



COMMONWEALTH OF AUSTRALIA

Official Committee Hansard

SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE
LEGISLATION COMMITTEE

Consideration of Additional Estimates

THURSDAY, 10 FEBRUARY 2000

CANBERRA

BY AUTHORITY OF THE SENATE

FOREIGN AFFAIRS, DEFENCE AND TRADE LEGISLATION COMMITTEE**Thursday, 10 February 2000**

Members: Senator Brownhill (*Chair*), Senator Hogg (*Deputy Chair*), Senators Bourne, Calvert, Payne and Schacht

Senators in attendance: Brownhill, Calvert, Cook, Harradine, Hogg and Quirke

Committee met at 9.06 a.m.

FOREIGN AFFAIRS AND TRADE PORTFOLIO**In Attendance**

Senator Hill, Minister for the Environment and Heritage

Department of Foreign Affairs and Trade

Portfolio overview

Mr John Dauth, Deputy Secretary

Dr Alan Thomas, First Assistant Secretary, Corporate Management Division

Ms Anne Hazell, Chief Finance Officer

Mr James Wise, Assistant Secretary, Staffing Branch

Ms Estelle Stauffer, Executive Officer, Budget Policy and Projects Section

Ms Robyn Jenkins, Executive Officer, Budget Management Section

Mr Melissa Hitchman, Executive Officer, Management Strategy and Coordination Unit

Ms Chui Yap, Desk Officer, Financial Reporting and Asset Management

Output 1.1—Protection and advancement of Australia's international interests through the diplomatic network and Canberra-based diplomatic activity

Output 1.2—Provision of policy advice and analysis to portfolio ministers

Outputs 1.1.1 and Output 1.2.1—North Asia

Mr Colin Heseltine, First Assistant Secretary, North Asia Division

Ms Lydia Morton, Assistant Secretary

Outputs 1.1.2 and 1.2.2—South and South East Asia

Mr John Dauth, Deputy Secretary

Ms Glenda Gauci, Acting First Assistant Secretary, south and South East Asia Division

Ms Annabel Anderson, Acting Assistant Secretary, Maritime South East Asia Branch

Mr Graeme Lade, Director, India and South Asia Section

Mr Bassim Glazey, Director, Indonesia Section

Mr Jurek Juszczyk, Director, Thailand/Vietnam/Laos Section

Mr Simon Merrifield, Acting Director, East Timor Task Force

Ms Zuli Chudori, Acting Director, Philippines/Malaysia/Singapore/Brunei Section

Outputs 1.1.3 and 1.2.3—Americas and Europe

Mr Murray Cobban, First Assistant Secretary, Americas and Europe Division
Ms Sue Tanner, Assistant Secretary, Europe Branch
Mr Peter Shannon, Assistant Secretary, Americas Branch
Ms Sharyn Minahan, Director, Canada, Latin America and Caribbean Section
Outputs 1.1.4 and 1.2.4—South Pacific, Africa and the Middle East
Mr Greg Urwin, First Assistant Secretary, South Pacific, Africa and Middle East Division
Mr John Oliver, Assistant Secretary, New Zealand and Papua New Guinea Branch
Mr Joe Thwaites, Assistant Secretary, Pacific Islands Branch
Mr Bob Bowker, Director, Middle East Section
Outputs 1.1.5 and 1.2.5—Multi-lateral trade negotiations
Mr Peter Hussin, First Assistant Secretary, Trade Negotiations Division
Mr Steve Deady, Assistant Secretary, World Trade Organisation Branch
Ms Jane Madden, Director, New Trade Issues Section
Mr Mark Pierce, Assistant Secretary, Services and Intellectual Property Branch
Mr Alan McKinnon, Assistant Secretary, Agriculture Branch
Outputs 1.1.6 and 1.2.6—Trade development/coordination and APEC
Ms Pamela Fayle, First Assistant Secretary, Market Development Division
Mr Mike Roberts, Director, Export Credit Section
Outputs 1.1.7 and 1.2.7—International organisations, legal and environment
Mr Michael Potts, FAS, International Organisations and Legal Division
Mr Ralph Hillman, Ambassador for the Environment
Outputs 1.1.8 and 1.2.8—Security, nuclear, disarmament and non-proliferation
Mr John Carlson, Director General, Australian Safeguards and Non-Proliferation Office
Mr Bill Paterson, First Assistant Secretary, International Security Division
Mr Bob Tyson, Assistant Secretary, Nuclear Policy Branch
Ms Louise Hand, Assistant Secretary, Arms Control and Disarmament Branch
Mr Jeremy Newman, Assistant Secretary, Strategic Policy and Intelligence Branch
Output 1.3—Secure government communications and security of overseas missions
Mr John Crighton, Assistant Secretary, Information Management Branch
Mr John Larkin, Assistant Secretary, Diplomatic Security and Property Branch
Mr Gary Quinlan, First Assistant Secretary, Diplomatic Security, Property Information and Management Division
Output 1.4—International services to other agencies in Australia and overseas
Output 1.4.1—Parliament in Australia
Output 1.4.2—Services to attached agencies overseas
Output 1.4.2—Services to other agencies not represented overseas including state governments
Mr Ian Wilcock, First Assistant Secretary, Public Diplomacy Division (PDD)

Mr Paul Robilliard, Assistant Secretary, Parliamentary and Media Branch
Mr Jim Meszes, Budget Coordinator, PDD
Output 1.5—Services to diplomatic and consular representatives in Australia
Output 1.5.1—Services to the diplomatic and consular corps
Output 1.5.2—Provision of protection advice through liaison with the Protective Security Coordination Centre
Mr Ian Wilcock, First Assistant Secretary, Public Diplomacy Division
Mr Graeme Wilson, Assistant Secretary, Chief of Protocol
Mr Jim Meszes, Budget Coordinator, PDD
Output 2.1—Consular and passport services
Output 2.1—24-hour consular services
Output 2.2—Passport services
Mr Peter Baxter, First Assistant Secretary, Consular and Passports Division
Mr David O’Leary, Assistant Secretary, Consular Branch
Mr Steve Ross, Manager, Consular Operations Section
Mr Derek Tucker, Assistant Secretary, Passports Branch
Mr Bill Monaghan, Director, Passports Operations Section
Output 3.1—Public information services and public diplomacy
Output 3.1.1—Provision of public information and media services
Output 3.1.2—Cultural relations
Output 3.1.3—Olympics
Output 3.1.4—Freedom of information and archival research and clearance
Output 3.1.5—Publications
Mr Ian Wilcock, First Assistant Secretary, Public Diplomacy Division
Mr Chris de Cure, Assistant Secretary, Images of Australia Branch
Mr Paul Robilliard, Assistant Secretary, Parliamentary and Media Branch
Mr Jim Meszes, Budget Coordinator, PDFD
Enabling services
Item 1—General corporate support
Item 2—Human resource management and overseas conditions of service
Item 3—Financial and budget management
Item 4—National non secure (communication system) information technology and information management
Item 5—Records management (includes work done by the archives unit and by the Historical Documents Unit)
Item 6—Property management
Item 7—Executive support

Item 8—Training and development

Item 9—Evaluation and audit

Item 10—Internal legal and statistical services

Item 11—Security services

Australian Trade Commission (Austrade)

Portfolio overview

Outcome 1—Public understanding of Australia's trade and investment direction, government export programs and promotion of Australia's image internationally

Output 1.1—Ongoing programs to: show Australians the benefit of overseas trade; raise awareness of export assistance programs; and, promote image of Australia internationally

Mr Peter Langhorne, Deputy Managing Director

Mr Michael Crawford, Manager, Government and Policy

Mr Michael Tindall, General Manager, Export Finance Assistance Programs

Mr David Crook, Group Manager, Corporate Budgets and Assets

Mr David Ritson, Group Manager, Accounting Operations and Systems

Mr David Faulks, Global Manager, Olympics and Sport

Outcome 2—Contribution to Australia's export trade performance by facilitating and encouraging trade and investment between Australia and foreign countries

Output 2.1—General advice and information on export and investment

Output 2.2—Finding and delivering export and outward investment opportunities

Output 2.3—Tailored export and outward investment advice and services

Output 2.4—Advice and guidance to federal government and coordination of export activities

Output 2.5—Inwards investment attraction services

Mr Peter Langhorne, Deputy Managing Director

Mr Michael Crawford, Manager, Government and Policy

Outcome 3—Australians informed about and provided access to consular, passport and immigration services in specific locations overseas.

Output 3.1—Consular, passport and immigration services

Outcome 4—Contribution to Australia's export trade performance by providing financial and other assistance to eligible organisations

Output 4.1—Export financial assistance

Mr Peter Langhorne, Deputy Managing Director

Mr Michael Crawford, Manager, Government and Policy

Mr Michael Tindall, General Manager, Export Finance Assistance Programs

Mr David Crook, Group Manager, Corporate Budgets and Assets

Mr David Ritson, Group Manager, Accounting Operations and Systems

Mr David Faulks, Global Manager, Olympics and Sport

Australian Agency for International Development (AusAID)

Outcome 1—Australia's national interest advanced by assistance to developing countries to reduce poverty and achieve sustainable development

Output 1—Policy

Output 2—Program management

Mr Ian Anderson, Assistant Director General, Corporate Policy and South Asia Branch

Mr Ray Barge, Director, Health Group

Mr Peter Callan, Director, Multilateral Agencies and Health Section

Mr Mick Commins, Assistant Director General, Office of Program Review and Evaluation

Mr Scott Dawson, Assistant Director General, Indonesia, China and Philippines Branch

Mr Michael Dillon, Acting Deputy Director General, Pacific, Africa and International Division

Mr Laurie Engel, Assistant Director General, Mekong Branch

Mr Mark Fleeton, Acting Assistant Director General, Resources Branch

Ms Ali Gillies, Assistant Director General, Africa and Humanitarian Relief Branch

Mr Robert Jauncey, Acting Assistant Director General, Papua New Guinea Branch

Mr Colin Lonergan, Assistant Director General, Sectors Branch

Dr Peter McCawley, Deputy Director General, Program Quality Group

Mr John Munro, Director, Humanitarian and Emergencies Section

Ms Annmaree O'Keeffe, Assistant Director General, south Pacific Branch

Mr Mark Palu, Director, Corporate Planning and Budget Section

Ms Miranda Rawlinson, Assistant Director General, International Programs Branch

Ms Jennifer Rawson, Deputy Director General, Asia and Corporate Division

Ms Ellen Shipley, Director, Non-Government Organisations Section

Australian Centre for International Agricultural Research (ACIAR)

Outcome—International agricultural research partnerships that reduce poverty, improve food security and sustainably manage natural resources in developing countries and Australia.

Output group 1—Research on agriculture and natural resource management problems for developing countries and Australian producers

Output 1.1—Identified research and training priorities

Output 1.2—Developed project proposal and training activity

Output 1.3—Commissioned research and training project

Output 1.4—Project finalisation, completed project review and result communicated

Output 1.5—Completed impact assessment

Output 1.6—Unrestricted grant made to International Agricultural Research Centres

Output group 2—Trained researchers in developing countries and Australia

Output 2.1—Non-specific training

Output 2.2—Trainee fellowship

Output 2.3—Crawford Training Fund

Dr Bob Clements, Director

CHAIR—I declare open this meeting of the Senate Foreign Affairs, Defence and Trade Legislation Committee. I welcome Senator Hill, the minister representing the Minister for Foreign Affairs and the Minister for Trade, and officers of the Department of Foreign Affairs and Trade, Austrade and AusAID. The committee will consider particulars of proposed additional expenditure for the Department of Foreign Affairs and Trade. The committee will first put questions of a general nature under the portfolio overview. We will then consider the particulars of the proposed expenditure on an outcome and output basis, commencing with output 1.1. After outputs 1.1.4 and 1.2.4, the committee will consider the particulars of Austrade, then revert to the foreign affairs and trade output order. The committee has before it the particulars of proposed additional expenditure for the service of the year ending on 30 June 2000, documents A and B, the portfolio additional estimates statement for Foreign Affairs and Trade, the statements of savings and the annual reports of the Department of Foreign Affairs and Trade, Austrade and the Australian Centre for International Agricultural Research.

As the committee considers each outcome and output, questions may be asked about any of these documents. In order to assist Hansard in the early publication of the transcript of these hearings, the written questions on notice will not be incorporated in the proof *Hansard* transcript. The chair will state for the record that written questions have been received from a particular senator and that these questions will be forwarded to the department for answer. The committee has resolved that answers to questions on notice are to be lodged with the committee by Thursday, 16 March 2000.

Once an outcome or output has been finalised, the officers present for that outcome or output will no longer be required, provided that they are not required to be present later in the proceedings. Minister, do you wish to make an opening statement?

Senator Hill—No.

CHAIR—Are there any questions of a general nature?

Senator HOGG—There is one question I would like to raise before we commence, Minister, and that is the issue of an email that I received the other day which indicated your availability in respect of these proceedings today. The only comment that I would make there is that it would be nice to be consulted. I think I work pretty well with most people when it comes to estimates, and I would have reasonably tried to accommodate your desire to get away early. As it turns out, we are going to be able to get away early anyway. I will just flag that for you now. I do not think there are many questions that will draw these proceedings out today—that would surprise me, but I have no control over the Democrats and the Independents—or take these proceedings much beyond lunchtime.

Senator Hill—I do not know the email to which you are referring.

Senator HOGG—I got an email from the secretariat which indicated that you would be unavailable for these proceedings after 3.30 p.m. today and that there was no replacement, Minister.

Senator Hill—I do not know about the latter. I have to give a speech in Sydney later this afternoon, but if I am unavailable then it is my job to find a replacement.

Senator HOGG—Yes, I understood that. I am sorry, I should have said that. That is the way the email came across to me—that there is to be no replacement.

Senator Hill—I am sorry if there has been a communication glitch.

Senator HOGG—That is all right.

CHAIR—I had a talk with the minister's office and with the minister, and he said that if he did have to leave early he would have a replacement.

Senator HOGG—That is fair enough. I am just flagging for you now that we will finish, in my estimation, well before lunch.

Senator Hill—Thank you.

Senator HOGG—Can I just raise a general question with the department about the layout of the PBS and its user-friendliness for people such as me and others who might be reading it. If I can just refer you to pages 24 and 25—it could have been any pages throughout the documentation—you have the 'Performance information 1999-2000 budget' column, and then you have the same column with the heading 'Revised'. Someone has just done a cut-and-paste. It does not in any way indicate where the revision is, and that has been pretty much the same throughout the documentation. That, in my estimation, is not helpful. Whilst I am at page 24, if you look at that particular output, an additional \$19 million has been spent. But in reading the description from the column headed 'Performance information 1999-2000 budget' and the next column, 'Revised', you get no indication as to where the difference is. Is that a correct interpretation of that?

Mr Dauth—You are quite right. You will note there are no differences in the text from column 1 to column 2. The only difference is the dollar amount.

Senator HOGG—That is correct.

Mr Dauth—We would be happy to try and give you information orally, but there are no changes to highlight. The only highlighted change is the dollar amount.

Senator HOGG—Even if there is nothing of any substance that causes the change to be identified, the amount has been revised but nothing of any real substance has been revised in output 1.1, that would assist. Otherwise, you sit down and read a whole host of words which, at the end of the day, becomes a bit of a waste of time.

Mr Dauth—It might have been helpful to have simply put '(no revision)' or something.

Senator HOGG—Yes. I can understand how the monetary amounts will change for a number of reasons, but it just saves someone the job of cutting and pasting.

Mr Dauth—Yes. It is a nuisance to get halfway through quantity and suddenly say, 'Hang on, there is no change here at all.' Is there any particular reason for this, Ms Hazell?

Ms Hazell—The set out in this book follows the guidelines that were issued by the Department of Finance and Administration. We used the shading to try and highlight the changes for people to make it easier, but we will certainly look into maybe having an italic comment of '*no change*' where there is no change.

Senator HOGG—Or, if there is a substantive change there, if you can let us know what the substantive change is.

Mr Dauth—I guess if there were a substantive change, we would have highlighted it. But there is not, of course. Perhaps it would have been helpful to you, nevertheless, if underneath there had been '(no change)', '(no revision)' or something of that sort.

Senator HOGG—Just whilst I am on that—I do not know if it is the right place to deal with this—can someone tell me why the extra \$19 million is there?

Mr Dauth—Because it cost \$19 million more. The estimate changed. It is as simple as that.

Senator HOGG—I understand that. If you look at the front, page 9, there is a break-up of various things that are affecting the budget. All I am asking is: what affected the \$19 million? If you cannot give it to me today, it does not matter. Just take it on notice.

Dr Thomas—The amounts are principally what we call ‘parameter adjustments’ for overseas inflation and foreign exchange adjustments. There may be a couple of other, minor amounts as well. Principally, it is just updating our figures for movements in prices and inflation.

Ms Hazell—It is also that output’s share of all those additional estimate amounts. All those additional estimate amounts at the front are apportioned across the outputs and outcomes.

Senator HOGG—I understand that.

Ms Hazell—That is outcome 1.1’s share of it.

Senator HOGG—Do you have a ready reckoner table within Foreign Affairs where you have those apportioned across the various outcomes that you can make available to us?

Ms Hazell—Yes, I have one of those, and I can make it available this morning.

Senator HOGG—That will be fine. I do not want to take the length of questioning on that issue any further than that.

CHAIR—Senator, can I just ask a question about currency fluctuations. How much is built into a program, generally over your department, just to take into account currency fluctuations? Or do they balance out at the end of the year? What is taken into account for that?

Mr Dauth—I will ask Dr Thomas or Ms Hazell to address that. But, in general, we have an arrangement with the department of finance that accommodates currency movements. That is critical to our operation, frankly.

CHAIR—In some years it would be quite big.

Mr Dauth—It would be impossible for us to try and anticipate currency movements, and we do not. We have arrangements with the central agencies to adjust our money to take account of currency fluctuations.

Dr Thomas—Indeed, it is generally through the additional estimates process that the department either gets supplemented or the amount of money is reduced, depending on which way the dollar has gone and which way overseas inflation has gone. For example, in the yellow booklet on page 19 where it gives a list of actual adjustments to Foreign Affairs and Trade’s base, the first two figures in brackets are negative adjustments for inflation and forex adjustments, and then there are some other, positive ones relating to the Indonesian rupiah, et cetera. But this is done on a regular basis every year at about this time. We then either get supplementation or have to give some of the money back. It is designed to maintain our purchasing power overseas.

CHAIR—Does it level out over a period of years one way or the other?

Dr Thomas—The whole mechanism is really meant to maintain the Australian dollar value of our purchases overseas.

Senator HOGG—That is the extent of the questions. It is just that, whilst you are following guidelines, it may be worth while taking up with the appropriate authorities within DOFA whether you can have those guidelines amended to make the documents more readable. This might be an issue which we will address in the report. We have found it in the other estimates that I have been involved in as well.

Mr Dauth—We will take that forward.

Senator COOK—I have one question on the overview. I think this is the appropriate place for it to be asked. The Minister for Trade has been in the habit of making a report to parliament in February each year of Australia's trade outlook, the TOOS report. I have seen a media reference to the fact that this is not going to occur this year in February. It may occur later, perhaps in April. Is that true?

Mr Dauth—Broadly, yes. It is a very deliberate decision which Mr Vaile has made for very good reasons. I will ask Pam Fayle to respond in detail.

Ms Fayle—A decision was made to delay the release of the trade outcomes and objectives statement in order to be able to reflect the full calendar year statistics, which only become available from the ABS at about this time. In fact, we now have them. They then need to be loaded into a data system so that we can accurately report the full year trade figures for the markets that we cover in the trade statement. In previous years that has been very difficult and we have been writing about trends on the basis of less than full year data. So we have been considering this move for some time.

Senator COOK—Thank you.

CHAIR—When will the TOOS be tabled?

Ms Fayle—The TOOS will be tabled by the minister on 5 April, I believe, and also launched publicly on that same day.

CHAIR—As there are no further questions on the portfolio overview, we will move to output 1.1.

[9.20 a.m.]

DEPARTMENT OF FOREIGN AFFAIRS AND TRADE

Output 1.1—Protection and advancement of Australia's international interests through the diplomatic network and Canberra-based diplomatic activity

Output 1.2—Provision of policy advice and analysis to portfolio ministers

Senator HOGG—In respect of some grand pianos that were purchased for missions overseas, is it correct that Australia's Consul General in New York, Michael Baume, and the Ambassador to Washington, Andrew Peacock, both bought grand pianos for their respective missions last year?

Mr Quinlan—Yes, there were two pianos purchased. They were purchased locally by the missions as part of their property and representation funds, which are devolved to posts to manage. In both cases the posts consulted Canberra and in both cases we felt these were justifiable purchases—they were good purchases in fact as part of the representational activity in both of those posts.

Senator HOGG—How many other posts have grand pianos?

Mr Quinlan—I do not know. We would have to seek that information.

Mr Dauth—A lot, is the answer. I have been in many residences in my 31 years in the foreign service and in many residences there are grand pianos. I had one, for example, in Kuala Lumpur.

Senator HOGG—How much did the pianos that were purchased in New York and Washington cost in Australian dollars?

Mr Quinlan—I am sorry, but I would have to check that information. We could provide that later today. I have the details in the department, but I do not have them with me. I recall that the amounts of money were not substantial.

Senator HOGG—If you could check that out, that would be good.

Mr Quinlan—Could I also comment that the past practice in those posts was also to hire pianos for specific functions on an ad hoc basis. My recollection was that the purchase over time was a cheaper option than the continued practice of hiring them on an ad hoc basis.

Senator HOGG—If you can take that on notice and give me some idea of the comparative costs of hiring and how that proved to be cheaper, that would be interesting. Were there any associated costs, such as piano stools, sheet music and I don't know whatever else that might have been associated with the purchase and, if so, what did that cost in total for each of the missions?

Mr Quinlan—On those questions, we would have to go to the post, I am sure, because we would not have that particular kind of detail. We will be able to provide that subsequently.

Senator HOGG—That is all right. What is the total annual expenditure of each of the missions?

Mr Dauth—Total administrative expenditure?

Senator HOGG—Yes, the administrative expenses of those purchases.

Dr Thomas—I can give you that now. It is contained in DFAT's annual report on page 297. In the case of Washington, their total administrative expenditure is \$5.67 million. In the case of the Consulate-General in New York, it is \$1.04 million per annum. That is administrative expenditure.

Senator HOGG—Turning back to the grand pianos for a moment, how often would visiting Australian pianists use each of the pianos to perform before a US audience in those venues?

Mr Quinlan—We would have to seek advice on that from the posts.

Senator HOGG—The reason that I ask is that I understand that was part of the justification for the purchases. So if you could just check the usage out and, if performances have been given, tell us how many people have attended each performance?

Mr Quinlan—We will seek that information from the posts.

Mr Dauth—You would appreciate that of course that is not the only reason for having a grand piano in the house. Lots of people have grand pianos in the house as part of furnishing them.

Senator HOGG—I accept that.

Senator COOK—You have aroused my curiosity. You said that the posts contacted Australia and these were regarded as justifiable purchases. What are the criteria for a 'justifiable purchase'?

Mr Quinlan—Different criteria would be applied in a case like this. The first point I would make is that as part of the overall devolution of funding to posts, which are better placed to make a number of localised decisions, the responsibility for the money for these kinds of activities is, broadly speaking, devolved to the posts. On an annual basis, posts have to meet the overall budget—the amount that has been devolved to them—and, in terms of asset purchases, each year they submit [details of a forward asset purchase program. That is looked at in a general budgetary context within the department but also in terms of the intrinsic worth of those purchases. The basic criteria in this case would be budgetary and, secondly, whether in this instance it seemed a purchase that](#)

was, in the broader sense, economic—that is, that there was value in doing it that way rather than, for example, leasing. As a department—and the chief finance officer is possibly better placed to talk about the general policy on this—we are in fact increasingly in favour of leasing assets like this rather than purchasing them because that is more economic over the longer term. Basically, we apply budget criteria and, in this case, it was also a sensible purchase in terms of the representational activity undertaken at both of those posts.

Senator COOK—From that answer I understand that you have devolved a great deal more responsibility to the posts to make these decisions. This was a decision that fell within a post's ambit to make. It could have proceeded to make it without contacting Canberra for a viewpoint. Does the fact that they bothered to do that suggest a sensitivity about the fact that this may be a controversial purchase or anything of that nature?

Mr Dauth—I do not think we know the answer to that. I think the point is that one of the immense benefits of hugely improved communication between posts in Canberra—new technology has made communication very much easier—is that it is a whole lot easier for posts to be in very regular dialogue with Canberra about a whole lot of issues all of the time. Prudent posts are in contact with Canberra on lots of issues all of the time. I do not see anything exceptional at all about the fact that these posts consulted Canberra on these purchases.

Senator COOK—I think I heard you say, Mr Dauth, that when you were the High Commissioner to Malaysia you had a grand piano in your residence?

Mr Dauth—I also had one in the residence in Teheran when I was Charge d' Affaires there. As I say, I am sure that a number of our posts are in the same position.

Senator COOK—Would you extol the virtues of posts having grand pianos?

Mr Dauth—Not necessarily. You will know as well as I, Senator—because you have actually visited more posts than I have –

Senator COOK—I am not sure about that.

Mr Dauth—that we maintain residences in capitals in order to permit a level of representation appropriate for Australia. Many of these residences are quite big houses because entertainment needs to be very often on quite a large scale. Most posts have several hundred people present for Australia Day and that sort of thing. Decorating a very large house for representational purposes is something that requires things we would not obviously have in our suburban houses in Woden Valley in Canberra.

In many places, a perfectly appropriate part of the furniture is a grand piano. It happens to be the case often that a grand piano is useful itself for representational purposes. Frankly, to focus on this as somehow exceptional is misleading.

Mr Quinlan—If I could add to that a point of clarification. In both these instances the pianos are located in the chanceries.

Senator COOK—Are the Australia Day receptions held in the chancelleries, not in the residences?

Mr Dauth—In some places they are and some places they are not. I do not know what the practice is in Washington and New York. I used to have them at my house in Kuala Lumpur, but they now have them at the chancery.

Senator COOK—If, on your explanation, Mr Dauth, the residences are smaller we would go for uprights, would we, instead of grands?

Mr Dauth—It would depend on what an appropriate furnishing of the house was. I am sure you know as well as I do that in some places a grand piano would be appropriate and in some places it would not.

CHAIR—The folk law of America is thrashing it out on a piano in the saloons or bars in the Wild West when it was conquered. I have a piano at home, actually. The best way of getting people together and for conviviality is around a piano.

Senator COOK—If we were talking about the United States, I would have thought that a guitar was more appropriate.

CHAIR—A trombone.

Senator COOK—I am not so sure about that. Can you tell us what other advantage—apart from it being a decorative item of furniture, which is a point I think you made—possessing a grand piano either at the chancery or the residence delivers to Australia?

