
The Parliament of the Commonwealth of Australia

Near Neighbours – Good Neighbours

An Inquiry into Australia's Relationship with Indonesia

Joint Standing Committee on Foreign Affairs Defence and Trade

Foreign Affairs Sub Committee

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Canberra

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Foreword

Australia's relationship with its near neighbour, Indonesia, is an extremely important bilateral relationship. It is in the interests of both nations for the relationship to be strong in all its dimensions –strategic, political, economic and cultural. The relationship is a complex one that exists on many levels.

The Committee has been impressed by the breadth and strength of the relationship at the bureaucratic level. In the course of this inquiry a large number of government departments and agencies have described in detail the programs they conduct with their counterparts in Indonesia. These programs are typically effective not only in enhancing cooperation and building capacity but also in establishing strong people-to-people links.

In the Committee's view, not all dimensions of the relationship display the same strength. At the political and people-to-people levels, the relationship needs considerable strengthening. Many of our recommendations are aimed at improving communication and deepening understanding at both these levels.

The Bali bombings, which occurred within weeks of the commencement of this inquiry, brought home the critical importance of security aspects of the relationship. Australia and Indonesia both suffered heavy loss of life and this shared loss has affected the relationship in a deep and indelible way.

As important as the security aspects of the relationship are, the Committee has kept a broad focus. Greater economic cooperation, for instance, has the potential to be of great value to both countries.

One element of the relationship that featured in each of the various aspects of the bilateral relationship examined by the Committee was education. A prominent component of our trade relationship, education is also an extremely important focus of our development cooperation with Indonesia. Education is a principle means of enhancing mutual understanding and building stronger people-to-people links. Education, as such, features prominently in this report.

Australia and Indonesia are near neighbours. Being good neighbours is an art requiring a delicate balancing of distance and closeness: a distance that is respectful of difference and sovereignty —a closeness that guarantees a helping

hand in times of need. In conducting this inquiry and writing this report, the Committee has endeavoured to contribute to the building of a positive, healthy and productive relationship between good neighbours.

A handwritten signature in black ink, appearing to read 'David F. Jull', with a long horizontal stroke extending to the right.

Hon David F Jull, MP
Chair of the JSCFADT Foreign Affairs Sub-Committee

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Chair Senator A B Ferguson

Deputy Chair Hon L J Brereton, MP

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	Hon K C Beazley, MP	Mr C P Thompson, MP

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Chair Hon D F Jull, MP

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	Senator A Eggleston	Mrs J Gash, MP
	Senator C Evans	Mr D P M Hawker, MP
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Terms of reference

AUSTRALIA'S RELATIONSHIP WITH INDONESIA

The Joint Standing Committee on Foreign Affairs, Defence and Trade shall inquire into and report on Australia's relationship with the Republic of Indonesia, focussing in particular on building a relationship that is positive and mutually beneficial.

The Committee shall review the political, strategic, economic (including trade and investment), social and cultural aspects of the bilateral relationship, considering both the current nature of our relationship and opportunities for it to develop.

Referred by the Minister for Foreign Affairs, 22 August 2002.



List of abbreviations

ABC	Australian Broadcasting Corporation
ACC	Anti Corruption Commission
ACFID	Australian Council for International Development
ACIAR	Australian Centre for International Agricultural Research
ACISIS	Australian Consortium for 'In-Country' Indonesian Studies
ADA	Australian Defence Association
ADB	Asian Development Bank
ADS	Australian Development Scholarship
AEC	Australian Electoral Commission
AEF	Asia Education Foundation
AFP	Australian Federal Police
AII	Australia Indonesia Institute
AIMF	Australian Indonesian Ministerial Forum
AISP	Australian Indonesian Sports Program
ANMM	Australian National Maritime Museum
ANU	Australian National University

APJC	Asia Pacific Journalism Centre
ASAA	Asian Studies Association of Australia
ASC	Australian Sports Commission
AusAID	Australian Agency for International Development
AUSTRAC	Australian financial intelligence service
AVI	Australian Volunteers International
AWPA	Australian West Papua Association
BIMP-EAGA	Brunei Darussalam Indonesia Malaysia the Philippines - East ASEAN Growth Area
BPK	(Indonesian) National Audit Office
CDI	Centre for Democratic Institutions
CEPT	Common Effective Preferential Tariff Scheme
CIEMP	Customs International Executive Management Program
CIMS	Criminal Information Management Centre
CLCC	Creating Learning in Communities for Children
COAG	Council of Australian Governments
CPA	Commonwealth Parliamentary Association
CSIRO	Commonwealth Science and Industry Research Organisation
DCITA	Department of Communications, Information Technology and the Arts
DDA	Doha Development Agenda
DEST	Department of Education, Science and Training
DFAT	Department of Foreign Affairs and Trade of Australia
DIMIA	Australian Department of Immigration, Multicultural and Indigenous Affairs

DITR	Department of Industry, Tourism and Resources
DPR	Dewan Perwakilan Rakyat (House of Representatives of Indonesia)
DPRD	Provincial Peoples Representative Council
EAEC	East Asian Economic Caucus
EEF	Extended Fund Facility
EFIC	Export Finance and Insurance Corporation
ELSHAM	Institute for Human Rights and Advocacy
FaCS	Department of Family and Community Services
GAM	Gerakan Aceh Merdeka (Free Aceh Movement)
GoI	Government of Indonesia
GSLP	Government Sector Linkages Program
HIPC	Highly indebted poor countries
IBRA	Indonesian Bank Restructuring Agency
ICG	International Crisis Group
ICLEC	Indonesia Centre for Law Enforcement Cooperation
IFI	International financial institutions
IMF	International Monetary Fund
IPU	Inter-Parliamentary Union
JOMC	Joint Operations and Media Centre
KPU	National Election Commission (Indonesia)
LECP	Law Enforcement Cooperation Program
LTO	Large Tax Payers Office
MCEETYA	Ministerial Council on Education, Employment, Training and Youth Affairs

MFN	Most favoured nation
MOU	Memorandum of understanding
MPR	Papuan Peoples Council
NAD	Nangroe Aceh Darassalum
NALSAS	National Asian Languages in Australian Schools
NAQS	Northern Australia Quarantine Strategy
NGO	Non governmental organisation
NTB	West Nusa Tenggara
NTT	East Nusa Tenggara
NU	Nahdlatul Ulama
ODA	overseas development aid
OPM	Free Papua Movement
PDP	Parliamentary Development Program
PNG	Papua New Guinea
POLRI	Kepolisian Negara Republik Indonesia (Indonesian National Police Force)
PPATK	Indonesian Financial Intelligence Service
PRO	Parliamentary Relations Office
TAMF	Technical Advisory Management Facility
TNCC	Transnational Crime Centre
TNI	Indonesian Armed Forces
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner For Refugees
WILTA	Westralian Indonesian Language Teachers Association



List of recommendations

Recommendation 1

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

Recommendation 2

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

Recommendation 3

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

Recommendation 4

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

Recommendation 5

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

Recommendation 6

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

Recommendation 7

The Committee notes that the pace for rebuilding the defence relationship will be determined by both countries. On the Australian side, it strongly endorses measures that can accelerate the process of re-establishing mutual confidence in the defence relationship.

Recommendation 8

The Committee recommends that as Australia participates more broadly in the activities associated with the war against terror, and as it pursues more generally its security interests, the Australian Government should sustain a regular and rigorous dialogue to ensure that in a country where Islamic sensitivities are high, there is a complete understanding of Australia's intentions and that those intentions in no way incorporate a hostile view of the Islamic world or Indonesia's part in it.

Recommendation 9

The Committee recommends that the Minister for Trade proposes at the next Australian Indonesian Ministerial Forum meeting that a scoping study be undertaken on the implications of a free trade agreement on both economies.

Recommendation 10

The Committee recommends that:

- travel advisories should note that they are not a prohibition on travel unless otherwise the case;
- travel advisories should incorporate information on current practices, for example, the number of people travelling;

- where a travel advisory impacts upon a State Government relationship or business activity, that there be capacity for this to be discussed with DFAT in a way that ensures that if at all possible the advice can be given in a way that satisfies insurers of low risk activities; and
- that Australian Government agencies and institutions affected by travel advisories respond creatively during such periods and find ways to ensure that the interactions with their counterparts in Indonesia take place.

Recommendation 11

The Committee recommends that the possible introduction of a telemedicine system be examined further, with the aim of improving the consideration time for Medical Treatment Visa applications

Recommendation 12

The Committee recommends that:

- education should continue to retain the central importance that is has in Australia's aid to Indonesia;
- that increases in education funding should not be at the expense of other aspects of AusAID's program to Indonesia or at the expense of aid to other countries; and
- that increases to one part of the education program should not be at the expense of other aspects of the education program.

Recommendation 13

The Committee recommends that the Australian Government provide for an enhanced Australian Development Scholarships program to enable the provision of a substantial package of scholarships specifically for Indonesian students for studies in education.

Recommendation 14

The Committee recommends that the Australian Government should establish a program of scholarships to Indonesian teachers to undertake professional development training Australia during vacations.

Recommendation 15

The Committee considers that there is value in adding a work experience component to the Australian Development Scholarship Program and recommends that the Australian Government provide substantial ongoing funding to the Government Sector Linkages Program to enable it to be used in conjunction with the Australian Development Scholarship Program by providing for a work component to be added to the Scholarship Scheme.

Recommendation 16

That the Australian Government establish a Parliamentary Development Program to provide assistance to developing parliaments.

Recommendation 17

The Committee recommends that the Australian Government increase funding to the Australia Indonesia Institute to enable it to maintain both the breadth of the range of programs it supports, to provide for continuity of successful core programs and to enable it to significantly extend its reach.

Recommendation 18

The Committee recommends that Indonesian Studies be designated a strategic national priority and that the Australia Research Council and the Department of Education, Science and Training be requested to recognise this in prioritising funding for both research and teaching.

Recommendation 19

The Committee recommends that NALSAS (the National Asian Languages and Studies in Australian Schools program) be restored, or a program with similar aims and an equivalent level of funding be established.

Recommendation 20

The Committee recommends that additional funding be provide to the Department of Education, Science and Training to enable it provide an annual grant to the Australian Consortium for 'In-Country' Indonesian Studies, for running and salary costs.

Recommendation 21

The Committee recommends that the Ministerial Council on Education, Employment, Training and Youth Affairs, develop a strategy for promoting understanding of Islam in Australian schools, and of creating ways of and encouraging Australian schools to establish sister school links with schools in Indonesia including Muslim schools.

Recommendation 22

The Committee recommends that on October 12 in this and future years, Australians not only remember those lost and injured in the Bali bombings, but commit ourselves to making substantial and sustained efforts to deepen our understanding and appreciation of Indonesian society.

Recommendation 23

The Committee recommends that the Department of Communications, Information Technology and the Arts actively promotes in the agencies within its portfolio a commitment to building a relationship with Indonesia.

Recommendation 24

The Committee recommends that the Australia Indonesia Ministerial Forum establish a Working Group on Arts, Heritage and Culture.

Recommendation 25

The Committee recommends that the Australia Indonesia Institute receive additional funding to expand its efforts in promoting culture and arts.

Recommendation 26

That a portion of the increased funding recommended earlier for the Australia Indonesia Institute be dedicated to the furthering of the sports relationship between Australia and Indonesia.

Recommendation 27

The Committee recommends that AusAID examine and report on the value and budgetary implications of adding cultural heritage as a third crosscutting issue in its program.

Recommendation 28

The Committee recommends:

- that the Federal Government continue providing additional funding for transmission for Radio Australia; and
- that the Australian Broadcasting Authority examine and report on the cost and feasibility and implications of Radio Australia taking advantage of spare short wave capacity directed at Indonesia and broadcasting on multiple frequencies.

Australia's relationship with Indonesia —a rich and complex tapestry

Introduction

- 1.1 Australia's relationship with its near neighbour, Indonesia, is an extremely important bilateral relationship. It is in the interests of both nations for the relationship to be strong in all its dimensions – strategic, political, economic and cultural.
- 1.2 It is a complex and sensitive relationship born of the differences in history, demographics and cultural background. Although there have been periods of strain, it has been for the most part a positive relationship of considerable value to both countries and with the potential to be significantly more so.
- 1.3 Indonesia and Australia have many shared interests, none more so than their shared interest in security and stability in the region. While 11 September 2001 brought to light the threat posed by terrorism to the international community, the Bali bombings of 12 October 2002 brought home to both Indonesia and Australia, devastatingly and unmistakably, how closely the interests of both countries lie.
- 1.4 The Bali bombing of 12 October 2002 has raised the profile of the relationship in both countries and ensured that the relationship is in the foreground not only of policy makers and governments but more widely. It has not changed the direction of the relationship though it

has focussed it and demonstrated the critical nature of that focus for both countries.

- 1.5 The relationship, however, is far broader than its security aspects.

Importance of Indonesia to Australia

- 1.6 Indonesia's size and geo-strategic position make it of immense importance to Australia and the region as a whole. Indonesia, a nation of over 17,000 islands spanning almost the full width of Australia's northern waters, is the fourth most populous nation in the world. It is the largest Muslim populated nation in the world. Indonesia is the only country of such proportions so close to Australia.
- 1.7 As Australia's 10th largest export market, Indonesia is important to Australia economically. Its population makes it potentially of even far greater importance in terms of trade. Indonesia's geo-strategic position makes it significant not only in terms of direct trade but also because much of Australia's trade with the rest of the world transits Indonesian waters. Moreover, 25 per cent of world trade goes through the Straits of Malacca.
- 1.8 Indonesia, in particular Bali, is an attractive holiday destination for Australians, although the Bali and Marriott bombings have had some impact on this.
- 1.9 Indonesia is an important cooperative partner in an extremely broad range of areas—including border control, biosecurity, agriculture, customs and meteorology to name only a few—where a common approach and joint efforts contribute significantly to effective management.
- 1.10 Indonesia is an important cooperative partner in a number of regional fora including APEC.

Importance of Australia to Indonesia

- 1.11 An emerging democracy, Indonesia has embarked on an extraordinarily ambitious program of change that encompasses constitutional, political, economic and administrative reforms.

- 1.12 The pace and degree of success of different aspects of the reform agenda is as variable as it is broad. While significant and considerable progress has been made in a number of areas, in others there have been a host of implementation problems. There has been some disappointment, both within and without Indonesia that the reforms have yet to deliver the improvements promised. Progress has not always been even. While significant changes have taken place concerning the role of the military in society, there are tensions surrounding those changes. Endemic problems such as corruption continue to undermine international and domestic confidence. Some of the reforms such as the relaxation on control of the media have allowed the flowering of a robust and healthy press but have also given impetus to the expression of pent up dissent. This creates the potential for a much more critical attitude to Australia and when critical, is less likely to be officially confected. Internal stability is threatened by ethnic tensions and conflict in a number of provinces and separatist sentiment in others. As the nation most seriously affected by the Asian financial crisis of 1997-98, Indonesia also faces enormous challenges economically as it endeavours to re-win the confidence of foreign investors.
- 1.13 As suggested by Austrade, 'realising a democracy after 32 years of autocratic rule, restructuring, reforming and growing an economy after major collapse and devolving administrative power to the regional government administrations is an enormous challenge'.¹ In such times, Australia, as a friendly, supportive and reliable country to its south, is of significant value to Indonesia. In a world where the issue of relationships between Muslim and non-Muslim countries is highly volatile, a solid relationship between Australia and Indonesia is of great value to Australia.
- 1.14 With the balance of trade firmly in Indonesia's favour, Australia is already an important trading partner for Indonesia. It is potentially also a source of much needed foreign investment.
- 1.15 Australia is a useful advocate in international fora as illustrated by Australia's suggestion to the United Nations General Assembly in 2003 that Indonesia be given a permanent seat on the Security Council.²
- 1.16 Australia offers Indonesia an inexpensive, English speaking, safe and friendly destination for its students.

1 Submission No 83, p 7

2 Sydney Morning Herald, 25/9/03, p 7

- 1.17 Australia cooperates with and offers support to Indonesia in its development and reform programs. Details about Australia's aid program are provided in the next chapter. Australia's support is important not only in financial terms but also because of the quality and relevance of its expertise.

Conduct of the inquiry

- 1.18 In response to the interest of the Committee, on 22 August 2002 the Minister for Foreign Affairs referred to the Joint Standing Committee on Foreign Affairs, Defence and Trade, an inquiry into Australia's relationship with Indonesia. In referring the inquiry, the Minister welcomed the Committee's proposed focus on opportunities for rebuilding closer links between the two countries. The Committee has kept this focus throughout the inquiry.
- 1.19 While the Committee has noted major developments in Indonesia, it has not attempted to give a comprehensive account of these developments. Such accounts are available from a variety of other sources with the responsibility and resources to acquire specialist knowledge in the area including government departments, universities and international agencies. The Committee has not in any sense reported on Indonesia but has rather formed an assessment of current strengths and weaknesses in the relationship. It has identified some areas in which it considers it important that greater effort is made to strengthen the relationship.
- 1.20 The Committee advertised the inquiry in 'The Australian' on 18 September 2002. Letters inviting submissions were sent to relevant Ministers, Commonwealth agencies, State Premiers and a wide range of organisations with an expected interest in Australia's engagement with Indonesia. A press release was widely distributed.
- 1.21 The Committee received 124 submissions (listed at Appendix A), and took evidence from over 60 organisations in approximately 40 hours of public hearings (listed at Appendix B). The Committee also spent four days in Jakarta meeting with political leaders, senior officials, and representatives from a wide range of organisations. Further details about this visit are provided in Chapter 2.

Timing of the inquiry and impact of the Bali bombings

- 1.22 As noted above, this inquiry was undertaken during a period of great transition in Indonesia. The already extraordinary pressures on Indonesia were compounded by the terrorist acts of the Bali bombings in October 2002 and the Marriott bombing in August 2003, irrefutable evidence of terrorist activity within its borders.
- 1.23 While the Bali bombing, in particular, has focussed attention on the security aspects of the bilateral relationship, it did not sway the Committee from its original intention which was to examine the relationship in all its aspects. It has, however, highlighted the significance of the bilateral relationship and the importance of addressing some of the issues which affect the quality of that relationship.
- 1.24 The Bali bombing has affected the bilateral relationship. A number of submissions cite the high degree of cooperation between Australia and Indonesia that took place immediately after the bombings in dealing with the disaster, and the ongoing cooperation since in pursuing the perpetrators of this heinous crime. Many submissions referred to the ways in which both countries have responded to Bali as having had a positive effect on the relationship, demonstrating not only the value of cooperation but also the willingness of both countries to achieve it. Bali has impacted on a number of areas of engagement and the response has been multifaceted, some accounts of which are provided in various sections of this report.
- 1.25 One aspect of Australia's response to the Bali bombing has been to provide various forms of immediate assistance to deal with the emergency. It has also provided long term health assistance and economic assistance. As at November 2003, the Australian Government's overall commitment to Bali, in response, to the disaster, stood at over \$12.45 million. The details of this assistance are outlined on the next page.
- 1.26 The Bali bombing has affected the relationship between Australia and Indonesia in its deepest currents. Of the 202 lives lost, 89 were Australians and 38 were Indonesian.³ This shared loss has brought together our two histories in a new and indelible way. No account of measures taken by either government can adequately portray the nature of this impact.

3 Canberra Times, 22/2/03, p 4 'Revised Bali death toll counts 89 Australian victims'

Australian government's assistance to Bali after 12 October 2002

IMMEDIATE ASSISTANCE

In the immediate aftermath of the Bali bombings, the Minister for Foreign Affairs approved \$300,000 in emergency assistance to Bali, which was later supplemented by a further \$121,000 from the bilateral aid program to Indonesia.

This assistance was used to purchase emergency medical supplies for Sanglah Hospital (\$14,000); fund an Australian expert to assess needs for, and prepare an inventory of, donated medical supplies (\$22,000); support the Indonesia Red Cross's work in a range of areas (\$140,000); and provide psychosocial support for victims, their families and others involved in the tragedy (\$245,000).

LONG TERM HEALTH ASSISTANCE

In February 2003, the Prime Minister announced a \$10.5 million package of assistance to the Bali health system.

The assistance comprises:

- An upgrade to Sanglah Hospital, focussing on a new intensive care centre comprising an intensive care unit, an intensive care coronary unit, and a burns unit, in conjunction with a program of emergency care capacity building, and the upgrading of the hospital's morgue, incinerator, and water supply (\$4.5 million);
- The construction of a community eye treatment centre to treat operable blindness and the provision of two mobile eye clinics (\$2.94 million); and
- The creation of an on-going Bali memorial medical and health scholarship program comprising both long-term study awards in Australia and short-term training (\$3 million over 5 years).

