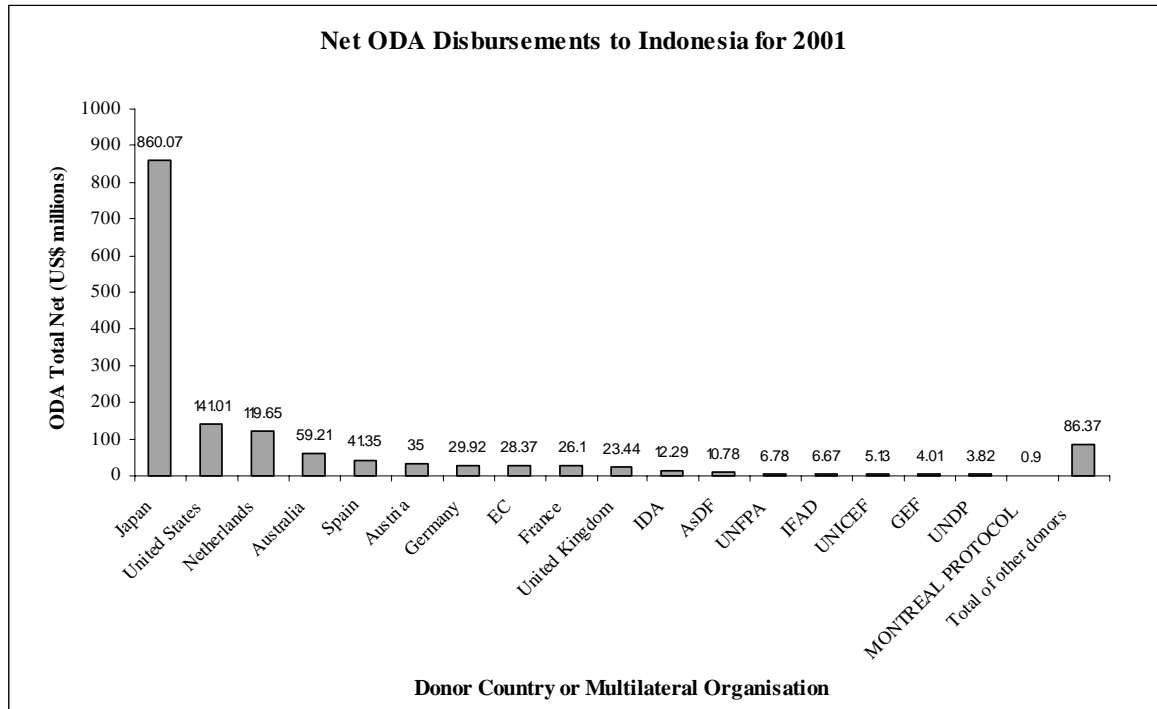
## Australia's aid to Indonesia as a proportion of the total donors aid to Indonesia

2.56 Although Australia's aid program to Indonesia is Australia's second largest, it represents a relatively small proportion of the aid that Indonesia receives from international donors, as evident from the following account provided in AusAID's *Indonesia Country Program Strategy From 2003*.

Indonesia has access to large amounts of technical expertise and financial resources. The official donor community in Indonesia includes 13 multilateral organisations and 20 bilateral aid agencies, with programs of varying size and diversity. The IMF, ADB and World Bank are the largest multilateral sources of financial support. The most significant bilateral sources of funding come from Japan, United States, Germany and Australia in that order. While Australian assistance makes up a sizeable proportion of grant aid to Indonesia, it accounts for a little less than 2% of Indonesia's total donor assistance. Indonesia also has support

from many NGO programs, including those of the Asia Foundation, the Ford Foundation, the World Wildlife Fund and others.<sup>39</sup>