Mr Dauth—There were plenty of occasions when I was head of mission when either a professional pianist or non-professional pianist added to an evening by playing. Part of entertaining in a way which is appropriate for Australia's reputation and for the pursuit of Australia's interests abroad involves entertaining, not necessarily lavishly but certainly well. In some cases, not always, a grand piano makes that easier. Just as a decently stocked bar does on occasions.

Senator COOK—It lubricates the conversation.

Mr Dauth—It has been known to.

Senator HOGG—Are there any maintenance costs associated with that? I understand they need to be well tuned and so on?

Mr Quinlan—We would have to go back to the post to get that detail.

Senator HOGG—You were also going to find out where they are situated in other posts so that we get some idea how well we are entertaining overseas.

Mr Dauth—I am sure that is not the only indicator of how well we are entertaining overseas. I would be horrified if that was the only indicator.

Senator HOGG—You have also indicated how well oiled some people are through the bar. That is also another indicator of our entertainment.

Mr Dauth—Glad you agree, Senator.

Senator COOK—Are there any guidelines for piano purchases like we go for Steinways rather than Yamahas?

Mr Dauth—I doubt it. I am sure it is a decision made locally.

CHAIR—There being no further questions on the overview, we will move on to outputs 1.1.1 and 1.2.1 dealing with North Asia.

[9.35 a.m.]

Outputs 1.1.1 and 1.2.1—North Asia

Senator HOGG—What are the department's expectations concerning relations between China and Taiwan over the next 12 months?

Mr Heseltine—Obviously, the most important element in that relationship over the next year or so is the presidential elections in Taiwan in March. At this stage, the outcome of that election is very uncertain. How China might respond to a victory by any one of those is uncertain. But it clearly is a major issue. It is one that we are watching very closely. The

impression we have is that all parties that have a direct interest in this issue are at this stage behaving in a pretty moderate and careful way. Our expectation is that there will be continuing moves towards peaceful outcomes of differences in the Taiwan Straits, but, of course, one cannot be entirely confident of that.

Senator HOGG—We are back to the situation we were in a couple of years ago when the previous elections were held and there was a fair bit of sabre rattling. There were even some missiles fired, if I recall correctly. Are we going to reach that level of intensity on this occasion?

Mr Heseltine—Certainly the indications at this stage are that that will not happen. Those events that you have just described in 1996 perhaps did not produce quite the outcome that was expected at the time in terms of the election outcome in Taiwan. The indications are that China is just waiting until the election result is known and they know who they are dealing with, and they will take it from there.

Senator QUIRKE—Is there any evidence that there have been any discussions between the mainland and the Republic of China and Taiwan?

Mr Heseltine—Not formal official discussions, but at any time you can be confident that there will be all sorts of informal discussions going on and different interlocutors talking on both sides of the straits.

Senator QUIRKE—Does Taiwan have any official representation anywhere in the world? Are there any countries that officially recognise the Republic of China?

Mr Heseltine—Yes. It maintains about 28 or 29 formal diplomatic relationships.

Senator QUIRKE—As I understand it, our trade with Taiwan is three to four times what it is with the People's Republic of China?

Mr Heseltine—Not to that extent.

Senator QUIRKE—To what extent is it?

Mr Heseltine—I think Taiwan is about No. 5 as an export market and China is No. 6. In terms of the export of goods, Taiwan is a little bit ahead of China.

Senator QUIRKE—A little bit ahead. Is there a big gap between the two?

Mr Heseltine—Let me give you a figure. For the first 11 months of calendar year 1999 exports to China were \$3.7 billion and to Taiwan they were just over \$3.7 billion. There is not much in it.

Senator HOGG—Recognising the fact that it is very difficult to predict the outcome of the March election, what factors might increase the likelihood of tension between China and Taiwan?

Mr Heseltine—The most immediate factor would be the approach that a newly elected President or indeed the incumbent President, who will remain President for a period of a couple of months until the new President is inaugurated, takes. Any public statements or moves that they made on the question of Taiwan independence would clearly be a factor that China would take into account.

Senator HOGG—You do not see conflict as a possibility?

Mr Heseltine—Conflict is of course a possibility. As you no doubt know, China has not ruled out the use of force were certain circumstances to occur in Taiwan, one of which is a declaration of independence.

Senator HOGG—In recent weeks, the Chinese government spokesmen have made a number of increasingly bellicose statements warning that any moves by Taiwan towards independence will lead to hostilities. How seriously do you regard these threats?

Mr Heseltine—Obviously, when senior Chinese government people are making statements like that, you cannot discount them or rule them out. China is clearly trying to get a message across to Taiwan to be very careful in what happens during the election campaign and immediately afterwards.

Senator HOGG—Has our government expressed any concern about the warnings of possible hostilities?

Mr Heseltine—The Australian government has made its position very clear; that is, we want to see a peaceful resolution of differences across the straits and that we oppose the use of force in trying to settle that dispute.

Senator HOGG—How has China responded to that?

Mr Heseltine—I do not think China has made any particular response to it. They have just taken that one on board.

Senator HOGG—Does the government plan to make any further representations to Beijing concerning relations across the Taiwan Strait in the run-up to the Taiwan elections?

Mr Heseltine—We have made for some time now, and will continue to make, our views known not only in Beijing but also through unofficial means to Taiwan authorities. We also make our views known in Washington that we want to see a peaceful resolution of the differences, that it is extremely important in this rather sensitive time we are now in that all sides have a very clear understanding and are able to evaluate what the other side is doing and that there is a need to behave with caution and moderation. We will continue to do that.

Senator HOGG—Has the government expressed any view concerning the undesirability of unilateral actions or statements by Taipei aimed at changing Taiwan's status?

Mr Heseltine—As I have just mentioned, we make our views known to the Taiwan authorities that they need to behave with caution and moderation.

Senator HOGG—What has been their response to that?

Mr Heseltine—Again, they are not going to make any specific response to that. Their position is well enough known. They do not come back and make a specific response on that point.

Senator HOGG—In 1996, China concluded a number of missile tests and military exercises in the vicinity of Taiwan. Would we expect to have much warning in the event that China again rattled its sabre towards Taiwan?

Mr Heseltine—I imagine that there might be some indications, if something like that were to be planned. But I am not aware of any at this point.

Senator HOGG—What is your evaluation of China's capacity or capability to at present invade Taiwan?

Mr Heseltine—I am not a defence specialist, but the view most generally held is that while China has considerable military capacity, there are very serious doubts as to whether that would extend to being able to invade and occupy Taiwan. That does not seem possible at this point.

Senator HOGG—Accepting your view that you are not a military expert—nor am I—one would have to conclude that if there is not that real capacity to invade and there is a real capacity of Taiwan to withstand, it really leads to a period of long tension if the differences

between China and Taiwan cannot be resolved. What will be the trigger which will see the differences resolved? Will it be pressure from other Asian nations or pressure from America? Where will the pressure come from that will resolve the tensions that undoubtedly exist there?

Mr Heseltine—Ultimately, the dynamics for a resolution are going to come from within China and Taiwan. Clearly, the United States has a major capacity to influence events up to a certain extent. But the issue is being driven by developments taking place in Taiwan itself. The nature of the society is changing. Sentiments are changing. The politics is changing there. At the same time, in China, you obviously have a leadership that regards the Taiwan issue as one of its most important. It is obviously central to its relationship with the United States, which is its most important foreign relationship. Ultimately, the two sides will decide the point where they should sit down and have a dialogue again. They were having a dialogue prior to 1996, but that came to an end because of the events of 1995 and 1996. After the election, depending on what sort of posture the new President takes, you may well see a move towards resumed dialogue. Again, that is speculation at this stage.

Mr Dauth—As a savings measure, we have withdrawn our division heads' entitlement to crystal balls. There really is a limit to the extent to which we can speculate about the year ahead.

Senator HOGG—I accept that. The strange thing running in parallel with this is that I understand there is a fairly vibrant trade between Taiwan and China and that there is a fair flow of capital between Taiwan and China as well. Whilst at the commercial end there seems to be a capacity to accommodate, at the diplomatic level there does not seem to be a capacity to accommodate. Is that a reasonable assessment?

Mr Heseltine—I think that is right. Obviously, the economic and trade involvement of Taiwan is very much focused on particular provinces along the coast. But what happens at Beijing at the highest political levels is quite different. Ultimately, politics rules.

Senator HOGG—Could China pose a threat to the Taiwanese-held islands just off the coast of China?

Mr Heseltine—Again, that is getting into the area of speculation. There are all sorts of scenarios that you can hypothesise about. That is one that has been talked about.

Senator HOGG—What is the government's view about the possibility that the United States may supply theatre missile defence systems to protect Taiwan from the threat of ballistic missiles?

Mr Heseltine—The government's view is that that issue would need to be approached with the greatest caution.

Senator HOGG—Has the government made any representations or expressed any views to Washington about this?

Mr Heseltine—I believe that we have. I would have to take that on notice. But I think it has been made on occasions.

Senator HOGG—What view have we expressed?

Mr Heseltine—Just that, which is that it is a matter which needs to be approached with great caution.

Senator HOGG—What do you believe would be the Chinese reaction to such a deployment?

Senator Hill—The questions are becoming very speculative and unreasonably difficult for the witness. I am sure the witness is well able to express a view, but there comes a point

where it is unreasonable to expect the witness to express a view. To ask him what we think will be the attitude of China if A or B happens in the relationship between Taiwan and the United States is crossing that line. He may be enthusiastic to go further in his answers.

Senator HOGG—It may well be that the department has a view. If it has a view, it would be interesting to hear it.

CHAIR—I think the minister is saying that some issues might be better taken up in the parliament with the relevant minister rather than with a departmental officer.

Senator HOGG—That might be so.

Senator Hill—That is what I was saying, but it was better put by you, Mr Chairman.

CHAIR—Thank you, Minister. You are the first person who has flattered me in the last few days.

Senator HOGG—Is there a view, Mr Heseltine?

Mr Heseltine—The Chinese have made their views known. They would regard it as a very negative development if Taiwan did obtain a TMD capability.

Senator HOGG—That is the end of my questions on Taiwan. I now have questions on China and human rights. What is the government's assessment of the effectiveness of Australia's bilateral human rights dialogue with China?

Mr Heseltine—We regard it as a very positive development in the bilateral relationship. We believe that, having pursued this dialogue for three years now, it has been a worthwhile exercise. The previous approach, which was more confrontational, was not getting us anywhere. This dialogue gives us a capability to engage with the Chinese. Progress is obviously very slow. We do not have unreasonable expectations about that. We are also very positive about the human rights technical assistance program that is built into that dialogue. It has enabled us to develop a lot of programs with the Chinese in the field of human rights, particularly in legal reform areas, minority rights, women's rights and so on.

Senator HOGG—How many meetings have taken place on this issue?

Mr Heseltine—We have had three so far. The fourth will be this year.

Senator HOGG—Where have those meetings taken place?

Mr Heseltine—Last year was in China. They alternate. This year it will be in Australia.

Senator HOGG—An agenda, I imagine, is set ahead. Who determines the agenda?

Mr Heseltine—It is worked out bilaterally between the two sides in advance.

Senator HOGG—What sort of priorities do we have in this area?

Mr Heseltine—It covers a pretty broad range, as you would imagine. It covers the treatment of dissident movements, legal rights, women's rights, minority rights and Tibet. Really, it is a very wide gamut.

Senator HOGG—Some of those issues are very sensitive with the Chinese.

Mr Heseltine—That is right.

Senator HOGG—What has been their response to our raising those issues?

Mr Heseltine—In the context of the human rights dialogue, they have been prepared to talk about those issues. That is one reason why we think the human rights dialogue is a good thing. For example, last year, the delegation went to Qinghai, where there is a very large Tibetan population. I do not think we would be able to have that sort of arrangement without the human rights dialogue.

Mr Dauth—It is also true to say that the preparedness of the Chinese side to engage in dialogue on some of these issues has grown with each passing year. This is one thing from which we take satisfaction. Each year, the dialogue has been a tad more open than the year before. Is that a fair judgment?

Mr Heseltine—Yes. The dialogue is really a process. It is not just the two weeks of meetings. A lot of things happen during the year as well.

Senator HOGG—What other nations in the region have a dialogue similar to the one we have with China on these issues?

Mr Heseltine—In the region?

Senator HOGG—Yes.

Mr Heseltine—I would have to take that on notice.

Senator HOGG—I am trying to get a feel for how well we are performing in that area as opposed to other nations in the region. Are we setting the pace, and how effective is that dialogue? Are there ways in which we can enhance the dialogue and improve the effectiveness of the dialogue we are having?

Mr Heseltine—Certainly in regional terms we are probably setting the pace. But there are other dialogues with some European countries and others. The United States did have a bilateral human rights dialogue, but I understand that it was broken off last year following the bombing of the Chinese embassy in Belgrade. But we believe that we are certainly up the front. Every year we are conscious of the need to make it as valuable as possible and to make a contribution. We endeavour to take on new things and to pick up new aspects that perhaps have not been covered before. That is a constant part of the process.

Senator HOGG—Where is the reporting out of the dialogue that takes place to be seen?

Mr Heseltine—It is on the web site. A very full briefing is given to all the relevant NGOs.

Senator HOGG—Is there any participation by NGOs in the dialogue?

Mr Heseltine—There was not any participation last year in China, although we had a representative present, who was Professor Alice Tay, the head of the Human Rights and Equal Opportunity Commission.

Mr Dauth—She was a very vigorous participant, as I understand it.

Mr Heseltine—She was and always is. Peter Nugent was also there. He has that parliamentary Amnesty role.

Senator HOGG—What is the likely participation of NGOs in the future? Will these discussions broaden?

Mr Heseltine—We would certainly like to see that. Obviously there are a lot of sensitivities for the Chinese. We hope that this year, being in Australia, it might be possible at least to arrange some activities where there is contact between NGOs and the Chinese delegation. But it is an area of sensitivity for them.

Senator COOK—I have two questions on North Asia. One of them concerns the Korean economy and the other the Japanese economy. What is your outlook for Korea now that it is back in recovery? What is your outlook for Japan now that it has stronger growth? Are you expecting that to continue in both cases?

Mr Heseltine—As far as the Korean economy is concerned, we are pretty upbeat about it. But we are conscious that there are some potential problem areas there. The economy rebounded very strongly last year. Growth of nine or 10 per cent is the likely outcome. A lot

of this was catch-up from the period of the crisis. Some technical factors might have led to that being a bit higher. The underlying rate was more like six per cent. That is the anticipated growth rate for this year. But the growth has been driven by very strong exports. As long as the Asian economic recovery continues, we anticipate that continuing. The main concern is the fragility of the financial system. We are still waiting to see how all that plays out, particularly the financial problems with the Daewoo corporation. Basically, we are pretty positive about it.

Senator COOK—With respect to Japan is that a similar concern about their banking and financial system?

Mr Heseltine—Japan is a much more mixed picture. They did move out of recession last year. They had two consecutive quarters of positive growth, but then they slipped back into negative growth in the September quarter. We are still waiting for the figures for the final quarter but they may not be all that strong. It is a very mixed picture. They have been strong on exports and industrial production but investment, private consumption, retail sales, housing investment are all very, very weak. If it were not for the very large fiscal stimulus put into the economy—the last tranche that was paid was November—we probably would not have seen that positive growth. The results of the November fiscal stimulus should start to kick in probably in this current quarter. But I do not think we can be confident that it is a sustainable growth in Japan.

CHAIR—If there are no further questions on 1.1.1 or 1.2.1, we will move on to outputs 1.1.2 and 1.2.2—South and South-East Asia.

[10.01 a.m.]

Outputs 1.1 and 1.2.2—South and South-East Asia

Senator HOGG—The first question is about Aceh. Does the government have any reports on the current level of violence in Aceh? Do those reports indicate that the violence is escalating, is it static or is it easing off?

Mr Dauth—I will ask Mr Blazey to speak in detail. The answer to your first question is yes. We monitor the situation in Aceh very carefully. Although the situation there is still difficult and in most instances unresolved, there has been less violence in recent weeks than before.

Mr Blazey—The situation last year was probably a bit worse than it has been recently. There was a lull over December with Ramadan, the fasting month. Since then it has not really escalated seriously. Last year there were a number of very serious incidents, including in May when about 41 people were killed near Lhokseumawe and later in July when we think about 65 people were killed in another incident near Betung. So far this year that scale of incident has not occurred.

Senator HOGG—Does that coincide with an increased military and police presence in Aceh?

Mr Dauth—I do not think the two are organically connected. I think there is a range of reasons, it seems to me, why there has been less violence this year than last, one of which is that –

Senator HOGG—What are some of those reasons that you think, Mr Dauth?

Mr Dauth—I was just going on to say that I think many in the independence movement in Aceh see their aims as having been in many respects best achieved by not engaging in armed clashes with the TNI or the police. Is there anything to add to that, Mr Blazey?

Mr Blazey—Also there is now a prospect for dialogue with central government and there has been a lot more political attention on the issue compared to the middle of last year. So with a political process in prospect, the incentives for violence are reduced.

Senator HOGG—Are you aware of any involvement by the TNI in conducting offensives within Aceh itself?

Mr Dauth—Over the years or more recently?

Senator HOGG—In more recent times.

Mr Dauth—Nothing very specific, but there has been a continuing high level of activity by TNI in Aceh over many years.

Senator HOGG—I accept that. I am thinking more recently. I am just wondering if, as a result of the very adverse publicity the TNI have received out of East Timor, their activity has been cut back.

Mr Dauth—The new government in Indonesia has clearly decided that offensives by TNI are not the way to go in Aceh. So the President and the new government in Indonesia are quite deliberately not exercising stronger military options as a way forward in dealing with the problems in Aceh. That is not to say that they have sorted out all of the elements of their approach. They have lots more thinking to do and lots more work to do on Aceh, but I think President Abdurrahman Wahid has clearly taken a decision that an immediate solution by enhanced military means is not the way forward.

Senator HOGG—So there is no evidence of the so-called rogue elements that were at play in East Timor in Aceh—just going back to the discussion we had about this time last year on East Timor?

Mr Dauth—Yes. You appreciate I do not want to go over old ground.

Senator HOGG—I am not trying to re-cover old ground.

Mr Dauth—No. We made judgments about the level of TNI complicity in East Timor that changed over time last year. The minister and the department in evidence at Senate committees have been quite up-front about this. We have sought to be as frank as we could about our level of knowledge of TNI complicity with the militia. There was certainly a time last year when we assessed that level at a lower level than we later did. The situation is different of course. You do not have an equivalent in Aceh of the militia. There is a long history of TNI involvement in a way which many Indonesians find objectionable in Aceh. It has been a matter of public debate in Indonesia for some time. There is no question but that TNI has not conducted itself always with great honour in Aceh as it did not in East Timor.

Senator HOGG—I am not trying to revisit the debate, but there is no evidence that is currently available that those types of rogue elements that were being described last year in East Timor are present necessarily because it seems to me the government has a stronger hand and is playing a stronger role.

Mr Dauth—That is undoubtedly the case. The comparison breaks down because what we were talking about last year in respect of rogue elements were elements of TNI who we knew at that time—later we knew it was even more than we knew earlier in the year—were cooperating with the militia. As I say, there is not a comparable group to the militia in Aceh.

Senator HOGG—I accept that.

Mr Dauth—You have some people who are loyal to Jakarta. You have a lot of people who are in favour of independence and you have TNI there trying to keep the peace and trying to ensure the rule of the central government runs.

Senator HOGG—Do we know if the Free Aceh Movement is getting external support or is it mainly locally based support?

Mr Dauth—I will ask Mr Blazey to comment too, but I do not think we have conclusive evidence about that. Do we? Feel free to disagree.

Mr Blazey—No, there is not any conclusive evidence. It is primarily a movement based in Aceh. Some of the leadership lives in Sweden. Hasan di Tiro, who is regarded as the leader, is in Sweden. But primarily it is Aceh based.

Senator HOGG—Do we have any contact through Australian officials with the pre-Aceh leadership in either Aceh or Sweden?

Mr Blazey—Not in any formal sense. There are people who are sympathisers with the Free Aceh Movement and whom we would talk to when we visit Aceh, but we do not deal with them as a formal organisation.

Senator HOGG—So it would be an informal arrangement or just an informal meeting with people who would not necessarily identify themselves as being part of the Free Aceh Movement?

Mr Dauth—They would probably identify themselves. But just as part of carefully monitoring the situation and knowing what is going on in an entirely proper diplomatic way, we seek to have contact with people who have got things to say to us.

Senator HOGG—What conclusions have we come to from meeting those people from the Free Aceh Movement?

Mr Dauth—Broadly speaking, the conclusion is that the Free Aceh Movement is a serious and purposeful political organisation that is passionate about its cause. That is not in any way to say, however, that we have any idea about what the end result of developments in Aceh will be. That is of course a matter for the government in Indonesia. We wish the government of Indonesia well in reaching a satisfactory solution to Aceh's problems.

Senator HOGG—When did Australian officers from the Australian embassy in Jakarta last visit Aceh?

Mr Dauth—I think it is now some time ago. I think the government in Jakarta has been, for a number of reasons, including security reasons—security of individuals—reluctant to agree to visits by foreigners. So I think it is a little while ago since we made a visit to Aceh.

Mr Blazey—The last visit was in July of last year.

Senator HOGG—In July 1999. Is it the intention to visit Aceh in the future?

Mr Dauth—Yes.

Senator HOGG—When?

Mr Dauth—We are in dialogue with the Indonesian foreign ministry about that. We do not want to be provocative or difficult. We do not want to put our officers at risk. We will be guided by our Indonesian hosts as we pursue that issue with them.

Senator COOK—The Australian government has had formal talks with Indonesia requesting the Indonesian government to assist us in monitoring and, I understand, preventing boat people transitting Indonesia. What is the outcome of those discussions?

Mr Dauth—This is really a question that you should put to Mr Ruddock and the Department of Immigration and Multicultural Affairs. I think it is proper for them to answer in detail. I say only that yes, we have had those discussions over quite a long period of time. I think there was in recent times some misunderstanding on the part of some in Indonesia about

what we were saying. I think the President, for example—I know from personal experience of a discussion Mr Downer had with him just a bit over two weeks ago—had at one stage misunderstood us to be saying that we regarded the government of Indonesia as somehow complicit in people movement to Australia. Of course we never said that. We certainly do not say that. We understand that, largely speaking, people movement through Indonesia is a problem for Indonesia as well as it for us, although not as much. We look only to cooperate with the government of Indonesia in staunching that illegal people movement. As I say, Mr Downer initiated the dialogue with the President about that. The President was I think grateful for the clarification of Australia's approach that Mr Downer provided and readily agreed to a visit by Mr Ruddock which was made very quickly. My understanding is that that was a very satisfactory visit. Mr Ruddock had a wide range of discussions that he felt advanced Australia's interest in this issue fairly substantially. But, as I say, the detail of all of that is something you really should pursue with Mr Ruddock.

Senator COOK—Thank you, Mr Dauth. Do boat people transitting Indonesia and coming on to Australia have to have any papers of entry to go into Indonesia or are they able to get in without a visa or passport?

Mr Dauth—I think people going to Indonesia need papers, as they do in most places. As I say, the detail of all of that is really for DIMA rather than for us.

Senator COOK—In the discussion that the foreign minister had with the President—and I am grateful to you for pointing out that the presumption on the Indonesian side that we were somehow blaming their government is now cleared up—was the President disposed to render some assistance in tracking and monitoring these movements?

Mr Dauth—The President responded in very positive terms. Mr Downer put it to him that this was an area where there had been a history of cooperation with Indonesia, that we wanted to resume that cooperation and asked that the government of Indonesia agree to a visit by Mr Ruddock. The President responded, not just agreeing immediately that a visit by Mr Ruddock was appropriate but saying that the two sides should work together on a framework for handling this problem, that bureaucratic arrangements should be put in place which made it easier to cooperate and easier to deal with the problem. We were very satisfied with that response. We thought that the President had entered into the spirit of that exchange in a very positive way.

Senator COOK—Is that framework in place?

Mr Dauth—I do not know. I confess that I have been away from Canberra for the last week and I have not read in detail the outcomes of Mr Ruddock's visit to Jakarta. But that is, again, something best pursued with him.

Senator COOK—Was there any indication of what steps the Indonesian government would be prepared to take in setting up a framework, which of itself does not tell us very much?

Mr Dauth—No, it does not. But, on the other hand, you do not expect the President himself to deal with this issue in detail; this is a matter for Mr Ruddock and his counterparts. We were very pleased, particularly given what we knew to be some measure of misunderstanding, with the highly positive response the President gave Mr Downer.

Senator COOK—That is why I asked the question: was there any further indication beyond commitment to a framework from the President?

Mr Dauth—Not from the President, but you would not expect that, frankly. It was a wide-ranging discussion which covered a lot of issues. Certainly from Australia's point of view

Mr Downer achieved more than the objectives we set out to achieve in that discussion on that issue.

Senator COOK—Some presidents might give more detail, but I take your point, Mr Dauth.

Senator HOGG—I have further questions on the former Irian Jaya. What is the department's assessment of the current situation in the Indonesian province of Papua?

Mr Dauth—Former Irian Jaya?

Senator HOGG—Yes, former Irian Jaya.

Senator Hill—You have spent too much time talking to Senator Brown.

Senator HOGG—I thought they changed the name of the province.

Mr Dauth—You know something I do not. They may have. Is this right, Mr Blazey?

Senator HOGG—I thought they changed the name of the province recently.

Mr Blazey—The President announced when he visited that the name would be changed to West Papua, but it has not as yet been gazetted in a formal sense.

Mr Dauth—I do apologise, Senator.

Senator HOGG—I will refer to it as Irian Jaya. My apologies. I thought it had changed.

Mr Dauth—No, Senator, please, I apologise to you. That is another cost of being away for a week.

Senator HOGG—I thought it had changed. Has an assessment been made of the situation in the province? If so, what is that assessment? Do we know if the support for independence is growing?

Mr Dauth—That it is an issue in which we take an interest and have always taken an interest. There is no doubt that some pro-independence elements in West Papua gained some encouragement from events in East Timor and, over the last year, they have sought with what you might describe as increased vigour to put their point of view to the authorities in Jakarta. But I would have to say that it remains our assessment that that movement is still a very long way away from being coherent, focused or capable.

Senator HOGG—On the other side, there have been recent suggestions in the press that elements of the TNI may be encouraging the formation of pro-Indonesian militias such as they did in East Timor. Have we investigated that? Do we know the veracity of those reports? Are there any legs to them at all?

Mr Dauth—I myself am not aware of those reports. Mr Blazey?

Mr Blazey—Yes, we have seen those reports. There has been some suggestion, going back a number of years, of Indonesian activity to develop civil defence units and the like. But at this stage I do not think we would be of the view that these are in any way equivalent to the situation which applied in East Timor.

Senator HOGG—Do we know if this issue has been raised with Indonesian authorities in any discussions with them?