ECONOMIC ASSISTANCE

Through the Bali Rehabilitation Fund (BRF), Australia provided \$750,000 to assist communities in Bali and surrounding areas affected by the downturn in the tourist industry. The Fund acts as a small grants program primarily supporting new economic initiatives, opportunities for economic diversification, market development and skill training and development for Balinese and other Indonesians whose livelihoods were severely disrupted following the bombing and the resultant economic stress.

Mr Downer announced a further \$750,000 for the BRF on 12 October based on the success of the Fund to date and an assessment of unmet need.

Australia has also provided direct assistance to Balinese firms to assist them in increasing their exports. The Technical Assistance Management Facility (TAMF) assisted the National Agency for Export Development in a pilot program to determine the export readiness of a group of about 50 potential Balinese exporters. This activity, funded in July 2003, provided the opportunity for handicraft producers to better align their product designs to global customer preferences.

Australia is also contributing \$4 million to the Indonesian Enterprise Development Facility (IEDF), which aims to help develop the small and medium enterprise (SME) sector in Eastern Indonesia. The Bali arm of the IEDF, the Trade and Export Program (TEP), will work with producers in the furniture and handicraft sector.

The Australian Government's overall commitment to Bali, in response to the disaster, now stands at over \$12.45 million (exclusive of IEDF). Source: *Submission No 122, pp 1-2*

Overall impression - a multifaceted multilevel bilateral relationship

- 1.27 The bilateral relationship between Australia and its near neighbour, Indonesia, is a richly textured and complex tapestry. In some places it is extraordinarily well structured and detailed; in others, only loosely woven. It is a relationship that exists on many levels — political/diplomatic, bureaucratic and people-to-people. Although the focus of this inquiry has been on the bilateral relationship, much of our engagement takes place in the regional and multilateral domains.
- 1.28 The Committee was extremely impressed with the strength of the relationship at the bureaucratic level as described in the large number of submissions received from government agencies. The Committee has endeavoured to portray the strength of this area of the relationship in the next chapter.
- 1.29 The relationship, however, is not an even one, a perception reinforced during the Committee's recent visit to Indonesia. While there is a welcome willingness on both sides to engage, the Committee detected and is concerned by the level of misunderstanding and even mistrust that is present in the relationship. The Committee considers that the bilateral relationship needs considerable strengthening at both the political and at the people-to-people levels. At both levels there is a pressing need for much better communication and much deeper understanding. Many of the suggestions made in this report are aimed at strengthening the relationship in these areas. It is important to the national interest that these needs are addressed.

Scope and structure of the report

- 1.30 In describing a relationship as broad as that between Australia and Indonesia, it is inevitable that there will be areas of overlap. There is an inter-relationship between many of the factors affecting developments within Indonesia and the relationship between the two countries. The Committee has endeavoured to organise the areas it has considered in such a way as to provide a reasonably linear narrative but it has not always been possible.

- 1.31 As indicated earlier, the Committee received a large number of very substantial submissions to this inquiry. These submissions, particularly most of those from government departments and agencies, contain an extraordinarily detailed account of the engagement between the two countries at that level. The Committee has not sought to provide in this report details of the myriad specific activities that these submissions describe. That material will be tabled with this report, and is now on the public record, brought together in one place by this inquiry. It has been invaluable in informing the Committee about the extent and high quality of the relationship at this level.
- 1.32 In writing this report, the Committee has adopted a broad brush approach. It has been selective in the issues it has focussed on, concentrating on areas which it has identified as needing strengthening.
- 1.33 The report comprises six chapters. The first chapter has described the importance of the bilateral relationship and registered the Committee's overall assessment of the relative strengths and weaknesses of the relationship.
- 1.34 In Chapter 2, the Committee looks at the political / diplomatic and bureaucratic levels of the relationship and some aspects of the formal architecture that is in place for facilitating engagement at this level.
- 1.35 Chapter 3 examines the critically important security aspects of the relationship. Not all the areas in which Australia and Indonesia cooperate have been given equal attention.
- 1.36 In Chapter 4, the Committee examines economic aspects of the relationship, both from the perspective of the trade and investment relationship and also in terms of Australia's efforts in assisting Indonesia achieve a sustainable economic recovery.
- 1.37 Chapter 5 looks at other areas of development cooperation. It also considers some of the internal stability issues within Indonesia, with particular attention to Papua.
- 1.38 Finally, Chapter 6 concentrates on the all important people-to-people links.
- 1.39 Australia and Indonesia are near neighbours. Being good neighbours is an art requiring a delicate balancing of distance and closeness: a distance that is respectful of difference and sovereignty —a closeness that guarantees a helping hand in times of need. In conducting this

inquiry and writing this report, the Committee has endeavoured to contribute to the building of a positive, healthy and productive relationship between good neighbours.

Acknowledgements

- 1.40 Possibly the most important aspect of this inquiry was the Committee's visit to Indonesia in late February 2004. The Committee is extremely grateful for the warm welcome it received from HE President Megawati Soekarnoputri and HE Vice-President Hamzah Haz; HE Akbar Tandjung, Speaker of the DPR and Chairman of Golkar; Members of DPR Commission I and members of the Inter-Parliamentary Cooperation Group; General Sutarto, Head of the Indonesian Armed Forces; senior officials including Dr. Sudjadnan Parnohadiningrat, Secretary-General, Ministry of Foreign Affairs and Major. General. Sudradjat, Director-General, Defence Strategy, Department of Defence; and senior Indonesian National Police (POLRI) staff. The Committee extends thanks to the National Human Rights Commission, the full board of which assembled to meet with members of the Committee. The Committee thanks also a host of others who generously gave up their time to meet with or attend functions with the Committee including Parliamentarians; staff of the DPR; Muslim leaders; representatives of international financial institutions; economic and political commentators; representatives of the Indonesia-Australia Business Council; and volunteers from AVI. The information provided, the openness of the discussions and the insights shared have greatly contributed to the Committee's inquiry into the relationship between the two countries.
- 1.41 The Committee thanks HE Mr Imron Cotan, Ambassador for the Republic of Indonesia, for his interest in and strong support for this inquiry. The Committee appreciates also the friendly and very helpful support given by the Embassy's staff.
- 1.42 The Committee was extremely impressed by the dedication of the staff of the Australian Embassy and is very grateful for the flawless support they provided to the Committee throughout its visit to Indonesia. Many individuals made substantial contributions to the success of the visit. The Committee makes special mention of Mr Peter Rowe, Charge d'Affaires; Brigadier Ken Brownrigg, Head of Australian Defence Staff; and Dr Bradley Armstrong, Second

Secretary (Economic) and Liaison Officer for the visit, and thanks them for their tireless efforts.

- 1.43 The Committee was also impressed by the response to this inquiry from government departments. Most government departments provided substantial and very useful accounts of their engagement with their counterpart agencies in Indonesia. The Committee appreciated the enthusiasm and dedication to building the relationship evidenced for the most part by representatives of these agencies at public hearings. They play a key role in building and maintaining Australia's bilateral relationship with Indonesia and it is much to their credit that the relationship is as strong as it is at this level.
- 1.44 The Committee is grateful to those agencies it contacted for additional material, for the speed and detail of their responses. AusAID, Treasury and DEST have been outstanding in this respect.
- 1.45 The Committee extends particular thanks to the governments of Western Australian, the Northern Territory and the ACT for their response to this inquiry. The relationship both WA and the NT have with Indonesia is obviously of great importance economically and is very well developed.
- 1.46 The Committee thanks academics, teachers, non government organisations and others for their very valuable contribution to this inquiry.

Government and parliamentary links

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

Strengthening parliamentary links

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

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

- 2.4 The Committee also received a detailed briefing from the Charge d’Affaires and officials from the Australian Embassy, and on-going background explanations and briefings during the course of the visit.
- 2.5 The Committee was delighted by the very warm welcome extended by HE President Megawati Soekarnoputri during a 45 minute call at her residence. The delegation was pleased to hear of the President’s interest in visiting Australia and her wish to do so at the earliest opportunity. The Committee also appreciated the generous welcome from HE Vice-President Hamzah Haz who took the opportunity to express thanks to Australia for its support with the elections.



Figure 2.1 Courtesy call on HE President Megawati Soekarnoputri

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

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

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



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

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

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

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

Bilateral Committee Visits

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

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

- 2.15 The Committee's meeting with Commission I during its recent visit was an important step in establishing a valuable connection. It allowed, too, for both parties to air concerns, exchange view points and, on occasion, to clarify misunderstandings. At the meeting the Committees also exchanged information on their respective roles and staffing arrangements in place to support their work.
- 2.16 Regular meetings would provide the opportunity to develop this relationship. They would enable the type of communication to develop that is only achieved with regular contact over time – communication characterised by open dialogue and mutual respect. For this reason the Committee sees much value in establishing a program of exchange visits between Parliamentary Committees along similar lines to the New Zealand / Australia Committee Exchange Program¹, a program established after negotiations at the Prime Ministerial level. Unlike the New Zealand / Australia Committee Exchange Program, the proposed program would focus specifically on the foreign affairs committees.
- 2.17 Given the role both Commission I and the Australian parliamentary foreign affairs committees have in foreign policy and foreign relations, it is appropriate that they be enabled to take a direct role in building the relationship. Just as regular meetings between Ministers of counterpart portfolios are a critical element of building the bilateral relationship, so too is there a role for regular meetings of the committees that focus on foreign relations and that have an impact, potentially a very positive impact, on the bilateral relationship.

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

Recommendation 1

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

The Architecture of the relationship

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

Australia-Indonesia Ministerial Forum

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

2 Submission No 89, p 13

3 Submission No 89, p 14

4 Submission No 89, p 23

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

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

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

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

MOUs

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

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

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

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

Engagement at the State and Territory level

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

Northern Territory

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

6 Submission No 41, pp 2-3

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

8 Submission No 87, p 1314

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

9 Submission No 87, p 3

10 Submission No 87, p 7

11 Submission No 87, p 7

Recommendation 2

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

Western Australia

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

12 Submission No 33, p 1

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

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

Recommendation 3

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

Features of the agency-agency relationship

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

Engagement is multifaceted

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

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

15 Submission No 88, p 3

Engagement is mutually beneficial

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

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

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

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

19 Submission No 88, p 17

pest and diseases of quarantine concern entering Australia via Papua and then PNG.²⁰

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

20 Submission No 88, p 16

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

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

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

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

Government Sector Linkages Program

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

23 Submission No 41, attachments 2 and 3

24 Submission No 47, p 2

25 Submission No 97, p 2

26 Submission No 97, p 2

27 Submission No 52, p 2

with particular emphasis on programs arising through the Australia-Indonesia Ministerial Forum Process.’²⁸

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

Recommendation 4

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

Sister-State Province relationships

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

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

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

30 Submission No 33, p 7

31 Submission No 87, p 4

32 Submission No 48, p 1

33 Australian Sister Cities Association, Register of Affiliations

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

Recommendation 5

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

A whole-of-government approach

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

³⁴ Submission No 87, p 7

³⁵ Submission No 84, p 8

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

Australia's aid to Indonesia—supporting the engagement

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

A statistical portrait of Australia's aid to Indonesia

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

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

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

Source STATS DB (1997-98), Budget Papers, as quoted on AusAID website³⁷ (1995 to 2003)
Sub 116 (1993 to 1995)

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

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

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

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

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

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

**AusAID budget papers and annual reports (1974/5/75 - 2002/03)

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

Compiled by IRSU 26 November 2003.

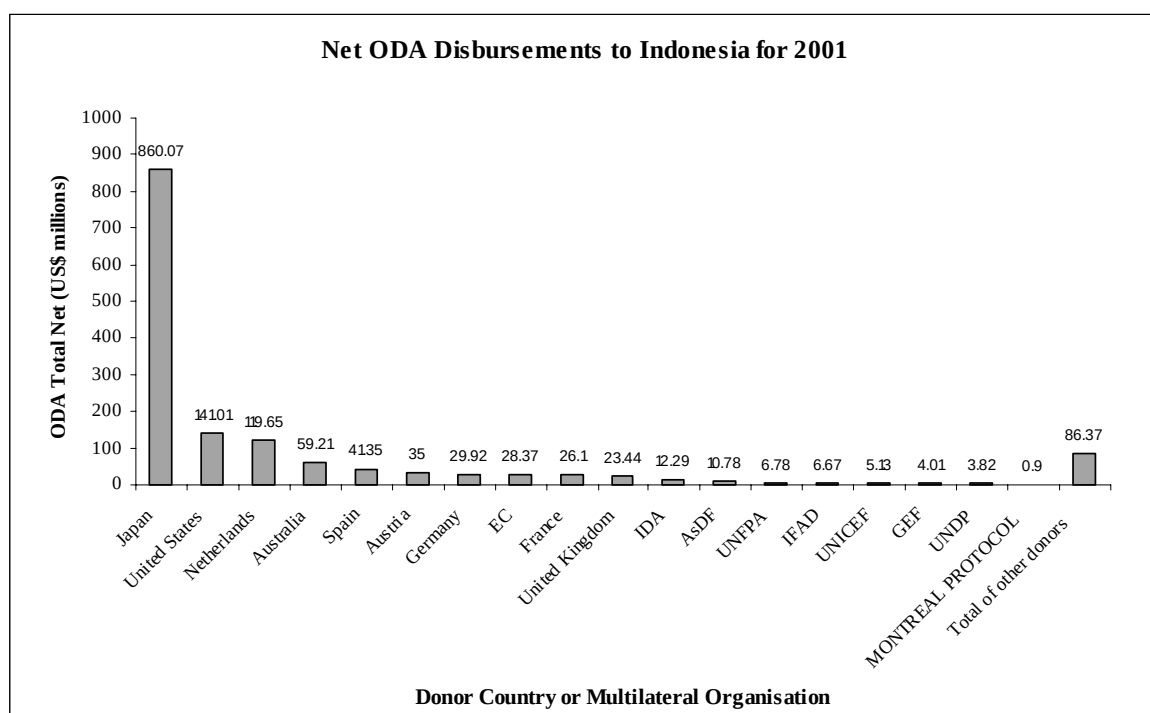
Australia's aid to Indonesia as a proportion of the total donors aid to Indonesia

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

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

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

Figure 2.3 Net ODA Disbursements to Indonesia for 2001

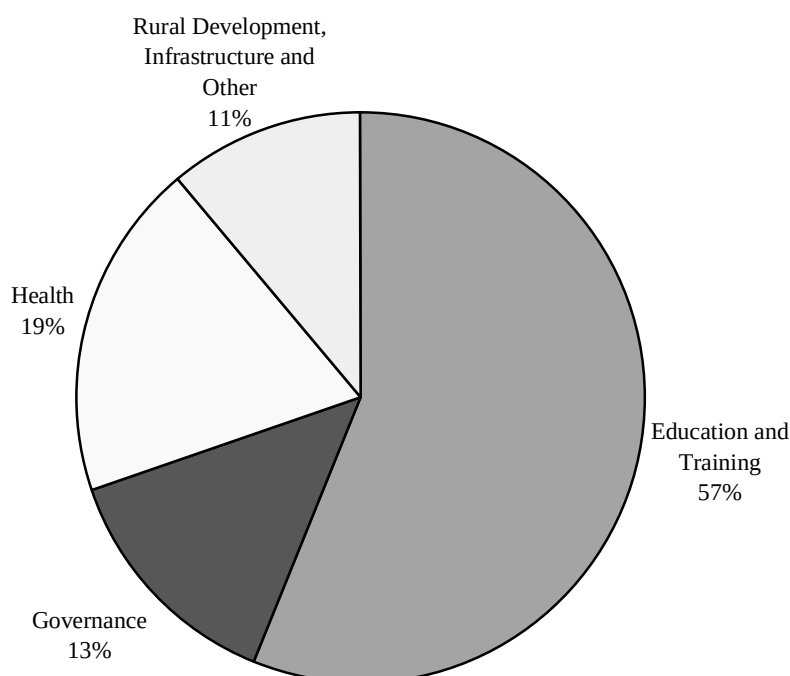


Source OECD-DAC IDS online database: compiled by AusAID IRSU 11/08/03

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

Aid program assistance by sector

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



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

Australia's aid to Indonesia – an evolving strategy

2.57 As described in AusAID's *Indonesia Country Program Strategy From 2003*, Australia's development program has evolved considerably since the financial crisis of 1997/98, in part as a result of that crisis and the ensuing political crisis that followed but also because of a new focus on poverty reduction and the achievement of sustainable development as a new objective of Australia's aid program.⁴⁰

2.58 Australia's aid strategy to Indonesia continues to evolve. The Committee commends AusAID for its approach to examining the effectiveness of its efforts in Indonesia in the past, as reflected in the latest country strategy. The strategy reflects the development of a more tightly targeted approach with less sectorally based, large scale, multi-province projects and more area specific, integrated and programmatic approaches.⁴¹ It will reduce

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

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

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

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

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

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

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

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

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

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

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

engagement and that this trend is expected to continue.⁴⁴ The Committee welcomes this trend.

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

Recommendation 6

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

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

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

Security aspects of the bilateral relationship

- 3.1 Of all the important interests that Australia and Indonesia share, none is more significant than their shared interest in security, a reality brought home in one resounding blow by the Bali bombing in October 2002. This shared interest alone is a compelling reason for being good neighbours. Notwithstanding this, it needs to be noted that it is quite clear that there are factors such as events in East Timor which play as heavily on the minds of Indonesia when contemplating the bilateral relationship as Bali does for both of us, as reflected in an observation made to the Committee during its recent visit to Jakarta by a senior official. The official advised the Committee that in a recent written round of a recruitment process, participated in by 6,800 applicants, in every question relating to foreign policy, the US and Australia were most disliked.
- 3.2 Indonesia's geographic position in relation to Australia, its size and population make it of immense strategic importance to Australia. In terms of trade alone, according to the Australian Defence Association (ADA), 'more than half Australia's economy is directly or indirectly dependent upon secure shipping. Much of Australia's trade and much of the trade of Australia's major trading partners in north east Asia passes through the Indonesian straits of Lombok, Ombai and Wetar.¹ Secure transit through these waters is vital to Australia's economy.

1 Submission No 9, p 3

- 3.3 Indonesia's external and internal stability has the potential to impact profoundly on the region and on Australia. While Indonesia itself may focus north, it is also in its interests to have to its south a friendly neighbour to which it can look for support and cooperation.
- 3.4 Indonesia's strategic importance is reflected in the network of relationships, many of them overlapping, between defence forces, law enforcement and intelligence agencies, immigration officials and customs officers of the two countries. Our bilateral engagement in all of these dimensions is supported by co-participation in multilateral agencies.
- 3.5 The cooperation between Australia and Indonesia has been formalised by a raft of Memoranda of Understanding including:
- *Memorandum of Understanding between Australia's AUSTRAC and Indonesia's financial intelligence unit, the PPATK on the exchange of financial intelligence*, signed February 2004;
 - *Memorandum of Understanding on Combating International Terrorism*, signed in February 2002 and later extended to February 2004;
 - *Memorandum of Understanding on Legal Cooperation*, signed in October 2000; and
 - *Memorandum of Understanding on Combating Transnational Crime and Developing Police Cooperation*, signed in June 2002.
- 3.6 Australia and Indonesia have extended their bilateral cooperation to jointly promote cooperation in the region. In recent years, Indonesia and Australia have co-hosted a number of regional conferences including:
- *Regional Ministerial Meeting on Counter Terrorism, February 2004* in Bali;
 - *Regional Conference on Combating Money Laundering and Terrorist Financing, December 2002* in Bali; and
 - *Regional Ministerial Conference on People Smuggling, Trafficking in Persons and Related Transnational Crime, February 2002* in Bali.
- 3.7 The joint hosting of these conferences is a clear indication of a strong sense of shared purpose. It also sends a strong signal to the region of the strength of the bilateral relationship.
- 3.8 Australia has a whole-of-government approach to two of the areas that have dominated the security relationship in recent years, 'counter terrorism' and 'people smuggling, people trafficking and related transnational crime'. At the operational level, much of the engagement in the security relationship takes place at the agency

level. To reflect this, the Committee has presented an agency based account of the security relationship.