**Figure 2.3 Net ODA Disbursements to Indonesia for 2001**

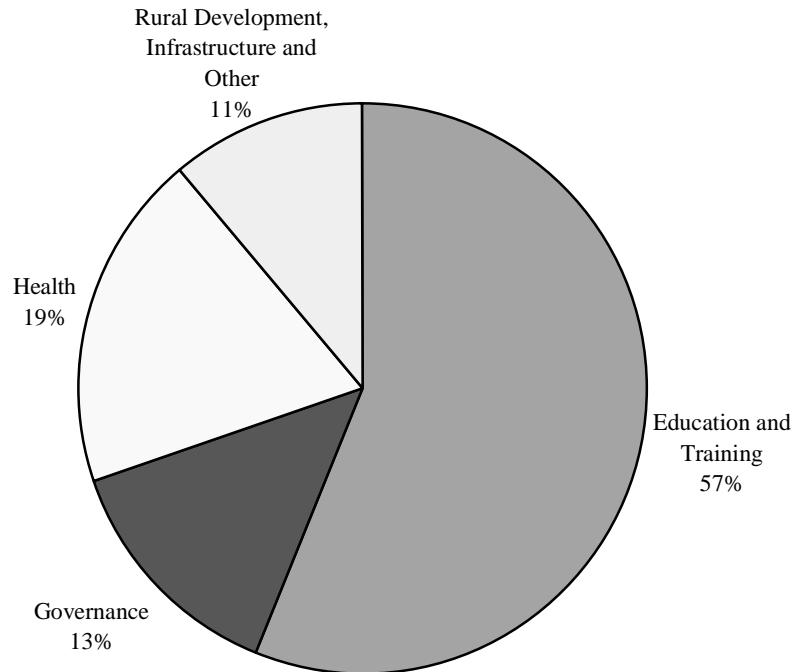


Source OECD-DAC IDS online database: compiled by AusAID IRSU 11/08/03

Note: ODA Total Net amount is in US\$ (millions) for the calendar year. Submission No 110, Attachment B

## Aid program assistance by sector

Figure 2.4 Indonesia Country Program: Expenditure by Key Sector 2002-03 (provisional)



Source AusAID, IRSU statistical datamart. Submission No 116, Attachment A-1

## Australia's aid to Indonesia – an evolving strategy

- 2.57 As described in AusAID's *Indonesia Country Program Strategy From 2003*, Australia's development program has evolved considerably since the financial crisis of 1997/98, in part as a result of that crisis and the ensuing political crisis that followed but also because of a new focus on poverty reduction and the achievement of sustainable development as a new objective of Australia's aid program.<sup>40</sup>
- 2.58 Australia's aid strategy to Indonesia continues to evolve. The Committee commends AusAID for its approach to examining the effectiveness of its efforts in Indonesia in the past, as reflected in the latest country strategy. The strategy reflects the development of a more tightly targeted approach with less sectorally based, large scale, multi-province projects and more area specific, integrated and programmatic approaches.<sup>41</sup> It will reduce

40 AusAID, *Indonesia Country Program Strategy From 2003*, p 24

41 AusAID, *Indonesia Country Program Strategy From 2003*, p 36

the geographic spread of its current program and focus more particularly on a small number of the poorest provinces in Eastern Indonesia.

2.59 The Committee notes that AusAID has articulated four interlinked strategic objectives:

- to improve economic management;
- to strengthen the institutions and practices of democracy;
- to enhance security and stability; and
- to increase the accessibility and quality of basic social services.

2.60 The Committee supports the adoption of a more tightly focussed approach and the objectives as listed. The objectives are discussed in more detail in later chapters of this report.

2.61 While more tightly focussed, AusAID is clearly very mindful of the need to retain flexibility to enable a prompt adjustment to changing circumstances. According to AusAID, such flexibility has in recent times given the program the capacity to respond to issues such as anti-money laundering and anti-terrorism legislation, conflict resolution and humanitarian assistance.<sup>42</sup>

2.62 The strategy is refreshingly realistic about the value of Australia's aid efforts. While it quite clearly identifies Australia as a relatively modest donor, it also appraises Australia's body of expertise and understanding about Indonesia as something 'that sets it apart from many other donors'. Notwithstanding this, it suggests that Australia as an aid donor has not established a level of engagement comparable to that of other major donors (with the exceptions of the overseas scholarships program and the long-standing focus on the Eastern Islands). AusAID reported that other donors in particular 'wondered whether the program was making full use of this knowledge and suggested that Australia could play a stronger role in the dialogue with the Indonesian Government.'<sup>43</sup>

2.63 AusAID notes that the program in the past did 'not make any concerted effort to provide advice to senior Indonesian officials and Indonesian Ministers responsible for political, social and economic policies which could have enhanced engagement with the leadership of the country.' It indicates that, more recently, there has been a movement to greater policy

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42 AusAID, Indonesia Country Program Strategy From 2003, p 25

43 AusAID, Indonesia Country Program Strategy From 2003, p 26

engagement and that this trend is expected to continue.<sup>44</sup> The Committee welcomes this trend.

- 2.64 The increased frequency of visits between leaders, ministers and parliamentarians, described elsewhere in this report will do much to enhance the opportunities for this policy engagement. Such visits are a vital part of establishing the understanding and trust that is a critical element of relationships in which there can be the form of policy engagement envisioned above.
- 2.65 AusAID also suggests that in future ‘more attention will be given to promoting the aid program in Indonesia, as part of broader whole-of-government efforts to maintain the positive relationship’. It explains that ‘building closer bilateral relations has been only an indirect objective for Australian assistance.’<sup>45</sup> The Committee suggests that there may also be value in promoting understanding of the aid program within Australia.

### **Recommendation 6**

**The Committee recommends that over the next five years Australia seeks to increase our aid to Indonesia to a level whereby Australia would become Indonesia’s third largest bilateral source of funding.**

44 AusAID, Indonesia Country Program Strategy From 2003, pp 26-27

45 AusAID, Indonesia Country Program Strategy From 2003, p 26