Mr Dauth—By us?

Senator HOGG—Yes.

Mr Dauth—Apart from general exchanges, no, because, frankly, I do not think it is a particularly lively or current issue.

Senator HOGG—When was the last visit to Irian Jaya by an Australian embassy official? When will the next visit be undertaken? Do we know?

Mr Blazey—It was February last year.

Senator HOGG—So it is now 12 months since there has been a visit?

Mr Blazey—Sorry, that is by the political area of the embassy. But, subsequently, consular officers have visited, and the latest was from 1 to 3 December last year.

Mr Dauth—December last year.

Senator HOGG—Are further visits planned, do we know?

Mr Dauth—Yes, there are visits planned.

Senator HOGG—Can you give us some idea of when they might be? I know you would not have it.

Mr Dauth—Not just that; I am not sure that Ambassador McCarthy would yet have a very clear idea of—

Senator HOGG—That is fair enough. Next, Maluku and Ambon: what is the department's assessment of the situation in Maluku and the island of Ambon? Has the situation improved since Vice-President Megawati Soekarnoputri's visit to Ambon last month?

Mr Dauth—A bit.

Senator HOGG—What is the assessment of the situation? Can you give us a thumbnail sketch of how the department views the situation and how it may have improved?

Mr Dauth—I do not think it has improved markedly. Clearly, relations between the communities are very significantly worse than they were before intercommunal strife arose, very significantly worse; and it is something that we view with great concern—and, of course, so does the government of Indonesia.

Senator HOGG—What are the factors that have driven the religious violence in Maluku? Do we know?

Mr Dauth—It is very hard to tell. Mr Blazey is much more expert than I, but I think to some degree we had always rather overestimated the degree of accord between the different religious faiths. There was perhaps more by way of underlying tension than we had appreciated—and not just we but the Indonesians and everyone else. We tended to believe that it was a striking example of interconfessional harmony when perhaps it was a bit less than that under the surface than we had thought. Some of the difficulties have arisen from quite small issues which have just grown—as these things have in so many other parts of the world—in an illogical and tragic way. Is there anything you wanted to add to that?

Mr Blazey—I suppose there are some longer term factors at play as well. These relate to the shifting ethnic balance in the area. About 50 years ago Christians were in the majority but over time that has changed. There has been migration from other parts of the country. There have also always been departures from Maluku by parts of the middle-class Christian community. One effect of this has been that the bureaucracy, which had been until quite recently dominated by educated Christians, is now changing its character as Muslims take those positions. So an element of economic competition has developed. Also, there is the factor of social change whereby traditional social structures which restrained violent activities are gradually in decline and, as yet, modern political mechanisms for mediating conflict are not strong enough to achieve that end. The coincidence of the very sharp economic downturn also added to that problem. As Mr Dauth pointed out, there are some short-term factors and

triggers which really do not make any particular sense. Someone gets killed in a bus, for example, and that leads to a riot and it has a snowballing effect.

Senator HOGG—Is there any evidence of any outside influence trying to incite the violence between the communities there?

Mr Dauth—You do not mean external to Indonesia; you are talking about—

Senator HOGG—External to the local communities there.

Mr Dauth—The President of Indonesia has spoken about this possibility. I do not think we are able to offer you a definitive view on that, but that is a proposition which has been advanced by a number of responsible people.

Senator HOGG—Are there any likely suspects, if we can use that terminology?

Mr Dauth—There are suspects who have been talked about publicly.

Senator HOGG—Do we have a view?

Mr Dauth—None that we are prepared to advance in public, Senator.

Senator HOGG—That is quite fair. I understand that. Last but not least, has Australia offered any humanitarian aid to assist Indonesia in dealing with the crisis in Maluku?

Mr Dauth—Substantial amounts. I am not sure if there is someone from AusAID who could give us a precise figure but it is very substantial. We could easily give you that figure.

Senator HOGG—Can you take that on notice and give it to us at some stage, and also indicate any ongoing commitment that we might have to providing further assistance in that particular unfortunate part of the world.

Mr Dauth—Yes.

CHAIR—Any further questions?

Senator HOGG—I have three questions on Malaysia and then I am finished with 1.1.2 and 1.2.2. Did Foreign Minister Downer make any public statement concerning the arrests and charging last month of opposition political figures in Malaysia?

Mr Dauth—I do not think we have made a public statement, no.

Senator HOGG—So no public statements have been made. Did the Australian High Commission in Kuala Lumpur make any representations to the Malaysian authorities over the arrests?

Mr Dauth—No, I do not think so, Senator.

Senator HOGG—When you say you do not think so, do you want to check that?

Mr Dauth—No, the answer is no.

Senator HOGG—Will the high commission be sending any officers to attend and observe the trials of those charged with sedition?

Mr Dauth—We have had quite complex arrangements in place. It is a very resource intensive exercise with other missions—for example, the Canadians—to monitor, for example, the trial of former Deputy Prime Minister Anwar, and I suspect we would be doing the same in respect of these trials.

Senator HOGG—That finishes that.

[10.41 a.m.]

Outputs 1.1.3 and 1.2.3— Americas and Europe

Senator HOGG—I have a couple of brief questions in this area. Firstly, with respect to the United States, what steps has our embassy in Washington taken to establish early contact with the possible presidential candidates and their senior advisers?

Mr Cobban—The embassy has a well-prepared plan of contacts. It has already had meetings with members of the foreign policy and trade staffs of all the leading candidates, and has a program to pursue that right through the electoral process.

Senator HOGG—Who will be coordinating that? Will that be done from Washington itself?

Mr Cobban—It will be coordinated out of the embassy in Washington in consultation with us here.

Senator HOGG—What sort of feedback have you got so far?

Mr Cobban—That is a very wide question.

Senator HOGG—Have there been any contacts?

Mr Cobban—Yes.

Senator HOGG—And the feedback from those contacts? I know it is early days.

Mr Cobban—We have had meetings with part of the George Bush team who came to Australia, and that has been followed up in discussions in Washington.

Senator HOGG—Other meetings?

Mr Cobban—We have also had meetings with Leon Fuerth, the foreign policy adviser in the Gore team.

Senator HOGG—Have you formed an opinion as to what the main differences are between the leading Republican and Democrat candidates in respect of their policy towards China, or hasn't that been pursued in any depth at this stage?

Mr Dauth—I am sure the embassy has pursued it in great depth, but as to what our judgments are in that respect it is not something that we would be comfortable talking about publicly. This is a campaign. We do not know who is going to win it yet. It would be a really curious thing for the Australian government to be offering a running commentary on the United States presidential election. It has been the case for as long as I have been in the foreign service that the Australian embassy in Washington and the relevant officers in Canberra follow an American presidential campaign in great detail. The implications of the outcome for us are obvious.

Senator HOGG—Thank you. Is it the case that George W. Bush has foreshadowed a more confrontational approach openly aimed at containing China? Is this a fair characterisation of Mr Bush's approach?

Mr Dauth—I do not think we are prepared to characterise the attitudes of presidential candidates on particular policy issues. I think there is a long way to go in this campaign, and I do not think it serves the Australian government's interests for us to be offering commentary of the sort that you can read every day in the newspaper.

Senator HOGG—Thanks very much for that. I will not pursue that any further. The other issue of Austria: will Australia's new ambassador to Austria pay the usual courtesy calls on senior ministers of the Austrian republican government? Will he call on the Chancellor and Vice-Chancellor, given the ruckus that has been caused with the swearing in of the new Austrian government?

Mr Dauth—Our new ambassador has not arrived yet. He is due to go to take up his appointment soon and Mr Downer has decided that he should proceed. Clearly, the present circumstances are such that he will have to pay careful attention to the manner in which he conducts himself. He will want direction from the Australian government on some of these issues as they arise. But I guess Mr Downer would not thank us for prejudging what his decisions will be on some of these things before they arise. They are imminent; I absolutely concede, Senator. It is a silly thing for me to say, but it is a very good question that you pose.

Senator HOGG—I am glad to hear you say that. I want a very good answer.

Mr Dauth—All I can say in answer to it is that the issues you raise are ones that Mr Downer will be giving very close personal attention to.

Senator HOGG—Whilst Mr Downer will be giving close personal attention to those issues, when can we expect to hear something from Mr Downer? Because it raises the question: will the new ambassador be dealing with ministers who are members of the Freedom Party and conducting business on a day-to-day basis with them? Given the furore that is out there in the public arena, when can we expect some guidance from Mr Downer?

Mr Dauth—That is something you will have to ask Mr Downer. I think the question is a fair one. It is a good question, as I said—to be silly about it—but for us there are a couple of things. First, it is not absolutely imminent. Mr Hughes is not going to be in Vienna until early March, and then there is a question of his presentation of credentials. It is normal diplomatic practice, of course, that calls are not pursued until after credentials have been presented, so the time frame we are talking about is a bit imprecise.

The other thing to say I guess—although Mr Cobban is much better placed than I am to make this sort of comment—is that there are other countries whose attitudes on this it will be important for us to take note of; for example, the other Europeans and our American allies. We will be monitoring very closely on a day by day basis what the situation is as it unfolds, and the minister will be making decisions on what Mr Hughes's pattern of activity is at the appropriate time. More than that, I cannot say.

Senator COOK—Is it true that Israel have withdrawn their ambassador?

Mr Cobban—Yes.

Senator COOK—Is it true also that the United States have recalled their ambassador for further briefings in the case of Austria?

Mr Cobban—Yes, that is true. The ambassador has been recalled for consultations but is intended to return.

Senator COOK—Is it true that Portugal, who are in the chair at the moment, are threatening not to deal with Austria within the European Union?

Mr Cobban—Not quite. They have said in the context of the European Union that they will deal with Austria as will the other 14 members. They will, however, not deal with Austria bilaterally at the ministerial level.

Senator COOK—So, as part of the multilateral process in Europe, Austria is included, but no-one will talk to them on their own. Is that the connotation here?

Mr Cobban—No-one will talk to them at the ministerial level. They will still consult at the technical level, as they describe it, which are the levels below minister.

Senator COOK—So ministers in other European governments will not deal with ministers in the Austrian government?

Mr Cobban—On issues of bilateral concern, yes, that is my understanding. But it has not been tested yet to see how those parameters will work.

Senator COOK—Fine. That is the position of Israel, the United States and the European Union. What other countries in the world have expressed opposition, if that is the right word, to the Freedom Party and have taken diplomatic initiatives with respect to Austria?

Mr Cobban—There is a fairly extensive list that I could provide you with of the countries that have made statements not dissimilar to that which was made by Mr Downer. In terms of specifics, I believe—and we have yet to have a full report on this—the Canadian foreign minister made a statement yesterday which was somewhat similar to the EU position. Beyond that, France has said that it is watching it. Belgium has said that, in addition to the other EU measures, it has cancelled a defence contract. New Zealand expressed concern. Norway said that it will basically follow the European statement. That is what we have so far.

Senator COOK—In the face of that, has any consideration been given to Australia deliberately delaying the posting of our ambassador to Vienna as a mark of opposition to the inclusion of the Freedom Party in the coalition government in Austria?

Mr Cobban—Yes. Mr Downer made a comment on this, saying that the posting of Ambassador Hughes is not only to Austria but to a range of other countries and also to a range of international institutions in Vienna and that that posting would proceed on that basis.

Mr Dauth—Could I add to that that it has been the approach of this government—and, if I may say so, the previous government—that the withdrawal of an ambassador as a mark of protest is not always, indeed very often is not at all, the best way to register protest. I know it was an approach that the then Senator Evans took, and Mr Downer has often expressed the same sentiment. It is in periods of difficulty that you most need your most senior diplomatic representative present in order to carry forward the dialogue at the appropriate level.

This is not an inflexible approach. Obviously, there are circumstances in which one would withdraw, as an exercise in diplomacy, one's ambassador, close one's embassy and break off diplomatic relations. These are all graduated steps which are possible, but the view has been in government for some time in Australia that it is not always the most efficacious thing to do to withdraw your ambassador as a mark of protest. Withdrawing your ambassador for consultations is a different proposition—and something which clearly the United States government, for example, has decided to do. But the ambassador is going back. In that context, the decision for us to proceed with Mr Hughes's posting is quite consistent with practice over many years in this country.

Senator COOK—As you say, it is not always efficacious, but sometimes it is efficacious.

Mr Dauth—It has been known to be.

Senator COOK—There is no inflexible position in past practice here. There is a general rule, sometimes observed in the breach as well as in the performance. But my question was: has any thought been given to delaying as a point of protest the appointment of the ambassador to Vienna? Mr Cobban reports the government position, as I understand it, accurately. Not only is this ambassador going to Austria; he is to be accredited to other countries, and there are UN institutions in Austria that he will be accredited to as well. That is all very fine. He can be accredited to the other countries, take up residence in Vienna and be accredited to the UN agencies, but he could be withheld from being accredited to Austria as a way of joining what is a worldwide, European supported expression of opposition to the inclusion of a Nazi based organisation like the Freedom Party in a government in Europe. We would be in solidarity with our European, American and Israeli colleagues, would we not?

Mr Dauth—Hardly in solidarity, but let me come back to that in a moment. You are proposing, as I understand it, two possible courses of action.

Senator COOK—I am asking a question.

Mr Dauth—One is that Mr Hughes's arrival should be delayed. I guess the obvious question arises: for how long? Mr Hughes is not going to be there for another month yet. The question arises: how long is a delay which constitutes a protest? The government's views have been very clearly put by the foreign minister. As I said, it has been the practice of successive governments in Australia for a little while now that the best way to have those views communicated is to have your ambassador in place—to go into the foreign ministry, talk to the foreign minister and other ministers and convey those views. In that context, I do not think that the idea of delay is a particularly effective protest. It is not consistent with the other Europeans or the Americans, who have their ambassadors there.

I think the second idea that you are proposing—namely, that Mr Hughes should take up residence in Vienna but not accredit himself to Austria—is just not a practical proposition. It is not something that I think works in practical terms at all. We are certainly standing full square with international concern, as evidenced in what Mr Downer has said publicly. We will be relying on Mr Hughes, when he takes up residence in Vienna, to be conveying those views with the vigour that Mr Downer expects of him.

Senator COOK—You characterise what I have asked as a question, as a proposition from me. I am not advancing a proposition. I am asking: have these ideas crossed the government's mind, and is it intending to exercise by a discreet act its protest about the presence of the Freedom Party in the coalition government in Austria other than by a statement? You also say that it would not be practical for an ambassador to be in Austria but not accredited to the Austrian government for a given length of time as a mark of protest. I am not sure why it would not be practical, but that is probably a matter for debate.

Mr Dauth—I am sure.

Senator COOK—The whole purpose of doing such a thing, it would seem to me, is to make a diplomatic point rather than simply expressing it. The question that you have put—that is, it is better to have the ambassador in place to express their views directly to the government—might be the point of view, for example, that Neville Chamberlain held—it is better to deal with them than to oppose them.

Senator Hill—I think Senator Cook hit the nail on the head when he said, 'These are matters for debate,' and, 'This is not a debating forum.' Senator Cook might be unhappy with the position that Mr Downer has taken on behalf of the government, but so be it. That is his political function. But I do not think questioning the official on the range of other options that may or may not be available takes us further in this regard.

Senator COOK—Thank you, Minister. I did say that it is not a matter for debate, and then I did not proceed to debate it. But I think it is appropriate to ask: what gradations or degrees of consideration have been made by the government about how it should express its opposition to this event?

Senator Hill—The government is obviously aware of all the options and the combinations of options. The position the government has taken to date is that which has been stated by Mr Downer. The fact that the position that Australia has taken might differ from some other countries may well be a subject for debate, but so be it.

Senator COOK—You say that it is obvious. I am asking if particular types of considerations have been given. It is not obvious to me that they have been given, and I think I am within my rights to ask.

Senator Hill—From a policy point of view—and Senator Cook is really asking policy questions—I advise the committee that the government took into account all the options available.

CHAIR—I think the minister is saying that it is a policy decision by Minister Downer and a comment made by him, and I think it has been answered by the minister at the table.

Senator COOK—We are dealing with estimates here.

Senator COOK—I am. If consideration of some sort has gone on within the department and a position arrived at, that is a matter for estimates. I do not know why you are so sensitive on the subject that you want to close down the discussion of it.

Senator Hill—I think you can ask Mr Dauth whether the department is satisfied that Mr Downer was aware of all the options that were available.

Mr Dauth—And the answer to that is yes. As I said, Mr Downer has chosen to adhere to a practice which he has adhered to in government, as did his predecessor.

Senator COOK—This is an innovation in estimates: the minister proposes the question on behalf of the opposition, and the department answers it.

Senator Hill—I am just trying to be helpful.

Senator COOK—Are there any other questions you have of your department, Minister, that you would like to share with us? Do I understand from that answer, Mr Dauth, that the things that I have been canvassing as possible options were matters that the government did in fact consider?

Mr Dauth—As the minister has said, the government looked at all available options.

Senator COOK—So, if they are some of the available options, it would have considered them?

Mr Dauth—I have nothing to add to what I have said.

Senator COOK—You would agree that they are options, though?

Mr Dauth—I said to you that they were options that I saw you were putting, and I put a view as to their viability. That was the point at which I think we went wrong.

Senator COOK—So he did not consider those?

Senator Hill—The job of the department is to ensure Mr Downer is aware of the various options. It is up to the government to make its decision.

Senator COOK—I will go back to the position of the members of the European Union who—Mr Cobban, I think you said this—have severed bilateral ministerial contact with Austria. For how long have they done that?

Mr Cobban—To the best of my knowledge, they have not put a time limit on it.

Senator COOK—One presumes that, if the Freedom Party stepped out of the coalition, normal diplomatic arrangements would ensue.

Mr Cobban—I do not know that normal diplomatic relations are covered by this issue.

Senator COOK—Sorry, my error, I mean that normal ministerial relations would be resumed.

Mr Cobban—I really cannot speculate on when or under what circumstances the EU might change this policy. I think you would have to factor into that, as has been expressed by

a number of other people, the view that it is a matter of waiting and seeing what the new government of Austria does. They will be judged very harshly on that.

Senator COOK—My question is fairly bland, actually. The European governments have taken this step because of the Freedom Party's membership of the Austrian government. If that ceased, there is no reason to take that step. One presumes normal ministerial relations would be resumed. That is taken as a step in order to encourage the Austrian government to make arrangements that do not include the Freedom Party. I imagine that is the whole point of it.

Mr Cobban—I cannot speak for the European Union ministers and why they did it, but I would assume that that is basically correct.

Senator COOK—In Mr Downer's statement, has he taken a similar view? Has he said that there will be no bilateral contact between Australian ministers and ministers in the Austrian government?

Mr Cobban—No, he has not. He has pointed out that we have not had such high level contacts with the Austrians in the recent past and nor are any foreseen in the immediate future and that the Australian government would be watching very carefully what happened in Austria and would make the decisions on future actions accordingly.

Mr Dauth—But I think you could reasonably assume, Senator, that we will not be resuming ministerial contact with Austria in the immediate future.

Senator COOK—So why don't we say it?

Mr Dauth—It would be a very quirky interpretation indeed, I should have thought, of Mr Downer's statement to assume that we were about to resume ministerial contact with Austria. It does not seem to me to make sense. If you read what Mr Downer has had to say, it is pretty evident where we are coming from.

Senator COOK—The fact that we do not have any ministerial contact immediately planned would not prevent us from saying that we do not intend to have any ministerial contact in the same way that the Europeans do not. We seem to have adopted a weaker position than Europe.

Mr Dauth—I really would challenge that proposition. I think we are into a debate that is, with respect, rather arid. The government's position is set out in what Mr Downer said, from the perspective of departmental officers it is quite clear and, as far as I can understand it, it is pretty clear to other governments.

Senator COOK—Often it is what you do as well as what you say that is important. We are not doing what the Europeans, who are colleague countries within the European Union, are doing with Austria.

Mr Dauth—Yes, we are. We are not doing anything that they are not.

Senator COOK—We have not announced that we will not have any bilateral ministerial contact. That is one thing we are not doing.

Mr Dauth—Do you seriously believe, Senator, that an implication of what Mr Downer has said is that ministerial contact is possible or imminent? I think, with respect, that is an odd interpretation of what Mr Downer has had to say.

Senator COOK—It is a perfectly legitimate interpretation of what Mr Downer has said. Put yourself in the Austrian position. They are able to say of Australia, 'It has not done what the Europeans have done, because it has not said that it will not have ministerial contact.'

Mr Dauth—But they are not saying that.

Senator COOK—Pointing to the record, they are right if they say that.

Senator Hill—Mr Chairman, the official is not Mr Downer. If Senator Cook wants to attack Mr Downer, so be it.

CHAIR—Minister, would you like to table the media release of Mr Downer's that you have there?

Senator Hill—Yes.

Senator COOK—I just have to defend myself. I am not attacking Mr Dauth; I am just attacking one of the propositions Mr Dauth put. I have too great a respect for Mr Dauth to attack him. But the proposition that Mr Dauth put is, on the face of it, not true. Just because we happen, by sheer coincidence, not to be having any ministers visit Vienna does not mean to say that we have actually put a ban on ministerial visits to Vienna.

Senator Hill—There has been no public statement of any ban on ministerial visits. The government has not made a statement banning ministerial visits.

Senator COOK—Yes.

CHAIR—That is why I want that media release tabled: it sets it out clearly.

Senator Hill—If Senator Cook thinks the government should, then he can say so. He can put out his own press release.

Senator COOK—Maybe you have a few more questions for the department, Minister, while you are at it. I think the point that we are not doing what the Europeans are doing is now established by the minister.

Senator Hill—No. One of the officials put on the record decisions that some of the European countries have taken, which are different from the decision that we took.

Senator COOK—Yes, and their decision is stronger.

Senator Hill—That is your interpretation. I think that is a reasonable interpretation of the Israeli position. If Israel has withdrawn an ambassador, I think you could say that—you could say it, but I do not know that it means a great deal more.

Senator COOK—I think you could also say on the record that where European countries—which is the majority of them, if not all of them—have put a ban on bilateral ministerial contact and we have not, simply because we do not happen to have any scheduled, they are taking stronger action than we are.

Senator Hill—That is a conclusion that you can draw.

Senator COOK—And I have.

CHAIR—Any further questions on the Americas and Europe?

Senator HARRADINE—My question relates to the issue of the crippling debt of Third World countries, their inability to rise above the repayments of interests and so on. Some statements have been made from the US executive which express a sympathy with the proposal for the forgiveness of debt in their jubilee year. Have our officials in Washington been monitoring these statements and what is the likely outcome? Furthermore, what are the policy conditionalities that are being considered by the United States executive?

Mr Cobban—There have been statements by parts of the US administration on relief for the highly indebted, poorest countries, as there have been by other countries, but this is really not within our part of the portfolio. It is an AusAID question, primarily. But to answer the

first part of your question, yes, we are aware of it, from reporting from Washington and from the media.

Senator HARRADINE—Are you leaving this to AusAID or is it a matter of overwhelming significance to the department?

Mr Dauth—The department has an interest but I think, as to the detail, it would make better sense to put the question to our colleagues from AusAID later in the day.

Senator HARRADINE—I may not be here then.

Senator COOK—Can someone tell me where General Pinochet now is? Is he in Europe, Chile or in transit?

Mr Cobban—He is still in the United Kingdom, as far as I am aware.

Senator COOK—Has the order restraining him from departing the United Kingdom now been formally lifted or is there still a process ongoing?

Mr Cobban—The matter is still before the courts and I think a decision is expected possibly either at the end of this week or early next week.

Senator COOK—Is that decision appealable or is that the end of the line?

Mr Cobban—I cannot honestly answer that. This exercise has gone on for some time. I have seen media speculation that it could go on for another six months.

Senator COOK—So we might have another chance to ask a question about it at the next round of estimates! Earlier, Senator Hogg was asking some questions about the views of presidential candidates in the United States. You gave, Mr Dauth, the standard answer, which I acknowledge. My question is not quite the same—it is not about the views of candidates. My concern is the rising tide of protectionist sentiment being publicly expressed in the United States. I know that the embassy in Washington keeps a very close eye on that. It is something that goes to our vital trade interests. Are we concerned about the increasing intensity of protectionist expression in public debate in the United States? Has it got to a level in which we are more concerned about it?

Mr Dauth—I think the one-word answer to that is yes. What we do about it, of course, is a wholly separate question, but it is a principal focus for our representation in the United States.

Senator COOK—In terms of what we do about it, has any further consideration been given to reinstating the position of congressional liaison officer?

Mr Dauth—Mr Cobban might want to comment on this, but we have an officer in the embassy in Washington whose functions are almost solely dedicated to congressional liaison. This arrangement is, frankly, I think, a great deal more bureaucratically efficient than the previous arrangement whereby an officer at councillor level devotes most of his time to the function of congressional liaison. It works very well. I know from having been in Washington with ministers on a number of occasions that it returns to us as much as we can expect by way of bureaucratic investment.

Mr Cobban—Last time we discussed this we pointed out that we had also, as Mr Dauth indicated, reshuffled the duties within the embassy in Washington to ensure that more specialists were directly engaged with various people on the hill. We were trying to get a broader coverage with the greatest number of authorities interested in these issues.

Mr Dauth—The premise of your question is extremely sound. We are very focused on influencing congressional opinion on this issue.

Senator COOK—There are a number of US think tanks and leading academics who publicly espouse the cause of free trade and open markets. Do we maintain a liaison, if you like, with those people in the United States who voice opinions similar to our own?

Mr Cobban—Yes.

Mr Dauth—Yes, and with those who voice opinions to the contrary.

Senator COOK—So we talk to our friends and our enemies?

Mr Dauth—Correct.

Senator COOK—Have we increased our diplomatic attention to those issues?

Mr Dauth—I guess the broad answer to your question is yes. The problem is growing, so we devote more attention to it.

Mr Cobban—I think another area, too, is that the number of congressional visitors to Australia in the last 12 months has greatly increased and with all of them and with their staff, both before the visit and during it, we have taken the opportunity to bring home these very serious concerns. We intend to use those contacts to continue to pursue this.

Senator COOK—Thank you.

CHAIR—If there are no further questions, we will move on to outputs 1.1.4 and 1.2.4.

[11.18 a.m.]

Outputs 1.14 and 1.2.4—South Pacific, Africa and the Middle East

CHAIR—I will start off by expressing my sympathy for the people in those parts of Africa, including Mozambique, that are having the most horrific floods at the moment.

Senator HOGG—I have a quick question on Bougainville. Could the committee be given a brief overview of the current state of the Bougainville peace process? You might tell us any of the department's expectations of developments during the course of this year.

Mr Urwin—At the moment there is a delegation of Bougainvillean representatives in Port Moresby for a round of negotiations as part of the peace process. That peace process has really been under way in a concerted way for six to nine months since the assembly of a Bougainville representative body in May of last year. The negotiations, while still at an early stage, are also at something of a delicate point. The Bougainvillean side has made known its requirements which relate to a large measure of autonomy for the province coupled with a deferred referendum or some kind of act of choice by the Bougainvillean population down the track.