Defence

- 3.9 While much of the focus of the two countries' engagement since 11 September 2001, and even more so since the Bali bombing, has been on counterterrorism, the security relationship is significantly broader than that.
- 3.10 At its centre is the defence relationship. The defence relationship is an extremely important aspect of the bilateral relationship providing as it does, a framework for engagement with the Indonesian military, described in the submission from the Department of Defence, as 'the country's predominant national institution'.² A key aim of the defence relationship from Australia's point of view is to encourage 'a stable long-term future for Indonesia'.³
- 3.11 In evidence before the Sub-Committee, the Australia Defence Association (ADA) stressed the importance of Indonesia to Australia.
- In strategic terms, Indonesia is part of Australia's shield and our highway to the world. Fundamentally, Indonesia's external security is inseparable from Australia's and this reality should determine Australia's security relationship with Indonesia. In effect, Australia has the choice of treating Indonesia as a likely adversary or potential ally. In the Association's view, this choice is no choice at all. Policy must be directed towards ensuring that Indonesia remains an ally based upon a recognition of shared security interests.⁴
- 3.12 According to the submission from the Department of Defence, the focus in the relationship is on building a relationship in such a way as to facilitate cooperation on issues as they arise. To this end, high level visits and strategic level dialogue is encouraged as is personal contact and professional interaction at all levels.⁵
- 3.13 Based on a strong sense of shared interest, the defence relationship has, according to Defence, delivered significant benefits for Australia 'particularly in the areas of operational access, maritime surveillance,

2 Submission No 92, p 10

3 Submission No 92, p 5

4 Submission No 9, p 7

5 Submission No 92, p 6

cooperation on evacuation planning, and access to decision-makers at critical times.’⁶

- 3.14 The defence relationship is also a very sensitive relationship. Differences in the culture and role of the military in the two countries create the potential for misunderstanding and tension.
- 3.15 While the defence relationship survived the most recent serious downturn in the bilateral relationship over the crisis in East Timor, it was damaged by it. According to Defence, ‘the East Timor crisis reduced the level of mutual confidence in the defence relationship’.⁷ This issue is addressed in more detail later in this chapter. In terms of engagement, this resulted in many of the combined activities previously undertaken being scaled down or cancelled.⁸
- 3.16 The process of rebuilding the defence relationship is taking place in the highly pressured environment of post September 11 2001. While the terrorist threat provides a stimulus and opportunity for re-engagement, it also puts pressure on two aspects of re-engagement, namely its pace and its extent.
- 3.17 In evidence before the Committee, Defence advised that the Government has directed that Defence seek to further restore confidence in the relationship through senior level dialogue and by increasing the level of training and advisory assistance provided to the TNI. According to Defence, in recognition that confidence in the defence relationship will not be restored immediately, ‘the Australian and Indonesian Governments have agreed that close consultation will continue to ensure that the defence relationship develops at a mutually agreed pace and direction.’⁹
- 3.18 In considering the extent of re-engagement, it is relevant to note that while joint exercises and special forces activities were discontinued after East Timor,¹⁰ at no time were defence links severed. According to Defence, ‘we have continued to welcome Indonesian participation in staff college courses and have continued the program of providing Indonesian military and civilian security officials with scholarships to study in Australia. Defence Attaché staff remained in place in both Canberra and Jakarta. Similarly, ADF members have continued to

6 Submission No 92, p 6

7 Submission No 92, p 7

8 Submission No 92, p 7

9 Submission No 92, p 8

10 Submission No 92, p 7

attend staff colleges in Indonesia, and the ADF Nomad maintenance advisory team has remained at the Naval air station at Surabaya'.¹¹

- 3.19 Australia's defence involvement with Indonesia was extended with the signing of the Memorandum of Understanding between Australia and Indonesia on Combating International Terrorism, in February 2002. The MOU was extended to February 2004. As described by Defence, the MOU 'states the intentions of both governments to enhance counter-terrorism cooperation between the officials of defence, security and law-enforcement agencies of the two governments.'¹²
- 3.20 Under the MOU, Australia Defence's officials have provided information analysis training. This will continue along with regular exchanges of views between the two intelligence agencies.¹³

Limited cooperation with Kopassus

- 3.21 In its submission to the inquiry, Defence advised the Committee that discussions have commenced with Indonesia about 'how best to resume limited defence cooperation to combat terrorism specifically in the areas of hostage recovery and counter-hijack.'¹⁴
- 3.22 In evidence before the Committee in June 2003, Defence explained that in its judgement:
- Kopassus is currently the most capable counterterrorist force in Indonesia. If something happened tomorrow or next week, it would be inappropriate for our special forces and the Indonesian special forces to meet for the first time in a hangar five minutes before the assault. So our view is to try and find ways to build a very narrow relationship in that area and see whether or not there are opportunities to exchange views and work to our mutual interest. Our particular concern is things like aircraft hijacks and those sorts of issues.¹⁵
- 3.23 In further evidence on the issue, DFAT advised that 'the Government is committed to limiting our cooperation to exclude those people we know have been involved in serious human rights abuses.'¹⁶

11 Submission No 92, p 7

12 Submission No 92, p 8

13 Submission No 92, p 8

14 Submission No 92, p 8

15 Transcript of evidence, Monday 23 June 2003 (morning), p 323

16 Submission No 114, p 2

- 3.24 The nature of the re-engagement in the defence relationship was one of the most controversial issues raised during this inquiry, particular regarding engagement that involved Kopassus. Many submitters were extremely concerned about any prospect of a resumption of engagement with Kopassus.
- 3.25 In describing its concerns that ‘the Australian Government had considered enhancing its cooperation with the Indonesian military, and particularly with Kopassus’, ACFOA (now known as ACFID) suggested that ‘this potentially encourages an inappropriate military response to a law enforcement problem, and is additionally troubling given the past and recent record of the Indonesian military in human rights.’¹⁷
- 3.26 In its submission to the inquiry, the Australian Strategic Studies Institute asserted that ‘we need to build a relationship with TNI that is acceptable to all sides.’ It suggested that this will probably entail keeping contact with Kopassus to a minimum and that we should encourage the development of others in the counter-terrorism area.’¹⁸
- 3.27 The Committee explored with DFAT the option of maintaining a policy of no exercise with Kopassus and concentrating all anti-terrorist efforts with Indonesia through the Indonesian National Police. In response, DFAT reiterated the Government’s view that ‘in the immediate term the Indonesian Special Forces have by far the most effective capability to recover hostages and resolve a hijacking situation.’ It added that the Government ‘continues to co-operate closely with other Indonesian law enforcement agencies in counter-terrorism, including the Indonesian Police.’¹⁹
- 3.28 Of particular relevance to the Committee’s consideration in regard to cooperation with Kopassus is the nature of the limitations around the cooperation. As noted above, the evidence taken in the inquiry indicates that the cooperation is to be specifically limited to hostage recovery and counter hijack operations and will exclude people known to have been involved in serious human rights abuses.
- 3.29 In responding to questions regarding the practicality of distinguishing between Kopassus officers on the basis of their human rights record, DFAT acknowledged the complexity of the task and pointed out that; ‘at this point it is very largely untested because we

17 Submission No 84, p 9

18 Submission No 77, p 4

19 Submission No 114, p 1

have not yet embarked on any programs of renewed cooperation with Kopassus'.²⁰

- 3.30 The Committee acknowledges the difficulties for any government faced with balancing the responsibility of taking whatever steps are possible to protect the safety of Australians in hostage or hijack situations against the reluctance to provide any form of support to Kopassus until there are convincing signs of sustained radical improvement in its approach to human rights.
- 3.31 While the Committee acknowledges that the government has tried to accommodate the latter concern by excluding people known to have been involved in human rights abuses, such case by case decision making raises the possibility of seriously damaging the relationship by the controversy that can be created each time a decision is made to exclude some officers. The potential for this was illustrated by the media attention given the cancellation of a planned visit by Kopassus officers to the Australian SAS Regiment in Swanbourne, WA, in October last year.²¹
- 3.32 Although the Committee has reservations about co-operation with Kopassus, the Committee strongly endorses Australia's efforts to rebuild the defence relationship with Indonesia.
- 3.33 Senator Stott Despoja's view is that resumption of ties between the Australian Defence Force and Kopassus is fraught with danger and contrary to the interests of both Australia and Indonesia. Cooperation should only resume when there is objective evidence that Kopassus is committed to protecting human rights and has brought all perpetrators of human rights violations to justice.
- 3.34 The defence relationship will derive its strength and resilience from the quality of the personal relationships between officers of the ADF and TNI. The value that these personal relationships add to the relationship has been amply demonstrated by the cooperation that was evident even during the East Timor crisis and after the Bali bombing as described below:

...the TNI provided access for visits to East Timor by Australian Defence staff in Jakarta to help prepare for the successful deployment of INTERFET, and assisted with the

20 Transcript of evidence, Monday 13 October 2003, p 488

21 In response to a request for information about the cancellation of a visit of Kopassus officers to the Australian SAS regiment in Swanbourne, WA, in October 2003, DFAT advised that 'the decision to cancel a planned visit to Australia by Kopassus officers, including the Commander Major General Sriynato, was taken by both Australia and Indonesia in a cooperative spirit. (Submission No 114, p 2)

evacuation of UNAMET personnel and internally displaced persons from Dili to Darwin. More generally, the TNI helped in establishing the generally cooperative and business-like relationship with INTERFET during the East Timor deployment.

In recent months, our defence relationship with Indonesia has helped lay the groundwork for successful cooperation to confront the shared threat of international terrorism. The defence relationship helped secure the ready and valuable cooperation of the TNI in the immediate aftermath of the Bali bombing, including support for the successful medical evacuation operation.²²

- 3.35 Strong personal relationships are established through visits, exchanges, training activities and other capacity building exercises. These activities also provide opportunities for formal and informal dialogue on important and sometimes contentious issues including approaches to human rights.
- 3.36 At this stage in Indonesia's history, it is extremely important that there is open communication in our defence relationship. Indonesia's military is at an extremely interesting and important stage in its history with its role in Indonesia changing in ways consistent with the country's transition to a strong and stable democracy. The Committee welcomes the reforms that it has embraced to date. The Committee also acknowledges the intense pressures confronting the military from within Indonesia as it responds to the serious challenges facing Indonesia including those emanating from separatist sentiment and the threat to Indonesia's stability from terrorism. It also acknowledges the external pressures on the military from external sources particularly in relation to human rights abuses.
- 3.37 The depth of the wounds created by misunderstandings about Australia's recent role in East Timor, felt particularly keenly by the Indonesian military, illustrate the importance of having good channels of communication and communicating more effectively. It is indeed regrettable, and ironic, that 'the lingering misunderstandings around East Timor' have, as described by Defence in its submission, 'so far made it hard to build on the opportunities offered by Indonesia's democratising achievements to establish the foundations of a new defence relationship.'²³

22 Submission No 92, p 6

23 Submission No 92, p 5

- 3.38 The Committee notes that the pace for rebuilding will be determined by both countries. On the Australian side, it strongly endorses measures that can accelerate the process of re-establishing mutual confidence, in the Committee's view, the key challenge facing the defence relationship.

Recommendation 7

The Committee notes that the pace for rebuilding the defence relationship will be determined by both countries. On the Australian side, it strongly endorses measures that can accelerate the process of re-establishing mutual confidence in the defence relationship.

The need for mature and open dialogue

- 3.39 During its visit to Indonesia in February 2004, defence related issues were raised in a number of meetings. The discussions were characterised by a relatively straightforward, respectful and robust exchange of viewpoints. There was general agreement in these sessions that improving communication through open dialogue was a critical element of improving the bilateral relationship.
- 3.40 The meetings enabled the Committee to provide some clarification about some recent matters of concern to Indonesia, for instance, Australia's commitment to participate in the US Missile Defence program and the proposed Christmas Island Spaceport.
- 3.41 In relation to the Missile Defence program, the members of the delegation were able to give some assurance that while Australia had agreed in principle to greater participation in the US Missile Defence (MD) program it had not yet committed to any specific activity or level of participation.²⁴ Moreover, with the delegation made up of members of the Government, Opposition and Democrat parties, the members were also able to give some indication of some of the objections to the program from within Australia. These objections related to the utility and cost effectiveness of Australian participation in the US MD program as well as to concerns that it would encourage others to improve their intercontinental ballistic missile capability.
- 3.42 It should be noted that the concern of the Indonesians in relation to the ballistic missile defence program ostensibly being considered by the Australian Government indicated an intention on Australia's part not simply to defend Australia but to use the screen to develop

24 Department of Defence, Submission to the current inquiry by the JSCFADT into Australia's Defence Relations with the United States, p 10

Australia's own missile attack capability with Indonesia in mind. This, of course, is a long way from any Government intention but is an indication of how carefully these issues need to be explained in detail with our Indonesian counterparts.

- 3.43 The Committee sensed in some of the discussions an underlying concern about Australia's intentions and about how it perceived Indonesia. The Committee is aware that the Australian Government has been quite active in trying to provide reassurance on some of the issues causing concern, for instance in response to Indonesia's concerns about the proposed Christmas Island Spaceport. The Government's extensive efforts to respond to these concerns are described in detail in the submission from the Department of Industry, Tourism and Resources.²⁵ However, it is often more difficult to correct misunderstandings and allay concerns once they have arisen.
- 3.44 The Committee considers that the Australian Government should consult with Indonesia prior to making public announcements about any steps Australia may be taking that could be perceived as having security implications for Indonesia.
- 3.45 These meetings also enabled the Committee to begin to address some long standing misunderstandings and, in particular, those relating to Australia's involvement in the independence of East Timor. In the Committee's view, until the misconceptions around Australia's involvement are addressed, it is unlikely that Indonesia will accept Australian assurances about its unequivocal support for Indonesia's territorial integrity. The Committee considers that there is a need to take the opportunities that are available to deal with this misunderstanding in the forthright manner that is appropriate for a mature relationship. In this context, the Committee raised the issue of East Timor in a number of discussions held with parliamentarians and senior officials during its visit to Indonesia.
- 3.46 Although East Timor had always been a vexed issue in domestic Australian political debate, successive Australian Governments' strong preference had been for East Timor to remain as part of Indonesia. The Australian Government had supported the approach of offering an autonomy plus package to East Timor as a way of reaching reconciliation between the various parties but did so against a background of continued support for Indonesia's sovereignty. In December 1998, Prime Minister Howard suggested in a letter to President Habibie that the 'long term prospects for a peaceful
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resolution of the East Timor issue would be best served by an act of self-determination by the East Timorese at some future time, following a substantial period of autonomy.’²⁶ The Prime Minister also made clear that the Australian Government’s own strong preference was that East Timor remain as part of Indonesia and that a long transition time should take place before a decision was made on East Timor’s final status. The Australian Government also made clear that it would respect whatever decision the East Timorese themselves made and that it would assist them with whatever course of action they chose to take – ‘whether it be independence or autonomy, a quick or a prolonged transition’.²⁷

- 3.47 Australia was not party to the agreement reached in early May 1999 between Indonesia and Portugal, under the auspices of the United Nations, for a ‘popular consultation’ to be held in East Timor under UN sponsorship. In the tumultuous aftermath of the ‘popular consultation’, Indonesia agreed to accept the offer of assistance from the international community and to allow INTERFET to enter East Timor and secure the territory. Without Indonesia’s agreement, Australian forces would not have entered East Timor.
- 3.48 Prior to the deployment of Australian troops to East Timor, the Australian Democrats had long advocated for a United Nations peace keeping force to be sent to protect the people of East Timor, with or without Indonesia’s permission.
- 3.49 Australia has no territorial ambitions. We respect the sovereignty of our neighbours.

Recommendation 8

The Committee recommends that as Australia participates more broadly in the activities associated with the war against terror, and as it pursues more generally its security interests, the Australian Government should sustain a regular and rigorous dialogue to ensure that in a country where Islamic sensitivities are high, there is a complete understanding of Australia’s intentions and that those intentions in no way incorporate a hostile view of the Islamic world or Indonesia’s part in it.

26 DFAT’s submission to the Inquiry into East Timor, by the Senate Foreign Affairs, Defence and Trade References Committee, March 1999, pp 3-4

27 DFAT’s submission to the Inquiry into East Timor, by the Senate Foreign Affairs, Defence and Trade References Committee, March 1999, pp 3-4

Law enforcement

- 3.50 Australia and Indonesia have a strong shared interest in cooperation around law enforcement. In recent years, the engagement in this area has focussed on responding to the heightened terrorist threat post 11 September 2001 and developments around people smuggling, trafficking in persons and related transnational crime. However, the facility to respond to these developments in the effective and cooperative way that has occurred is a product of the long standing efforts that have been made to nurture the relationships between the law enforcement agencies in the past.
- 3.51 The framework for the law enforcement relationship is provided for by a number of bilateral agreements, the two most significant of which are the Memorandum of Understanding on Combating International Terrorism signed in February 2002 and the Memorandum of Understanding on Combating Transnational Crime and Developing Police Cooperation signed in June 2002.²⁸
- 3.52 The law enforcement relationship is further supported by participation in multilateral fora including APEC, Interpol and the United Nations Office for Drug Control and Crime Prevention.
- 3.53 The importance of the law enforcement relationship was stressed in evidence given to the Committee by the AFP.

The INP has done its country proud by working openly with law enforcement partners and by sending a message that terrorism will find no sanctuary in Indonesia. The AFP-INP relationship continues to strengthen at the three levels I have talked about, much of it reinforced by personal trust and respect between officers. It would be wrong to claim that there are not challenges, as I have touched upon. What helps to overcome these challenges is the strength of the relationship and the lessons learned through its successes. Both the AFP and the INP remain acutely aware of the devastating effects of terrorism in particular but also other transnational crime on the economy and society of our respective countries. Law enforcement plays a central role in preventing crime and terrorism in the region, and law enforcement cooperation has therefore never been more important.²⁹

28 Submission No 62, p 5

29 Transcript of evidence, Monday 23 June 2003 (morning), p 305

- 3.54 The key agencies that gave evidence to the inquiry relating to law enforcement were the Australian Federal Police, the Attorney-General's Department, the Department of Immigration and Multicultural and Indigenous Affairs, and the Australian Customs Service.

Australian Federal Police

- 3.55 The AFP, as Australia's international law enforcement and policing representative, has a long standing and robust relationship with the Indonesian National Police (INP). As with the military, the transition to democracy has brought changes to the operations of the Indonesian police including, significantly, its separation from the military in 1999.
- 3.56 The AFP and INP are the implementing agencies for the Memorandum of Understanding between the Government of the Republic of Indonesia and the Government of Australia on Combating Transnational Crime and Developing Police Cooperation. The MOU which provides the formal framework for cooperation between the two countries in law enforcement was signed in June 2002 and ratified by both governments on 21 September 2002.
- 3.57 As described in the AFP submission, the MOU builds on the 1997 police-to-police MOU and 'provides the framework for collaboration in the areas of intelligence sharing, joint operations and capacity building through cooperation'. It identifies the following eight crime types on which Australia and Indonesia will cooperate: terrorism, firearms trafficking, money laundering, cyber crime, trade in narcotic and other illicit drugs, sea piracy, people smuggling and trafficking in persons, and transnational economic crime. The MOU also establishes a bilateral working group.³⁰

Operational cooperation

- 3.58 According to the AFP, the operational cooperation is underpinned by its international network. In Indonesia this comprises five AFP officers, four based in Jakarta and one in Bali.
- 3.59 That the relationship with the INP, a long standing one built on close personal links, was a key factor in establishing the successful cooperation between both police forces in response to the Bali bombings in October 2002. Within days of the event, an agreement under the MOU on Combating International Terrorism was signed

30 Submission No 62, p 6-7

that established a Joint Australia-Indonesia Police Investigative Team to investigate the bombings.

- 3.60 In referring to the joint investigation in giving evidence to the Committee, the Deputy Commissioner of the AFP remarked:

I cannot stress enough how the positive foundations of the Australian Federal Police and Indonesian National Police relationship through both thick and thin not only enabled the successful investigation and current prosecutions in Bali but has given a tangible basis to the efforts of Australia and Indonesia in combating terrorism in the region.³¹

- 3.61 The speed and effectiveness of the joint investigation has generated greater confidence in Indonesia's intent and capacity to respond to the threat of terrorism. It has also, no doubt, deepened the mutual confidence of both forces in each other and demonstrated the immense value of operational cooperation and a collaborative approach.

- 3.62 The AFP has no criminal jurisdiction(police powers) outside Australia's borders³² and the willingness of the INP to cooperate in a form that involved having AFP officers operating on Indonesian soil is a matter of some significance, as noted by His Excellency Mr Imron Cotan, Indonesia's Ambassador to Australia:³³

We commend the excellent cooperation extended by the Australian Federal Police to our police force that has led to the arrest of the suspects. The fact that Indonesian people lodged no complaints at seeing the Australian security force operating openly on our soil, to help investigate the Bali tragedy, has always been overlooked by the people of Australia, taking into account that some Indonesians still harbour ill feelings against Australia due to its involvement in East Timor.³⁴

- 3.63 The success of the joint investigation has strengthened the bilateral relationship, and in so clearly demonstrating its value, provides a fertile ground for future cooperation.