The Papua New Guinea government has yet to respond. The nature of their response will clearly be important to the quality of the process that goes ahead. They will engage in the next few days on that. Then we will have to see where we are from that point. As to the future, there are still a huge number of hurdles to be negotiated. Our basic view is that prospects are better than they have been for a number of years that Bougainville and the central government will find some means of accommodation.

Senator HOGG—Are we playing any support role in the negotiation process that you have described unfolding?

Mr Urwin—Yes, certainly.

Senator HOGG—Could you outline that support role for us?

Mr Urwin—The main direct measure of support relates to our support for the peace monitoring operation on Bougainville itself. That has been in place for some time now and it

involves the placement of a number of Australian military personnel and civilians who are scattered throughout the province, obviously measuring and monitoring the state of play throughout the province. In addition, the aid program has been engaged for some time now in trying to restore services, plant, all of those things that were destroyed in Bougainville in the period since the late 1980s.

Senator HOGG—In terms of the actual negotiations—not that we would be involved as a direct party—are we lending any technical or administrative assistance to help the parties in the conduct of those negotiations?

Mr Urwin—Yes, especially on the Bougainville side. As you can imagine, their technical capacities are pretty limited from this point of view. Through the aid program we do fund three or four officials who assist on legal and administrative matters and generally advise the Bougainville side about the technical aspects of the negotiations.

Senator HOGG—Whilst you describe the negotiations as being in a delicate state, is there a degree of optimism that those negotiations will succeed in the longer term or is the gap too wide?

Mr Urwin—Bearing in mind that we are talking about Papua New Guinea, it is very balanced at the moment. I think that the Bougainville side has mainly, by dint of the way it has been able to organise itself over the last few months, come to common positions. They are fairly fragile positions but they are common positions. The fact that the Morauta government has in recent months started to give more attention itself to the Bougainville problem—it set up a number of structures to address it—relatively speaking gives you some optimism that the process will continue for a time yet.

Senator HOGG—Could you give me some idea of the process that is involved in the negotiations? I presume it will be a stop-start process? Over what period are the negotiations set down to take place?

Mr Urwin—It is open ended. Obviously, from our point of view we would like to see them continue to maintain a momentum. What will happen in the immediate term is that after a few days of talks obviously the Bougainvilleans will return. The ball will be then very much in the central government's court. Timetables are flexible. One would imagine that they would need to respond to the Bougainvillean position within the next month or so.

Senator CALVERT—You were talking about us assisting with the restoration in Bougainville. I know what happened to the Arawa hospital, but has anything happened to it since? Are they going to restore that or build another one?

Mr Oliver—The Arawa hospital has been destroyed, to all intents and purposes. I imagine that in due course the Papua New Guinea government may wish to reconstruct it, but that is not happening at the moment. There are clinics in Arawa, but beyond that the medical services are very limited.

Senator CALVERT—The only medical facilities they had were the temporary ones on the island where the guesthouse is. I cannot remember the name.

Mr Oliver—Buka?

Senator CALVERT—Yes. I must admit that I was rather shocked with the conditions. There were dirt floors and all the rest of it. We are also putting money into restoring the wharf at the bottom end of Bougainville. Has anything happened with that?

Mr Oliver—That might be a question which in greater detail you may want to put to our AusAID colleagues this afternoon. They are engaged in rehabilitation of the wharf at Kieta and also in the construction of a number of clinics on Bougainville.

Senator CALVERT—I will talk to AusAID about that. I guess I could refer questions on whether there has been any restoration in Rabaul after the volcano to them as well.

Mr Urwin—They will have better detail. As a general point, obviously down the track, as the restoration program takes hold—and it depends on the degree of peace and stability in the province—one would anticipate that Australia would be asked to involve itself in a number of these things. Without prejudging, obviously we would be disposed to do so because part of our strategy is to support precisely that restoration of services because we see that as the best prospect of a stable future within Papua New Guinea.

Senator CALVERT—I thought we were. It is a couple of years since I have been there. I accompanied Ian Sinclair on the first attempt at a peace mission up there and I was horrified by the refugee camps, for want of a better word. I believe that they no longer exist and most of the people have gone back to their villages. Medical facilities were primitive to say the least. Perhaps I will ask those questions of AusAID, if I can.

CHAIR—Certainly.

Senator HOGG—I have a brief question on Iran. A United States media statement reported recently that the CIA had advised the Clinton administration that Iran may have developed or is on the verge of developing a nuclear weapons capability. Has Iran been reported by the International Atomic Energy Agency to be in breach of its NPT safeguard obligations?

Mr Paterson—Iran is not currently in breach of its NPT safeguard obligations. Its declared nuclear facilities are all under IAEA safeguards, and I understand that the IAEA is satisfied that its inspection regime there is operating satisfactorily.

Senator HOGG—So there is no reason to believe that they are pursuing a program outside of the scope of IAEA safeguards?

Mr Paterson—No, that is not correct. The answer is that we do not know. There are some indications that Iran has had an interest in developing what are broadly known as weapons of mass destruction—that is, nuclear weapons, chemical weapons and biological weapons. There is inconclusive evidence on this, but there is some evidence which suggests they have had an interest in doing so.

Senator HOGG—Have we made any representations or inquiries to Teheran concerning Iran's compliance with NPT obligations?

Mr Paterson—We have a dialogue with them. We began late last year; we had a first round of consultations on arms control and disarmament issues with Iran. That was a first for us and something of a first, I think, amongst Western countries. They have had similar dialogues with a small number of countries in Europe, but not many. The Iranians found this so useful—and, indeed, we found it quite productive—that they are coming out again to Canberra at the end of this month for a second round of these discussions.

Senator HOGG—Who are those discussions actually between?

Mr Paterson—They will be between foreign ministries.

Senator HOGG—Foreign 'ministers' or 'ministries'?

Mr Paterson—No, they are at official level.

Senator HOGG—What level of official are we looking at?

Mr Paterson—I will lead the delegation on our side, and I expect that the Iranians will be represented by someone of equivalent level.

Senator HOGG—And the agenda for that?

Mr Paterson—We do not have a precise agenda, but at the moment we are looking at consultations on a whole range of issues including the forthcoming NPT review conference, the negotiations in Geneva on a verification protocol for the biological weapons convention, compliance with the chemical weapons convention, progress towards signature of the comprehensive nuclear test ban treaty and progress on the work program of the conference on disarmament in Geneva. That is a fair spread of what we are likely to discuss, but it is not an exclusive list.

Senator HOGG—Do you know what other nations they are having similar discussions with?

Mr Paterson—I do not have that information to hand. They have had quite good and constructive relations with a range of West European countries for some time. If you would like us to pursue that, we would happily take it on notice.

Senator HOGG—Please do, but do not go to a great deal of difficulty to get the response; just a brief outline will do me.

CHAIR—As there are no further questions, I call the Australian Trade Commission.

Senator HOGG—Before Mr Dauth and his colleagues leave the room, I would just say that I have a couple of questions on security and nuclear disarmament and non-proliferation, and then on international services to other agencies in Australia and overseas, which is output 1.4. Then I have a couple of questions on enabling services: one on Y2K and one on distribution of staff. That will end the questions that I have. If Senator Cook does not take a long time, subject to what Senator Harradine's program is, it may well be that we can extend and—with the cooperation of the witnesses—instead of breaking at 12.30, break at 1 o'clock with the whole thing having been wrapped up.

CHAIR—We will see how we go.

Senator COOK—I notice that optimistic estimate is subject to Senator Cook not having a lot of questions. I have a number of questions on multilateral trade.

CHAIR—And there may be a lot of information that Austrade might want to give us. I call Austrade.

[11.35 a.m.]

AUSTRALIAN TRADE COMMISSION (AUSTRADE)

Senator COOK—I have a general question first. In the portfolio additional estimate statements, on page 48, under the heading 'Additional estimates and variations to outcomes—agency level', there is a table setting out where there are additional estimates and where there are savings or offsets. At the second dash, there is the figure of \$2.986 million for 'further commercialisation of the overseas estate'. Can you tell me what 'further commercialisation of the overseas estate' means, and why does it cost us money?

Mr Crook—This figure relates to the lease of Property Group properties overseas. I think probably the Property Group within the Finance and Administration portfolio would be able to talk overall about what the concept is. But it relates to a 10-year process whereby there is an amortisation of the, I guess, specific purpose usage value of Australian government owned properties overseas that are used, both offices and residential.

Senator COOK—What does that all mean—whether we are getting value for money on the properties we lease? Is that what it means?

Mr Crook—Yes, it is properties leased from the Australian government owned estate. Each agency, as I understand it, receives supplementation to cover the additional amount, which we then pay to the Property Group of Finance and Administration for the lease of those properties. So it is really putting it on a commercial footing whereby previously the amounts of rent that we paid for those properties was assessed to be less than the market value of them.

Senator COOK—Let me get this right. You lease property from the Australian government overseas?

Mr Crook—Correct.

Senator COOK—They jack up the charges, hence your estimates show a further outlay?

Mr Crook—That is correct.

Senator COOK—This is the Australian government watching the Australian government. The excuse is that they jack up the charges because the charges they are making now are not commercial; they are below the commercial market rate. Who determines whether they are or are not—the renter or the leaser?

Mr Crook—Obviously I cannot answer for other agencies, but certainly with our own agency there was a discussion of appropriate market rentals, and we had advice from our own people who give us advice on property issues as to market rent. So there was a negotiation as to the appropriate market rent.

Senator COOK—Do these properties reflect the fact that it is desirable that Austrade be located in an Australian government building, with an Australian edifice out the front, a flag flying and all the rest of it? Are you under any edict to have to locate there, or can you make a free choice to locate at some other commercially attractive location in the cities in which you have offices?

Mr Crook—We can make a choice. Obviously there are circumstances in some markets where it is so appropriate to be within that one structure that we would be unlikely to ever seek not to. But within the process of having an assessment of market rentals, that did not necessarily lead us to be in a situation where we could not make a choice or where we could not have an appropriate negotiation.

Mr Langhorne—Our general policy is to co-locate with the mission wherever we can do it because of the interrelationships between the Department of Foreign Affairs and Trade and ourselves in the marketplace. We do have the opportunity, when new missions or new locations or accommodations are being looked at, to be involved in the negotiations of where that accommodation should be located, the rental costs, the fitout costs and so on. But our general policy is, wherever possible, to have a Team Australia approach and be located in the one centre.

Senator COOK—As long as you adhere to that approach, they have a basis for jacking up the rent and you have to pay it, basically.

Mr Langhorne—In this particular case, there was a global review done and market or commercial rates were determined, and Austrade has received supplementation for the additional costs it will bear because of that. The leases that we enter into now—and Mr Crook may correct me here—I understand are 10-year leases with a 3½-year review period whereby we can either upgrade or downsize our operations during that period of time. So, as far as the locations are concerned, we do have the opportunity to input and we do get supplementation where those market rate changes are made. In the future, obviously we will have to assess, as we go through those 10-year lease periods, what the ratchet-up effects are. In some cases I imagine the rents may very well decrease.

Senator COOK—This could be a way of DFAT supplementing its budget. I congratulate it if it is. By increasing your rents, you get a special allocation to pay the new rents and DFAT pockets the money. I will ask its officers about that later on. I do not know whether they have to hand it back; if they do, it is a fairly circular process.

Mr Langhorne—It is my understanding that it is not DFAT but that we are actually involved with the Department of Finance and Administration in this area.

Mr Crook—That is correct.

Senator COOK—So that it is a circular process. They charge you more, you get a bigger allocation, you hand it back to them and around the money goes.

Mr Langhorne—I think the question there is whether or not in future that will happen. There was a worldwide adjustment to bring rents up to market value or commercial rates, and we have been supplemented for that. I think that was a one-off adjustment. I would very much like to see any ratcheting up in the future being supplemented as well, and certainly we would be arguing with our colleagues in the Department of Finance and Administration along those lines. But whether that happens or not, we do not know.

Senator COOK—I wish you well, and I want that on the record.

Senator HOGG—If you can get it out of DOFA, let us know.

Senator COOK—I suppose no money actually changes hands; people just shuffle money in Canberra. Austrade does not actually get any money from Finance which it then pays back for rent.

Mr Langhorne—I would have to ask Mr Crook to elaborate on that.

Mr Crook—In a physical sense, no money is changing hands, obviously, but it becomes part of our appropriated base and it becomes part of our payment through the lease process.

Senator COOK—Someone is employed or some computer time is used to record all of this, although no money changes hands. I understand the accounting arrangement. You are looking at me searchingly, Mr Crook. There is no need to; it's fine. Just at the bottom on the same page in the same section after the dash points, there is a reference to the additional appropriation for the Australian Trade Commission as being \$306.995 million, with the May budget being \$304.252 million. So the appropriation for the Australian Trade Commission is increased by \$2.743 million. That is what we are talking about, isn't it?

Mr Crook—That is correct.

Senator COOK—I then go through the performance information for outcomes, which is table 2.1. Is that where all the money has gone?

Mr Crook—Yes, that is correct.

Senator COOK—Then I add up what the extra amounts are against budget and revised and I come to \$4.5 million. Can you explain how that is so?

Mr Crook—The reason for this is that the capital use charge was not in the original statements attributed to the pricing of specific outputs, and that is a revision we made at this time. While it was not done in the portfolio budget statements, the original statements, it really should have been attributed to the price of outputs, and it was done with the revision.

Senator COOK—So how much money are you actually getting, \$2.7 million?

Mr Crook—That is correct, \$2.7 million.

Senator COOK—If we make the adjustment for what you have just said, that covers the \$4.5 million extra that you will be spending.

Mr Crook—Yes, that is right. I would be happy to perhaps send a supplementary outline of that, if that would be of assistance.

Senator COOK—I would appreciate your doing that.

CHAIR—Just to clarify here: you have taken that question on notice and basically you will come back with that?

Mr Crook—Yes.

Senator COOK—Mr Chairman, they were just general questions.

CHAIR—Are we now on 1.1?

Senator COOK—There is a host of these outcomes for Austrade.

CHAIR—Do you want to do the outputs?

Senator COOK—I just want to ask some questions that run across all of the outputs, 2.1 to 2.5.

CHAIR—If we just go through the program ‘Ongoing programs to: show Australians the benefit of overseas trade; raise awareness of export assistance programs –

Senator COOK—That is outcome 1.

CHAIR—Do you now want to move to outcome 2?

Senator COOK—I will just ask a question which will make it all clear.

CHAIR—I am sure the officers will be able to answer it.

[11.47 a.m.]

Outcome 1—Public understanding of Australia's trade and investment direction, government export programs and promotion of Australia's image internationally

Outcome 2—Contribution to Australia's export trade performance by facilitating and encouraging trade and investment between Australia and foreign countries

Senator COOK—It lists there performance information for this current budget, quality, quantity and price. In the presumably revised performance information for the same budget, it lists quality, quantity and price. The quality outcome is the same, the quantity outcome is the same but the price is different. That is true of all of these headings. That is where I get my 4.5 from. With the one I am looking at, the price goes up \$0.6 million for the same quality and quantity outcomes. Why is that?

Mr Langhorne—Perhaps I could give a general answer and then call on Mr Crook to give you the detail, if you require it. Basically, the adjustments that are made in the additional estimates process, including the parameter adjustments for overseas inflation and so on, are really simply maintaining the purchasing power that commenced at the start of the year. So there is no material effect. In other words, Austrade has not got the ability to purchase any more with that additional money; it is simply maintaining the purchasing power over the period of time. Under those circumstances, we would not expect the performance measures to be revised. If, for example, we received additional funds, say, to increase the level of activity or operations at a particular location or for a particular activity, then we would expect a change in the performance measures. But where we are simply maintaining purchasing power or making adjustments that may be, for example, for rental or so on, then there is actually no increase in the level of activity.

Senator COOK—So these adjustments are because of rents being hiked in various countries. Do they reflect exchange rate variations as well?

Mr Langhorne—Yes.

Senator COOK—You are saying these are the same real dollars corrected for exchange rate changes basically?

Mr Langhorne—Yes.

Senator COOK—And they amount to \$4.5 million—what, for the next six months?

Mr Langhorne—It effectively represents an adjustment to our budget to enable us, as I said, to maintain our purchasing power that existed at the start of the year.

Senator COOK—Do you have any facility to hedge against exchange rate movements?

Mr Langhorne—No—Mr Crook again may have a view on that—we are not permitted by our board to hedge.

Senator COOK—You are not permitted?

Mr Langhorne—No, under our treasury policy.

Senator COOK—That is an external policy imposed on you by Treasury?

Mr Crook—No. With the relationship we have with the Department of Finance and Administration, in a sense that is covered by them. So the first figure in the list that we looked at on page 48 includes allowance for changes in overseas inflation and also includes allowance for foreign currency exchange rate movements to retain our purchasing power equivalent. At budget time and also at additional estimates time we present to the Department of Finance and Administration details of our actual spend foreign currency compared with the budgeted rate at different currencies. If we have made a notional gain on foreign exchange, then that would go back to them in terms of our allocation; if we have made a notional loss then that would come us, as it has here with that figure of \$0.969 million. So our purchasing power is maintained through the way we are funded.

Senator COOK—So you can hedge but if at the end of the budgetary period you have made a gain Treasury grabs that off you?

Mr Crook—In a sense, there is no need for us to hedge individually because any gains or losses are covered within our appropriation.

Senator COOK—So you do not do it simply because you have the backup of Treasury's deep pockets?

Mr Crook—We do not have a need to do it at this time because of that relationship. There would be no reason for us to do it.

Mr Langhorne—Senator, if I could just clarify one point: I mentioned 'treasury policy'. In that context I was not referring to the policy of the Treasury, I was referring to Austrade's internal treasury policy whereby we invest—

Senator COOK—I am glad you clarified that. Later it became clear to me that that is what you meant, but now the record is clear. I want to be clear in my own mind on this point: you are not able to hedge and that is made virtuous by the fact that Treasury will top you up or take any surplus if there is any because of exchange rate movements or inflation in countries—if you aggregate all the countries over which you operate.

Mr Crook—We have no reason to for that reason. I am not sure which follows which in that regard.

Mr Langhorne—Just to clarify the policy itself: at this point in time under our internal treasury policy which is approved by the board, the board does not permit us to hedge. That policy is reviewed on an ongoing basis. We believe that, with the arrangements we have in

place with the Department of Finance and Administration at this point in time as far as exchange rates and deflation is concerned in regard to the overseas network, we have no need to hedge. If there are changes in the policy that originate from Finance and Administration, then we would look at our treasury arrangements with the board. But we have a conservative approach when it comes to the use of public money.

Senator COOK—I am pleased to hear that. My curiosity is encouraged by the fact that you are the premier agency for offering advice to exporters who then must operate in foreign markets. The quality of your advice can often influence investment decisions by a number of Australian companies. It just seemed to me that, if you had the same commercial strictures applied to yourself about making sure there is prudent provision for forex changes and inflation, you would have a greater in-house expertise, it would seem to me as a layman, and a greater in-house ability to focus because you have to through your own budget on inflationary changes and forex movements in the key countries in which you operate. That ought to go to improving the quality of advice you offer to commercial users. Does the board give any reason why it takes this view that you should not manage your affairs on a commercial basis?

Mr Langhorne—The treasury policy is a fairly extensive document. Certainly we are willing to provide you with a copy of it. There is nothing confidential about it.

Senator COOK—You mean give me a lot of reading to do, Mr Langhorne.

Mr Langhorne—I do not think there is any specific reason except that, in the view of the executive and management, we see no reason to be involved in hedging. In regard to advising Australian business, we employ people in the organisation as investment commissioners and senior trade commissioners who come out of the appropriate background and have that knowledge, particularly in the investment area where we are employing people –

Senator COOK—Which is my point. You have the in-house so why do you not use it for yourself as well as for your clients?

Mr Langhorne—The point I make is that we see no reason to use it at this point in time. Now that reason may arise. In regard to the actual Treasury function itself, that is run out of the corporate area, and we do get advice from time to time on how we should actually operate in that area. At this point we do not see a need to get into hedging. It is a high risk business.

Senator COOK—I know. But you have the expertise to advise commercial users. I am not going to pursue this. It is a matter I will take to the board when I meet them. I understand I have been invited to have a brief on Austrade. This is something I will ask them about and I will be interested in how they explain it. You have the in-house expertise and you are not using it itself. It seems to me that even the best experts if they do not practice go rusty. The quality of their advice might be less valuable over time the longer they have been out of having to take responsibility for their actions. It strikes me as being a bit odd that Austrade, being a well set-up commercial operation, moving \$300 million worth of taxpayers' money and being capable of offering first-class commercial advice, is not using it itself.

Mr Crawford—A couple of points should be kept in mind: the organisation does run itself very much commercially and the in-house expertise and advice at this point in time is that we should not engage in hedging. That is based on a commercial judgment.

Senator COOK—When you have a cosy little arrangement with Treasury—that is why. They will top you up or whatever. You do not have to take responsibility for focusing on the market. That is my point. It may be that a commercial operation should. That is my secondary point. But this is not a matter we will settle in estimates today.

CHAIR—You are debating again.

Senator COOK—No, I am making a throwaway observation which may or may not have any merit, Mr Chairman. I will just go to this performance information. Where ‘quality’ appears—that is what you are aiming for, is it, not what you have achieved? Budgets are prospective and these are prospective quality achievements.

Mr Langhorne—These are targets that are set by the board for the organisation and approved by the minister in the context of the budget. At the end of the performance period—which, of course, is the end of the financial year—we report against those targets.

Senator COOK—And how do we learn whether you have achieved them or not?

Mr Langhorne—They are generally published in the annual report, and this year we will be publishing comparisons. I am not too sure whether there will be a requirement to report the year’s achievements against targets in the portfolio additional estimates statements, but we certainly report them in our annual report.

Senator COOK—So if I got out the annual report you could direct me to last year’s performance, could you?

Mr Crawford—No, because the current annual report is 1998-99.

Senator COOK—It will not apply, then. So we could look it up after the budget?

Mr Crawford—The annual report that will be brought out in August, September or October this year will report on the 1999-2000 achievements.

Senator COOK—Thank you. This is just to help me navigate the document. So the parliament will give you \$11.3 million to achieve ‘public understanding of Australia’s trade and investment direction, government export programs and promotion of Australia’s image internationally’, and you are wanting to achieve 90 per cent client satisfaction and community awareness of the government’s trade. Client satisfaction is what? Ninety per cent of the community know what the government is doing on trade. Is that what that means?

Mr Crawford—No. What it is referring to is the satisfaction of the minister and government with our performance against this output.

Senator COOK—So someone interviews the minister and says, ‘Are you happy with Austrade?’ and he says, ‘They got 90 per cent satisfaction from me in terms of raising community awareness of the government’s trade and investment activities.’ Is that how it goes?

Mr Langhorne—I think the issue here is that the government would look at our performance against those other targets and rate our performance in that way, not just off the top of the head. It would be: ‘Have you achieved that level of penetration in the community?’ We have to produce information to the government as to whether or not we have achieved those performance targets. It would be on that basis that the minister—I should say ministers because, of course, Austrade operates with a number of ministers—we would then be assessed on whether or not we have achieved that level of performance and whether the government is satisfied with that level of performance.

Senator COOK—So that 90 per cent client satisfaction figure relates to the government being satisfied with you?

Mr Langhorne—Yes, correct.

Senator COOK—It is a bit trite but just to put it the other way: you are happy to tolerate the government being annoyed with you for 10 per cent of the time.

Mr Langhorne—Yes, that is right.

Senator COOK—And that is a good outcome—if they are annoyed with you for only 10 per cent of the time, you are happy; you have achieved your goal.

Senator QUIRKE—It hates us all the time, doesn't it?

Senator COOK—The government does, yes.

CHAIR—I hope it continues to do so.

Senator COOK—Who finds out whether they are 90 per cent satisfied?

Mr Langhorne—In that context we have to survey the ministers' offices that have dealt with Austrade and get an assessment. I might point out this is a first-off effort to actually lay down within the budget context some firm, tangible indicators. We may find, for example, with a particular measure that setting a percentage just is not realistic and at the end of the day what you may come out with is a simple statement from government in regard to the performance of the organisation in that area. That could be anything: a one-word description—'satisfactory', 'unsatisfactory', 'excellent' or whatever—back. The other quality performance measures in this document where there is client satisfaction are achieved by external survey—in other words, an independent survey by Newspoll or someone else with the client base in the organisation. There are a couple in here that are a first-time endeavour. When we put these documents together it was our view that we could get a level of percentage satisfaction across all our quality indicators. It may well be, when we actually move into discussing these issues with relevant ministers and the government generally—including the joint committees—that it may not be practical to set it at a percentage level. I would like to believe that, if we achieve our indicators, the government will be 100 per cent satisfied with the organisation.

Senator COOK—We will know after the next budget when they have filed their returns. My advice is to get them on a good day, Mr Langhorne, and you will get a better response than if they are having a bad day.

CHAIR—Can I ask a question there, but I do not know if it is quite on the same line: do you have your own performance indicators for the amount of money that you get allocated through your budget and the amount spent in the budget to increase first-time exporters, for example, or the amount of money in the Export Market Development Grants Scheme and the return it gets? Because sometimes I do not think those figures actually show what you really do. I do not know whether it is the time to bring it up now. I think Senator Cook would probably be interested in it, too—the amount with new exporters through the Export Market Development Grants and the return on that Export Market Development Grants Scheme and that sort of thing. It is probably not the time to bring it up now; it may be something that Mr Tindall can answer at a later date. But I think that is something that you do not put up in lights enough.

Senator COOK—I do have a few questions on the EMDGS.

CHAIR—Leave it until we come to the EMDGS. Maybe you can take it on notice for a while until Senator Cook gets to it, because that to me is the indicator that really means something to me.

Mr Langhorne—The short answer to that is yes, we do. The big difference between what Austrade has done in the past and what we are required to do in the future—and I imagine what other agencies will be required to do as well—is to report targeted performance against actual performance in a public way. Previously if you looked at our annual report you would have to go back to our operational plan and see what we targeted and then compare that with the annual report to see whether or not in fact we had achieved what we said we were going to

achieve. Under the new arrangements, as I understand them, there will be a consolidated arrangement whereby we will report on targeted performance measures and price, and what we have actually achieved and why, if any, there is a variation between the two. I hope we are not alone in doing that.

CHAIR—My question comes up in outcome 4.

Senator COOK—I do not want to belabour this so I will move as quickly as I can. We are still on outcome 1. It states, under ‘Quality’, ‘90% per cent client satisfaction’—and that is referring to the ministers. Then it goes on, ‘Community awareness of the Government’s trade and investment activities through Austrade (15%)’. What happens here? You stop 100 people in the street and if more than 15 of them know about Austrade that is a win; is that how it works?