- 3.64 In this context, the Committee welcomes the recent decision made by Australia and Indonesia, announced during the Bali Regional
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31 Transcript of evidence, Monday 23 June 2003 (morning), p 302

32 Submission No 62, p4

33 At the time of appearing before the Committee, Mr Imron Cotan was Charge d'Affaires, Embassy of the Republic of Indonesia

34 Transcript of evidence, Monday 16 June 2003, p 275 (Embassy of the Republic of Indonesia)

Ministerial meeting on Counter-Terrorism in February 2004, to establish a Centre for Law Enforcement Cooperation (ICLEC). Expected to be opened by the end of 2004, the ICLEC will be headed by a senior Indonesian Police officer and have a staff of about 20.

- 3.65 The announcement sets out the following details about the ICLEC and Australia's contribution to it:

Australia will contribute to a range of costs including technical equipment, training and operational experts from the Australian Federal Police and other relevant bodies.

The ICLEC will have both a regional capacity-building and operational mandate. It will be available as a resource to provide operational support and professional guidance in response to specific terrorist threats or actual attacks.

Training activities will cover the full range of key counter-terrorism skills, including tracking and interception of terrorists, forensics, crime scene investigation, financial investigations, threat assessments, security support for major events and consequence management, criminal prosecution and counter-terrorism legislative drafting skills.³⁵

- 3.66 Australia's contribution is expected to amount to \$38.3 million over five years. A number of Australian agencies will contribute to the Centre. The lead role will be taken by the AFP.
- 3.67 While the success of the joint investigation has received a great deal of public attention, the Committee acknowledges also that the AFP described its overall cooperation with its Indonesian counterparts as robust and as having led to a number of operational successes including activities around people smuggling.

Training and capacity building

- 3.68 A key element of the relationship between the AFP and the INP revolves around training and capacity building. Training and capacity building exercises have provided a means for both strengthening Indonesia's law enforcement capacities and, importantly, for building links between officers from the two forces.
- 3.69 In its submission to the inquiry, the AFP described a range of training programs that it provides to the INP which are 'aimed at increasing

35 Minister for Foreign Affairs media release FA 17 - 5 February 2004. *Indonesia Centre for Law Enforcement Cooperation*
(http://www.foreignminister.gov.au/releases/2004/fa017_04.html)

its capacities in serious crime and law enforcement intelligence'.³⁶ The training it provides specifically for Indonesia is augmented by training provided in multilateral agencies.

- 3.70 Not surprisingly, training efforts since 11 September 2001 have been increasingly focussed on enhancing counter-terrorism capacity. Training was a significant component of the Australian Government's commitment in October 2002 of \$10 million dollars over 4 years to help build Indonesia's counter-terrorism capacity.
- 3.71 In June 2003, the AFP began implementing a four year \$4.75 million program of counter-terrorism building assistance to the INP. The project includes:
- training for up to 200 participants on crisis management and 200 intelligence officers on intelligence collection and analysis;
 - establishment of a Transnational Crime Centre (TNCC) including staffing and systems and infrastructure and provision of one long-term adviser; and
 - establishment of a Criminal Information Management System (CIMS) including provision of training and hardware.³⁷
- 3.72 AusAID advised the Committee that the aid program will contribute \$3.5 million to this project. The remaining \$1.25 million will be contributed from AFP sources.³⁸
- 3.73 Training is also provided to Indonesia under both the AFP's Law Enforcement Cooperation Program (LECP) and the Government Sector Linkages Program (GSLP). The AFP's submission indicates that it has used the funds provided by the GSLP (up to \$250,000 a year) to 'assist the INP in its reformation process to a conventional law enforcement agency following its separation from the military'.³⁹ Activities include curriculum development, forensic exchanges, English language training, and instructor and training development officer exchanges.
- 3.74 Such programs have immense value not only as capacity building exercises but also for the opportunity they provide for the development of people-to-people links. Elsewhere in this report the Committee has recommended that substantial increases be made to the GSLP program to enable the expansion of training and other activities provided under it.
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36 Submission No 62, p 9

37 Submission No 110, p 3

38 Submission No 110, p 3

39 Submission No 62, p 9

- 3.75 Australia has also contributed to strengthening Indonesia's capacity to respond to transnational crime through the provision of five boats for use by small units within the INP.

Attorney General's Department and AUSTRAC

- 3.76 The submission from the Attorney-General's Department describes interaction with Indonesia as having increased in recent years 'much of which has been around the implementation of international instruments on transnational crime and terrorism'.⁴⁰
- 3.77 The submission focuses on aspects of law enforcement, security and border protection not covered by its portfolio agencies: the AFP and Customs. These areas include: the drafting of legislation for dealing with aspects of terrorism; AUSTRAC's assistance with Indonesia's establishment of its financial intelligence unit; and issues around extradition and mutual assistance.
- 3.78 The Attorney-General's Department has provided some assistance to Indonesia in drafting its terrorist legislation. It has also assisted Indonesia's efforts in relation to counter terrorism financing and anti-money laundering. Activities since 1999 include:
- support with developing GoI response to the Financial Action Task Force (FATF) listing of Indonesia as a non-cooperative country (NCCT);
 - assistance in strengthening Know Your Customer (KYC) and Suspicious Transactions Reporting (STR) Systems;
 - assisting Bank Indonesia develop administrative guidelines and additions to work manuals as appropriate which set out for Bank staff the procedures for and issues involved in receiving, assessing and making decisions on further action to be taken, if any, on STRs received by Bank Indonesia;
 - provision of legal drafting expertise to Indonesia's financial intelligence unit (PPATK), including preparation of draft Presidential Decree on the Organisation and Structure of the PPATK, draft regulations and redrafting of Law 15 of 2002; and
 - a long-term program of advice, training and mentoring within the PPATK by AUSTRAC to enable the PPATK to effectively administer anti money laundering legislation.⁴¹

40 Submission No 80, p 2

41 Submission No 110, p 3

- 3.79 Furthering bilateral operational cooperation, Australia and Indonesia signed a Memorandum of Understanding on the exchange of financial intelligence in February 2004.
- 3.80 Australia has an extradition treaty with Indonesia. It has been the subject of continued negotiation since it came into force in 1995. An issue of ongoing concern is the requirement that an alleged conduct constitutes an offence against both the law of the requested and requesting state. Offences must also be listed on the treaty as extraditable. The potential impact of such requirements is made more apparent by some examples. People smuggling, for instance is not an offence, and neither money laundering nor terrorism are listed on the treaty as extraditable offences.
- 3.81 According to the Attorney-General's Department, Indonesia has 'indicated a willingness to extend the range of offences in the list and to consider the possibility of removing the list and relying on dual criminality and a penalty in excess of 12 months imprisonment as a criteria for an extraditable offence'.⁴²
- 3.82 While the Committee acknowledges that there is only a small amount of casework related to extradition and mutual assistance, they are important aspects of the law enforcement relationship. The Committee encourages continued work towards improving cooperation in this area.
- 3.83 A further issue raised in the evidence by the Attorney-General's Department was progress towards negotiations with Indonesia about having air security officers on Australian aircraft between Australia and Indonesia. The Attorney-General's Department advised the Committee in June last year that Indonesian authorities had indicated that Indonesia was not in a position to undertake negotiations on this matter at this time.⁴³

Immigration

- 3.84 DIMIA has described its relationship with its counterpart in Indonesia as a long standing one 'built on mutual support in maintaining border integrity, the orderly flow of people between the two countries and the advancement of regional security'.⁴⁴ The engagement in recent years has focussed on efforts to combat people smuggling and to advance regional security. The Committee acknowledges that these

42 Submission No 80, p 12

43 Submission No 103, p 1

44 Submission No 76, p 5

efforts are being made after a period of difficulty experienced with illegal immigration to Australia in the late nineties.

- 3.85 The principal formal mechanism for engagement between the two agencies on matters relating to immigration is the Working Group on Immigration Cooperation that was established in September 2001. It comprises senior officials from the Indonesian Directorate-General of Immigration and DIMIA. Informal meetings on matters relating to the detection and prevention of irregular movement in all its forms are also held regularly at the senior office level between DIMIA officers in the Jakarta Embassy and the Indonesian Government.

People smuggling and irregular immigration

- 3.86 DIMIA described Indonesia as being an important focus of DIMIA's efforts in relation to people smuggling and irregular immigration. DIMIA's submission to the inquiry outlined its approach to building cooperation with Indonesia in these areas. The approach includes building operational cooperation and developing and implementing cooperative capacity building initiatives. The approach involves working closely and openly with Indonesian officials at a number of levels.⁴⁵

Cooperative operational arrangements

- 3.87 Building a cooperative and productive relationship with Indonesia has been a key part of Australia's whole of government efforts to combat people smuggling and irregular immigration.
- 3.88 In 2000, following negotiations commenced in 1997, Australia and Indonesia put in place informal cooperative arrangements to provide a legal mechanism for those intercepted who intended to apply for asylum, to do so in a way that was consistent with international conventions and norms.
- 3.89 Under the arrangements, referred to by DIMIA as the 'regional cooperation model', potential illegal immigrants in Indonesia are intercepted and handed over to the International Organisation for Migration for their care and accommodation while the UNHCR determines whether they have any protection claims. This approach, according to DIMIA, has been one of the factors contributing to stemming the flow of potential illegal immigrants into Australia.⁴⁶
- 3.90 As mentioned earlier in this chapter, people smuggling in Indonesia is not a crime. DIMIA explained in evidence before the Committee that

45 Submission No 76, pp 24-25

46 Transcript of evidence, Monday 23 June 2003 (morning), p 325

the Indonesian Parliament had legislation before it which would criminalise people smuggling. In evidence before the Committee, DIMIA suggested that the lack of legislation did not prevent the Indonesian authorities from pursuing those involved in people smuggling who in many instances were also involved other criminal activities. Notwithstanding this, DIMIA explained, Australia is interested in seeing the legislation passed.⁴⁷

- 3.91 Cooperation between the two countries around people smuggling and irregular immigration also involves the exchange of information on organised immigration fraud, including the identities and activities of people smugglers in Indonesia.
- 3.92 Despite the success of the disruption in people smuggling in the last two and a half years, there is evidence, 'that some people smuggling activities are still occurring and there remains a group of prospective illegal immigrants in Indonesia. The current lull', DIMIA suggested 'cannot be assumed to be a definitive end to the problem'.⁴⁸

Capacity building initiatives

- 3.93 DIMIA is involved in assisting Indonesia develop its approaches to immigration issues and to improve its border management capacity in a range of ways. These include document fraud training; assistance with the development of a document fraud unit; and human resources development training (including immigration intelligence training and English language training).⁴⁹
- 3.94 The Committee was particularly interested in DIMIA's offer to host key officials from the Directorate-General of Immigration to spend several months in Australia 'learning English and familiarising themselves with the Australian way of conducting migration business.'⁵⁰ The Committee thoroughly supports this approach. Such experience would be invaluable not only in terms of its stated goals but also because of the opportunity such extended contact provides for both Indonesians and Australians involved to deepen their understanding of each other and to form strong people-to-people links.
- 3.95 The Committee is particularly interested in the extended nature of the visit. Elsewhere in this report, the Committee suggests that a work

47 Transcript of evidence, Monday 23 June 2003 (morning), p 328

48 Submission No 76, p 22

49 Submission No 76, p 29

50 Submission No 76, p 30

component be added to scholarships provided to Indonesian students. DIMIA's proposed program is a closely related idea.

- 3.96 In the Committee's view it is vitally important that Australia and Indonesia take the opportunities that are available for working together and engaging with shared purpose on matters of mutual interest. The quality of the people-to-people relationships that develop from this form of engagement will determine the ultimate character of the relationship between the two countries. The importance of people-to-people links is discussed in more detail in Chapter 6.

Cooperation in multilateral fora

- 3.97 In addition to bilateral efforts to advance regional security, Australia and Indonesia also cooperate at the multilateral level on matters relating to migration, asylum seekers and combating people smuggling and trafficking within the Asia-Pacific Region. The fora include the Inter-governmental Asia-Pacific Consultation (APC) on Refugees, Displaced Persons and Migrants as well as the Regional Ministerial Conferences on People Smuggling, Trafficking in Persons and Related Transnational Crime co-hosted by Australia and Indonesia and held in Bali in 2002 and 2003.
- 3.98 The Committee was pleased to note that some of the key activities within the Bali process were the result of the success of similar projects developed between DIMIA and Indonesia prior to the Bali conferences. This illustrates clearly that strong bilateral links have broader value and can contribute substantially to regional cooperation.

The Australian Customs Service

- 3.99 The Australian Customs Service (Customs) has an important role in the security relationship in terms of border protection. Customs works with other agencies to prevent the unlawful movement of people and goods across Australia's border. It also has a key role in facilitating trade and migration. In looking at some of the activities that Customs referred to in its submission, the Committee has found it difficult to categorise them as principally either border protection related or trade facilitation related. Processes around risk management, for instance, clearly are relevant to both. For convenience, and because ultimately trade facilitation relates to protecting economic security, they are included in this chapter.

- 3.100 Customs has developed a strong working relationship with its Indonesian counterparts. The relationship has been formalised by a Memorandum of Understanding on Customs Cooperation and Mutual Administrative Assistance, the most recent signed in March 2003.
- 3.101 The two customs administrations have developed information sharing arrangements and operational cooperation around issues such as terrorism, illegal immigration and narcotics, customs integrity issues and organisation and administrative reforms. Customs is also involved in providing specialist technical assistance in a range of areas including post entry audit techniques, strategic planning for compliance audit management and integrity awareness.⁵¹
- 3.102 As in other areas of the relationship, the bilateral cooperation is extended by working cooperatively at the multilateral level. For instance, Australia is involved through APEC and ASEAN in providing assistance to Indonesia in developing capacity in a range of areas including port security, risk management and audit techniques.
- 3.103 As in other areas of the bilateral relationship at the government agency level, training exercises provide an opportunity for exchanges and visits. According to Customs, a senior Indonesian Customs official has participated in the annual Australian Customs-sponsored Customs International Executive Management Program (CIEMP), a 'six-week program designed to further develop management and leadership skills in senior executives from Customs organisations of the Asia Pacific region'.⁵²

The importance of people-to-people to people links in the security relationship

- 3.104 The submissions and evidence received from agencies that have key roles in the various dimensions of the security relationship have painted a picture of a relationship in which there is strong and growing operational cooperation. The Committee also acknowledges and commends the capacity building initiatives being undertaken by all of the agencies mentioned above.
- 3.105 While the security relationship is clearly strengthening, a number of submissions made a point of alerting the Committee to the need not to take the strength of the relationship for granted.

51 Submission No 27, p 3

52 Submission No 27, p 4

I would say to the committee that our relationship with the Indonesian National Police is a very strong one but it needs and requires constant attention and constant work. ... There is a constant need to make sure that we remain relevant and that our relationships of trust and confidence with the police particularly remain robust.⁵³

- 3.106 DIMIA also described the relationship as needing constant attention adding that while currently in robust shape, it is a relationship that is continually subject to pressures of broader political and economic issues.⁵⁴
- 3.107 The Committee notes these comments and encourages the Government to ensure that Australian security agencies are able to duly attend to the relationship with their counterparts in Indonesia. While the personal relationships that develop are often a by-product rather than the primary goal of engagement, these relationships are in themselves of immense value. In the Committee's view, it is the quality of these relationships that will determine the stability of the broader relationship through any vicissitudes in the relationship that may occur in the future. The Committee considers that every opportunity should be taken by the agencies involved in the various dimensions of the security relationship to strengthen the people-to-people links at every level through visits and exchange programs based on important issues of mutual interest.

Broadening the scope of the AIMF to reflect the security aspects of the relationship

- 3.108 The terrorist threat has provided the imperative for the security aspects of the bilateral relationship to move forward and grow. These aspects of the relationship have commanded a very high profile in the last two years.
- 3.109 Some aspects of the cooperation have been formalised in MOUs such as the MOU on Combating International Terrorism. Other cooperative efforts such as those relating to people smuggling and irregular immigration, are still largely undertaken under informal arrangements. It is of interest to the Committee that there is no AIMF Working group on security related issues. This may be of no consequence. Clearly there has been cooperation in these areas over the years although it has varied in extent from agency to agency.

53 Transcript of evidence, Monday 23 June 2003 (morning), p 305-6

54 Submission No 76, p 5

- 3.110 The Committee understands that the AIMF was originally set up to promote economic and development assistance aspects of the relationship which may reflect that these were the dominant interests at the time. Given the importance of security aspects of the relationship and given the importance role of the AIMF in the formal architecture of the relationship, the Committee suggests that consideration should be given to broadening the AIMF to reflect more faithfully the full breadth of the relationship. It may well be useful to have another layer of the relationship in place that AIMF working groups provide.

Economic aspects of the relationship

- 4.1 The health of Indonesia's economy is important to Australia both in terms of its bearing on the bilateral trade and investment relationship and also because of the link between economic prosperity and security and stability in the region. Indonesia is in the early stages of recovery after the Asian financial crisis of 1997-98. Its full recovery and future growth is intrinsically linked with its progress towards economic reform.
- 4.2 The first part of this chapter concerns Australia's efforts to assist Indonesia with the economic reform processes. The second part focuses on Australia's trade and investment relationship with Indonesia. As a context for these discussions, a brief outline of the state of Indonesia's economy is provided below. The account is a snapshot only and readers seeking a more detailed analysis are directed to the Bulletin of Indonesian Economic Studies, the submission from the Treasury and evidence to the Committee from DFAT and the ANU from which the account is drawn.

Indonesia's economy – a snapshot

- 4.3 According to Treasury, the 1997-98 Asian financial crisis impacted upon Indonesia more severely than any other regional economy.¹ While Indonesia's recovery from the crisis has been slow, there has been some improvement at the macroeconomic level. Largely driven by consumption, recent GDP growth, while relatively modest, has exceeded expectations. Various estimates have growth for 2003 as between 3.5 and 4.0 per cent. Growth for 2004 is forecast as between 4.0 percent and 4.8

1 Submission No 118, p 2

percent. The central government debt to GDP ratio has fallen from over 100 percent in early 2002 to less than 70 percent at the end of 2003. Interest rates and inflation have fallen and the rupiah has appreciated.

4.4 Treasury provided the following data on key macroeconomic indicators:

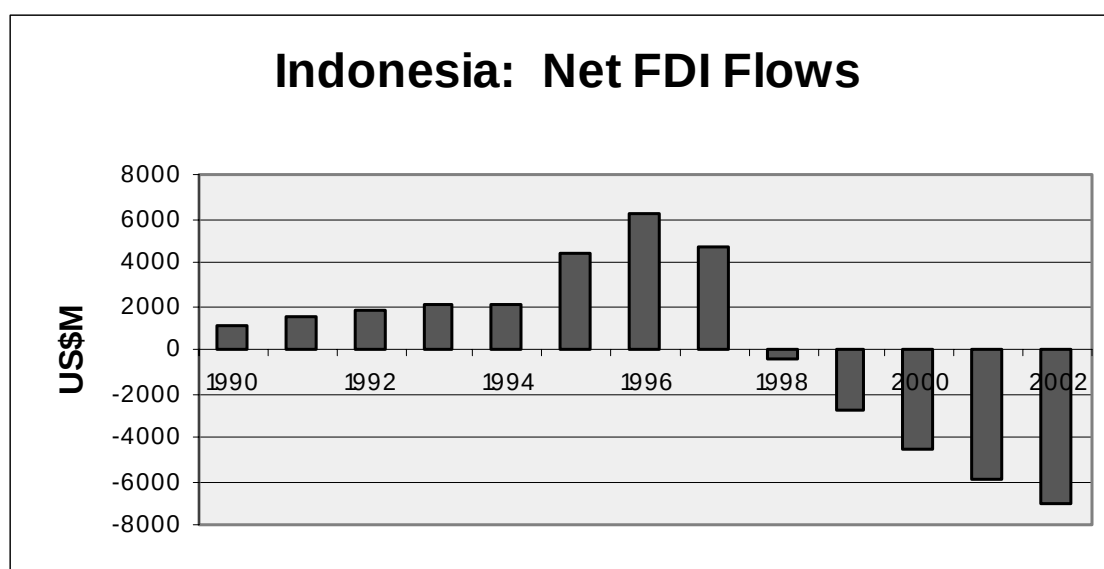
Table 4.1 Indonesia – Major Economic Indicators (percent)

	2000	2001	2002	2003	2004
GDP growth	4.9	3.3	3.7	3.9	4.5
CPI inflation (Dec to Dec)	9.3	12.5	10.0	5.1	6.5
Current account balance (%GDP)	5.3	4.9	4.5	3.5	..
Budget deficit (%GDP)	1.1	3.7	1.8	1.9	1.3
Central government debt (%GDP)	100	91	80	67	62
External debt (Med-long term; %GDP)	94	93	75	62	54
Exchange rate (Rp/US\$;year end)	9,595	10,400	8,950	8,453	..

Source Submission 118

4.5 Notwithstanding the improvements that have taken place in Indonesia's economy, many significant challenges remain including high unemployment and major infrastructure problems.

Figure 4.1 Indonesia - Net Foreign Direct Investment Flows (US Dollars Million)



Source Submission No. 109.

4.6 Foreign investment in Indonesia, considered critical to a full recovery, continues to fall. Foreign investment levels are unlikely to improve until the climate for investment improves. Factors identified as contributing to the poor investment climate include: legal and judicial uncertainty; poor corporate governance; reduced labour flexibility; security concerns; a

weak banking sector; poor state of and lack of public infrastructure; and confusion created by the implementation of regional autonomy.²

- 4.7 In its submission to the inquiry, EFIC, Australia's Export Finance and Insurance Corporation rated Indonesia 5 out of 6 for both short term and medium /long term risk. It described Indonesian exposure as dominating EFIC's risk portfolio (29% of the portfolio). EFIC pointed out that the term of the exposure was long and that 'even if all payments are honoured on schedule and no new exposure is created, the exposure will continue until 2021'.³

Graduation from the IMF program and progress towards economic reform

- 4.8 In response to the 1997-98 Asian financial crisis, Indonesia entered into a series of 'rescue' programs with the IMF.⁴ In these programs, the IMF set out the terms and schedule for economic reform in Indonesia. In July 2003, Indonesia announced its decision not to renew its current IMF program at the expiry of the Extended Fund Facility at the end of 2003.⁵ The decision is consistent with what has been described by academics, MacIntyre and Resosudarmo, as a 'quietly growing nationalist mood in politics and public discourse more generally – a sense of concern about Western dominance and an inchoate desire for Indonesians to take greater control of their own affairs.'⁶
- 4.9 In September 2003 the Government of Indonesia (GoI) released a White Paper outlining its economic policy package for 2003 and 2004. Broadly based on the formula used in the most recent Letter of Intent with the IMF, the package aims to maintain economic stability; restructure and reform the financial sector; and increase investment, exports and employment.⁷

2 A MacIntyre and B P Resosudarmo, 'Survey of Recent Developments', *Bulletin of Indonesian Economic Studies*, vol 39, no 2, 2003, p 144; and Transcript of evidence 13 October, Canberra, p 482

3 Submission No 1, p 2

4 Treasury describes Indonesia's arrangements with the IMF as follows: 'In response to the crisis, Indonesia entered into a three-year Stand-By Arrangement (SBA) with the IMF on 5 November 1997. This was replaced by an Extended Fund Facility (EFF) from 25 August 1998. After the expiry of this program, a new EFF was approved on 4 February 2000. This current EFF was originally a three-year program, but on 28 January 2002, it was extended by one year, to conclude at the end of 2003.' (Submission No 118, p 2)

5 Submission No 118, p 2

6 A MacIntyre and B P Resosudarmo, 'Survey of Recent Developments', *Bulletin of Indonesian Economic Studies*, vol 39, no 2, 2003, p 144

7 Republic of Indonesia, *Economic Policy Package Pre and Post-IMF Program*, 2003

The IMF will provide advice on the implementation of economic policy and will play a post program monitoring role. According to MacIntyre and Resosudarmo, under these arrangements Indonesia will continue to pay off its debt in accordance with the current schedule to be concluded in 2012.⁸

4.10 The package has been described by Andrew Steer, Country Director Indonesia, from the World Bank as ‘worth waiting for’, laying out ‘an impressive time-bound program of economic reforms that if implemented, would ensure continued macroeconomic stability, lower interest rates and risk premiums and higher investment and growth’.⁹ It has been well received by financial markets.

4.11 Early in 2004, Treasury provided the Committee with a relatively positive account of progress made since Indonesia’s announcement of its decision to graduate from the IMF program.

Since Indonesia’s announcement of its intention to graduate from its IMF program, signs regarding the prospects for continued reform and eventual recovery have generally been positive. The White Paper was well received by the financial markets and the IMF, and its implementation, at this early stage, appears to be progressing reasonably well. In recent months, the GoI has dealt quite successfully with a number of troublesome policy issues, including amendments to its Anti-Money Laundering Law and tighter supervision of bank-sponsored mutual funds, and progress has been made towards the establishment of the Anti-Corruption Commission (ACC). Bank sector restructuring and asset recoveries through the Indonesian Bank Restructuring Agency (IBRA) are on track and the 2003 target for privatisation proceeds is likely to be achieved or nearly so. All of these developments are pleasing considering that, during the term of the EEF [Extended Fund Facility], progress on the structural reform agenda was generally found to be more problematic than macroeconomic stabilisation.¹⁰

4.12 Australia, as noted by Treasury, ‘supports Indonesia’s intention to graduate from the IMF program while recognising Indonesia will continue to face significant economic challenges going forward.’¹¹

8 A MacIntyre and B P Resosudarmo, ‘Survey of Recent Developments’, *Bulletin of Indonesian Economic Studies*, vol 39, no 2, 2003, p 145

9 A Steer, ‘New Hope in Indonesia’s Economy’, Asia Pacific Strategy Council, 2003

10 Submission No 118, p 3

11 Submission No 118, p 2

Australia's engagement with Indonesia's economic recovery and reform process

- 4.13 Australia is committed to assisting Indonesia recover economically and to achieve economic reform. Australia has an active development cooperation program with Indonesia, the main aim of which is to assist Indonesia reduce poverty and achieve sustainable development.¹²
- 4.14 The development cooperation program, outlined in AusAID's *Indonesia Country Program Strategy From 2003* has four inter-related strategic objectives, one of which is to improve economic management.¹³ In the strategy, developed in consultation with Indonesia to run from 2003 to 2006, Australia has indicated that it will 'continue to prioritise support for critical areas of the government's economic and financial reform program but focus on a more limited range of interventions with the greatest potential impact, including:
- debt management;
 - revenue enhancement and taxation reform;
 - financial sector restructuring and supervision; and
 - regional economic management.¹⁴
- 4.15 The Committee supports this more targeted approach. Brief details from the strategy relating to these interventions are provided below.

Debt management

- 4.16 Australia provides assistance to the Centre for Government Bond Management to 'develop its capacity to issue government securities, to manage the risks around domestic public debt and to undertake total government debt monitoring and analysis'.¹⁵ With \$4,340,160 allocated over the life of the project, the Debt Management Project commenced in 2001 and is expected to be completed by the end of 2004.¹⁶

12 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003, p 3

13 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003 p 4

14 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003p 28

15 Submission No 116, Attachment A-2

16 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003p 53

Revenue Enhancement

- 4.17 According to AusAID, out of a workforce of 98 million, only 3 million Indonesians are registered taxpayers, and of these, only about 500,000 submit assessable reforms. Australia's efforts in revenue enhancement are focussed on assisting with tax reform although it will continue to 'examine options for assistance in other areas of revenue enhancement.'¹⁷ In 2002-03, Australia provided \$653,238 'to assist tax reform and revenue enhancement activities in Indonesia'. Activities included 'enhancing tax audit methodology, planning and improving taxpayer services.' According to AusAID, these activities represented 19 percent of expenditure under the Indonesia country program's flagship economic governance activity, the Technical Advisory Management Facility (TAMF) in 2002-03.'¹⁸

Financial sector restructuring and supervision

- 4.18 As described in AusAID's *Indonesia Country Program Strategy*, 'Australia will continue to assist the Indonesian government undertake bank restructuring and reform through operational and financial restructuring of key banks and programs to support the privatisation program for state banks and so improve the standards and accountability of these institutions.'¹⁹ Australia will also continue to provide support in the area of improving 'the capacity and capability of the National Audit Office (BPK), the Large Taxpayers Office (LTO) and the banking industry to collect audits'.²⁰
- 4.19 The Committee has identified two areas in which Australia could enhance its contribution to assisting Indonesia's economic recovery; improved economic management at the district level and debt relief.

Economic management at the district level

- 4.20 One of the major undertakings that Indonesia has embarked on is decentralisation, the process of devolving powers to the regions. While there is general agreement that it is an exciting development that will be of substantial benefit in the long term, its implementation has been difficult.

17 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003, p 29

18 Submission No 116, p 6

19 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003, p 29

20 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003, p 29

- 4.21 Decentralisation, the Committee learned from submissions and from discussions with representatives of the International Financial Institutions (IFIs) it met with in Indonesia, has exacerbated the uncertainty that already exists in a system in which corruption is endemic. Such difficulties have implications for foreign investment. These are discussed in more detail later in this chapter in the context of the bilateral trade and investment relationship.
- 4.22 Representatives of the IFIs drew to the Committee's attention the role played by local governments' lack of expertise in hindering the implementation of decentralisation. The Committee considers there is scope for increased Australian effort in this area. AusAID's *Indonesia Country Program Strategy* identifies district economic management as likely to become an increasingly important area and suggests that Australia is likely to provide more assistance in this area as 'clear and beneficial areas of intervention present themselves.' Decentralisation activities are listed as having been allocated \$1,232,750 over a five year program.²¹ In additional information provided to the Committee, AusAID explained that 'the \$1,232,750 currently allocated for decentralisation includes economic management at the district level activities, but may include a wider range of activities, such as the Area Focussed Approach, which will assist Indonesia's decentralisation process by helping to improve local governance and service delivery in regional areas'. AusAID reiterated that 'Australian aid support for decentralisation in Indonesia, particularly through the Area Focussed Approach, is likely to expand significantly in coming years.'²²
- 4.23 The Committee is not persuaded that the amount of money being allocated to this area reflects its importance. As AusAID itself identifies in its *Indonesia Country Program Strategy*, there will be little progress on poverty reduction and improved access to services by the poor until areas build decentralisation capacity.

Local government representatives welcomed the emphasis that Australia will place on helping build decentralisation capacities but warned that the finances available to local government spending were totally inadequate for the task at hand. The implication was that unless these funding problems were resolved, there could be little progress at the local level on poverty reduction and improved access to services by the poor.²³

21 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003, p 53

22 Submission No 116, p 5

23 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003, p 26

- 4.24 Decentralisation is an area in which Australia is particularly well placed to assist. The Committee urges AusAID to be proactive in identifying areas in which it can assist the process of decentralisation particularly in terms of economic management.

Debt relief

- 4.25 In addition to the direct assistance that Australia provides to Indonesia through its development cooperation program, Australia has assisted Indonesia's progress towards economic recovery through other means including debt relief.
- 4.26 During the Asian financial crisis, Indonesia went from having virtually no domestic public debt to 22.9 percent of GDP in FY1996-97, 61.5 percent of GDP in FY1997-98 and 100.3 percent of GDP in FY2000. Since then it has declined to 66.9 percent of GDP at the end of 2003. While central government's debt interest payments have declined from 6.6 percent in 2001 to a projected 4.1 percent in 2003, they are, according to Treasury, 'still substantial considering that total central government revenue in 2003 was only 18.7 per cent of GDP.'²⁴
- 4.27 As a member of the Paris Club, Australia has provided debt rescheduling to the Indonesian Government.²⁵ The Export Finance and Insurance Corporation (EFIC) which negotiates and manages bilateral agreements in relation to foreign debts provided the following details of Indonesian debt to Australia rescheduled under Paris Club auspices.

Table 4.2 Debt rescheduled under Paris Club auspices

Rescheduling No.	Paris Club Agreement	Consolidation period	Amount rescheduled
First	23 Sept 1998	6 Aug 1998 to 31 Mar 2000	US \$12.5m Euro 28.9m
Second	13 Apr 2000	1 Apr 2000 to 31 Mar 2002	US \$27.3m Euro 38.6m
Third	12 Apr 2002	1 Apr 2002 to 31 Dec 2003	US \$82.8m Euro 41.9m

Source Submission No 1, p 5

²⁴ Submission No 118, p 3

²⁵ As a member of the Paris Club and as one of Indonesia's sovereign creditors, Australia has participated in the 1998, 2000 and 2002 rescheduling rounds, rescheduling a total of US\$390 million in bilateral debts. (Submission No 118, p 4)

- 4.28 However, as explained by DFAT, Indonesia's decision not to renew its IMF program precludes it from receiving assistance from Paris Club countries.²⁶
- 4.29 Treasury pointed out to the Committee that this decision 'comes at a time when Indonesia already faces significant challenges given its budget deficit position, substantial debt repayment obligations and lack of a track record in international bond markets.'²⁷ Notwithstanding this, Treasury suggested, Indonesia 'should be able to meet its post 2003 financing requirements, provided that it maintains market confidence and remains committed to its reform agenda'. It could achieve this, Treasury added, 'through a combination of continued fiscal consolidation, privatisation receipts, issuance of domestic and international bonds, the drawdown of certain foreign currency deposits held by the central government and other measures'.²⁸
- 4.30 In their discussion of options that Indonesia may consider regarding its engagement with the IMF, MacIntyre and Resosudarmo suggested that it could seek to finance itself 'through a combination of substantially stepped up tax collection and special bilateral approaches to key creditor countries and development banks for increased support.'²⁹
- 4.31 Treasury advised the Committee that 'during 2003 Indonesia approached a number of creditor governments including Australia seeking debt relief, principally in the form of debt swaps. Our understanding', it added, 'is that only Germany and France have agreed to debt swaps with Indonesia. Since the announcement of its decision to graduate from its IMF program, Indonesia has not approached the Australian Government seeking debt relief.'³⁰
- 4.32 Indonesia's sovereign debt to Australia as at 31 October 2003 was equivalent to AUD 1, 374.7 million.³¹
- 4.33 AusAID's *Indonesia Country Program Strategy* provides a sobering picture of the impact of Indonesia's high level of foreign debt. While Indonesia has reduced its debt levels from 100% of GDP in 2000 to 67% in 2003, this

26 Transcript of evidence, Monday 13 October, p 483 (DFAT)

27 Submission No 118, p 4

28 Submission No 118, p 4

29 A MacIntyre and B P Resosudarmo, 'Survey of Recent Developments', *Bulletin of Indonesian Economic Studies*, vol 39, no 2, 2003, p

30 Submission No 118, p 4

31 Submission No 122, p 10

has been at the expense of spending on basic services and development (the development budget has been cut for four years in a row).³²

4.34 As explained by Jubilee Australia, the ‘critical ratio in terms of working out whether you have a debt crisis is a debt service ratio, which is a ratio of how much a country is spending on servicing its foreign exchange compared to how much it is getting through the till in terms of exports. The standard figure that tells you whether you have a debt crisis is 20 percent.’³³ It described Indonesia’s current debt service ratio as about 26 percent.

4.35 Jubilee Australia argued that the situation was one to which Australia should pay heed:

That is relevant to Australia because history tells us that these sorts of debt levels imperil democracy; they are antithetical to stable government. The reason they are antithetical to stable government is that they mean that a government is spending too much of its resources on debt and not enough on its own people. Today Indonesia spends over five times as much every year on servicing debt as it does on its health budget and its education budget together ... this in a county where 55 percent of people exist on less than \$2 a day.³⁴

4.36 Suggesting that it was in Australia’s interest to work towards alleviating Indonesia’s debt burden, Jubilee Australia recommended that:

- 30 percent of Indonesia’s debt to the World Bank, IMF and Asian Development Bank be cancelled on the grounds that it is odious and illegitimate in nature;³⁵
- the Australian Federal Government should support the development of some form of international insolvency mechanism for countries;³⁶ and
- the Australian Government engage in a debt for poverty reduction swap mechanism with Indonesia.³⁷

4.37 In its submission to the Inquiry, Treasury made clear Australia’s position on debt relief – ‘we will not consider any form of debt relief or debt rescheduling for any country outside the auspices of the Paris Club or the

32 AusAID, ‘Indonesia Country Strategy From 2003’, AusAID, Canberra, 2003, p 8

33 Transcript of evidence, Wednesday 30 April 2003, p 140-141, (Jubilee Australia)

34 Transcript of evidence, Wednesday 30 April 2003, p 141, (Jubilee Australia)

35 Submission No 37, p 2

36 Submission No 37, p 3

37 Transcript of evidence, Wednesday 30 April 2003, p141, (Jubilee Australia)

Highly Indebted Poor Countries (HIPC) initiative'. Moreover, Treasury explained, 'under the *International Monetary Agreements Act 1947* the Australian Government is only authorised to provide financial assistance, such as debt relief, to another country where that country has an active IMF program.'³⁸

- 4.38 Indonesia does not qualify for HIPC assistance as its external debt ratio after traditional debt relief mechanisms is not above a threshold for the value of debt to exports³⁹. Under the new framework for determining a country's debt sustainability, sustainable debt-to-export levels are defined at a fixed ratio of 150 percent.
- 4.39 The Committee suggests that the changed circumstances brought about by Indonesia's decision to graduate from the IMF program and its consequential ineligibility to access Paris Club rescheduling, warrant a rethink of Australia's position on other forms of debt relief to Indonesia. The Committee is interested in the debt for poverty reduction mechanism outlined by Jubilee Australia which would involve Australia engaging in a 'transparent, tightly structured, accountable series of transactions in which Australia releases some portion of that debt and it is converted into local funds in Indonesia rupiah that are fed through to Indonesian NGOs and aid organisations working on the ground.'⁴⁰
- 4.40 Alternatively, the Committee suggests, the money could be specifically targeted to promoting education or to assisting regions develop the capacity and administrative skills to take on some of the new responsibilities associated with decentralisation or other key development areas.
- 4.41 The Committee considers that engaging in a debt for poverty reduction swap mechanism with Indonesia is entirely consistent with the poverty reduction focus of Australia's aid program. A debt swap poverty reduction program established with appropriate accountability measures in place has the advantage of ensuring that the benefits are channelled directly into poverty reduction programs.
- 4.42 The amount of debt relief provided could be the value of the debt relief that Australia was providing by means of assistance through Paris Club Rescheduling. Although bilateral debt relief from Australia may only contribute marginally to debt related problems that Indonesia faces, it

38 Submission No 118, p 4

39 Submission No 116, p 5

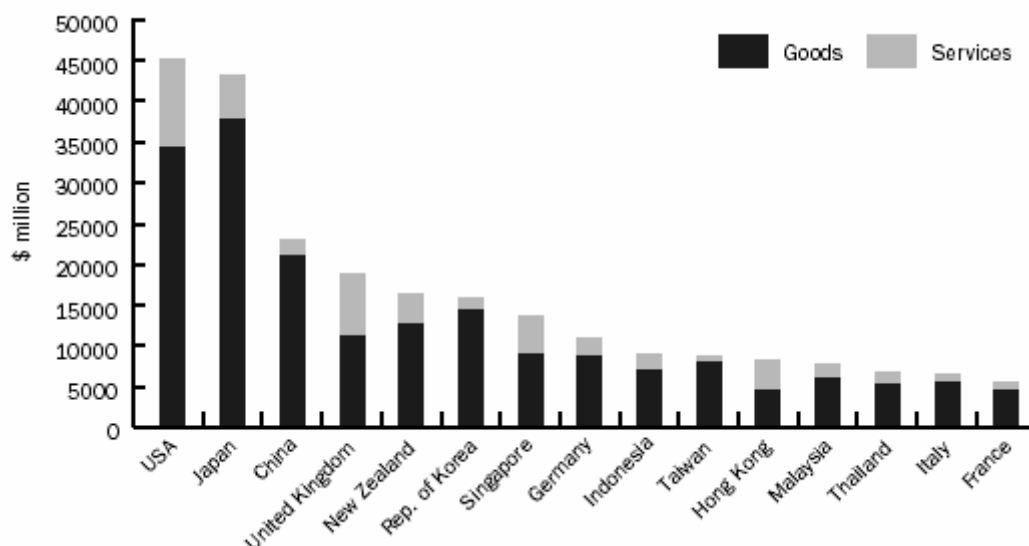
40 Transcript of evidence, Wednesday 30 April 2003, p 142 (Jubilee Australia)

would be an important symbolic gesture that may have considerable impact on the ground.

Trade and investment aspects of the economic relationship

- 4.43 Australia and Indonesia have a strong mutual interest in a healthy trade and investment relationship.
- 4.44 Indonesia is Australia's 10th largest export market and eighth largest source of imports.⁴¹ Australia is Indonesia's eighth largest exports market and sixth largest source of imports.⁴² As such Indonesia is already an important trading partner. It has the potential to be significantly more so given the size of its population, its proximity to Australia and the complementarity of the two economies. Likewise, the buying power of Australia represents a significant opportunity to Indonesia.
- 4.45 The table below illustrates the relative importance of Australia's trade relationship with Indonesia as compared with Australia's other trading partners.