Mr Langhorne—No. In fact in regard to both of these indicators—some of my colleagues may have some more detail—we conducted, with the Department of Foreign Affairs and Trade, a proper statistical sample of the Australian population in Australian business and we assessed the level of awareness on a number of particular points, including whether or not people were aware of the programs that were available through Austrade, their awareness and understanding of things such as tariffs, and so on—in other words, the whole question of trade liberalisation. On that basis we have done a benchmarking study. We will repeat that. I think that was done over something like—

Mr Crawford—It was a survey of 1,200 people.

Mr Langhorne—So it was a fairly broad statistical sample over a range of age groups and range of locations—in other words, both regional and rural Australia and metropolitan Australia. At the end of this year we will do that survey again and we will assess whether or not the programs have increased the level of penetration. Again, the results of that initial survey are available, if you would like to see them.

Senator COOK—Yes. What percentage of people knew about Austrade in that survey?

Mr Langhorne—I would have to get that information for you; I do not have it on hand here. I know it was a higher level of awareness about the penetration in the community than we had expected at that point in time.

Senator COOK—Higher than 15 per cent?

Mr Langhorne—Yes. Because of the budget timing, these figures were set prior to that benchmark survey being done. I am quite relaxed about providing you with a copy of it, Senator.

Senator COOK—I would appreciate that. So you have since learnt that you have overachieved in this area anyway, that you are going to do better than 15 per cent?

Mr Langhorne—I would imagine that the end result will be that, but we do not know. We have to run through another survey before we know.

CHAIR—As we are finished with outcome 2—contributions to Australia’s export trade performance by facilitating and encouraging trade and investment between Australia and foreign countries—we turn now to outcome 3.

[12.10 p.m.]

Outcome 3—Consular, passport and immigration services

Senator COOK—Why does it cost Austrade money for consular, passport and immigration services? You do this under contract from DFAT, do you not?

Mr Langhorne—It varies. In a number of cases, when the consulates that Austrade runs on behalf of the Department of Foreign Affairs and Trade were opened, the funding was built into the base budget. So it was actually appropriated at the time. An example of that is when we opened the Frankfurt office. There was actual base funding provided to Austrade to run consular activities. In those circumstances, if we get a major increase in the amount of consular activity in a particular location, we go back and talk to the Department of Foreign Affairs and Trade. This has recently happened in the case of Frankfurt, where the mission moved from Bonn to Berlin and, therefore, the consular area became more extensive. Under those circumstances, the department will provide us with either additional resources in terms of people or additional funds to employ people. So that is one scenario where we actually have the money built into our base budget.

There is another situation where we receive funds from the Department of Foreign Affairs and Trade or the Department of Immigration and Multicultural Affairs to carry out work on their behalf at particular locations. It depends on the model. I do have details here, but we actually run something like 19 or 20 consulates. I am sure you do not want to plough through those, but we have details here of where we are supplemented by other agencies for those purposes and where in fact the money is built into our base appropriation. So we do not receive direct funds.

Senator COOK—So anyone quoting the global budget for Austrade could not say that all that money is being spent by the Australian government for the commercial services Austrade provide. They would have to say that that money, minus what is appropriated to you to do consular and other work that is the province of DFAT, is how much money is spent for the commercial functioning of Austrade.

Mr Langhorne—Senator, the short answer is that, as you can see there, we spend about \$10.6 million a year on consular and immigration activities on behalf of other agencies. It is not quite as simple as you have said because there are real benefits from a national point of view both in having a trade consulate, if you like, in a particular location and in cutting down the overall cost of running that by having other agencies. That is one thing.

Senator COOK—I understand that point.

Mr Langhorne—There is another component—that is, in some countries you cannot have a trade office with an Australian government representative in it unless it is a consulate. So in the case of Japan, where we have a number of small offices, they have to be consulates because that is the way the Japanese government operates. That is another issue. So we would not be there unless we had the consular role as well.

The third component is simply that, in all cases, the consular title can provide access and additional clout. In fact, it does provide additional clout. It helps Austrade to get on with its work. Again, we have a general principle that, if that consular activity exceeds a reasonable amount—and that would be about 20 per cent of the senior trade commissioner's time—we begin negotiations with the Department of Foreign Affairs and Trade with regard to providing additional people or with regard to perhaps considering taking over the running of the consulate. So we try to keep it balanced.

But I cannot overemphasise the importance of being able to use diplomatic clout on occasions to actually get access for Australian companies overseas. Provided we are provided with specific funds to do that, it complements our trade activities in a number of locations.

Senator COOK—Maybe. I do not dispute that, but it probably takes you away from your core function to a considerable degree as well. I do not know whether anyone has ever looked at what the net value of it is. Thanks for the explanation. I am not going to pursue it now.

CHAIR—Can I just go back. I know I should not do that. I forgot to ask two general questions, and one is about your comments about the trade outcomes and objectives statement, which is now apparently coming out on 5 April this year. So obviously you are happy with that? Department of Foreign Affairs and Trade told us that the statement will not be coming out until 5 April.

Mr Langhorne—Together with our colleagues in Department of Foreign Affairs and Trade we are directly involved in the preparation of that document. To us, the timing is appropriate.

CHAIR—It seems sensible. The other question which I do not think has been brought up was the Business Club at the Olympics. I do not know whether Mr Faulks wanted to add something to it or you wanted to add something, because that has not come up in a question of Senator Cook's.

Mr Langhorne—Perhaps I could ask Mr Faulks to provide some comment on it. Obviously, Business Club is one of our major initiatives with regard to our activities in promoting Australia and the Olympics.

CHAIR—And what is the cost there, because I cannot find it anywhere in the estimates?

Mr Faulks—The total cost of Austrade's Olympic program is actually \$5.923 million over four years, which is completed in the next financial year. Some of that funding has already been spent on a number of different areas. A component of that relates to what you are referring to, which is Business Club Australia. In total there is \$2.4 million that is allocated against that through what was originally budgeted as Olympic business links funding and supplemented with Business Club Australia funding.

CHAIR—Is that the balance between the total and the money coming in for the subs for the Business Club?

Mr Faulks—That is the government appropriation, the total budget, for the project overall when you take into account revenues that we have attracted through sponsorship partnership funding through state governments and other agencies. Sponsorship funding through Olympic sponsors who have been involved in the activities is closer to \$6 million. In essence, Business Club Australia is our major flagship program to connect international business people with international business people at the time of the Olympics and in the lead-up to the Olympics. Currently, we have 7,000 members of the club.

CHAIR—How many?

Mr Faulks—There are 7,000, and the majority of those are international members. They are individual business people. They are generally high-level, top one-, two- or three-tier executives from significant companies internationally that we have attracted. By the time of the Games, that figure will be 20,000 members and the key thing that we are working on at the moment is to provide an opportunity for the Australian business community to capture within the membership the key international business guests who will be out at the time of the Games. I think everyone knows that there is a significant catchment area for us of people who will be in the country at the time.

CHAIR—I was just wondering whether you wanted Senator Cook to become a member.

Mr Faulks—Senator Cook would become, I think, a VIP member of the club—

Senator HOGG—More GST to pay.

CHAIR—That is a low shot.

Mr Faulks—Membership of the club is for business people, either internationally or in Australia, and it is designed to connect those people. But we obviously have a VIP component

to the membership that business people do not interact with through the virtual club on a daily basis

CHAIR—You are now a VIP.

Outcome 4—Contribution to Australia's export trade performance by providing financial and other assistance to eligible organisations

Output 4.1—Export financial assistance

Senator COOK—The review of the EMDG scheme is what I have some questions on. How many times has the steering committee reviewing this scheme met?

Mr Langhorne—Three.

Senator COOK—Have submissions closed yet?

Mr Langhorne—15 February, Senator.

Senator COOK—Soon.

Mr Langhorne—I believe we have about 40 submissions to date.

Senator COOK—And where does the committee's budget come from? Who supplies the budget to the committee?

Mr Langhorne—There is no additional funding provided. The budget is provided out of the EMDG administration costs. The members of the committee who are outside government give their time, and Austrade picks up the costs associated with travelling to the committee meetings.

Senator COOK—So the cost of the committee comes out of the \$150 million allocated for the EMDG scheme?

Mr Langhorne—It comes out of the five per cent administration costs.

Senator COOK—Which comes out of the \$150 million?

Mr Langhorne—Yes.

Senator COOK—What happens if you overrun the five per cent? This will be a heavy year. You will have the costs of the review committee and the normal charges going to administration. What happens then? Do you get supplementation, or do you erode the \$100 million further?

Mr Tindall—Could you run through that question for me again?

Senator COOK—Five per cent of the \$150 million allocated by the government to the EMDG scheme is earmarked for administration of the scheme. And the amount available to exporters as grants is reduced accordingly. My recollection is that you do not always expend that five per cent. So it would be wrong to say the \$100 million is reduced by five per cent. But have there been occasions this year on which you have exceeded the five per cent?

Mr Tindall—No, under the EMDG legislation we are not able to exceed the five per cent.

Senator COOK—That is what is leading to my question. This year you have a heavy year: you are conducting a review and you have to find the cost of doing that within the five per cent while at the same time administering the scheme within the five per cent. What happens if you overrun?

Mr Tindall—We are confident we will not overrun it. In fact we are not able to under the EMDG legislation.

Senator COOK—Which means you have to cut your cloth accordingly, so you will reduce some element of administration, will you, if you are in a cost squeeze, or will you curtail the review or something?

Mr Tindall—Overall we are talking about funds available to us for administration of just over \$7.5 million. The cost of the review is primarily in terms of the steering committee—the costs of travel associated with members of the committee—so it is not a significant cost and we are able to absorb it within that five per cent.

Senator COOK—Does that mean that you will not be conducting any independent research?

Mr Tindall—We are conducting some independent research. Again at this stage the cost of that is likely to be around \$150,000 but still within an overall budget of in fact just over \$7.5 million. It is not a significant amount and we can absorb it.

Senator COOK—I do not have any further questions.

CHAIR—Are you finished?

Senator COOK—I have finished with Austrade.

CHAIR—You have finished the questioning of Austrade but you have not finished with Austrade, I hope.

Senator COOK—I have a question here on EFIC but I do not think Austrade can answer that.

Mr Langhorne—No.

Senator COOK—EFIC is not on our list either.

CHAIR—I thank Austrade very much for their appearance. I was not out of order with the Olympics and the Business Club, because it was at outcome 4 at the bottom there.

[12.25 p.m.]

DEPARTMENT OF FOREIGN AFFAIRS AND TRADE

CHAIR—I call the Department of Foreign Affairs and Trade for outputs 1.1.5 and 1.2.5, multilateral trade negotiations. I put on the record the thought that if we now suspend the luncheon adjournment until 1.15, we can complete the whole program, but I know Senator Harradine wants to be here for AusAID, for example. While Senator Cook is getting ready I will ask a question about the EU wine agreement and where that is up to at this particular stage.

Mr Hussin—It does seem a long time, I know, but we are still in discussions with the EU. We have presented further proposals to them on all outstanding issues. Once those issues are settled, the matters covered in the 1994 agreement that we had to return to will be resolved. As I said, we are waiting for a response from the commission on the views that we have put. That is the current position. We are hopeful there will be progress before very long.

CHAIR—It is going to be progress before very long, or is it going to be in limbo for a long time?

Mr Hussin—It is difficult to tell. The EU is discussing similar sorts of issues with other countries—in particular, South Africa. In fact the wine issue is reported to be a major stumbling block for the bilateral free trade area between the EU and South Africa. So there are some issues that we are looking at in relation to our agreement that are common with issues that the EU is pursuing elsewhere. So it is possible that those sorts of interrelationships will delay things, but we hope not.

CHAIR—And we have not slipped in the pecking order compared to the other countries as far as that agreement is concerned?

Mr Hussin—No, not at all. We are the only country so far that has such an agreement with the EU.

Senator COOK—On page 101 of the annual report of the department, there appears the heading ‘Multilateral trade policy and negotiations—subprogram 1.5’. Towards the bottom of the page, marked off in a rectangular box to highlight it, there is a heading ‘Indicator’. Under that heading in the box it reads:

The extent of support for Australian policy objectives for multilateral trade, particularly with respect to the launch of a new round of multilateral trade negotiations by 2000 both multilaterally in the WTO, OECD and APEC, and bilaterally with major trading partners.

That is the performance indicator, is it not, for how successful the department is on the multilateral trade front?

Mr Hussin—That is correct, yes.

Senator COOK—Do you expect to hit the performance indicator now for the launch of a new round of trade negotiations by 2000? Do you still expect to get there?

Mr Hussin—Having been in Seattle you are fully aware, I think—

Senator COOK—You are taking unfair advantage of me, Mr Hussin.

Mr Hussin—I would not dream of doing so, but you are aware that the issues that are involved are quite complex. There are a range of reasons that run from the preparatory process through the extent of ambition of various countries, the complexity of the agenda, through to some of the arrangements for running the actual Seattle meeting, which contributed to the difficulties there. There are still issues that need to be resolved between both the developed countries and the developing countries and between some of the major developed countries in terms of their ambitions. It is difficult at this point to predict when we will get a re-engagement of a launch of a round. Obviously we are hopeful and we are making every effort to have that as soon as possible.

In relation to the output indicator, I do think the extent of support for our espousing of a new round—we were one of the first countries to do so—has been very strong. If you look at the situation in Geneva, most WTO members are committed to a re-engagement of the launch of a round and to a round itself. I think we saw, in relation to our objectives on agriculture, very wide support for the first time from some of the key developing countries for the Cairns Group’s position on agricultural reform, so I think the extent of support received there was very good. The draft mandate on services which we were very much a part of the input to was not a controversial one at the end. Again, that was a key objective of ours in the services area. We contributed very much to the draft text on industrial market access. So again I think that in terms of support for our objectives it was not too bad an effort, measured by the degree of support that was apparent in Seattle.

Senator COOK—I see the secretary’s letter referring the report to the minister was dated 6 October. This annual report was written before Seattle in expectation—or in optimistic hope. If you were writing this indicator now, would you rephrase it?

Mr Hussin—I do not think so. As I said, it is written in terms of the degree of support for our key objectives for multilateral trade and for the launch of a new round. As I have just outlined, I think we have had quite a degree of support for the sort of position that Australia has been putting forward, which is for a round centred on the key market access areas.

Senator COOK—That is a fair comment; I do not quibble with that in the lead-up to Seattle. But hasn't the minister said post-Seattle that there is no hope of a new round— or words to this effect—until after the US presidential elections?

Mr Hussin—I cannot recall that being attributed to the minister. As far as I am aware, his intention is to do what he can to see whether a re-engagement is possible this year. Obviously, the situation politically in the United States and some of the issues before Congress will perhaps play a role in the capacity to re-engage. But in terms of Australia's activity, we are certainly doing all we can to see what possibilities there are. Mr Vaile has been in touch with his counterparts in the EU and the United States and with the Director-General, Mr Moore. He is travelling to the UNCTAD X meeting over the weekend in Bangkok and will be meeting there again with Mr Moore and with some of the key ministers who would have a view and a say in what can be done in terms of re-engagement this year. As I said, one cannot predict, one cannot be confident, but we have to work very steadily and quietly towards the possibility of re-engagement.

Senator COOK—Didn't USDR, Charlene Barshefski, make a fairly practical speech at the World Economic Forum in Davos just recently in which she went through in some detail the obstacles to a new round?

Mr Hussin—I certainly have not seen that speech and I have not seen a reference to those obstacles, but I can predict some of those that she would have talked about. As I said earlier, there are a range of issues that stand between developed country ambition and developing country ambition in terms of some of the so-called implementation issues which are elements of dissatisfaction in many cases about the Uruguay Round agreements. So there are those sorts of divisions. Then between the developed countries themselves, there are some fairly keen divisions between the EU and Japan and the United States on areas like investment and competition policy. There are differences also in areas such as anti-dumping and tariff peaks.

So if she was outlining those sorts of divergences that need to be narrowed, yes, they certainly need to be addressed. I think, from our perspective, there is a need to address those between those developed country parties and also to get more dialogue going between the developed and developing countries involved.

Senator COOK—There has been frequent media commentary of late that, in practical terms, the launching of a new round is not likely until after the US presidential election. Some commentators have said it will not be until after the new administration has been able to settle in and, given the hearings and confirmation process, that could be six months into next year. Alarmingly, I now see some media commentary saying, 'And you can't do it either until after the French elections in 2002,' and so it goes. I regard all that sort of stuff as people raising obstacles and delay in order to prevent a new round starting off. But there is some truth to it, isn't there? Isn't it a very difficult climate at the present time?

Mr Hussin—I do think it is very difficult to speculate. I have also seen some of the press commentary about some of the obstacles. It is clear that there are key trade related elements before the US Congress. It is true that we are obviously in a pre-election period. But I think the indications we have had is that we need not necessarily rule out re-engagement this year, but we will have to see what is possible over the first few months. I guess that is all I can say in answering you, Senator. Those obstacles, if you like, are there, but I do not think the WTO as a group and key countries have seen them as insuperable at this point.

Senator COOK—So you are holding out hope that we can move a round forward in the next 12 months?

Mr Hussin—That is right. I think there is a chance. I am not saying that there is a strong chance; I am saying we will do what we can to see what the possibilities are. I think other

countries are in a similar situation, willing to see what might be possible. But I think, equally, we are realistic about some of the elements that you have mentioned.

Senator COOK—Just after Seattle, the minister reported to the Australian parliament and in that report he said words to the effect—I am not quoting him now, I am relying on my sometimes defective memory—that, in the negotiations on agriculture at Seattle, considerable progress had been made and parties had got closer than most people thought. As a consequence of the collapse of the Seattle talks, the outcomes of the negotiating parties were frozen. I think he said, or he has been reported as saying, and it has been reported elsewhere as well, that in closing the Seattle meeting the Director-General, Mike Moore, declared the outcomes to be frozen. Is that an accurate understanding of how we concluded at Seattle?

Mr Hussin—The question of the legal position following the Seattle meeting is something that most countries and the WTO secretariat itself want to avoid because it is really not seen as a fruitful area to pursue. If you talk to some ministries around the world who have real objections to a round being commenced, they will say that those texts from Seattle are dead and buried. Others will make clear that, in the right conditions and if a round were successfully launched, we could in a sense return to the sorts of text that we had in Seattle.

As I mentioned earlier, some were not hugely controversial. As you mentioned yourself, in agriculture we did make considerable progress towards something which was a workable compromise. I think it is really not helpful for us to speculate on that issue, but we should see what we can achieve, if and when we re-engage.

Senator COOK—Fair enough, but I want to be careful about the language here. The word ‘frozen’ gets injected into the debate. What is actually the case? Is it the case that Australia says, ‘We regard that the agricultural progress that was made at Seattle is frozen,’ or is it the case that the WTO regards that the progress made in agricultural negotiations is frozen? When we resume, presumably we start from that base and work upwards again.

Mr Hussin—As I mentioned, the WTO members and the secretariat have been trying to avoid getting into that precise legal position, because I do not think we will get agreement on that. Rather, we should focus on the possibilities of re-engaging. You cannot undo history. There were long negotiations in some of these areas, agriculture in particular. Our expectation is that we would return to that text as something that was being negotiated in good faith on all sides and that that would be a promising position from which to restart.

Senator COOK—So we would regard it as being frozen, but it is not helpful to pursue that internationally at great length? Is that what you are saying?

Mr Hussin—That is roughly what I am saying, yes.

Senator COOK—There was no communique out of Seattle that summarised all of this, was there?

Mr Hussin—No, that is correct.

Senator COOK—Is there a clear record that would be agreed between the parties of what it is that we regard as being frozen?

Mr Hussin—There was certainly a final text which was circulated right at the end, and it is that document which contained the texts as they were on the final day with some adjustments that were made very late in the piece. That document exists. Nobody is holding it up as the bible, but it is there for guidance. It is the point reached at the conclusion of the Seattle meeting.

Senator COOK—If someone like me wanted to know what it was that Australia regarded as frozen, I would reach for that text, would I?

Mr Hussin—That is correct, yes.

Senator COOK—Since Seattle, the American President has made a speech at Davos in which he called again for the WTO to get back on track. On 4 February, in my view rightly, the Australian Minister for Trade, Mr Vaile, put out a press release with the heading ‘Vaile slams US farm protection’. He talks here about the Clinton administration’s plans for a massive \$A18 billion farm aid program with handouts of up to \$A46,000 to US farmers. Mr Vaile said:

This is pure election pork-barrelling on an enormous scale from the Clinton Administration.

Firstly, I agree with the sentiments of Mr Vaile, and I agree that it is appropriate to characterise it as such in scale and in protection. I agree that it is right, as his headline says, to slam US farm protection. When we look at what we regard as frozen at Seattle, were any movements to do the sorts of things set out in the US farm bill frozen, in our view?

Mr Hussin—Let me preface this by saying the US current obligations under the Uruguay Round Agriculture Agreement give them a fair degree of flexibility in terms of the domestic support component. There were fairly high base periods that relate to the Uruguay Round agreement, so the Americans do have the capacity over and above the implied spending in the farm bill to put more funds to that end. That is not inconsistent with the current Uruguay Round agriculture outcome. It is evidence of why we need to do a lot more.

Senator COOK—I am aware of that. My question is about what was frozen at Seattle. If what was frozen at Seattle had become agreed, would it have prevented the US doing this?

Mr Hussin—Eventually. What was being negotiated at Seattle was the mandate or, in a rough sense, the objective of the negotiation, and that did include further substantial reductions in domestic support. It also included a sense of moving agriculture back into the mainstream with other goods trade, and there are particular rules that apply to subsidies. As a result of a negotiation that was undertaken on the basis of that mandate—and obviously there would be a phase-in period—what we would be hoping is that that would put a lower ceiling on US farm support and drive that ceiling down over time.

Senator COOK—The media release also states:

Mr Vaile said his Department would be examining every item in the US farm aid package.

Doubtless that is to see how he might argue against particular aid items. He also said:

We will continue to fight against this increasing resort to trade distorting subsidies and slide to protection in the US.

This might be a question for Mr Vaile, in which case I am sure the minister at the table, whose attention I am now drawing to it, might say so. Is there any intention in the near future to release the report from the department about the US farm aid package referred to here?

Mr Hussin—As far as I am aware, there is no intention to release a report. What was said by the minister was that we would look very closely at the programs. As you rightly say, if a program is constructed in a certain way, it may fit within US ceilings under the Uruguay Round agreements. If it is done in another way, perhaps it might not fall within a ceiling. We are looking very carefully at the nature of the support that they are providing against the Uruguay Round obligations. But, as far as I know, there is no intention to release a report as such about that.

Senator COOK—It is a matter for the government. I would just express the view that, if the department has done that work, it would be useful to get the information in the public

domain. The US are never frightened about criticising trading partners for what they regard as trade distorting mechanisms. Here is a massive one in a key area of our central trade interest. I do not see why we should not put it out ourselves.

Senator Hill—We will refer it to the minister for his consideration.

Senator COOK—I have a few other questions on multilateral trade negotiations and the accession by China to the WTO. It is my understanding that the negotiations between the US administration and the Chinese government are completed but that the endorsement of those negotiations through the Congress is not completed. Is there any timetable for the US government to present those negotiations to the Congress for approval?

Mr Hussin—I am not aware whether there is any specific timetable. The situation with China's accession is that it still needs to negotiate with other countries. There are some other important trading partners of China's that still have not settled, including the European Union.

Senator COOK—Yes.

Mr Hussin—Then there is a working party process on some of the systemic issues—the way China applies its trade and industry system—which has to be worked through in the Geneva working party. So there is a degree of time still available for the United States to do what it needs to do domestically. But the President has recently announced that the administration will be looking for a bill to go through the Congress which will provide permanent, normal trade relations with China. That is part of the approval of an accession package to the WTO, because that will be a key part of WTO accession for China. I do not know the timetable for getting that through Congress. My recollection is they wanted to do that in the first half of this year.

Senator COOK—I see a report that a backdoor deal has been done by the President with organised labour to knock over the Seattle conference in exchange for no labour opposition to the China package. Do you have any information about that?

Mr Hussin—No, I have not seen that particular one.

Senator COOK—The normal thing is for MFN to be extended on an annual basis by the Congress, isn't it?

Mr Hussin—That is the current basis between the United States and China, yes.

Senator COOK—So it would be a big gulp in an election year for Congress to swallow the lot?

Mr Hussin—I guess it has been presented to them along with the benefits that the package that the United States and China negotiated last November would bring for US industry, traders and workers.

Senator COOK—On AFTA-CER, has there been a meeting between Australia and New Zealand on one side and the AFTA nations on the other side about moving forward on the program to bring a closer association between those two trade groups?

Mr Hussin—Yes. There was an agreement last October. My colleague Pam Fayle may want to comment. But there was an agreement there to launch a study group. That group met earlier this week, but I might pass over to my colleague to fill in.

Ms Fayle—Senator, the answer is yes. In fact, the task force set up to study the feasibility of an AFTA-CER free trade agreement met in Jakarta over the last two days—yesterday and the day before.

Senator COOK—Are any developments able to be announced from that?

Ms Fayle—Not at this stage. It is an ongoing examination by the task force that will go for a period leading up to October, when the task force is to report back to ministers. The only preliminary information I have is that it was a very productive meeting and talked about the sort of work that the task force needed to do between now and October, some of the issues that might need to be examined by them and any research work that might need to be commissioned by them to be done over the next few months.

Senator COOK—Thank you. I have some questions which relate to the Howe Leather dispute. It is my understanding that the period for appeal in the WTO on the Howe Leather matter has now expired. Is that correct?

Mr Hussin—In relation to the original panel finding, it has lapsed. In relation to the most recent hearing—which was what is called an ‘implementation’ panel, which was looking at what we have done to implement the original panel report—that panel was put forward on the basis of an understanding that there would be no appeal.

Senator COOK—So avenues for appeal are none at the moment?

Mr Hussin—That is the situation. I might add in relation to that situation that there is a very keen debate in Geneva, which was enjoined during the Seattle meeting as well in what was called the ‘dispute settlement understanding review’. It is very unclear whether there is a right to appeal from an implementation panel set of findings. That was one of the issues where there are differences in the membership as to the precise legal position.

Senator COOK—If there are no avenues of appeal, which is the case, aren’t we therefore in a situation in which there is a requirement that Howe Leather pay back their loan and the grant?

Mr Hussin—There was never a finding against the loan that was given to Howe Leather, so the loan that was given to them is not at issue here. There was a finding in relation to the grant, and the situation is that yes, we are asked to comply with the panel’s findings. That is what we are urged to do. We are talking to the company about the possibilities that relate to that finding. We will then be talking to the United States. I believe the Minister for Trade has mentioned that we will be doing that in the near future at the officials level. We will be talking to the United States about a possible resolution to the issue. I do not think it is useful to speculate any further than that in the circumstances that we are in where we are talking to the company and planning to talk United States very shortly.

Senator COOK—I hear that comment. Why did the government choose not to appeal the main decision—that is, the one that was handed down in March 1999?

Mr Hussin—The view that we took at that time was that elements of the panel’s findings were favourable to the policy that we had, certainly in relation to the loan. When we looked at the case, we believed we could comply with the findings in relation to the grant in an acceptable way. It remains our view that we did comply with that finding in an acceptable way. I think you will find there is a great deal of dissatisfaction amongst some of the key WTO members in relation to the way the panel has come out in this case. So that decision was taken against the background of how we interpreted the possibilities for the future.

Senator COOK—So we made a decision not to appeal a finding because we thought there was a way around it. That is what I understand you just said.

Mr Hussin—That is right.

Senator COOK—And we were wrong; there is not a way around it.

Mr Hussin—The finding that the panel has made is that we had recovered from the company a certain amount of the grant that had been given to them—the prospective portion

from the future rather than what had been given to them up to the date of the panel conclusion—and we had provided a loan which was not linked in any way to export performance and which we, on the basis of the panel's earlier deliberations, had thought would be acceptable.

Senator COOK—But the WTO has now found that the loan is of questionable legality or that it is not legal as such. Why didn't we appeal against that decision?

Mr Hussin—It has not made a finding about the loan that was given; it has simply said that we have not sufficiently recovered the grant component and that in fact we had to recover the full amount of the grant rather than just the prospective portion.

Senator COOK—I am just trying to come to grips with this. The appeal process has concluded, we have an order, we are expected to comply and we think there is a way around it, but that appears not to be the case.

Mr Hussin—Let me start again. The original finding from the panel was against the grant, but it allowed that the loan that we had given was consistent with the WTO. We thought we could acceptably comply by withdrawing the prospective part of the grant and, at the same time, a completely separate loan was provided to the company. When that issue was put to the same panel to look at how we had implemented it, they determined that that was not an acceptable implementation. We are now in the situation of talking to the company about the implementation of these latest findings and we plan to talk to the Americans about these sorts of issues in the near future.

Senator COOK—The Americans are on pretty strong ground here, aren't they? They have these findings to back them up, so why would they be open to further discussions?

Mr Hussin—As I was saying earlier, I think it would be counterproductive for me to discuss what we think is the US position or the factors which might influence them in a situation when we are about to hold discussions with them.

Senator COOK—I do not want to jerk your elbow on the eve of sensitive discussions about a matter as important as this, so I won't. But, if this thing does not work, we are in a situation where Howe has to pay back the money and we have to pay compensation to the WTO or we have tariffs slapped on their exports as a penalty. So I hope there is a way through this in the discussions—which we will now not talk about—that you are going to have with the United States. Does the government have any view on the comments made by the former GATT ambassador, Alan Oxley, that the decision in the Howe Leather case puts a question mark over industry restructuring programs for the clothing, textiles and auto industries?

Mr Hussin—I am not sure what the government might say about those views. As far as I can see, the question that was at issue in the Howe Leather case was a grant of \$30 million given to Howe in certain conditions. That grant and the conditions under which it was given were found by the original panel to be inconsistent. I do not think that has any relationship to other government programs. This was a specific instance.

Senator COOK—I thought you might say that Mr Oxley was talking nonsense.

Mr Hussin—I know him well; I would not say such a thing.

Senator COOK—Coming back to the WTO negotiations, is there any program of visits by Mr Vaile to key WTO members to discuss how we might relaunch the round?

Mr Hussin—As I mentioned, he is travelling this weekend to the UNCTAD meeting in Bangkok. He will be discussing these issues with a range of ministers from developing countries and some developed countries, including some of the Cairns Group developing

countries. So that is an opportunity to have those sorts of discussions. I think we would certainly be looking at the way progress is being made and taking readings at officials level about that issue before we would look at recommending to him a series of calls. That said, he has in the past kept in close telephone contact with his colleague—and I am sure that he will in the future.

Senator COOK—Are there any plans, for example, to bring meetings of the Cairns Group forward to have a collective consideration of how the round might be started?

Mr Hussin—There are no concrete plans to do that. It is a possibility. We have in the past brought forward scheduled Cairns Group meetings. At the moment the next scheduled group meeting is for the second half of the year in Canada, but if it was seen as useful we would certainly do that. At the moment we are thinking of having a senior officials meeting in the next month or so to discuss where we are at on the whole process.

Senator COOK—You said earlier that it would be very hard but you were hopeful that the round might get up in 2000. Is that a correct understanding of what you said?

Mr Hussin—Yes.

Senator COOK—Would you be prepared to be any more specific than that?

Mr Hussin—I do not think that I could. I recall that at one stage last year you asked me whether we would launch a round at Seattle and I said that I would not commit myself because I had to come back here in 2000. So I do not think I could go any further.

Senator COOK—You are a paragon of prudence, Mr Hussin. On this question of trade and labour standards and trade and the environment, at Seattle the Deputy Prime Minister and Chief Economic Minister of Thailand, Dr Supachai, made a speech in which he referred to the possibility of there being a discussion on these matters—I think the emphasis in his speech was on trade and labour issues—but not in the WTO. He suggested that it would be in some other setting within the UN constellation of agencies that would involve the WTO and the ILO. This was a view that he expressed which was floated at the conference. I am not aware that the Australian government has formally responded to that. Do you have a view about it?

Mr Hussin—The ideas that Dr Supachai talked about at that time were being worked upon in a small working group and there was indeed a proposal which talked about a broad mechanism to discuss a range of issues relating to trade development and labour issues and so on that, as you say, would involve the WTO, the World Bank, UNCTAD and the ILO. My understanding of the proposal was that governments would set that up outside any structure. I think that attracted a fair degree of support. Some of the more extreme proponents and defendants of the trade and labour issue still had not agreed to it, but it seemed to be gaining a fair degree of support and a lot of the middle ground. I think a lot of the people involved would think that would have been a reasonable outcome which held something for everybody.

Senator COOK—Would we think that?

Mr Hussin—At the meeting we indicated that we would be prepared to go in that direction, although it did not come to a situation where it was put and governments had to commit themselves.

Senator COOK—Would that be something that is frozen?

Mr Hussin—In the sense that we discussed frozen earlier, that would be one element.

Senator COOK—Was DFAT consulted during the negotiations over the biosafety protocol that was announced in the last week?

Senator Hill—DFAT headed the delegation.

Senator COOK—Does that protocol conflict with the SPS agreement?

Mr Hussin—We have looked at the protocol—and certainly we will be examining it further—but, in relation to the WTO aspects, we cannot see that there is necessarily a conflict between what is in the protocol and the SPS agreement, the area that relates to the possibility of taking measures where there is not full scientific certainty available.

Senator COOK—If some party wanted to cart it along to the WTO dispute resolution process, what would the WTO have regard to as primary, the SPS agreement or the protocol?

Mr Hussin—I do not think that I would want to or could risk an answer on that. That is hypothetical, but the situation, as I understand it—and I have colleagues here who were at the negotiations and who might want to comment—is that in the draft protocol it does clarify that the existing rights and obligations under other agreements, which would include the WTO, continue to apply. I think that was included in the preamble to the draft protocol.

Senator COOK—It has been argued that the biosafety protocol, by treating agriculture differently to other commodities, clashes with Australia's traditional approach to the agricultural sector where we have been arguing that agriculture should be treated the same as everything else. Does that not put us in a difficult to defend position when we push our main interests in agricultural trade?

Mr Hussin—I think this is a specific situation. The negotiation was joined because of particular concerns that related to the movement of living modified organisms. I do not think that that necessarily means that this is a similar issue to, say, a subsidies issue where there is a great divergence between different products.

Senator COOK—Let us hope you are right.

CHAIR—We thought we would have pushed through and finished this by 1.15 p.m. I know that there is a lot to do. I was overly optimistic, I believe. I was wondering whether you would like to stop now? I am only chairing the meeting. I am at the behest and call of the people appearing before the committee and the committee itself.

Senator Hill—What is the position in relation to AusAID?

CHAIR—I understand that Senator Calvert had a question for AusAID. Senator Harradine is coming back for that.

Senator Hill—What time was Senator Harradine coming back?

CHAIR—He will come back as soon as we start it.

Senator COOK—I have some questions on AusAID, but I am happy to put them on notice.

CHAIR—I do not like people hanging around. It is up for negotiation between everyone.

Senator Hill—It is a matter of finishing off this area and AusAID, is that right?

Senator QUIRKE—No, there is other material on nuclear disarmament and non-proliferation. Senator Hogg and I are pretty confident we can get through that in 20 to 25 minutes.

CHAIR—If that is going to take 20 to 25 minutes and Senator Cook and Senator Harradine have more questions, I think it would be prudent if we adjourned for half an hour.

Proceedings suspended from 1.15 p.m. to 1.47 p.m.

CHAIR—I believe that Senator Cook was finishing outputs 1.1.5, 1.2.5 and other matters relating to trade.

Senator COOK—Before I move to my next subject, I return to the Howe Leather case. I want to be clear about this. I understood Mr Hussin said that there was no challenge to the WTO decision but there is the likelihood of the opening of a line of discussion or negotiation with the United States. Is that correct?

Mr Hussin—Yes. It is not a question of appealing against the decision. The decision itself will no doubt be discussed at some point in the dispute settlement body in Geneva. It is a question of discussing whether and how we might reach a solution to the issue. It needs to be addressed now.

Senator COOK—I want to ask a few questions about public consultations with the WTO that the department has engaged in. I am advised that information on DFAT's web site states:

Attendance at the hearings—

that is, the Bathurst and Dubbo meetings on WTO public consultations—

varied from a few people in Ballarat and Dubbo to 50-70 in Brisbane, Sydney and Melbourne. In total, around 350 people participated in the hearings process.

When it says a few people, how many are we talking about in Ballarat and Dubbo? Less than five, 10? What number?

Mr Hussin—The figures I have are that in Ballarat there were three and in Dubbo six attendees.

Senator COOK—Were they the only meetings in which less than 20 people came along?

Mr Hussin—No. In Bundaberg there were 15.

Senator COOK—Was any effort made to find out why there were so few people on such an important issue in large regional centres like Ballarat and Dubbo?

Mr Hussin—Efforts were made via the newspapers in those regional towns. In most cases, we also took advantage of the services of our regional offices, to the degree we could. In some cases, state governments were involved. For example, at the meeting in Bundaberg, which I attended, the state department of development was involved. There were different approaches to trying to get the numbers along. In the case of Ballarat, certainly there was a communications breakdown, where various people who could have assisted in promoting the meeting were not aware of the role expected of them. That is reflected in the memo that your office has produced.

Senator COOK—My office has circulated a memo which comes from the department. There were five hearings in regional centres. How were those regional centres chosen?

Mr Hussin—This issue was raised at the last hearing. It was mentioned then that we had no particular track record for looking at where we might hold these hearings. We had not done these sorts of hearings before. We had a written submission stage in May last year. There was no particular pattern in relation to written submissions. They came fairly evenly from across states and within metropolitan and regional areas. So we had no particular guide. There was consultation between the department and the minister's office, and those centres were chosen.

Senator COOK—And all these were in government seats. None of them were in opposition seats?

Mr Hussin—I understand that that is the case.

Senator COOK—There were no hearings in Western Australia at all?

Mr Hussin—No regional hearings. There was a hearing in Perth.

Senator Hill—It would have likely been in a government seat. If they had a hearing in Western Australia.

Senator COOK—In a regional centre?

Senator Hill—Yes.

Senator COOK—Your point escapes me, Minister.

Senator Hill—A minute ago, you were complaining that they were all in coalition seats. But most regional centres in Western Australia are coalition seats. If they had one in Western Australia, it would probably have been in a coalition seat. The point I am trying to make is that most regional seats are coalition seats.

Senator COOK—That is an arguable point. No regional seats in Tasmania are coalition seats. You would not call Newcastle and many of the seats around there seats held by the government.

Senator Hill—It is an unfortunate fact of life that no seats in Tasmania are coalition seats. That will soon change, I hope.

Senator COOK—Seats in the Illawarra, for example, are Labor seats. These are regional centres and contain many people who are active exporters, which is my point. We are seeking views on the WTO. None of these seats are included. Is it true that the minister's office advised the department, as set out in this memo of 28 September, that they wanted to offer the relevant local members of parliament the opportunity of being associated with the hearings and that dates were set so that they did not clash with their parliamentary responsibilities, that is, the hearing dates were chosen when parliament was not sitting for regional members?

Mr Hussin—Certainly the minister's office advised that it would be useful to have the local members involved. We certainly saw the good sense in that. In a capital city, one has obviously the ability to draw on assistance from a whole range of people, such as the chambers of commerce and our own regional offices, to get people along. In a sense, in the capital cities, you are drawing from the whole city and the surrounding area. In the regional centres, it is a bit more difficult for us to contact people. It certainly seemed sensible to have the regional members involved in identifying potential people who might be interested.

Senator COOK—But none of the hearings that occurred in Labor electorates occurred at a time when those local members could be in attendance, because it did clash with their parliamentary duties, did it not?

Mr Hussin—From my records, which are based on what your office circulated, certainly in Sydney, for example, it was not during a sitting period. There was a Labor member –

Senator COOK—In Melbourne?

Mr Hussin—I am talking about Sydney. There were eight metropolitan centres. In five of them, the meetings were held during sitting periods. In three, they were not.

Senator COOK—How many regional ones were there?

Mr Hussin—There were five regional ones.

Senator COOK—And all of them were held during non-sitting periods?

Mr Hussin—I think that is the case, yes.

Senator COOK—In many cases, the local member was the major invitee of the participants?

Mr Hussin—No. I do not think they were the major invitee. As I said, it was a combination of people. As I mentioned, there were newspaper advertisements, our own officers and the state departments, where they were contacted and active. So they were not the only source of invites.

Senator COOK—I never said that they were the only source. I said that they were the major source.

Mr Hussin—I do not know whether they were the major source either. We have no evidence that they were the major source. They were a source in the sense of adding value to what was already in place. It seemed a sensible approach. For example, a member may know of an exporter either in the town or in the surrounding region, the latter of which is probably more important because in the surrounding region they may not get the newspaper from the regional town. So they may be aware of people who would be interested. That seemed to be a sensible approach.

Senator COOK—In Ballarat, the local member was the only source.

Mr Hussin—As the memo that your office released points out, that was the result of a communications breakdown between our central office here, our regional office, Austrade and the state department. It was certainly not intended that way. The memo makes that clear.

Senator COOK—But it was a fact that it did occur that way?

Mr Hussin—As I say, it was not intended.

Senator COOK—But none of the Labor members in the capital cities were advised even that the hearings were on, were they?

Mr Hussin—No. That applied to both the coalition and opposition members in capital cities. As I mentioned, we did not see the capital cities in the same category. Where a particular meeting was held in a capital city, the seats were not a central issue. We wanted to capture all the interested parties in that city and in surrounding areas. We set out to do that through all the channels we had available to us which I mentioned and through newspaper advertisements. They were available to all members, as was a press release by the minister a good deal earlier than the events were held, advertising the fact that they were being held.

Senator COOK—I am not so sure about that answer, Mr Hussin. In Hobart, Duncan Kerr, the member, was not notified. In Perth, Stephen Smith, the member, was not notified. In Darwin, Warren Snowdon, the member, was not notified. In Brisbane, Arch Bevis, the member was not notified. In Melbourne, Lindsay Tanner, the member was not notified. In Sydney, Tania Plibersek, the member, was not notified. In Canberra, Bob McMullan, the member, was not notified. However, in Adelaide, Trish Worth, the member, was notified.

Mr Hussin—If that is a fact, I am not aware of it. My understanding is that in capital cities no particular member was notified because we had taken a range of options to let people in capital cities know that this was going on. As I also mentioned, it depended on where we held the event. Sometimes the department of state development made a central office building available to us. Sometimes we had to hire a venue. It was not intended that that would be in any particular electorate. It was to cover the actual city and surrounding areas. I presume that that covers several electorates. In some of the big cities, it covers a great number of electorates.

Senator COOK—In Adelaide, the hearing was held in the federal parliamentary offices.

Mr Hussin—I did not attend that one. It may well have been there.

Senator COOK—On 2 December last, at the estimates, Mr Moran said this on behalf of Department of Foreign Affairs and Trade:

Notification was given to a wide range of people, including the local members, chambers of commerce, Austrade officers, the DFAT regional officers and the state government people responsible for those areas, in an effort to attract the most support and the best attendance we could.

That was the answer we received to a question. But that answer is not true as far as Hobart, Perth, Darwin, Brisbane, Melbourne, Sydney and Canberra are concerned.

Mr Hussin—I have read your press release on this. I looked very carefully at the *Hansard*. That response was given by Mr Moran following a series of questions which related to regional centres. He referred to the Sydney members in response to a question in that context. In relation to the question on notice which was taken and later responded to, the answer made it perfectly clear that the local members of the House of Representatives in the regional centres where the consultations were held were informed. So there was no question of us suggesting that the capital city members were notified.

Senator COOK—So that excerpt from the *Hansard* I have just read should be read as meaning it is true of the five meetings. How many other meetings were there?

Mr Hussin—There are eight other meetings. You are quite right; it was in the context of a series of questions that related to the regional centres.

Senator COOK—Only to five, not the other eight?

Mr Hussin—That is correct.

Senator COOK—The only members in regional centres were coalition members.

Mr Hussin—That is the case. I think the minister has mentioned the fact that a great range of rural and regional Australia seats are coalition seats.

Senator COOK—Point 4 of the memo says:

Around the time of the placement of the adverts—that is 8th or 10th September—the minister's office advised that they wanted to offer the relevant local members of parliament the opportunity of being associated with the regional hearings.

They were all coalition members, were they not?

Mr Hussin—Yes.

Senator COOK—And the minister's office, therefore, wanted only coalition members to have the opportunity of being associated with the hearings?

Mr Hussin—I would have thought they only wanted regional –

Senator COOK—But the only ones being chosen in regional areas are coalition. It is the way you put it that makes it exclusive.

Mr Hussin—I have explained that, from our perspective, involving the local members was quite useful as an addition to the measures we had already taken to attract attendees.

Senator COOK—How many did we get from Ballarat? Two, did you say?

Mr Hussin—Three. I have also mentioned the fact that the memo your office released goes into great detail to explain that for various reasons that was the result of a range of communication breakdowns.

Senator COOK—If we go through those, they show firstly that the very low turnout in Ballarat was due to a combination of factors. The first dot point was that the initial newspaper adverts included the date for the hearing which was subsequently changed to enable Mr Ronaldson's involvement. Mr Ronaldson is the local Liberal Party member. So the department changed the set date to suit Mr Ronaldson's availability.

Mr Hussin—That is correct. It was adjusted by a day.

Senator COOK—He was in parliament and he had to get back to his electorate to participate in this.

Mr Hussin—You are telling me.

Senator Hill—Okay. We understand the point that has been made in that regard. Senator Cook's criticism, it seems to me, is that these few regional seats held by Labor were not also given this opportunity. That is a fair point and something that ought to be taken into account for next time. The fact that a date was chosen in Ronaldson's area to suit Ronaldson strikes me as sensible practice because local members do have the potential to coordinate interest groups and interested individuals in these sorts of issues.

Senator COOK—As they do in Perth, for example. Stephen Smith, I am sure, could have encouraged a much larger attendance at the Perth meeting were he (a) to know of the meeting in the first place and (b) to have the opportunity to attend himself.

Senator Hill—He may or may not have.

Senator COOK—He did not know. No advice was given to him.

Senator Hill—The point is a fair point to make. We hear it and you have put out press releases and so forth. Next time it might be organised differently. This was the first time the department had done this. Not that anyone has asked me, but it seems to me to be quite a good initiative. The fact that there was low take-up in some areas is not surprising, but there is an interest in the community on these issues and chances are next time the take-up will be higher.

Senator COOK—One of the other points about the Ballarat turnout that is made here states:

Mr Ronaldson's office (contact Marion) did\did not do a mailout to contacts. Marion advised the Melbourne office that Mr Ronaldson had decided to put out a media release instead. TPU was not told of this until after the event.

Was Mr Ronaldson, who had been contacted to gather together those people whom he knew, as you have just said, under the impression that that was what he was supposed to do so he put out a news release to do it? That was not the understanding, was it?

Mr Hussin—As I have said, the minute or the memo makes clear there were a range of breakdowns in terms of people being aware of what they might contribute. In the end, there were not sufficient contributions from a range of sources that were, for example, in other areas utilised.

Senator COOK—There are several problems with this departmental minute. The first is that it appears to have got up in order to reply to a query: why were the turnouts so low and in particular in Ballarat? Was this minute requested by the minister's office?

Mr Hussin—It was an internal minute in the department.

Senator COOK—It was sent to the minister's office?

Mr Hussin—I am not sure that it was.

Senator COOK—Would you check that point?

Mr Hussin—I can do so.

Senator COOK—How much money was spent on these consultations?

Mr Hussin—The response that Mr Moran gave last time was some \$24,000. There was an additional sum of a couple of thousand dollars which was not included in that number which came not from my division but from the executive budget that related to Mr David Spencer's

attendance at a couple of these hearings. The overall total is around \$26,500. As we said last time, around 50 per cent of that budget was used for advertising.

Senator COOK—It would be a fair conclusion to draw that coalition MPs in regional seats used the advertising of the department to propagate their own offices rather than the department actually advertising proper consultations. This was done through their offices, not by the department.

Mr Hussin—That is not correct, Senator. In the towns in regional areas certainly the department arranged the advertising which was in the local newspaper. That had relation to the department and the government, not to anybody else. I might add that, in relation to the five regional centres, the cost involved in those five sets of consultations was \$3,162 or around 11.8 per cent of the overall expenditure for the consultations.

Senator COOK—This minute says:

Around the time of the placement of the adverts—that is 8th or 10th September—the minister's office (Yeend) advised—

here is the minister's office telling the department—

that they wanted to offer the relevant local members of parliament the opportunity of being associated with regional hearings.

Only the regions—all coalition, no Labor—requested that those scheduled for days on which the parliament was sitting be moved to non-sitting days. Didn't it occur to the department: what about the other hearings at which local members might wish to participate being moved equally to non-sitting days to enable their attendance?

Mr Hussin—I can only respond that we looked at the state capital hearings statewide—looking for industry associations, looking for businesses. We wanted to draw those people and community groups from any part of a city or its surrounding areas. We did not think of those as localised. In the regional centres they are by definition localised. It was seen that the local member's involvement could add significance and value to the consultations. That is why we treated them differently. As I mentioned, in the capital cities some of the hearings were in non-sitting periods; some of the capital cities were in coalition seats. Those people, as far as I know, were not advised.

Senator COOK—My understanding is that Trish Worth, the member for Adelaide, was advised.

Mr Hussin—I am not aware of that. I think there was one other coalition area. I am not aware that was the case. As I understood it, there was a differentiation in treatment between the two. Certainly it was not intended. If we had thought that local members were intensely interested in being there, we certainly would have made that available to them and done what we could. We just simply did not think of it as an event for the seat of Brisbane or whatever; we thought of it as being the central consultation for industry and community groups in Queensland, for example.

Senator COOK—This note goes on:

Yeend, having spoken to all relevant MPs—

'relevant MPs' being only coalition MPs and no-one else—

advised that we should coordinate arrangements with the local offices of MPs.

You were asked to do that as a directive from the minister's office, weren't you, Mr Hussin?

Mr Hussin—These processes, as I am sure you are aware, having been a minister, are iterative type processes—the department with the minister's office. It is absolutely sensible to

us to go in that direction of involving the local members and so we did cooperate. I do not see anything sinister about that.

Senator COOK—It says:

Yeend, having spoken to all relevant MPs –

that is, he only spoke to the coalition, no-one else, as they are the relevant members of parliament –

advised that we should coordinate arrangements with the local offices of MPs.

That is the minister's office saying that to the department.

Mr Dauth—Am I missing something here?

Senator Hill—Is that a note from the minister's office you are referring to?

Senator COOK—I am referring to a departmental minute reporting that contact with the department from the minister's office.

Senator Hill—But you are drawing a few conclusions from that which may or may not be unfair. I do not know. If it was something from the minister's office that said that, I think you would have a better case.

Senator COOK—I am sorry?

Senator Hill—You are interpreting something written by a departmental officer of what they understood the situation to be and then attaching a consequence to the minister's office. I am suggesting that that rather circuitous path to reach the conclusion is somewhat unfair.

Senator COOK—Let us try a less circuitous path if you think that is circuitous. Did the minister's office ask you to work through—

Senator Hill—Mr Chairman, I thought I had conceded the issue. As Senator Cook has pointed out, there were some regions in which there were Labor seats that were not included and they should have been included.

CHAIR—I think there was one he said was a Labor Party seat.

Senator Hill—I think (a) he has made his political point, (b) I said we have noted it and (c) I suggest that we see what happens next time and he might be pleasantly surprised.

CHAIR—I was going to suggest, Senator Cook, as the minister has, that you have made your point. He has taken the point that he would not like to see it happen again, if it has been done with any intent. I think we have spent a bit over half an hour on it. I understand your point. I think the minister understands your point. I hope the department has the point.

Senator Hill—We will ensure Mr Vaile understands the point.

CHAIR—So have you got the point?

Senator COOK—This is an innovative estimates hearing where the minister asks questions on behalf of the department. Now he reassures me that my –

Senator Hill—What is unusual is the minister tossing in the towel.

Senator HOGG—Where's the white flag?

Senator COOK—Perhaps we should have you on a deadline to depart before we conclude more often, Minister.

CHAIR—Are you happy with that, Senator?

Senator COOK—Would you, as the minister representing the Minister for Trade, give us an assurance that this will not happen again and that all members of parliament, irrespective of political party, will be given an opportunity to participate in consultations about the WTO?

Senator Hill—Knowing the Minister for Trade and representing the Minister for Trade, I cannot believe that he deliberately took a decision to exclude Labor members from the opportunity to represent their constituencies. But I will speak to the Minister for Trade and tell him that somewhere in the administration of this initiative, which was a good initiative—I think everybody concedes that—it seems that that was one of the outcomes. It is desirable that in implementing these programs a fair opportunity is given to all members of parliament to contribute.

Senator COOK—It was a good initiative. It would have been a more effective initiative if all members of parliament were able to participate. It is clear that Mr Yeend made special requests of the department, from the note. But I thank you for the assurance. That is all on that item, Mr Chairman.

CHAIR—If there is nothing on 1.1.6 and 1.2.6—Trade development/coordination and APEC, then we will move to 1.1.7 and 1.2.7—International organisations, legal and environment.

Senator COOK—I have a question on legal, but it is more related to a post than it is to this section of the agenda. I was intending to raise it under services.

CHAIR—Output 1.5 will bring that up then. We will leave security, nuclear disarmament and non-proliferation until Senator Quirke gets here. We will move then to output 1.3—Secure government communications and security of overseas missions.

[2.21 p.m.]