Figure 4.2 Australia's two-way trade in 2002 - top 15 trading partners



Source DFAT Annual Report 2002-2003 (from DFAT Stars database and ABS International trade in services by partner country 2002) p .6.

41 DFAT, *The APEC Region Trade and Investment 2003*, Commonwealth of Australia, Canberra, 2003, p 6

42 DFAT FACT SHEET, October 2003

4.46 Australia's trade position with Indonesia since 1996-97 has declined from a \$1.4 billion dollar surplus to a deficit of \$1.7 billion in 2002-03. Since 1992-93, merchandise exports to Indonesia have increased by five percent per annum on average.⁴³ In 2002-03, they decreased by nine percent to \$2.9 billion. In the same period, merchandise imports from Indonesia have increased by 15 percent. In 2002-03, they reached \$4.6 billion.

Table 4.3 Australia's Merchandise Trade with Indonesia (A\$ million) (f.o.b.)

Year	Exports from Australia	Imports into Australia	Net exports	Total trade
1992-93	1,715	1,305	410	3,020
1993-94	1,906	1,105	800	3,011
1994-95	2,113	1,198	915	3,311
1995-96	2,716	1,522	1,193	4,238
1996-97	3,305	1,864	1,441	5,169
1997-98	2,751	2,868	-118	5,619
1998-99	2,199	3,275	-1,076	5,474
1999-00	2,408	2,701	-292	5,109
2000-01	3,111	3,315	-204	6,426
2001-02	3,194	4,010	-817	7,204
2002-03	2,906	4,598	-1,692	7,504
Trend growth				
5 year	4.8%	9.5%	nm	7.4%
10 year	4.9%	15.9%	nm	10.0%

Source The APEC Region Trade and Investment Report 2003, p.32 (Excerpt from Table 3: Australia's Merchandise Trade with APEC)

4.47 The trend in the trade in services has been slightly more favourable with Australian exports in services growing from \$365,000 million in 1991-92 to \$962,000 million in 2001-02. Indonesian imports in services into Australia have grown at a similar rate from \$234 million in 1991-92 to \$638 million in 2001-02.⁴⁴

43 DFAT, *The APEC Region Trade and Investment 2003*, Commonwealth of Australia, Canberra, 2003, p 6

44 DFAT, *The APEC Region Trade and Investment 2003*, Commonwealth of Australia, Canberra, 2003, p 38

**Table 4.4 Australia's Services Trade with Indonesia
(A\$ million)**

Year	Exports from Australia	Imports into Australia	Net exports	Total trade
1991-92	365	234	131	599
1992-93	495	345	150	840
1993-94	630	398	232	1,028
1994-95	840	485	355	1,325
1995-96	971	550	421	1,521
1996-97	1,029	707	322	1,736
1997-98	933	682	251	1,615
1998-99	835	583	252	1,418
1999-00	806	525	281	1,331
2000-01	883	576	307	1,459
2001-02	962	638	324	1,600
Trend growth to 2001-02				
5 year	-1.5%	-3.2%	2.1%	-2.2%
10 year	7.4%	8.0%	6.3%	7.6%

Source *The APEC Region Trade and Investment Report 2003, p.38 (Excerpt from Table 4: Australia's Services Trade with APEC)*

4.48 In 2002-03, principal items exported to Indonesia were cotton, live animals, aluminium and milk and cream. Principle items imported were crude petroleum, non-monetary gold, paper and paperboard, and furniture.⁴⁵

45 DFAT, *The APEC Region Trade and Investment 2003*, Commonwealth of Australia, Canberra, 2003, p 6

Table 4.5 Australia's Merchandise Trade with APEC by Principal Commodity – Indonesia (A\$ million)

Rank	SITC	Description	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	Trend growth 5 year
<i>Exports</i>									
1	263	Cotton	382.1	524.1	390.1	548.9	457.4	373.2	-0.5%
2	001	Live animals	75.9	39.5	108.2	146.1	208.7	283.8	40.4%
3	684	Aluminium	110.0	117.1	171.0	188.9	177.8	164.5	10.1%
4	022	Milk and cream	37.8	49.3	46.4	88.5	113.1	89.2	23.7%
5	699	Other manufactures of base metal	56.4	53.1	51.4	54.5	70.7	75.6	7.0%
6	333	Crude petroleum	213.6	89.8	18.2		78.1	71.1	nm
7	011	Bovine meat f.c.f	29.5	18.5	46.3	41.7	57.2	67.1	23.5%
8	686	Zinc	66.5	65.3	63.1	63.7	53.7	57.8	-3.6%
9	781	Passenger motor vehicles	6.3	7.3	65.4	64.5	74.4	47.3	62.7%
10	723	Civil engineering equipment	34.2	45.1	41.6	49.4	78.2	44.3	9.3%
Total Exports to Indonesia			2,750.8	2,199.2	2,408.4	3,110.9	3,193.7	2,906.0	4.8%
<i>Imports</i>									
1	333	Crude petroleum	1,042.2	1,245.4	907.1	1,222.9	1,707.8	1,658.1	10.7%
2	971	Non-monetary gold	338.7	419.4	261.9	332.2	476.1	983.8	18.5%
3	641	Paper & paperboard	73.1	118.5	105.9	90.5	97.8	172.9	10.7%
4	821	Furniture	71.8	81.4	81.5	79.4	85.6	100.7	5.3%
5	682	Copper	0.3	0.0	9.1	10.7	46.1	100.2	324.4%
6	763	Sound or video recorders	20.1	10.9	22.2	49.6	56.9	94.8	47.1%
7	635	Other wood manufactures	30.6	37.6	47.1	58.4	52.0	59.9	13.9%
8	248	Wood, simply worked	29.5	29.4	39.0	42.7	41.3	57.0	13.4%
9	752	Computers	14.8	27.5	36.3	59.1	44.5	52.5	26.6%
10	793	Ships, boats & floating structures	3.7	0.1	8.3	32.1	0.3	45.1	71.2%
Total Imports from Indonesia			2,868.3	3,274.7	2,700.7	3,315.1	4,010.2	4,597.7	9.5%

Source The APEC Region Trade and Investment Report 2003, p.101 (Excerpt from Table 13.5: Australia's Merchandise Trade with APEC by Principal Commodity – Indonesia)

- 4.49 Indonesia clearly has the potential to be a very significant export market for Australia and the Committee has some concern about the recent trend in the trade relationship. Data on regional trade indicates that the level of Indonesia's imports from the region declined across the board after the economic crisis of 1997-98. Significantly, however, the level of its imports from other comparable trading partners, namely Japan, Singapore, China and the Republic of Korea, began to substantially improve from 2000.
- 4.50 Submissions from the Western Australian and Northern Territory Governments also described the importance of the Indonesian market to their economies. WA described Indonesia as its third largest agricultural

export market based largely around wheat and livestock.⁴⁶ Indonesia is the Northern Territory's fifth largest export destination. It is also the destination to which the broadest range of NT products is exported.⁴⁷

Investment

- 4.51 Austrade advised the Committee that despite the difficulties in the investment environment, 'modest —and cautious —investment by Australian companies has continued'.⁴⁸ It provided the following snapshot of Australian investment in Indonesia.

The existing substantial investment relationship comprises more than 400 Australian firms maintaining a presence in Indonesia, which remains a major destination for Australian investment. According to the ABS, Australian investment in Indonesia is approximately \$3 billion. However, marketplace intelligence indicates that it is higher than that, and investment approvals amount to \$10 billion. It is concentrated in the resources and energy sectors.⁴⁹

- 4.52 Factors described earlier in this chapter as being responsible for the poor investment environment in Indonesia also impact on Australia's investment in Indonesia.
- 4.53 Mining, important as a sector to both Indonesia and Australia, is an area in which the investment decline is particularly evident. Austrade reported the pending closure of a number of mines owing to the expiry of contract or dwindling resources, the suspension of a large percentage of exploration projects and the withdrawal of a number of investors from the market. In addition to the legal and regulatory issues, the lack of a current national minerals policy and legislation, security concerns resulting from ethnic conflict and sectarian violence or from the call for separatism are having their mark on the attractiveness of the Indonesian mining sector.
- 4.54 Austrade advised that it does try 'to put the view of the mining community forward. However, ultimately, any sustained increase in Australian investment, in terms of mining or others sectors, 'will depend on Indonesia improving its investment climate'.⁵⁰

46 Submission No 33, pp 1-2

47 Submission No 87, p 2

48 Submission No 83, p 14

49 Submission No 83, p 14

50 Submission No 83, p 14

Contextual developments impacting on Australia and Indonesia's trade and investment relationship

- 4.55 In considering trends in the trade and investment relationship between Australia and Indonesia, the Committee gave some thought to some developments in the region and in Indonesia that are impacting on trade and investment; namely, trade liberalisation, decentralisation and security issues.

Trade liberalisation

- 4.56 Australia's economic relationship with Indonesia needs to be considered in the context of broader international and regional developments. These include:
- the collapse of the Doha round of negotiations of world trade talks at Cancun in September 2003;
 - the ASEAN Summit in Bali in September 2003 attended by dialogue partners Japan, China South Korea and India, at which ASEAN agreed to create an ASEAN Economic Community by 2020; advanced moves towards a free trade zone with China (agreed the previous year); entered into trade deals with Japan and India involving the progressive reduction of trade tariffs and other barriers and which are expected to lead to free trade agreements within the decade; and
 - the APEC meeting in October 2003 at which Members affirmed the primacy of the multilateral trading system , pressed for an ambitious and balanced outcome to the Doha Development Agenda (DDA) and committed to re-energise the negotiation process after the stalled Doha Round of negotiations at Cancun.⁵¹
- 4.57 Australia has in recent years pursued its commitment to trade liberalisation at the multilateral, regional and bilateral levels. Australia and Indonesia both have much to gain as trade becomes more open globally and regionally.
- 4.58 The Committee notes and endorses Australia's constructive role pursuing trade liberalisation in the region through its involvement in APEC. It welcomes the efforts of APEC at the Economic Leaders' Meeting in Bangkok in October 2003 to recharge the stalled Doha negotiations. APEC is the most powerful forum in the region to which Australia belongs and,

51 APEC, 'Bangkok Declaration on Partnership For the Future', APEC Economic Leaders' Meeting, Thailand, 21 October , 2003

as such, should remain a key focus of our efforts to expand open regional trade. The Committee encourages the government to maintain the vigour of its efforts to pursue trade liberalisation through APEC.

- 4.59 The Committee notes also developments at the ASEAN Summit in September 2003 in which ASEAN members and dialogue partners took significant steps towards closer economic integration as outlined earlier. The developments have met a mixed reaction in Australia with some commentators pointing out that much can happen between now and 2020 and others expressing great concern at the exclusion of Australia.
- 4.60 ASEAN's commitment to form an ASEAN Economic Community (AEC) and its actions towards greater economic cooperation with a view to eventual free trade agreements with China, Japan, and India is understandable particularly in light of the rapid growth in the economies of China and India. The Committee is conscious, however, of the potential significance of Australia's exclusion from these agreements.
- 4.61 The Committee considers that a patient approach is prudent given the changes in the ASEAN environment. It notes also that Australia has already concluded Free Trade Agreements with two of the ASEAN members and Closer Economic Framework Agreements with two of ASEAN's dialogue partners. Australia is already engaged and in a position to benefit from the opening up of trade in the region.
- 4.62 The Committee explored the impact on Australia of the ASEAN vision of an ASEAN economic community. DFAT explained that there was currently a five percentage point difference between the common external preferential that applied to AFTA and the Most Favoured Nation tariff that applies to Australia. It also pointed out that 'on a lot of the products that Australia sells, there are zero tariffs already, such as on livestock and meat, which is a fairly large proportion of our trade with Indonesia'.⁵²
- 4.63 DFAT argued that most of Indonesia's trade was with non ASEAN countries, namely Japan, the US, Korea and China and that only about 20 percent of their total exports go to other ASEAN countries. Explaining further that 'as in most other ASEAN countries, as their CEPT rates fall, the MFN rates also fall as they find out they are able to compete within their region and more widely' and added 'so the effect will not be as great as thought'.⁵³

52 Transcript of evidence, Monday 13 October 2003, p 489 (DFAT)

53 Transcript of evidence, Monday 13 October 2003, p 489 (DFAT)

- 4.64 DFAT argued that Australia will have an export market in Indonesia as long as we are competitive and that 'we are competitive in the areas in which we export, such as livestock and meat and a lot of agricultural products'.⁵⁴
- 4.65 The Committee accepts these arguments in terms of the current arrangements under AFTA and acknowledges that the arguments may also apply to the AEC. It makes the point that three of the four non-ASEAN countries that DFAT identified as receiving 50 percent of Indonesia's exports (Japan, the US, Korea and China) are dialogue partners with ASEAN. All of these countries progressed trade deals with ASEAN at the recent Summit which are expected to progress towards free trade agreements.
- 4.66 The Committee is interested in the potential impact of the decisions from the recent ASEAN summit on the AFTA-CER Closer Economic Partnership. In this context, the Committee welcomes the recent statement from the ASEAN Economic Ministers Retreat on 21 April 2004 in which the Ministers 'expressed the view that it would be beneficial to both regions to upgrade economic relations to the next level'. The Ministers supported the possibility of an ASEAN-CER Commemorative Summit in Vientiane in November 2004 and also indicated support for the possible launching of an ASEAN-CER Free Trade Area at the Commemorative Summit.⁵⁵
- 4.67 Australia's approaches at the multilateral and regional levels are widely supported. Australia and Indonesia's trade, and the trading relationship between them, will improve as progress is made through regional and multilateral approaches to a free and open trade around the globe. Australia should persist in its efforts to progress trade liberalisation through its multilateral and regional approaches.
- 4.68 In recent years Australia has also pursued bilateral free arrangements as a means of expanding its markets starting with a Closer Economic Relations Trade Agreement (CER⁵⁶) with New Zealand in 1983, a Free Trade Agreement with Singapore in 2003,⁵⁷ and a FTA with Thailand announced

54 Transcript of evidence, Monday 13 October 2003, p 489 (DFAT)

55 Media statement of the 10th ASEAN Economic Ministers Retreat, Sentosa, Singapore

56 The Australia-New Zealand Closer Economic Relations Trade agreement (ANZCERTA) is commonly known as CER.
www.dfat.gov.au/geo/australia/tradingnation/regional_trade_relationships.html

57 The Singapore-Australia Free Trade Agreement (SAFTA) became operational following an exchange of third person notes in Singapore on 28 July 2003.
www.dfat.gov.au/geo/australia/tradingnation/regional_trade_relationships.html

in October 2003 and expected to be signed in early 2004. In October 2003 it announced a Trade and Economic Framework Agreement with China and a feasibility study on the potential of a free trade agreement. Negotiations with the US regarding a FTA have recently been completed. The agreement is awaiting legislative implementation in both countries.

- 4.69 In response to the Committee's questions on action that Indonesia has taken in regard to pursuing free trade agreements of closer economic frameworks at the bilateral level, DFAT advised that Indonesia has announced discussions with Japan on an Economic Partnership Agreement and with the United States on a joint study on the benefits of a free trade agreement.⁵⁸
- 4.70 The Committee acknowledges that there is considerable debate about the impact of bilateral agreements on multilateral approaches to trade liberalisation with one side arguing that that bilateral agreements essentially 'undermine the WTO system by fragmenting the world trade system into a patchwork of discriminatory trading agreements'⁵⁹ and the other arguing that bilateral approaches can serve as a stimulus to the multilateral. The Prime Minister's announcement of the FTA between Australia and Thailand, at the time of the APEC meeting in Bangkok in October 2003, illustrates the Government view that multilateral and bilateral approaches can happily coexist, provided that they are consistent with WTO principles and objectives.
- 4.71 With these considerations in mind, the Committee canvassed the views of some witnesses on the potential value of a free trade agreement with Indonesia.
- 4.72 The Western Australian Government warmly welcomed the suggestion. Describing Indonesia as 'perhaps the closest market we have', representatives from the WA Government suggested that 'we would see a lot of benefits from such an arrangement' and that 'there will be much more benefits than risks'.⁶⁰
- 4.73 Professor Hill cautioned the Committee about the impact of the pursuit of FTA's on Indonesia:

At the moment, Indonesia is only a signatory to AFTA, which of course is regional rather than bilateral, and APEC, which is non-binding. However, a couple of months ago, the minister for trade

58 Submission No 122, p 4

59 Tim Harcourt, 'Cake cuts many ways', *Business Review Weekly*, 16-22 October 2003, p55

60 Transcript of evidence, Monday 18 August 2003, p 447 (Western Australian Government)

and industry announced the intention of the government to pursue FTAs with five countries, one of which is Australia. Two points are very clear about that. One is that Indonesia feels under pressure to do it because other countries are doing it in the region—Singapore, Australia, Thailand and others—so it feels as though it is missing the boat if it does not do it. Secondly, it is very clear that, although this minister is talking about FTAs, the reality is the other way. That is, it is going towards a protectionist sort of direction. So if the FTAs were to ever get off the ground, it would be in a highly regulated sense. It would be very dangerous for Indonesia because it would sidetrack the reformers, who are trying to push ahead with reform. They would have to then fight bushfires elsewhere. So it would be regrettable, but it looks like it is on the horizon.⁶¹

- 4.74 While the Committee considers that Australia should pursue with vigour its efforts to promote trade liberalisation through multilateral approaches, it considers that a bilateral approach with Indonesia is compatible with these approaches and should be given some consideration.
- 4.75 Such an agreement has the potential to offer similar benefits to the agreement reached with Thailand, a deal estimated as increasing Australia's GDP by A\$12 billion and Thailand's by A\$46 billion to Thailand over a twenty year period.⁶² The level of two way trade between Australia and Indonesia is comparable with the level of trade between Australia and Thailand.⁶³
- 4.76 Timing is important. A number of witnesses referred to the growing mood of nationalist sentiment in Indonesia which in some quarters is accompanied by a protectionist stance. Professor Hill described the trend

61 Transcript of evidence, Monday 13 October 2003, p 476 (Professor Hill),

62 Media release for DFAT, D%/7 May 2002

63 Figures provided by DFAT on Merchandise Trade between Australia and Thailand, and Australia and Indonesia. Submission No 122, p 5.

Australian Merchandise Trade with Indonesia					
	1998-99	1999-00	2000-01	2001-02	2002-03
Total exports	2,199,224	2,408,435	3,110,877	3,193,701	2,907,921
Total imports	3,274,725	2,700,703	3,315,090	4,010,214	4,600,378
Balance of merchandise trade	-1,075,501	-292,268	-204,213	-816,513	-1,692,457
Australian Merchandise Trade with Thailand					
Total exports	1,305,972	1,703,312	2,222,209	2,295,746	2,479,121
Total imports	1,902,078	2,422,326	2,779,896	2,885,569	3,469,469
Balance of merchandise trade	-596,106	-719,014	-557,686	-589,823	-990,348

toward protectionism as currently more of a sentiment and less a reality, affecting mainly a range of agricultural products. Although not yet serious, he cautioned, 'the way the sentiment is gathering and with the current ministry for trade and industry being implemented, it could become pretty serious in the next three to five years'.⁶⁴

- 4.77 The Committee understands that to date Australia and Indonesia have 'discussed their respective experiences in negotiating trade agreements in both the Australia-Indonesia Ministerial Forum and the annual Trade Ministers' meeting' and that the two countries 'have agreed to consider closer economic cooperation in sectors where trade can be facilitated.'⁶⁵ Negotiations for free trade agreements are resource intensive. Notwithstanding this, the Committee considers that a free trade agreement may offer symbolic value as well as economic benefit. The Committee considers that a scoping study should be undertaken to look at the implications of a free trade agreement between Australia and Indonesia.

Recommendation 9

The Committee recommends that the Minister for Trade proposes at the next Australian Indonesian Ministerial Forum meeting that a scoping study be undertaken on the implications of a free trade agreement on both economies.

Decentralisation

- 4.78 Although decentralisation has already received some attention in this chapter, it is discussed again below because of its impact on Australian companies doing business in Indonesia.
- 4.79 Decentralisation, the process of devolving power to the regions, is having an impact on the trade and investment relationship. A massive undertaking in its own right, it is a remarkably ambitious program to achieve simultaneously with the other economic and political reforms that Indonesia has embarked upon. Not surprisingly, its implementation has had its problems.
- 4.80 Decentralisation has made doing business in Indonesia more complicated, in some cases more costly, and, often, subject to considerable time delays. Austrade suggested that of the range of concerns that Australian

64 Transcript of evidence, 13 October 2003, p 476 (Professor Hill),

65 Submission No 122, p 3

businesses have about the investment environment, the ‘implementation of decentralisation reforms and the capacity of regional administrations to assume their additional responsibilities’ is of particular significance.⁶⁶ In evidence before the Committee, Austrade described some of the difficulties decentralisation creates for Australian companies:

There are several aspects that are having an impact on how people do business in Indonesia, and a major one is regional autonomy. A lot of the power is now being devolved almost to the city council level—the regencies (kabupaten) or the kota. That is causing some concerns with investors on the basis that whilst the two laws are in, at the centre, the enabling legislation—the rules and regulations—are not. We are finding that at the bupati level, the regency level—there are over 365 regencies—they are setting their own laws where it suits them. Companies are finding it very difficult, when transporting goods over several kabupaten or trying to set up in particular areas, to know what the rules and regulations are.⁶⁷

4.81 The ‘aura of uncertainty’ is described further by the ANU:

Local politics often leads to actions against foreign investors that are not supported at the centre—land claims, squatting on investment sites and local regulations which prohibit transactions by a large corporation. So there is a general aura of policy uncertainty, both centrally and regionally, and particularly regionally with decentralisation.⁶⁸

4.82 Decentralisation has reportedly also impacted on corruption. As quipped by Professor Andrew MacIntyre in his address at the 2003 Indonesia Update, there is ‘something worse than widespread organised corruption and that is widespread disorganised corruption’.⁶⁹

4.83 Not all the difficulties regarding decentralisation are caused by inconsistency and uncertainty and the spread of corruption. A number of regions are still in the early stages of developing the capacity and administrative skills to take on their new responsibilities. In its submission to the inquiry, the Australian Indonesia Business Council described Indonesian business people and government officials as being ‘united in

66 Submission No 83, p 14

67 Transcript of evidence, Wednesday 30 April 2003, p 177 (Austrade)

68 Transcript of evidence, Monday 13 October 2003, p 476

69 Tim Dodd, ‘Indonesian economy pays price of unrest’, *Australian Financial Review*, 29 September 2003, p 12

their appeal for the Australian government and business people to provide management and vocational training for Indonesians at the regional level, not just through Jakarta.’⁷⁰

- 4.84 Inconsistencies in a decentralised environment may be a relatively permanent feature of the landscape with different regions imposing different regional levies and charges. It is likely that some regions will implement the policies and measures that will enable them to prosper. Regional differences may make for a more competitive business environment.
- 4.85 Many of these difficulties are expected to subside as regions develop the skills and policies needed to implement decentralisation successfully and central and regional governments, the will to tackle corruption more effectively. In the Committee’s view, while a patient and persistent response from Australian business is called for, businesses should take heart by the consensus among analysts and policy makers that decentralisation will prove to be beneficial in the long term.
- 4.86 DAFT’s analysis of the impact of decentralisation in its publication, ‘Indonesia: Facing the Challenge’, describes its potential long term benefit for foreign investors.

As autonomous regions develop, competition between regional governments for foreign investment should grow. Regions offering the most favourable taxation rates, infrastructure and regulatory environment will be best placed to attract new investment. Local responsibility for public works could make infrastructure provision more responsive. More governments may provide investors with more regulatory environment choice. Also, regional areas the central government neglected may achieve higher governance standards and public investment under regional administrations.⁷¹

- 4.87 Moreover, decentralisation clearly presents some opportunities for Australian business. Australian technical expertise is highly valued in Indonesia.
- 4.88 The Western Australian Government identified in its submission the huge opportunity presented by the implementation of regional autonomy for training members of the public service.⁷² In giving evidence to the

70 Submission No 111 p 6

71 EAAU DFAT, *Indonesia: Facing the Challenge*, Commonwealth of Australia, 2000, pp 29-30

72 Submission No 33, p 8

Committee in August 2003, it noted that ‘to date, in excess of 150 officials have come down to Perth for training, and this is beginning to build up a good momentum’.⁷³

- 4.89 Earlier in the chapter, the Committee recommended that AusAID gives further attention to activities around developing capacity in economic management at the regional level. The Committee suggests that Austrade has a parallel focus and identifies specific opportunities presented by decentralisation for Australia particularly regarding the trade in services and the transfer of expertise.
- 4.90 The devolution of various powers and responsibilities to the regions could also facilitate the development of the relationship between different regions in Australia and different regions in Indonesia. Both the Northern Territory Government and the Western Australian Government described successful sister-state / province and sister-city relationships. The Committee understands other states also have initiated such relationships.
- 4.91 The Committee notes the Northern Territory Government’s commitment to continue developing regional relationships in the eastern part of Indonesia at the provincial and regency level ‘to assist in the identification of opportunities for trade and cultural cooperation and to facilitate processes to assist and promote the further development of this cooperation’.⁷⁴
- 4.92 The Committee considers that there may also be value in local governments establishing relationships at the district level. The role the Federal Government could play in encouraging such links has been discussed in Chapter 2.
- 4.93 As well as demanding changes in the way that Australians do business in Indonesia, decentralisation may require changes in ways that Austrade does business. With offices currently in place in Jakarta and Surabaya, as different regions develop infrastructure and attract investment, it may be appropriate to have a number of smaller, regional offices. In discussions about this, Austrade reassured the Committee that it continually reviewed and monitored the locations of its offices according to where the trade was moving in order to have its resources where they would be most effective.⁷⁵

73 Transcript of evidence, 18 August 2003, p 442 (Western Australian Government)

74 Submission No 87, p 5

75 Transcript of evidence, Wednesday 30 April 2003, p 178 (Austrade)

Impact of security concerns on the trade and investment relationship

- 4.94 Security concerns are having an impact on the trade and investment relationship. While no study appears to have been done on the impact of the Bali and Marriott bombings on trade and investment, Austrade advised the Committee that the value of Australia's exports has remained fairly static at around \$3 billion since 2000-01.
- 4.95 In its submission to the inquiry, Austrade indicated that the Bali bombings had influenced risk perceptions across the South East Asia region.
- 4.96 The heightened security concerns are reflected in the travel advisories which in turn impact to some extent on how business is conducted if not on the actual the level of business.
- 4.97 Although concerns about travel advisories were raised in a number of other contexts in this inquiry, they will be dealt with in this section.

Travel advisories

- 4.98 The Senate Foreign Affairs, Defence and Trade References Committee is currently undertaking an inquiry into *Security threats to Australians in South East Asia*, which is investigating the performance of DFAT and other relevant Commonwealth Government agencies, in the assessment and dissemination of threats to the security of Australians in South East Asia in the period 11 September 2001 to 12 October 2002.⁷⁶ This Committee does not intend to go over the same ground.
- 4.99 In May 2003 DFAT described to the Committee their travel advice regarding Indonesia as continuing to be "that Australians should defer non-essential travel to Indonesia, including Bali, and that threats against Australians and Australian interests in Indonesia remain high, given possible terrorist actions or civil disorder".⁷⁷ As at March 2004, the Advice still started with 'We continue to advise Australians to defer non-essential travel to Indonesia, including Bali'.⁷⁸
- 4.100 The evidence received by the Committee indicates that the impact of this level of travel advice varies among Australian travellers. Broadly, the

76 Senate Foreign Affairs, Defence and Trade Committee 2003, <http://wopared.aph.gov.au/Senate/committee/fadt_ctte/bali/index.htm>

77 Transcript of evidence, Thursday, 1 May 2003, p 186 (DFAT)

78 Department of Foreign Affairs and Trade 2004, <www.dfat.gov.au/zw-cgi/view/Advice/Indonesia>

evidence seems to show that individual travel decisions are less likely to be put off than those guided by an overarching process. Larger organisations are dissuading travel from a liability point of view (sometimes driven by insurance requirements), whereas this is less of an issue for individual travellers.

- 4.101 From a business perspective, the Australia-Indonesia Business Council (AIBC) claims that their ‘members who generally have several years experience in Indonesia, continue to travel and do business in Indonesia’.⁷⁹ In fact, a survey of AIBC members after the Bali and after the Marriott bombings showed that approximately 75% of respondents felt the bombings and travel advisories would have little impact on their business.
- 4.102 The impact on potential investors or business people (deferring travel or choosing to do business in other countries) is not easy to measure. However Austrade reports that they are “not seeing as many of the new exporters or new investors that [they] would expect to see in the current climate”.⁸⁰
- 4.103 Australian research bodies also report varying degrees of impact on their work related to the advisories. ACIAR stated ‘it has been a difficult period but not one that has challenged us to any really significant degree ... we have managed our way around the particular issues’.⁸¹ Whilst CSIRO claims that ‘interactions with Indonesia have been almost negligible due to the [travel advisory] ... we believe that CSIRO will weather this time due to ... continued interaction with Indonesian research agencies over the last three decades’.⁸² Under the CSIRO fellowship awards, some Indonesian science agency representatives continue to visit CSIRO.⁸³
- 4.104 The Department of Agriculture Western Australia stated that due to difficulties in clarifying the definition of ‘essential travel’, they decided that their scientists would not be sent to locations across Indonesia until there was a “substantial change in the travel advice”.⁸⁴

79 Submission No 111, p 3

80 Transcript of evidence, Wednesday 30 April 2003, p 174 (Austrade)

81 Transcript of evidence, Tuesday 5 August 2003, p 413 (ACIAR)

82 Transcript of evidence, Monday 17 March 2003, p 60 (CSIRO)

83 Transcript of evidence, Monday 17 March 2003, p 60 (CSIRO)

84 Transcript of evidence, Monday 18 August 2003, p 441 (Western Australian Government)

- 4.105 Universities appear hardest hit by the issue of travel warnings, with evidence from the Department of Industry and Resources WA, and the Australian National University linking this to insurance implications.⁸⁵
- 4.106 The Asia Education Foundation, who were contracted to carry out the management of DEST's pilot project for teacher exchanges, decided not to send teachers to take up positions in Indonesia in December 2002, "given the travel advisory on Indonesia", so postponed them for 12 months.⁸⁶
- 4.107 The Australian Consortium for 'In-Country' Indonesian Studies (ACICIS) have restarted management operations and invited Australian universities to send their students back into Indonesia.⁸⁷
- 4.108 In contrast, "independent schools and TAFE are not as affected ... because they are able to obtain insurance for their employees that visit the market".⁸⁸
- 4.109 The Department of Industry, Tourism and Resources believes that people may be paying more attention to travel advisories than they did prior to the Bali bombings. However, "anecdotally ... some of the diehards, some of the younger travellers, are returning. People who feel a sense of loyalty towards Indonesia, and Bali in particular, who have been there a number of times for holidays, are going".⁸⁹
- 4.110 The Committee is aware of the impact of the advisories on the establishment and continuity of some important programs. It is also very mindful of Indonesia's concerns about the advisories. Mr Imron Cotan, Ambassador to the Embassy of the Republic of Indonesia, in evidence to this inquiry, urged the Australian government to revoke its travel advisory on Indonesia "to enable the two peoples to freely travel and engage in activities beneficial to both countries".⁹⁰ Mr Cotan also requested that the travel advisories be reviewed from time to time.⁹¹ DFAT has assured the Committee that it has undertaken to keep the travel advice under review on a continual basis.⁹²

85 Transcript of evidence, Monday 18 August 2003, p 440 (Western Australian Government), Transcript of evidence, Thursday 1 May 2003, p 216 (ANU)

86 Transcript of evidence, Thursday 1 May 2003, p 233-34 (DEST)

87 Transcript of evidence, Thursday 1 May 2003, p 216 (ANU)

88 Transcript of evidence, Monday 18 August 2003, p 441 (Western Australian Government)

89 Transcript of evidence, Monday 16 June 2003, p 289-90 (DITR)

90 Transcript of evidence, Monday 16 June 2003, p 278 (Embassy of the Republic of Indonesia)

91 Transcript of evidence, Monday 16 June 2003, p 280 (Embassy of the Republic of Indonesia)

92 Transcript of evidence, Thursday 1 May 2003, p 186 (DFAT)

- 4.111 Travel advisories are a vexed issue and the Committee understands the various concerns expressed to it on this matter. It is also aware of the argument that travel advisories lose their impact after some time. When looking at the comparative travel advice given on any particular day on different countries, the variation is puzzling. For instance, on 31 March 2004, DFAT's travel advice for Indonesia remained "We continue to advise Australians to defer non-essential travel to Indonesia, including Bali". On the same day, a day in which media reported the arrest in the Philippines of four members of the Terror group Abu Sayyaf and the discovery of 36 kg of TNT⁹³, DFAT's travel advice opened with 'Australians in the Philippines should exercise extreme caution, particularly in commercial and public areas known to be frequented by foreigners'.⁹⁴ The media for 31 March 2004 also reported the arrest in London of eight terror suspects and the discovery of 500 kg of explosives.⁹⁵ DFAT's travel advice on that date started with 'Australians in the United Kingdom are advised to be alert to their own security.'⁹⁶ On the same day, the media reported a bomb attack on the Australian high commission in Kuala Lumpur. DFAT's travel advice for Malaysia opened with 'Australians in Malaysia should exercise a high degree of caution, particularly in commercial and public areas known to be frequented by foreigners'.⁹⁷ In a similar vein, several days after the Madrid bombings in which 190 people were killed,⁹⁸ DFAT's travel advice for Spain starts with 'Australians in Spain are advised to exercise caution and be aware of developments that might affect their safety.'⁹⁹
- 4.112 The Committee acknowledges that the travel advisories are not updated on a daily basis which may account for the range of assessments despite the various reported events and incidents. It notes, however, that the advice for the above places appeared to have little changed when checked again two weeks later. Notwithstanding this, the Committee acknowledges the complexity of the issue.

93 K Lyall, 'Loose lips sink Manila bomb plot', *Australian*, 33 March 2004, p 9

94 Department of Foreign Affairs and Trade 2004, <www.dfat.gov.au/zw-cgi/view/Advice/Philippines>

95 Ben English, 'UK police foil bomb attack', *Daily Telegraph*, p 35

96 Department of Foreign Affairs and Trade 2004, <www.dfat.gov.au/zw-cgi/view/Advice/United_Kingdom>

97 Department of Foreign Affairs and Trade 2004, <www.dfat.gov.au/zw-cgi/view/Advice/Malaysia>

98 ABC News Online, 24 March 2004, <<http://www.abc.net.au/news/newsitems/s1072342.htm>>

99 Department of Foreign Affairs and Trade 2004, <www.dfat.gov.au/zw-cgi/view/Advice/Spain>

- 4.113 The information above, however, does suggest some questions need to be asked about travel advisories generally. The Senate Foreign Affairs Committee's current inquiry is focussed on South East Asia and events and advisories between 11 September 2001 and 12 October 2002. The Committee suggests that a far broader inquiry into travel advisories be undertaken. The result of that inquiry may have implications for the wording of travel advice on Indonesia and other places.
- 4.114 Representatives of the Indonesia-Australia Business Council suggested to the Committee during discussions in Jakarta in February 2004 that the opening sentence at the beginning of the DFAT's advice was of concern and that the rest, as merely a statement of risk, was not a problem. The Committee can see value in this line of thought. As it is, advice to defer non-essential travel, raises a whole set of questions and uncertainty about the words 'non-essential'. It may be less confusing to start with a strong recommendation that would be travellers should consider the following information before undertaking travel to a particular destination, providing comprehensive details about what the risks are, etc, and then leaving it to individuals to make their own judgement. As it is, individuals are left with having to make a judgement about what constitutes 'non-essential' travel. We are in subjective territory.
- 4.115 Having made these points, the Committee considers that the Government must do whatever it can to safeguard the security of Australians while they are abroad. While individuals will ultimately make their own choices, the Government has a responsibility to provide them with the most accurate information that it has available to help them do this.
- 4.116 The current travel advice regarding Indonesia has implications for some of the suggestions made by the Committee in this report. A strong theme in the Committee's report is the need to strengthen the bilateral relationship through deepening understanding and nurturing people-to-people links. One of the most effective means of doing both is through visits, exchanges and travel between the countries.
- 4.117 On many occasions in the report, the Committee urges an expansion in the number and scale of visits and exchange programs. The Committee has made this push despite the travel advisories. The Committee's strong push for an expansion of the visits and exchange programs is on one level an expression of the Committee's optimism that the concerted and cooperative efforts of both countries will continue to create a more secure regional environment. Realistically, the Committee accepts that travel advisories will change from time to time and that this may impact on many of the excellent programs the Committee so strongly supports in

this report. The Committee encourages agencies and institutions affected to respond creatively during such periods and to find ways to ensure that the interactions take place.

- 4.118 The Committee notes that travel advisories incorporate actual practice and experience on the ground. It should also be noted that they are not a prohibition on travel and that large numbers of Australians still travel notwithstanding the travel advisories in place.

Recommendation 10

The Committee recommends that:

- **travel advisories should note that they are not a prohibition on travel unless otherwise the case;**
- **travel advisories should incorporate information on current practices, for example, the number of people travelling;**
- **where a travel advisory impacts upon a State Government relationship or business activity, that there be capacity for this to be discussed with DFAT in a way that ensures that if at all possible the advice can be given in a way that satisfies insurers of low risk activities; and**
- **that Australian Government agencies and institutions affected by travel advisories respond creatively during such periods and find ways to ensure that the interactions with their counterparts in Indonesia take place.**

Visas

Medical Treatment Visas

- 4.119 Australia offers a Medical Treatment Visa (MTV) option for people wishing to visit Australia to undergo medical treatment or consultations. Visas are available to cover short-term (up to three months) and longer term visits.
- 4.120 Medical treatment allowable under an MTV can include a range of activities within a health care facility (except procedures for surrogate

motherhood), and may also be used for people accompanying and providing support to someone who intends being a patient.¹⁰⁰

- 4.121 The Lions Eye Institute says that international citizens seeking specialised medical treatment represent a “lucrative – but as yet untapped – tourism niche market for Australia”, which could generate growth in the health services sector and stimulate further research capacity.¹⁰¹
- 4.122 Approximately 500 Indonesian nationals use MTV to visit Australia for medical treatment every year¹⁰², but this is well below the potential number. For example, according to the Lions Eye Institute, Australia attracts less than 1% of the total out-bound Indonesian eye health market, conservatively estimated at \$100 million in value.
- 4.123 All visa applicants intending to enter an Australian health care facility, for any reason, are required to undergo a chest x-ray examination to detect tuberculosis. As well as being essential for an MTV, an x-ray requirement may also apply to applicants from elsewhere in the world, for any other visa.¹⁰³
- 4.124 The submission from the State Development Portfolio of the Western Australian Department of the Premier and Cabinet, states that the Australian government requirement for all Indonesians seeking an MTV to undergo an approved x-ray to detect tuberculosis is “a major inhibiting factor in the development of inbound health programs”.¹⁰⁴
- 4.125 As they see it, the problem arises in the event that there is some indication of a potential presence of TB. The x-ray is then sent to Canberra for assessment by a panel of doctors, prior to a decision on the application. This process can take up to three weeks, and patients seeking urgent medical treatment often look to Singapore or other locations in order to receive timely treatment.¹⁰⁵
- 4.126 That submission recommends the introduction of a “telemedicine” system, to transfer x-ray images to Canberra electronically and with a streamlined

100 Department of Immigration and Multicultural and Indigenous Affairs 2004, <http://www.dimia.gov.au/allforms/visiting_medical.htm>

101 Exhibit No 18: Lions Eye Institute submission to the Commonwealth Tourism Green Paper 2003.

102 Submission No 76, p 20

103 Submission No 76, p 20

104 Submission No 33, p 20

105 Submission No 33, p 20

assessment process, provide a “same day” response. The facilities for this service are in existence in Jakarta.¹⁰⁶

Recommendation 11

The Committee recommends that the possible introduction of a telemedicine system be examined further, with the aim of improving the consideration time for Medical Treatment Visa applications

Visa changes for Australians visiting Indonesia

- 4.127 The Department of Immigration and Multicultural and Indigenous Affairs (DIMIA) describes Australia as having a universal visa scheme which does not differentiate between Indonesia and anywhere else.¹⁰⁷ The situation in Indonesia until recently has been very different and was described by DIMIA as “a selective visa free regime”¹⁰⁸.
- 4.128 Australians were previously eligible for short term visits to Indonesia for tourism, business or socio-cultural purposes without a visa. This facility provided a free 60-day Short Stay Permit on arrival to travellers holding a return ticket and the equivalent of US\$1000 (to cover living expenses) prior to their arrival.¹⁰⁹ This type of visa could not be extended, transferred or converted to any other kind of visa; nor could it be used as a working permit. Eligible entry and departure was required to be through one of the airports, seaports, or landborders designated for international travel.
- 4.129 This visa free facility was first introduced in 1983, in Presidential Decree No. 15/1983 which granted free visas to nationals of 48 countries (including Australia) and was primarily designed to attract more foreign tourists to the country. The Indonesian government has since argued that the facility is often abused by foreigners who work in the country illegally or who are engaged in other activities¹¹⁰. The efforts required to monitor the activities of those entering Indonesia this way (entry and exit was permitted through any immigration checkpoint, and there were no online