Output 1.3—Secure government communications and security of overseas missions

Senator COOK—I have a question on ADCNET. On page 283 of the department's annual report there is table 93 headed 'Consultants under Engagement in 1998-99'. I am looking at program 4: secure government communications and security services and subprogram 4.1: Australian Diplomatic Communications Network and the tag is 'Information Management Branch'. The amount of \$210,538 was spent for security policy development, project management, review disaster recovery arrangements. Each one of those items seems to be important, but nearly \$211,000 is a lot of money. Can someone enlighten me as to what that was spent on?

Mr Quinlan—I might have to take some aspects of that on notice. I might comment that it is a fairly large amount of money, but when you are dealing with a system that costs around \$127 million—that is a secure system for the government—and one that has been in operation now for about eight years and which we need to constantly be monitoring, checking and upgrading in terms of the growth in the ability of people to intervene in systems these days, that may put that expenditure in perspective. In terms of the actual detail, I will take that on notice, if I could, to check. But there have been during the last 12 months, as I say, in general terms a lot of security reviews for our systems in light of external events.

[2.23 p.m.]

Output 1.4—International services to other agencies

Senator HOGG—How many members of federal parliament were given assistance by Australian posts overseas in the past financial year? How many were members of the government and how many were members of the opposition and non-government parties?

Mr Dauth—We will find those figures for you, but it is easy to do.

Senator HOGG—Yes, I understand that you would probably have to take that on notice, so I look forward to receiving the figures.

Senator COOK—I have a question here but I am not sure whether this is the right heading to ask it under. But if I ask the question someone can tell me whether I should proceed. Under the London post on page 281 of the annual report, it says that legal advice was obtained from Gregory, Rowcliffe & Milners, Solicitors, costing \$22,951. That is quite a slab of legal advice, I think.

Mr Dauth—It is only 7,000 quid, of course. London is a very expensive city.

Senator COOK—But \$22,000 is a costly piece of legal advice.

Mr Dauth—It was about £7,000, or a bit more, and a different cost structure. I am not quarrelling with you.

Senator COOK—What was the matter on which legal advice was sought?

Mr Dauth—I do not know, but we will find out for you.

Senator COOK—It may get the first rejoinder again, Mr Dauth, but I will risk that. The second item there is London again—Selven Pty Ltd, advice on upgrades to the payroll system. That cost Australian taxpayers \$24,862. That is also a costly piece of advice on how you figure the payroll system.

Mr Dauth—Yes, it is.

CHAIR—So, Mr Dauth, you will come back and let us know?

Mr Dauth—I am not quite sure what to say. It is an expensive capital. I have no doubt that the advice was required and that the proper processes were pursued in seeking and obtaining it. I am just wondering what the senator wants.

Senator COOK—Every embassy or post is engaged in payrolls and such things. Here we are paying a local consultant nearly \$25,000 to tell us how to upgrade our own payroll in a bureaucracy as well ordered as DFAT where many things are done centrally. Is that not something we could have got a more central authority over without having to incur such a cost?

Mr Dauth—I assume not. If you would like a brief description of that project, we can obtain that for you.

Dr Thomas—Since 1 July, departments have been processing their own payrolls whereas previously the Department of Finance and Administration used to process all Public Service pays. In order to do that, most agencies, ourselves included, had to install new computer systems and also ones which were Y2K compliant. That has also been happening overseas on a gradual basis, with our largest posts like London, Washington, et cetera, going onto these new computer systems first. I cannot recall exactly, but I would assume that that advice there was obtained in relation to installing the new upgraded computer systems for payroll in London, which is one of our larger posts. It has a very large number of locally engaged staff as well as Australian based staff.

CHAIR—My understanding of Senator Cook's question is: if it was required for London, obviously it would be required for Washington. Did they spend the same amount of money on it?

Dr Thomas—There are some unique configurations required by each post, though, because of local labour conditions, laws and things like that. Whilst we have used as much of our Canberra based expertise as possible in rolling out these systems around the globe, a

number of posts have had to take on some local advice as well. The local servicing of that system will be done from London.

Senator COOK—I take on board what you say, and that is fine as far as it goes. Throughout these tables there is quite a lot of reference to large expenditure items on IT equipment and processes, but 25 grand looks to be a large expense for a review and recommend of upgrades. That is the cost of an opinion—not the cost of implementing a system, as the explanation has it. I just would appreciate—and it has been promised so we do not need to delay—some explanation as to what was so peculiar about London that could not have been fixed from somewhere else.

The other one that I think is odd is the Warsaw post paying \$11,000 on advice on space planning—that is inner space not outer space, of course. I guess that is how you lay out your office, but 11 grand in Warsaw seems to me to be a bit odd. That is not a high cost post.

Mr Dauth—We will get a similar paragraph for you on that.

Dr Thomas—In general terms, with Warsaw that was a major review by a firm of architects on a fundamental fit-out for the entire embassy, preceding a shift to a new office, a new chancellery.

CHAIR—Senator Cook, the most expensive hotel I have ever stayed in in my life was in Warsaw—\$US600 a night, and I paid it out of my own pocket when I travelled through there on a study tour. So it is not a cheap city. That is what I am trying to say. We will just go back now to 1.1.8 and 1.2.8, Security, nuclear disarmament and non-proliferation.

[2.30 p.m.]

Outputs 1.1.8 and 1.2.8— Security, nuclear disarmament and non proliferation

Senator QUIRKE—What are the government's objectives for the forthcoming nuclear non-proliferation treaty review conference? What specific outcomes is the government seeking from this conference?

Mr Paterson—We are expecting a quite difficult NPT conference beginning at the end of April, essentially because the international climate for arms control and disarmament is going through a quite testing and difficult period. Our objectives are currently before Mr Downer awaiting his approval but, essentially, they are in the nature of damage limitation. We do not wish to see the consensus, the support for and the commitment to the NPT undermined or unravelled. It is unlikely to unravel but the strength of commitment could, in a worst case scenario, be put at some risk. We are already in discussion with like-minded countries, and our efforts are designed to maintain that support and strengthen the commitment where possible, but we do not think that the climate is particularly propitious for major new initiatives in this area this year. If we see openings, we will certainly take them up but I would have to say the outlook is not particularly positive.

Senator QUIRKE—The worst case scenario is the unravelling of the NPT: is that right?

Mr Paterson—That would be a worst case scenario but it is pretty hard to envisage circumstances where that would in fact occur. The main concern of many NPT parties is quite simply that the nuclear weapon states have proceeded very slowly with nuclear disarmament. In many ways, that is a valid concern, and we and other countries are working at encouraging them to be more positive and more active in that process. But it has to be said that there is a limit to our influence when those powers are not cooperating particularly well together themselves.

Senator QUIRKE—What consultations is the department undertaking in the lead-up to the review conference?

Mr Paterson—Our embassies are tasked regularly to take up these issues with a range of countries. More particularly, we are looking at the moment to formal consultation with Japan next month. We also expect to have informal consultations with Canada and the United States at the end of next month. I mentioned earlier in response to another question that we will be having consultations with Iran at the end of this month. On an opportunity basis, there will be consultation with other countries on the sidelines of existing multilateral meetings of the Conference on Disarmament in Geneva. In Vienna we chair a group of like-minded countries called the G10. It has met several times and is preparing some text which might form the basis of a declaration to come out of the conference.

Senator QUIRKE—Is there any capacity for community or NGO groups to provide input prior to the review conference?

Mr Paterson—There certainly is. We are always willing to receive their input and to take it into account but, more formally, we do so through the National Consultative Committee for Peace and Disarmament. That last met in early December last year. We expect it to meet probably twice this year. That is normally attended by the Minister for Foreign Affairs, Mr Downer.

Senator QUIRKE—Will there be NGO representation on the Australian delegation?

Mr Paterson—That would be a matter for consideration by the minister.

Senator QUIRKE—Has any consideration been given to attendance by the Prime Minister at the review conference?

Mr Paterson—No, but our current plans are that the Minister for Foreign Affairs would attend and deliver, at the outset of the conference, a general statement of Australia's position. That is, I know, his current intention. We would obviously have to review that and keep in mind what other representation is likely from other countries. But that is our current plan, because we certainly regard the NPT as the most important arms control and most effective arms control instrument in existence.

Senator QUIRKE—Last October Foreign Minister Downer said we had already started consultations with countries across all political groupings in an effort to shape a favourable outcome at the review conference; that we are also taking the opportunity of bilateral nuclear arms control which we undertake with a range of countries in the region. Which countries has Australia had bilateral arms control disarmament consultations with over the past six months?

Mr Paterson—To give you a full list, I would have to take that on notice. Since I have been in this job—which is only since November last year—we have had them with Japan, Russia, China and Thailand. But I will take it on notice and give you the rest.

Senator QUIRKE—I am happy with that. You may also want to take on notice what consultations are planned in the lead-up to the review conference.

Mr Paterson—Sure, we will give you a listing of that. I would have to add that the list will change over time because, as we get closer to the conference, we will obviously engage in more informal as well as formal dialogue on an as required basis.

Senator QUIRKE—Just before I move to another topic, with regard to the signatories to the NPT, as I understand it there are over 100 signatories to the NPT—that may be correct or it may not be. What happens to states like Taiwan and maybe other places which are not really seen as independent separate states? I understood Taiwan originally signed the NPT but its status has probably been somewhat downgraded since that original signature.

Mr Paterson—Senator, let me just say that you are right. The membership of the NPT is close to universal. There are in fact only four countries standing outside the regime. They are India, Pakistan, Israel and Cuba. Taiwan has a particular status, and I might ask the Director-General of the Australian Safeguards and Non-Proliferation Office, Mr John Carlson, to give you a precise answer on that point.

Mr Carlson—As you have noted, Taiwan signed the NPT, but it subsequently lost international recognition as being representative of China. Taiwan, however, has given firm commitments to act as if it were an NPT party. It accepts International Atomic Energy Agency safeguards on all its nuclear activities. Within the last two years, it has also accepted the terms of what is called the Additional Protocol—an addition to safeguards agreements giving the International Atomic Energy Agency substantially greater authority to carry out verification activities; Australia was the first country to conclude such a protocol and Taiwan was close behind. It was not able to formally conclude a protocol because of its status but it is acting in all respects as if a protocol were in place, and International Atomic Energy Agency inspectors have authority to go anywhere in its territory.

Senator QUIRKE—So Australia, as I understand it, exports uranium to NPT signatories? Taiwan, even though it is not formally recognised as a state and has this strange arrangement, could be eligible for the purchase of our uranium—we may even be selling uranium to Taiwan, to its electric authority?

Mr Carlson—We export uranium to countries with which we have concluded bilateral safeguards agreements, setting out a number of conditions. That does not encompass every NPT party and it does not encompass Taiwan. It is known that the government, and the previous government also, were looking at a mechanism involving the United States where exports of uranium to Taiwan would be possible under the cover of the Australia-US safeguards agreement. The details of that are still being worked through at the moment.

Senator QUIRKE—Is it being worked on, or is it shelved or frozen at this stage?

Mr Carlson—I think it is true to say it is being worked on.

Senator QUIRKE—Good. On a different topic, what analysis has the department made of the new Russian strategic doctrine announced by President Putin?

Mr Paterson—We have provided advice to the foreign minister on that. Our judgment is that on balance it does not represent a significant change.

Senator QUIRKE—What sort of message does Russia's new doctrine send in respect of Russia's preparedness to pursue nuclear disarmament?

Mr Paterson—I think a negative one, and potentially it lowers the threshold of possible use of nuclear weapons. To that extent we are concerned by it and we have made that point known to the Russian federation. I think I will leave it at that.

Senator QUIRKE—What is the government's attitude to the United States' subcritical tests? Is this activity consistent with the comprehensive test ban treaty—which I recognise they did not sign?

Mr Paterson—I will take that question on notice.

Senator QUIRKE—Can so-called subcritical tests be used for nuclear weapons development processes to reform existing designs or develop whole new categories of weapons?

Mr Paterson—It is my understanding that they cannot be used to develop whole new categories of weapons but that they can be used to refine and improve on existing designs.

Senator QUIRKE—What is the government's attitude to the development and possible deployment of national missile defence systems by the United States?

Mr Paterson—There really is only one proposal on the table there, and that is that the United States has been given giving consideration to the introduction of a limited national missile defence system to in effect counter the threat it perceives coming from so-called rogue states. This enjoys, we assess, bipartisan support in the United States now, and we have some understanding, I think, of the reasons why the United States is giving serious consideration to this. At the same time, it obviously raises concerns in other countries, in particular in Russia and China, who believe that introduction of such a system could be destabilising. Our view is that care needs to be taken to ensure that if the United States proceeds down this path—and that is not yet written in stone at all—care needs to be taken to introduce such a system in a way that would not be destabilising. In particular, that means we hope it will be possible that Russia and the United States could agree on amendments to the antiballistic missile treaty rather than a situation where that treaty was in fact abrogated.

Senator QUIRKE—Have we communicated that view to the Clinton administration and to members of the US Congress and presidential candidates?

Mr Paterson—We have certainly indicated that view to the Clinton administration and, more broadly, in our contacts with members of congress. To my knowledge, we have not communicated that to presidential candidates.

Senator QUIRKE—What is the department's assessment of prospects for Russian ratification of the START II agreement prior to a United States decision on whether or not to proceed with the NMD deployment?

Mr Paterson—I think we are cautious on that, and I would probably want to take advice on that from our geographic specialists within the department. I think it depends very much on the composition of the new duma. I think it is fair to say that even if we were to get Russian ratification of START II the beginning of negotiations on START III at this stage look like being held hostage to the issue of national missile defence.

Senator QUIRKE—And China's position concerning the question of national missile defence systems?

Mr Paterson—In our recent consultations with China, China expressed its very strong opposition to the introduction of national missile defence, arguing that, whereas the introduction of a limited system of national missile defence in the United States would not necessarily negate the force of the Russian strategic deterrent, in China's case, because it has a much smaller nuclear force, China argues that a limited NMD could have the effect of either negating the value of their strategic deterrent and/or impelling China to expand the size of its nuclear arsenal in response.

Senator QUIRKE—Do you think that is a likely response?

Mr Paterson—I think that is a matter for judgment. It has to weigh up a whole series of factors but it would be an extremely expensive option and one that would be greeted with, I would have to say, dismay and concern internationally.

Senator QUIRKE—Has the government sought any assurance that the new satellite relay station at Pine Gap, which supports DSP early warning satellites, will not be involved in any research, tests or trials relating to NMD systems?

Mr Paterson—I will take that question on notice.

Senator QUIRKE—Has the United States given any undertakings that the Pine Gap relay station will not be involved in any NMD research test or trial?

Mr Paterson—Similarly, I will take that question on notice.

Mr Dauth—There may be some limitations to our capacity to respond to those questions.

Senator QUIRKE—I understand.

[2.47 p.m.]

Output 2.1—Consular and passport services

Senator COOK—On page 283 of the annual report, under program 2, passport and consular services, \$45,787 was spent to review passport work practices. Can someone tell me about how we unloaded nearly \$50,000 on reviewing work practices in passport issue?

Mr Baxter—I do not have the specifics of that expenditure in front of me. Over the last 18 months we have been undergoing a major reform of the way in which we produce passports in our passport offices. As part of that program, which is known as Project Delta, we have done a very thorough examination of all aspects of passport production, including the productivity of our officers and how we can improve that through redesign processes.

Senator COOK—And it most likely relates to that—is that what you are inferring to me?

Mr Baxter—Yes.

Senator COOK—My only other question here was: there was a recent report about an Australian yachting couple being pirated near Aden at the entrance to the Red Sea. The report said that we had to work through another agency to provide consular assistance for them. They were nearly murdered, as I understand, and they just barely made it to the shore. What is the story here?

Mr Baxter—What happened there was that there was an attack on some Australian citizens who were on a yacht in the Gulf of Aden off Yemen. As part of that attack, armed pirates boarded the ship. There were some shots fired, but luckily the Australians involved escaped without injury.

We do not have representation in Yemen, as you are probably aware, but we do have a very close consular sharing arrangement with what we call our consular sharing partners—the UK, the US, New Zealand and Canada. In the case of Yemen, the UK mission looked after our interests. They greeted the Australians when they came into port in Yemen, and very soon after one of our own consular officials made their way to the capital and gave consular assistance to the family involved.

Since that time there has been a period where repairs have had to be done to the yacht, which I think is known as *Gone Troppo*. I actually saw a report today that, if the winds were favourable, the boat was going to start heading back to Australia in the next day or so. The repairs have been made. It is only the father who remains on board to sail the yacht back to Australia.

Senator COOK—Wasn't one of the crew shot in that boarding?

Mr Baxter—Not that I am aware of.

CHAIR—I think the woman had a bruise on her leg.

Senator COOK—Shot in the groin was the story I read.

Mr Baxter—I would have to check on the specifics of that case. Certainly, the family members are now back in Australia. In the *Gone Troppo* incident, if that is the one you are referring to, there were no injuries of the people involved.

I would also add that we have recently issued a warning to Australians travelling by yacht around the world about the dangers of piracy and pointing specifically to some of the trouble spots where we see piracy. There has been a reasonably significant increase in acts of piracy over the last couple of years.

Senator COOK—I would like to acquire a copy of that information.

Senator HOGG—And so would I.

Mr Baxter—Certainly.

CHAIR—And whether that person was shot in the groin or not?

Mr Baxter—Yes.

Senator COOK—Wasn't *Gone Troppo* a yacht that stood alongside a sinking refugee vessel of some sort, picked up a lot of people who would otherwise have drowned and took them to Christmas Island?

Mr Baxter—Not in the incident that I am referring to.

Senator COOK—No, not in that incident. I am saying that happened about three months earlier, I think.

Mr Baxter—They have obviously had a very eventful trip.

CHAIR—On the same trip?

Senator COOK—Yes.

[2.52 p.m.]

Enabling Services

Senator HOGG—I am not too sure where these two quick items fit under 'Enabling Services'. Did the department experience any difficulties in its communications and information systems as a consequence of Y2K? If so, what was the nature of the problems?

Mr Dauth—No substantial difficulties.

Senator HOGG—But there were some difficulties?.

Mr Dauth—Some extremely minor difficulties. Mr Quinlan is the expert, but in those cases where there were odd glitches, it was not clear that they were Y2K related. Is that right, Gary?

Mr Quinlan—That is right. In fact, these were completely insignificant—the sorts of glitches you might have a on a day-to-day basis. It was not clear, as Mr Dauth said, that they were even Y2K related.

CHAIR—Can I just say that I have never heard the term 'extremely minor'. It is a bit like the half empty and half full glass.

Senator HOGG—That is right. So we do not know if they were Y2K related problems at all. Is that what you are saying?

Mr Dauth—No. We undertook very extensive Y2K preparation. The portfolio was very focused because we had some unique responsibilities for government—in terms of consular responsibility, our own people overseas and Australian business. So we put an enormous amount of effort into it. I would be prepared to say that there was no Y2K related problem of any note whatsoever.

Mr Quinlan—That is correct.

Senator HOGG—Thank you. The next question is on distribution of staff. In March 1999, DFAT completed a comprehensive review of divisions to align resource management more closely to the government's foreign and trade policy objectives. What reallocation of staff numbers was involved in this review?

Dr Thomas—The principal change to actual staff numbers as a result of that rebasing was the addition of nine new third secretary positions in overseas missions.

Senator HOGG—Can you identify those missions for us? I will put it on notice.

Dr Thomas—Yes, we can. I do not have them with me, but I can provide them. In addition, within the divisions in Canberra, it was decided to reduce numbers over a period of three years, mostly in the corporate service areas, in my own division—Corporate Management Division—and in Mr Quinlan's division, which is now called Diplomatic Security, Property and Information Management Division.

Senator HOGG—He has still got a division then?

Dr Thomas—Yes. There were some amalgamations of some branches and some reduction of staff, both there and in my own division, which will be spread over the next few years. As a result of that, staff numbers in the department as a whole, springing from that rebasing exercise, will go down by 157 staff over the next three years. We expect virtually all of that to be achieved through natural attrition. Some of the staff numbers will also be in the passport offices in the states, where project Delta, which my colleague Mr Baxter mentioned, which is a new computer processing system for passports, has enabled some staff efficiencies in that area.

In terms of other divisions in Canberra, the Trade Negotiations Division was given a slight increase in staff, partly as preparation for the expected workload coming out of a new multilateral trade negotiations round or associated work with that. To be specific, it went up from 54 full-time staff to 61. Do you want the specific numbers for the Corporate Management Division?

Senator HOGG—If you have a summary of this, it would be easier if you tabled the summary.

Dr Thomas—Sure. I am happy to do that. I can give it to you here. It just lists the divisions, what their numbers were at the time of the rebasing exercise and what they will be this year and for the following two years. They are targets, of course.

Senator COOK—On the increase in staff in the Trade Negotiation Division, since the collapse of Seattle, that has not been clawed back, has it?

Dr Thomas—No, it has not.

Senator COOK—Good. I am pleased.

Dr Thomas—They were the major staffing movements to come out of that rebasing exercise. Overall, we are expecting to end up with a total staff figure in the department at the end of three years of 1,866 full-time Australian officers. That will be down from the current figure of just over 2,000. It is about 2,020 at the moment.

Senator HOGG—Is there any idea of the implication of the reduced numbers on services?

Dr Thomas—In the corporate service area?

Senator HOGG—Yes.

Dr Thomas—We expect to achieve most of those savings as a result of the introduction of our two new management information systems. These are the large computer systems that I

was referring to earlier. One is on the financial side—SAP is its acronym—and there is another one on the human resources side called Peoplesoft. Those two new systems have been introduced over a two-year period, and they are more or less fully functional now. They will lead to considerable savings in terms of processing financial transactions and accounting. They enable us to accommodate requirements for accrual budgeting very well. They also give us much more accurate tracking of where staff are and what their skills and qualifications are.

Senator HOGG—So we are not seeing a reduction in the functions, activities and services of the department as a result of this review?

Dr Thomas—No. Indeed, I would argue that the assistance will deliver much more than we were able to get before manually, but we will need less staff in order to produce that data.

Senator HOGG—Can I sum it up this way: is it fair to say that the review is actually seeing people replaced by IT?

Dr Thomas—Some people in the corporate areas and in the passport production areas, but only a small number is directly attributable to that.

Mr Dauth—I agree with you that there will be no reduction in the overall services offered by the department.

Senator HOGG—All right. Mr Thomas, if you can provide me with that breakdown, that would be indeed helpful.

Dr Thomas—Certainly. I have also got that list of third secretary positions here.

Senator HOGG—That is very helpful indeed. I have no further questions on that issue.

CHAIR—That concludes the Department of Foreign Affairs and Trade. I thank the department. We will see you in May.

[3.01 p.m.]

AUSTRALIAN AGENCY FOR INTERNATIONAL DEVELOPMENT (AUSAID)

CHAIR—I welcome officers from AusAID and invite Senator Cook to open the questioning.

Senator COOK—This concerns the Bougainville project. Does AusAID have a project on foot to rehabilitate the coastal road on the perimeter of Bougainville?

Mr Dillon—The answer is yes.

Senator COOK—I am pleased to see you again, Mr Dillon.

Mr Dillon—I am pleased to see you too, Senator.

CHAIR—This is a mutual admiration society!

Senator COOK—I am not used to seeing Mr Dillon in this portfolio—that is my point. Given that you do have this project, can you tell me who the contractor is and what the value of the project might be?

Mr Dillon—My understanding is that the project is managed by Barclay Montem/QCAP. I will check the project value for you. From memory, it is around \$9 million, but I could be wrong. I will get you the figure shortly, if you would like to proceed.

Senator COOK—All the other questions follow on from it.

Mr Dillon—The figure is here. I just have to find it on the spreadsheet.

Senator COOK—It might be convenient for me to put the questions on notice, although I am sure it would disappoint you—you have had to wait so long for such a brief encounter.

While that is going on, can you tell me when the tender was awarded and when the first stage of this project is expected to be completed?

Mr Dillon—My understanding is that the project was awarded last financial year. We did undertake those preliminary road activities in the interim. In terms of when the project might be expected to be completed, I am loath to give you an answer for that. We are experiencing some delays with the project at the moment.

Senator COOK—I understand it is a staged project. If you cannot answer this, take it on notice, by all means. When is the first stage expected to be completed? When will the whole project be completed?

Mr Dillon—We will certainly answer those on notice for you.

Senator COOK—Do you know whether the first stage is over now?

Mr Dillon—As I said, we did undertake an interim stage, which was a preliminary or stopgap measure, basically to send a signal on the island that we were prepared to get in and respond to Bougainvillean concerns, which we did. But I do not think the first substantive phase has been completed.

Senator COOK—Did you say there is some doubt about whether it will be on time and completed?

Mr Dillon—We are currently experiencing some problems of a security nature in some areas of Bougainville, which means that the contractor has not been able to get out and undertake work. The Peace Monitoring Group, PMG, has identified a number of no-go areas and, of course, we do not put our contractors into no-go areas.

Senator COOK—Has the contractor been paid anything for work completed?

Mr Dillon—I will take that on notice. The total amount of the project is \$8.5 million.

Senator COOK—Do you know whether the delays have created any inconvenience for the local residents?

Mr Dillon—When you say ‘local residents’, do you mean Bougainvilleans?

Senator COOK—Yes.

Mr Dillon—I am sure the lack of a road creates inconvenience for Bougainvilleans all the time.

Senator COOK—The answer is yes?

Mr Dillon—The answer is yes.

Senator CALVERT—Was what you were just referring to on Bougainville the wharf at Kieta?

Mr Dillon—No, it was not.

Senator CALVERT—Is that progressing? I believe there were some security problems there initially.

Mr Dillon—My understanding is there were security problems there some months ago. There were delays in our planning for that project—not so much security related as related to local landowner views on the impact of that and some conflict within the local community as to the merits of the project. But my understanding is that they have been resolved and the project is now proceeding. I do not think work has started, but it will sometime this year, I understand.

Senator CALVERT—They were talking about this when I was there two years ago, so things do move rather slowly, and there have been a few interim problems. Have all the locals now returned to their villages, and have all the refugee camps—for want of a better term—closed down?

Mr Dillon—I would have to say that there has been a significant improvement in the security situation on Bougainville overall over the last few years. Since you were there two years ago, my assessment is that there would have been a major improvement. Having said that, there has always been a no-go area around the Panguna mine. That is maintained. As I said earlier in regard to the road, there have been some security incidents lately that have caused the PMG to step back and establish these no-go areas. My assessment is that this is as much sending a clear signal by the PMG to the local community as a major problem with security. But the PMG and ourselves adopt a hypersafe approach on these matters.

Senator CALVERT—Has the hospital at Arawa that was destroyed been replaced with anything apart from that emergency shelter—I suppose that is all you could call it—on Buka island? Is a proper hospital being planned or put together?

Mr Dillon—Yes. I understand a project has been in preparation, a mission has gone in to look at that, and we expect to see work proceed in the next year or so—within months, I would hope. Medical facilities have been provided by the PMG in the Arawa area in the interim as well as from the Buka hospital, from time to time, with doctors flying down. AusAID has also funded a medical practitioner from time to time in Arawa.

Senator CALVERT—There was a problem—they could not get anybody to go there—at one stage. There were no doctors available. Has the recovery of Rabaul since the volcano eruption progressed reasonably well?

Mr Dillon—It has. The major works on the Gazelle Peninsula have all been completed. From memory, we did major roadworks, major work for police accommodation and work on the police station. That is all largely completed.

Senator CALVERT—There now seems to be relative peace on the island, even though there are one or two trouble spots. Has there been a resurgence or a renewal of tourism to the island? Or is it too early for that?

Mr Dillon—Sorry, are you referring to Rabaul or to Bougainville?

Senator CALVERT—To Rabaul. Of course, that is in New Britain.

Mr Dillon—That is in New Britain. I do not have statistics on tourism rates in PNG.

Senator HARRADINE—Page 67 of the additional estimates says:

The total additional annual appropriations sought for AusAID for Outcome 1 through Appropriation Bill 3 is \$13.848m.

Then it describes what those amounts are:

- Australia's contribution of \$12.000m to the Heavily Indebted Poor Countries (HIPC) initiative. This initiative assists in meeting the aid program's objective through providing debt relief to the world's poorest countries which are pursuing IMF and World Bank supported reform programs ...

What are the types of conditions that are required by the lending institutions, the World Bank, and the conditions imposed by IMF on developing countries in order to get a loan—either an initial loan or a loan to pay off the interest?

Mr Dillon—I think I should take that on notice to get you a full list of those conditions. In broad terms, the conditions are put in place to ensure that the governments that are in place are going to spend any debt relief wisely and that it will be development oriented and poverty reduction oriented and that they go to responsible macro-economic management and

responsible financial administration. But I think I should take on notice the detailed conditions that are laid out in the HIPC initiative.

Senator HARRADINE—Has AusAID done a study as to whether its objectives are on all occasions met by the provision of loans and the conditionality that accompanies these loans from international financial institutions such as the World Bank and decisions of the IMF?

Mr Dillon—To my knowledge, we have not done a specific study on that matter.

Senator HARRADINE—But you say in the material that you have provided to us on the explanation of additional appropriations that the initiative assists in meeting the aid program's objective, and the aid program's objective is to reduce poverty.

Mr Dillon—That is correct.

Senator HARRADINE—Isn't it a fact that the IMF routinely suggests the devaluation of the currency in many of the countries that are provided with monetary loans from international institutions?

Mr Dillon—I do not want to quibble with you but the IMF would, I think, like to see responsible economic management and economic policies in the countries to which it is providing financial assistance. Where a currency is overvalued, yes, it would probably recommend that it be devalued.

Senator HARRADINE—Hasn't the experience of a number of the Third World countries been that this falls heaviest on the poorest of the poor in those countries where price rises occur? Isn't it a fact also that one of the conditions applied by international lending institutions is the requirement that the accepting government—the Third World government—sits on wage increases and prevents any increase in wages because of the consumer price increases?

Mr Dillon—Again, I am wary of treading too far into this swamp because it is basically a Treasury responsibility. But I put this proposition on the table: that economic mismanagement produces much more poverty than the reverse. Yes, any changes to the levers, if you like, in the economy will create winners and losers—and it is easy to point to the losers—but at the end of the day appropriate and responsible economic management is the precondition of addressing poverty in a global society.

Senator HARRADINE—I thought that would have been obvious, but it does not go to the question that I asked.

Mr Dillon—I was putting an alternative proposition to the one that you were putting. I do not feel qualified to answer the question that you asked.

Senator HARRADINE—Yet you are asking us to make a further contribution. It is small bickies, I suppose—\$12 million is small beer—but I am going to the issue and the question itself. You are asking us to provide that money in pursuit of IMF and World Bank supported reform programs. I gave you the instance of the IMF's frequent requirement, if you like, for the currencies of certain of these countries to be devalued. You have responded in a sort of technical way to that, but what I am putting to you it is that, inevitably, the results of that action fall heaviest on the poorest of the poor in those Third World countries. I know it is really Treasury that should answer some of these questions about the IMF and the World Bank, but we are asked to contribute through the AusAID budget to the process. All I am asking is: has AusAID done a study on the effectiveness or otherwise of IMF and World Bank supported reform programs in terms of your stated objective, which is to reduce the poverty and achieve sustainable development in developing countries?

Mr Dillon—As I indicated, we have not done a study. But I think the rationale for this \$12 million appropriation is basically linked back to the purpose of the HIPC initiative. It is worth reminding ourselves about what that is. This initiative is aimed at reducing what many people claim to be, and I think governments agree, are unsustainable levels of debt in many Third World countries. It is those debt levels which soak up government resources and prevent them being allocated to normal government services and social safety nets, et cetera, that would actually relieve the conditions of poverty. Without having done a study, I am supremely confident in saying that this \$12 million will, without doubt, have a positive impact in terms of relieving poverty in heavily indebted countries.

Senator HARRADINE—Wouldn't you regard that as a brave statement, not having done the necessary study to ascertain whether or not IMF and World Bank supported reform programs achieve what you desire—namely, a reduction in poverty? Or is it in fact the case that the renegotiating of the debt is very often largely for the repayment of the interest on the debt, and the debts keep mounting and the Third World countries are irrevocably bound up in a merry-go-round of interest free payments and burgeoning debt on that extra debt?

Mr Dillon—I think we can both agree that there is a massive and significant problem out there. I just start from the simple proposition that, if we can reduce those levels of debt in those countries, that frees up resources that can be devoted to poverty reduction by those countries. I think it is a fairly simple proposition; I do not think it is brave at all.

Senator HARRADINE—Time does not permit us to go through that, but at our next meeting I would like to go through this very thoroughly with AusAID since they are the ones that put up the money. I would like to see some assessment done from within the department as to its effectiveness.

Mr Dillon—We would be most happy to have that discussion with you. It would help us, I think, if you were able at the next hearing to identify the specific issues that you would like us to address.

CHAIR—Can I throw something in from left field or from right field, if you like? What is the most effective type of aid that AusAID gives? That is not quite on the same track as Senator Harradine's question.

Ms Rawson—My first response to you on that is that we in AusAID strive for all the aid program to be effective. To be honest, I do not think it would serve too much purpose for me to venture into what I might see as a more effective channel than another one. As you have said, we have a number of channels for our aid. We work bilaterally with our developing country partners. We work through a number of multilateral institutions, the banks, the UN agencies. We work through Australian and international non-governmental organisations. To some extent, it is a matter of deciding which are the most effective channels for addressing particular situations, particular needs in an area. We certainly try to make an assessment of what is going to work most effectively in a particular situation. In terms of the needs, we also look at, for example, in which sectors in a particular country the needs are and where Australian expertise and skills might have the most impact. It really is a very variable picture. Our objective is to ensure that the aid overall is most effective.

Senator HARRADINE—Have you taken on notice my request for details of the conditions that are normally required by the international financial institutions?

Mr Dillon—Yes, I did. One of my colleagues has reminded me that one of those conditions is the development of poverty reduction strategy papers for the recipient country. That links into that link between debt and poverty reduction. We will take it on notice for you, Senator.

Senator HARRADINE—Thank you. There were a number of other questions, but I will leave them until the next time.

CHAIR—Would you like to allude to them or would you like a briefing from the department?

Senator HARRADINE—I just indicated that we will have a discussion about the conditionality. I do not know whether any officers of AusAID were here when I asked the question prior to lunch in the America area, but has AusAID taken note of statements from the US administration indicating some support for the proposition of the abolition of debt owed by the Third World for the jubilee year?

Mr Dillon—Yes, we are aware of the statement by President Clinton at the World Bank annual meeting last year.

Senator HARRADINE—You are aware of the statement. What is the guts of it? Was that just a political statement? Has there been a follow-up? Have there been discussions emanating from the United States with other organisations such as yours?

Mr Dillon—I am not aware of any further follow-up or any moves by the US administration, but I would not necessarily be aware of what they are doing in detail. We could endeavour to find out some information for you.

Senator HARRADINE—Thank you. Could you also find out what the Australian government's view is on this particular proposal?

Mr Dillon—The US proposal?

Senator HARRADINE—The comment by President Clinton about the proposal for the forgiving of debt for developing countries.

Mr Dillon—The Australian government position is quite clear. Basically, it supports the HIPC initiative, which is for debt reduction with a range of conditions, as you have indicated. The Australian government position does not support the unconditional forgiveness of debt because in essence that raises a host of problems. I will name two. Firstly, the problem of moral hazard—in other words, that governments would have no incentive not to get into debt in the future. Secondly, without those conditions there is no guarantee that the resources that have been freed up might not be misallocated in the future, so they would not go into poverty reduction. I think there the government position is: yes, we want to see debt relief, but we want to see it linked strongly to poverty reduction. The best way to do that in the government's view is to support the HIPC initiative, which is what this appropriation does.

Senator HARRADINE—Are you saying the HIPC initiative is the reduction or the forgiveness of debt?

Mr Dillon—Yes.

Senator HARRADINE—For what countries?

Mr Dillon—There is a range of countries that the HIPC initiative applies to.

Senator HARRADINE—I know that there is a range of countries. Are you saying that in all of those cases there will be the forgiveness of debt?

Mr Dillon—Not the absolute forgiveness of debt. It is the forgiveness of some of the debt. It is a staged process with a series of decision points which allow for the forgiveness of debt based on performance of those countries and the establishment of appropriate policies by those countries. As I say, those conditions are essential to ensure that the resources applied to debt reduction are linked to poverty reduction.

Senator HARRADINE—Can I go to the responses that I was given. I refer to questions I asked about the United Nations' population award given last year to Vietnam and the fact that Vietnam has, some would say, a brutal or, others would say, a coercive population control policy. I raised this in the context of the UNFPA and our contributions to the UNFPA. Your answer is on page 17 of the responses. Could you explain that? It appears that UNFPA obviously has a very strong influence on which country would get the award. The executive director is an ex-officio member of the panel and the award committee comprises 10 members of the United Nations and five eminent persons and that committee is serviced by UNFPA. Are you really saying that UNFPA does not have an influence in this decision? How can it be justified to give the United Nations' population award in the institutional category to a country that has a vigorous and coercive population control policy?

Mr Dillon—I think the answer stands on its merits. It is a factual matter here. It is not a UNFPA award. It is done not at total arm's length, as you point out and as our answer pointed out, but it is not done by the UNFPA.

Senator HARRADINE—Did the UNFPA support Vietnam in being awarded that population award?

Mr Dillon—I do not know the answer to that.

Senator HARRADINE—Can you take it on notice and provide us with the information as to whether the UNFPA supported it?

Mr Dillon—We can ask the question, certainly.

Senator HARRADINE—I was raising the question on notice about the UNFPA program in China and the fact that China also has a coercive population control policy. In your response, you have indicated that there was an informal executive board monitoring visit to China last November—and I thank you for attachment 3, which indicates the Australian representatives' report on the subject.

Could AusAID confirm that couples are penalised if they have more children than allowed in the national family planning policy? Attachment 3 says that, if couples have more children than allowed under the policy then, 'according to provincial regulations, they may be subject to a social compensation tax'. Then it says that 'in Shandong county this amounted to one-third of a couple's yearly income, while in Liaoning it was a 2,000 won flat fee'. It then says that 'in both counties this was payable either in a lump sum or instalments, according to the couple's capacity to pay'. Also, it is pointed out at point 11 that 'there are incentives for couples to have only one child', and they may include 'provision of free education for that child until it is 14 years of age, purchase of a retirement policy for both parents and the child and the opportunity to access the poverty alleviation fund, established as a mechanism to provide resources to the very poor'. Wouldn't you regard those actions as coercive?

Mr Dawson—I am having a little bit of difficulty locating the actual paragraphs that you are referring to.

Senator HARRADINE—Paragraph 10 of attachment 3 of the document which was given to the committee.

Ms Rawlinson—I have the report you refer to. It was an officer in my branch who actually participated in the monitoring review. The simple answer to your question is: it is a difficult one to answer, of course. The aim of the UNFPA project is to support the achievement of an ICPD consistent approach to family planning in China. One of the conditions attaching to the transfer of money is the lifting of quotas and targets, and no money is transferred from the project until such time as that occurs. With the paragraphs you have referred to there, there is admittedly—as it says—a degree of administrative ambiguity in how the social compensation

tax is applied. From what we understand from the monitoring visit, the ability to pay is a substantial consideration and it is not uniformly applied.

The UNFPA project commenced in June last year, in terms of money actually flowing to the project. In terms of the change in the environment of incentive or coercive approaches, it is too early to judge what influence the project is having at this stage. Both our own assessment and that of the United Kingdom, which also participated in the monitoring visit, is that basically there is a fairly positive outcome on their project; that there is no evidence of coercive practices in the counties visited. In a number of the counties visited, the fines ranged from a third, as you say. Also, we are pursuing with UNFPA the implications of counties levying unreasonable fines.

Senator HARRADINE—That was not an answer to my question. I am asking you whether you consider that it is coercive to fine a couple a third of that couple's yearly income if that couple has a child in a way not consistent with the national family planning policy. That is all I am asking. Do you believe that to be coercive or not?

Ms Rawlinson—Clearly it is a matter for judgment. Do you want my personal opinion?

Senator HARRADINE—I am sorry the minister is not here, but this matter was the subject of the government making a decision. Would that be the Australian government's view? A couple is being fined a third of its annual income, and I cannot get from AusAID—or can I?—a clear statement that that is coercive.

CHAIR—You are asking the departmental officer about something which is government policy and which would have to be answered by the minister, Senator. I think you are asking for a policy comment that most probably the departmental officer cannot give in a proper way, as I said, because it is a policy issue.

Senator HARRADINE—With respect, Mr Chairman, this officer has stated that, in both the relevant counties, members of the informal executive board monitoring visit formed the impression that key principles of voluntarism and informed choice were being implemented. That view was expressed by an officer of AusAID, and I am not sure who it was. I am asking a simple question. It says in paragraph 10 that 'demographic indicators remain that the national family planning policy which regulates the number of children couples can have still operates in participating counties'. It is relevant to those two counties where the national policy applies. AusAID has admitted that. All I am asking of AusAID is: if a couple exercises its basic human right to have a child outside the national family planning policy and is fined as a result a third of its income, is that scheme coercive or not?

Ms Rawson—I might answer your question and risk the minister not being here. There is a continuum in terms of incentives to coercion. I am sorry I do not have the actual piece of paper in front of me which says those things. But if those fines were applied in the full extent that is said there to be part of the regulations, then I certainly would regard that as coercive. As you know, the whole of the government's fundamental position on this is one of voluntarism and the right to decide freely the number and placing of children. I think the imposition of a fine of that magnitude in the circumstances as a penalty for additional children would be regarded as coercive.

CHAIR—Senator Harradine, I think you have got an individual comment.

Senator SCHACHT—I have some questions dealing with the program called the Heavily Indebted Poor Countries initiative, HIPC, which is referred to on page 76 of AusAID's annual report 1998-99. These questions also flow from a seminar I attended on this issue called by the Joint Foreign Affairs, Defence and Trade Committee I think in about November of last year. I just wonder very briefly whether the officers—and I know this is also covered by

Treasury, which is probably an inappropriate department to cover it anyway, which is my view—could tell us whether, since we had that seminar in November, any further developments have occurred with this initiative of debt forgiveness for Third World countries.

Mr Dillon—We have had a discussion here already about this, before your arrival. In essence, the government announced, I think back in September or October, an extra \$35 million for the HIPC initiative. I am not aware of any specific developments worth noting since then.

Senator SCHACHT—Again, if it is already on the record, just point it out to me and I will go and read the transcript when it comes out. Have there been any further meetings since we had our seminar in November last year? I think it was about that time. Was it about that time, October-November?

Mr Dillon—It was.

Senator SCHACHT—Have there been any further meetings of the lender countries, which are basically First World countries, at various forums between then and now where we have put a view about where we are at on negotiating debt forgiveness?

Mr Dillon—I am not aware of any further meetings since then.

Senator SCHACHT—The World Bank, the IMF or G7 have not called any to discuss this?

Mr Dillon—I would expect there would be meetings every week in Washington and that the HIPC initiative would be mentioned in those because it is at the centre of international development debate. But, since November, I am not aware of any meetings where Australia has gone and put a new position.

Senator SCHACHT—The position we put was that we were in favour of the initiative.

Mr Dillon—Yes.

Senator SCHACHT—What is our commitment again?

Mr Dillon—It has been in two tranches—\$30 million and \$35 million over the last few years.

Senator SCHACHT—Is that what we have individually lent some country, or do we do that through the World Bank or the IMF?

Mr Dillon—They are subventions to various trust funds in the IMF and the World Bank.

Senator SCHACHT—Again point out if this has already been answered; if it has, I will read the transcript. I think we are about a G16 country or something in that area. How do we measure up with G17, G14—the range of countries of our size of economy in the First World—with our contribution to debt forgiveness?

Mr Dillon—I was at the World Bank meetings last year where this was discussed, and I would make two comments. One is that I think we are pulling our weight in terms of comparative volume of dollars. Secondly, I would say that we are out there in front in terms of being prepared to identify resources early and put pressure on other much larger and more developed countries to come to the party.

Senator SCHACHT—So we are boxing in our own welterweight, lightweight or heavyweight division and landing an occasional punch on this issue?

Mr Dillon—We are out there in the ring, waiting for the others to join us.

Senator SCHACHT—When you are out there in the ring, are Treasury out there helping you or are they hindering you?

Mr Dillon—Treasury always help us.

Senator SCHACHT—I wanted you to say that so that we could all laugh. The performance of the Treasury officials at the seminar was nothing short of disgraceful. They did not even know some of the issues. One bloke turned up and said that he could not answer a question as he had only been in the job for three days, or something—typical of Treasury.

Mr Dillon—I should, at a serious level, make the point that the government –

Senator SCHACHT—I am serious. Treasury are useless on this stuff.

Mr Dillon—I understand that you are serious, which is why I am being serious. I would just like to say that we do have a very cooperative relationship with Treasury and we work closely with them. They are being very positive on this initiative.

Senator SCHACHT—Okay, and there are 500 pigs flying over Parliament House too.

CHAIR—I do not think that was appropriate—

Senator SCHACHT—Mr Chairman, I have been on this issue for 12 years since I have been in the parliament. I think I have been pretty consistent about it. I have to say that there is one officer at the table, Mr McCawley, who was the first person to break the monopoly the Treasury had on appointing people to the World Bank, the Asian Development Bank and the IMF. I do not know whether he is the only one to have broken the monopoly. I do not know whether anyone else out of ADAB has ever cracked it or one of those agencies which are development agencies, not banking institutions. Nevertheless, the next issue I want to raise is that we are calling this ‘debt forgiveness’. Why don’t we just tell the Third World to repudiate the debt and get it over with? Why do we have to say that they have to ask us to forgive them? Why don’t we just tell them, ‘Repudiate; don’t pay’?

Mr Dillon—I am not sure I understand.

Senator SCHACHT—The whole way this is being put is as though we are magnificent in the First World in saying, ‘We will forgive you the debt,’ when, in fact, if this thing had been managed properly, if there had been proper arrangements, some of these countries would not have got into the strife they did. If Treasury actually had been advising and making sure on the fiduciary level about how these loans were being used and that they were not being put into arms and weapons and being used by corrupt regimes, some of these countries now would not be lumbered with some of this debt. In my view, instead of forgiving the debt as though we have some moral or ethical position, why don’t we just tell them to repudiate it?

Mr Dillon—I will make a number of points. The first is that our contributions were announced by the Treasurer and they were additional to the aid budget. So we have been out there pouring additional resources in.

Senator SCHACHT—What would we do if one of these Third World countries said, ‘We’re not going to wait for your forgiveness; we’re just going to repudiate’? What would AusAID advise Treasury or you and Treasury advise the government to do to a country that just said, ‘We’re not going to wait for your moral forgiveness; we’re going to repudiate and pay no more’?

Mr Dillon—I am trying to answer your first question. The answer to your second is that I do not think we would think this was good policy for this reason. The Chair of the Development Assistance Committee of the OECD has just issued a report. In that report he makes the point that the importance of private flows for development is increasing massively. Basically that means that the future degree of poverty reduction in the world and the future degree of development depends largely on the amount of private flows—probably more so

than the amount of government flows or development flows. What that means is that the financial markets have to operate and they have to operate into the future. If countries go around saying, 'We're not going to pay our debts,' okay, they do not pay their debt and it means that they do not get a loan in the future –

Senator SCHACHT—From the private sector or from the World Bank?

Mr Dillon—From both.

Senator SCHACHT—So we say 'We're going to morally forgive you. We will continue to give you loans. But if you repudiate the same thing'—you are not going to pay it—'bad luck, we won't give you a future loan.' I support the NGOs in the private sector in Australia raising the issue—I think it is a very important issue—but in the end I find it a bit condescending that we are going to forgive them the debt, when in fact we helped them get into strife in the first place.

Another issue which I think is much more important is that there was a crisis in the banking system in Asia in 1997-98 because of the lending practices of the banks in those countries. When the countries get into strife, the first thing they do is call on the World Bank or the IMF, particularly the IMF, to get them out. What happens is some character from the IMF arrives in a country in Asia and says, 'Right, the first thing you have to do is cut all the funding in health, education, welfare, et cetera.' That is the standard line—reduce government expenditure. So the poor pay for the rich in their own country; you punish the poor for bad fiduciary policies, for the banks having bad lending practices. What I find objectionable is that since the Second World War the IMF and the World Bank do not seem to have been very good at telling banks in Third World countries, or even us, that there are certain fiduciary responsibilities you have to carry out as a decent bank so that the money is not siphoned off into accounts recirculated out of the country. What policies have you been involved in with advising the World Bank or the IMF that what we are really interested in is getting decent banking policy so that the rich—or the junta or whatever it is—do not rip off the money that has been lent and then misspent so that it does not actually get down to the people we want to help?

Mr Dillon—Well, Senator, you have covered a lot of ground there—

Senator SCHACHT—It is a big issue.

Mr Dillon—It certainly is. Part of it we have already covered this afternoon before you arrived. I could make a couple of points: one is that banking and financial sector governance are key issues in the international development community. The fund and the bank do have programs in those areas, and we encourage them to. Because Australia is a member of both institutions, we do work to ensure that those institutions operate effectively and are continuously improving their operations. But the broad issues you are raising tend to come down to a philosophical world view and I do not know that it would be productive for me to engage you in debate.

Senator SCHACHT—If I can give you an example: it was obvious to anybody in Indonesia in the latter years of the Soeharto regime that, if you were in the Soeharto family, you had access to a lot of money from the commercial banking institutions of Indonesia in one form or another. That is written in endless magazines, newspaper articles, books and even commented on at a governmental level, and certainly since the Soeharto regime has come to an end there has been a lot more evidence about it. When those commercial banks survived because they borrowed internationally, did the IMF show any interest in saying to those banks in Indonesia, 'This is getting a bit out of hand. You are raising money internationally and you are lending it at concessional rates, no interest, to the favoured few of the Soeharto regime. This is just not good banking practice'? Did the IMF ever issue a warning to those banks

which were clearly operating internationally and raising money from your commercial sector around the world to be invested? Did the IMF advise those commercial banks that under any prudent lending policy you would not be doing this in Indonesia?

CHAIR—Before you answer the question, there was an agreement by the committee to finish at 3.30 p.m. and it is now 4 o'clock. When you answer that question, I think we might wrap it up.

Senator SCHACHT—This is probably my second last question, but I would be interested in the answer.

Mr Dillon—I do not think I can give you an adequate answer. With the wisdom of hindsight, we all agree that there was massive overlending by financial institutions not just in Indonesia but most of Asia—

Senator SCHACHT—I used it as an example because that old regime has gone and I am not upsetting the present government of Indonesia. But it was on the record and anybody who spent more than four minutes studying Indonesia in the last 10 years of the Soeharto regime knew that you had to be within the family circle to get access to large amounts of money for any project you wanted. Where did that money come from? From foreign lenders putting money into Indonesian commercial banks—raising money and passing it on. I do not want to start running through other countries and creating any sort of diplomatic hiccup but, in view of that experience and in view of the experience in Latin America on two or three occasions when there has been a monetary crisis, what is the IMF doing to say, 'We will back the loans going in but we want transparency so that there are decent rules about the lending practice and it is going to go in proper, commercial, national infrastructure development'?

Mr Dillon—We had this discussion earlier, and the short answer is that the fund and the bank do want to see that sort of transparency. They do want to see anticorruption measures –

Senator SCHACHT—I will read the transcript of what was said earlier. One last question: would you take it on notice to ask your colleagues in Treasury who have the representative in the IMF to give us an example—since the Asian crisis of 1997-98—of where they have given instructions that loans will be made available to financially restructure the economies in those countries on the basis that your banking system, your lending system, now has transparent rules that show it is a fair system and that the crooks are not taking bags of money out and rebanking it in Swiss bank accounts?

Mr Dillon—I can answer that question here and now, and the answer is PNG where there are negotiations going on right at this moment about whether the bank and the fund ought to support PNG, and it is boiling down to whether or not PNG has transparent systems.

Senator SCHACHT—Okay. Will you still take it on notice? PNG is an example. Did the IMF do the same in the loans that were made available to restructure –

Mr Dillon—The IMF is involved in PNG as well.

Senator SCHACHT—Excellent.

Ms Rawson—If I might just add: it has been a fundamental part of the programs in Indonesia since the crisis. The reform of the banking system in Indonesia is one of the fundamental parts of its agreements with the IMF. So there are two examples.

Senator SCHACHT—So you are telling me it is restructuring the banking system for transparency?

Ms Rawson—Certainly I am not privy to all the parts of that, but a fundamental requirement of the IMF's agreements with Indonesia is reform overall of the banking system.

I am absolutely sure that that encompasses openness, transparency and accountability both in the governmental and on the banking system's part as well.

Senator SCHACHT—I would appreciate if you could provide me any information from Treasury or anywhere else post the Asian crisis as to what they have done in each of the countries where they have been asked to fund the bailout.

Ms Rawson—Certainly.

Senator SCHACHT—The final question on notice: has the IMF attempted to trace some of this money that over the years has gone out of the country clearly into bank accounts elsewhere by the elite of the country helping themselves to those loans? Has it attempted to talk to the Swiss banks to say, 'Listen, you don't sit on it forever and a day like you did with the Nazi money that the Nazis collected and banked away for 50 years, how about making sure that it is handed back'? Does the IMF have a view about that?

Ms Rawson—We will certainly take that on notice and perhaps pass it to our Treasury colleagues.

Senator SCHACHT—Thank you.

CHAIR—I thank AusAID for appearing here today; the minister, who had to leave a moment or two ago; and also the senators.

Committee adjourned at 4.06 p.m.