106 Submission No 33, p 21

107 Transcript of evidence, Monday 23 June 2003 AM, p 326 (DIMIA)

108 Transcript of evidence, Monday 23 June 2003 AM, p 327 (DIMIA)

109 Embassy of the Republic of Indonesia 2003 <<http://www.kbri-canberra.org.au/consular/visa/visas.htm>>

110 ‘Govt revokes visa-free facility for 48 countries’ *The Jakarta Post*, 9 April 2003

networks to support the process) were overwhelming and beyond the capacity of the immigration authorities.¹¹¹

- 4.130 As reported in the submission from the Department of Immigration and Multicultural and Indigenous Affairs, Indonesia planned to amend its visa regime, “specifically to abolish its visa-on-entry policy given to citizens of 48 countries”.¹¹² The Department of Foreign Affairs and Trade described it as visa-free entry to Indonesia being revoked for “nationals of most non-ASEAN countries”.¹¹³
- 4.131 Proposals to revise visa-free-entries were initiated in December 1999 by the then president Abdurrahman Wahid, and followed up by the Directorate General of Immigration¹¹⁴. The tourism industry in particular was critical of the revisions.
- 4.132 The proposal was again raised in late 2000 when the Indonesian government was reported to be considering charging fees for the issuing of visas upon arrival for tourists from countries which had previously enjoyed the visa-free facility granted by Indonesia¹¹⁵. At this time the reasoning given for the proposed changes was that Indonesians had been receiving unfair treatment as they had to pay for their visas, while the citizens of the 47 countries could enter Indonesia for free. For example visa applications to the Australian Embassy require Indonesians to pay a non-refundable fee and then wait a week to find out if their application has been accepted.
- 4.133 The use of income gained from the visa fees to improve immigration processes has also been raised as a reason for implementation.
- 4.134 The changes were raised again in September 2002 when the Jakarta Post reported that the Directorate General of Immigration in Indonesia was considering abolishing the 2 month free visa for 48 countries, including fellow ASEAN nationals, East Asian and Western nationals.¹¹⁶
- 4.135 Protests against the visa fee changes have continued whenever the issue reappears, particularly from the local tourism industry. In 2003 the Jakarta

111 Directorate General of Immigration, Jakarta, ‘Why we need changes in RI’s visa policy’ 19 May 2003, <<http://www.kbri-berlin.org/news/release/News190503.htm>>

112 Submission No 76, p 23

113 Submission No 98, p 3

114 Directorate General of Immigration, Jakarta, ‘Why we need changes in RI’s visa policy’ 19 May 2003, <<http://www.kbri-berlin.org/news/release/News190503.htm>>

115 ‘Indonesia ponders fees for visas on arrival’ *The Jakarta Post*, 3 November 2000

116 ‘Indonesia muses abolishing free visas’ *Asian Travel News*, 3 November 2002, <<http://www.apmforum.com/hariini/archives/000209.php>>

Post reported a street rally protesting against the policy in Bali, which attracted thousands of local tourism players. They claimed the policy would badly hurt domestic tourism industries which had yet to recover from the Bali and the JW Marriott Hotel bombing in Jakarta”¹¹⁷, and were also dealing with other impacts on tourism such as terrorism fears, SARS and the Iraq war.¹¹⁸

- 4.136 On 31 March 2003 President Megawati Soekarnoputri signed the decree, to permit short visa-free visits for the nationals of 11 countries only¹¹⁹. The countries included were Thailand, Malaysia, Singapore, Brunei Darussalam, the Philippines, Hong Kong S.A.R., Macao S.A.R., Chile, Morocco, Turkey and Peru.¹²⁰ Vietnam has since replaced Turkey for reasons of reciprocity.
- 4.137 The Presidential Decree outlining the proposal states that “A Free Visa for Short Visit ... is granted only for visits, which are based on mutually beneficial and reciprocity and will not cause any disturbance to the law, order or national security” and “may also apply to ... certain countries, which have a bilateral or multilateral cooperation with the Indonesian government”.¹²¹ Australia is not included in either of these two classifications.
- 4.138 Since changes to the 1983 visa system were first raised, the timing for implementation, costs involved and even which countries would be affected, was unclear, and subject to change. Despite a number of dates having been proposed for implementation of the new visa regime, it did not commence until 1 February 2004.
- 4.139 As the Age reported:

Indonesia has set a tariff of 210.000 rupiah (\$A33) on one-month visas-on-arrival for most tourists from February 1. The tariff for a 10-day tourist visas will be 84,000 rupiah (\$A13).¹²²

117 ‘Government to revamp visa policy again’ *The Jakarta Post*, 10 September 2003

<http://www.bkpm.go.id/en/board.php?mode=baca&message_id=123>

118 ‘Jakarta’s visa fee blow to tourism’ *Australian Financial Review* 5 January 2004, International News p. 10

119 Presidential Decree No. 18 Year 2003, on ‘Free Visa for Short Visit’ Unofficial Translation <<http://www.indony.org/pressreleases/Keppres%20no.%2018%20thn%202003.pdf>>

120 ‘Govt revokes visa-free facility for 48 countries’ *The Jakarta Post*, 9 April 2003

121 Presidential Decree No. 18 Year 2003, on ‘Free Visa for Short Visit’ Unofficial Translation <<http://www.indony.org/pressreleases/Keppres%20no.%2018%20thn%202003.pdf>>

122 ‘Indonesia introduces tourist visa tariffs’ *The Age*, 21 January 2004, General News p. 6

- 4.140 The current *Travel Advice for Indonesia* on the Department of Foreign Affairs and Trade “smartraveller” website¹²³ (as issued on Friday, 06 February 2004, 20:05:38, EDT) says the following about the new visa regime:

Two visa types are available to passengers arriving at a point of entry where the visa on arrival facility is offered. These are a three day short-stay visa for USD10.00 and a 30 day visa for USD25.00. Payment must be made in US dollars on arrival. It is recommended that travellers have the exact US dollars cash available as not all entry points will have full bank facilities in place until sometime later in the year.

The current cost of a tourist/business visa provided by the Indonesian missions in Australia before departure remains at A\$125 (for a sixty day stay).¹²⁴

- 4.141 The DFAT “smartraveller” website lists the key features of the new visas on arrival system regime as follows.¹²⁵ Visas on arrival:

- can only be obtained at certain international airports
- can only be obtained at certain seaports (Australians arriving at any other border entry point will require a visa from an Indonesian diplomatic post)
- can only be extended in circumstances such as natural disasters, accident or illness

- 4.142 The Indonesian Embassy justified the new visa rules when it appeared before the Committee in June 2003:

We would like to review the abuse of visa, not only for those wanting to work in Indonesia, but also for those overstayers. ... In Jakarta itself there are a number of Australians ... who work—abusing their visa—as English teachers, as consultants.

As far as the fees are concerned, we would like also to collect some income from that ... Some of that income will be used to develop what we call an online immigration system, through which you will be able to easily apply for a visa. ... In a sense, the fees or the

123 Department of Foreign Affairs and Trade 2004, <<http://www.dfat.gov.au/zw-cgi/view/Advice/Indonesia>>

124 Department of Foreign Affairs and Trade 2004, <<http://www.dfat.gov.au/zw-cgi/view/Advice/Indonesia>>

125 Department of Foreign Affairs and Trade 2004, <<http://www.dfat.gov.au/zw-cgi/view/Advice/Indonesia>>

income derived from this fees will be used to build a very solid system—that you have applied in your country—as to facilitate visa applications, reduce the timing and also to expedite the process.¹²⁶

- 4.143 The Australia Indonesia Business Council does not agree that the changes will have the desired effect:

This reverses the decision made in the mid 1980's to have visa free entry, which at the time was seen as a major step forward in encouraging tourism to Indonesia. We believe the selective reimposition of visa fees is a regressive step, and discriminates against Australians. It cannot be justified on security grounds, as it doesn't apply to everyone. We have voiced our concerns to Indonesian officials on several occasions.¹²⁷

- 4.144 However the Department of Industry, Tourism and Resources suggests that the financial impact will not be as bad as advocated elsewhere:

In a fairly competitive market, the extra cost of \$US40-odd for a visa may have an impact if the elasticity of demand is such that people weigh that up. For a family of four, \$US160 may have an impact when compared to other perhaps cheaper destinations. For a young, independent person travelling, it may not have such a significant impact.¹²⁸

- 4.145 The impacts of such changes would not only be financial in nature, as is described by *Asian Travel News*:

The main benefit of visa-free policies to foreign nationals is not so much in reduced travel expenses, but more to do with convenience. But the even more critical benefit is to foreign relations where extension of such privileges to a country's nationals is a discreet message to the country that their nationals are trusted.¹²⁹

- 4.146 The Committee agrees that although the introduction of visas on arrival for Australians visiting Indonesia may have some negative impact on the tourism industry, and less tangibly the relationship between our two nations, the decision rests with the Indonesian Government. Australia

126 Transcript of evidence, Monday 16 June 2003, p 280 (Embassy of the Republic of Indonesia)

127 Submission No 111, p 7

128 Transcript of evidence, Monday, 16 June 2003 p. 289 (DITR)

129 'Indonesia muses abolishing free visas' *Asian Travel News*, 3 September 2002
<<http://www.apmforum.com/hariini/archives/000209.php>>

cannot really protest the introduction of visa fees by Indonesia when we impose such fees on their nationals visiting this country.

- 4.147 The Committee supports the Indonesian Government using the funds gained from the visa fees to improve immigration facilitates in the region, particularly through the use of online networks for visa application and at immigration checkpoints.

Austrade's response to the changes in the trade and investment climate

- 4.148 The decline in the trade and investment environment has had a direct impact on the scale and nature of Austrade's work. Its approach now concentrates on facilitating business missions into the region, participating in State-based events in Australia and in organising inbound buyer missions from Indonesia to Australia.¹³⁰

- 4.149 Austrade described the changes in its role as follows:

Our role has come to cover three things. First, we keep the business channels open when people are not coming. For years they said that Austrade was the eyes and ears of Australian business in Asia. We are more than that now; we are the face of Australian business, because we are the ones who are going out to get the customers. Secondly, we have had to get closer to the sale. This is one of the things that Mike mentioned. We are almost more like sales brokers. If people are not coming up and doing the face-to-face stuff, we have to get a lot closer to the customer. We have to use innovative and different ways to ensure that we keep people face to face, whether it is via technology or by taking them out to Australia.

The third thing that we have been doing in the short term, if people are reluctant to come for one reason or other, is act as somewhat of a surrogate representative—within, obviously, legal bounds—to make sure that the business channels and the business is not lost to Australia. That is the sort of thing we have had to do. That has turned our business upside down, in the light of declining numbers coming in and declining business for us.¹³¹

130 Submission No.83, p 8

131 Transcript of evidence, Wednesday 30 April 2003, p 180 (Austrade)

- 4.150 The change in the scale of operations is reflected in a significant shift in resources to Austrade over the last decade from \$2,521,000 in the 1993-94 budget to \$1,878,672 in the 2002-03 budget.¹³²
- 4.151 The Committee commends Austrade for its approach in adapting to the changes in the trade and investment environment.
- 4.152 In any environment, there are issues and opportunities. The submissions from the many departments involved in some way with trade and investment have provided comprehensive details about both. Consistent with its broad brush approach to looking at the bilateral relationship, the Committee has not given an account here of the detail of issues and opportunities affecting the various sectors. The issues are being dealt with by the Working Groups of the AIMF. The Committee has focussed on opportunities.

Areas of opportunity

- 4.153 While the outlook for the investment climate is poor, Australian companies can still do well in Indonesia. Trade, Austrade pointed out, has proved remarkably resilient since 1997 indicating that the commercial aspects of the relationship are very sound.¹³³ This was reinforced by representatives of the Indonesia-Australia Business Council in discussions with the Committee during its visit to Indonesia. They described trade as being the most stable aspect of the relationship. In their view, despite fluctuations in the broader bilateral relationship, from the commercial side it was largely 'business as usual'.
- 4.154 Opportunities exist for both countries to substantially expand trade in the long term. As pointed out by Austrade, 'despite the difficulties and challenges in the market one needs to recognise that in the population of about 210 million, even though 58% of them live on less than US\$2 per day, 30 million – one and a half times the population of Australia – are middle class, with commensurate spending power'.¹³⁴ In a similar vein, but from an Indonesian perspective, Mr Noke Kiroyan, Board Member of the Indonesia-Australia Business Council and Chairman of Rio Tinto in Indonesia, suggested in a paper, copies of which were given to members of the Committee during their recent visit to Jakarta, that Australians' buying power compensated for the lack in numbers.

132 Submission No 119, p 3

133 Submission No 83, p 15

134 Submission No 83, p 13

It is worth bearing in mind that Australia is around the 14th largest economy in the world, and as such it is no small country by any measure. While our economy kept shrinking Australia is showing further healthy growth, and any economy that is growing would need additional outside input to satisfy the needs of its population. Their numbers are not that big, but their buying power amply compensates for the lack in numbers.¹³⁵

- 4.155 At the present time, according to Austrade, 'Indonesia offers best prospects for experienced firms with the resources to commit for the long term. However, there are opportunities for less experienced SMEs particularly where they are able to meet a niche demand'.¹³⁶
- 4.156 The current climate, however, does demand that different business models be adopted and that a longer term view be taken.
- 4.157 In the Committee's view, some of the factors contributing to the difficulties in the investment environment, including decentralisation and the need for infrastructure, present in themselves opportunities for Australian companies to provide expertise and services. As indicated at various points in this report, the potential has already been clearly recognised by some parts of the government sector, particularly by WA and the NT.
- 4.158 At this point the Committee notes some concerns expressed by a member of the Indonesian-Australian Business Council during discussions in Jakarta in February 2004. The member noted that much of Japan's aid money to Indonesia was targeted for infrastructure projects particularly in the power area. The members suggested that some Australian power companies were concerned that this would result in Japanese companies winning the contracts. In this respect, the Committee notes that the media reported on March 31 2004 that of the 104.6 billion yen that the Japanese would provide to Indonesia in long-term, low interest loans, 58.7 billion yen was to cover the construction of a thermal power plant near Jakarta.¹³⁷ The Indonesia-Australia business Council suggested that aid money could be used as a positive tool to enhance and support business.

135 N Kiroyan, 'Indonesia-Australia Relations: Business as Usual', paper presented at the Annual Conference ASC – University of Indonesia, Jakarta, 28 January 2000

136 Submission No 83, p 8

137 'Japan to extend loans to India, Indonesia, Vietnam, Tokyo Kyodo World Service in English 0914 GMT 31 March 2004

Specific opportunities

- 4.159 Austrade's submission provides details about a number of sectors in which opportunities are available for Australian products and services including; information, communication & technology (ICT) services; automotive; environment; health; infrastructure; agribusiness; resources and services.
- 4.160 The Committee has focussed on areas identified by Austrade as sectors performing well; agribusiness, education and automotive. It has focussed in particular on education because an increase in the export of education services has multiple benefits to the bilateral relationship.

Agribusiness

- 4.161 Agribusiness (including food and beverages) is an area of considerable potential for Australian producers and companies. According to Austrade Australian exports in the food sector to Indonesia have grown from being Australia's ninth most important market in Asia in 1991-92 with a market share of 3.1 percent to being its second most important market in Asia in 2002-03 with a market share of 8.7 percent.¹³⁸
- 4.162 Opportunities are present in the Indonesian market for Australian suppliers of horticultural products including fresh vegetables for the retail, hotel and restaurant sector; seedlings for Indonesia's horticulture plantation and industrial forest crops; and in the processed food and wine industries.¹³⁹
- 4.163 At the most recent discussions between the Trade Ministers, held in Melbourne in November 2003, an agreement was made to identify specific sectors in the agrifood industry where both countries could benefit from further trade liberalisation and facilitation.¹⁴⁰ The Committee welcomes this move.
- 4.164 In its submission to the inquiry, the WA Government identified agribusiness as a major growth area.¹⁴¹

¹³⁸ Submission No 83, p 23

¹³⁹ Submission No 83, pp24-25

¹⁴⁰ Submission No 119, p 2

¹⁴¹ Submission No 33, p 3 (WA Premier & Cabinet)

Automotive

- 4.165 Indonesia's automotive market has considerable potential. According to Austrade, the automotive trade has done well particularly in regard to components and tooling.
- 4.166 Austrade identified a number of opportunities in Indonesia for the Australian automotive industry including the supply of raw materials, automotive components, manufacturing technology and aftermarket products and accessories.
- 4.167 Austrade has been actively promoting the automotive sector. Initiatives included bringing buyers from Indonesia to visit the Automotive Aftermarket Association Show in Melbourne from 19-21 June 2003. It was also involved in bringing Indonesian automotive buyers to Auto Week in Melbourne in March 2004.
- 4.168 At the most recent discussions between the Trade Ministers, held in Melbourne in November 2003, an agreement was reached to hold an Australia-Indonesia Automotive Summit in Melbourne in 2004. Agreement was also reached on hosting a small Indonesia delegation, including from their Department of Finance, to examine Australia's taxation treatment of automobiles.¹⁴²

Education

- 4.169 Education is one of Australia's most important export earning services from Indonesia. Although the section below focuses on the economic importance of trade in education services, the Sub-Committee notes the equal strategic and cultural importance of the education relationship. These aspects are covered elsewhere in the report.

Offshore education services

- 4.170 With its origins in the Colombo Plan in the 1950s and 60s, the education services market has grown markedly to one where Indonesia has become one of Australia's top four markets in the Asian region¹⁴³, and the top source of school students at the school level.¹⁴⁴ The preferred destination for overseas study by Indonesians, Australia has approximately 18,000 Indonesian students studying in Australia each year, generating 'in the

142 Submission No 119, p 2

143 Transcript of evidence, Thursday 1 May 2003, p 229

144 Submission No 83, p 31

order of \$400 million per annum to the Australian economy'.¹⁴⁵ According to DEST, 'this places education services in the top three export earning sectors from Indonesia, along with cotton and wheat'.¹⁴⁶

- 4.171 In addition to the direct economic benefits, Australia benefits economically indirectly by the demand for Australian products from students returning to Indonesia after their studies in Australia as described by Austrade as follows:

The largest retailer in Indonesia has something like 70 supermarket stores across the archipelago and 2,500 Australian lines in their flagships supermarkets. That influence has not come from us to a large extent; it has come from the students who have come back and want their violet crumble bars and their cherry ripens and those sorts of things.¹⁴⁷

- 4.172 The phenomenon of Australia being the major supplier of offshore tertiary education is, according to Professor Hill, 'of immense significance if we capitalise on it and use it productively'.¹⁴⁸ Australia is an attractive destination for Indonesian students because of its proximity and accessibility, the perception that it is a safe place, the relatively low costs and, importantly, because it provides an opportunity for students to be immersed in the English language.

- 4.173 A key determinant of the strength of the appeal of Australian education is clearly also its quality. According to Professor Hill, it is important that the quality is maintained. To this end, he suggested, 'there is a case for maintaining the regulatory environment which ensures that quality and integrity is preserved'.¹⁴⁹ The Committee concurs with this view. It was pleased to learn, in supplementary material provided on this issue by DEST, of recent reforms which have enhanced regulation by 'allowing better monitoring of provider and agent activity'.¹⁵⁰ The reforms include the development of the Provider Registration and International Students Management Systems (PRISMS), a world first which, according to DEST, has 'put Australia at the forefront of electronic management of overseas student activity'.¹⁵¹ Other developments include the *Strengthening Onshore Compliance* initiative in the 2003-04 budget which increased resources for

145 Submission No 22, p 420, DEST

146 Submission No 22, p 420, DEST

147 Transcript of evidence, Wednesday 30 April 2003, p 179 (Austrade)

148 Transcript of evidence, Monday 13 October 2003, p 473 (Professor Hill)

149 Transcript of evidence 13 October 2003, p 478 (Professor Hill)

150 Submission No 115, p 8

151 Submission No 115, p 7

ensuring provider compliance with the *Education Services for Overseas Students Act 2000*.

- 4.174 Professor Hill made reference to the role that strong alumni networks can play in promoting Australian education and suggested that there was scope for the Australian Embassy in Jakarta to do more in this regard. The view was supported by his colleague, Dr Manning, who suggested that by the time students have reached important positions in Indonesia, their association with Australia has dissipated significantly. To counter this, he proposed that we draw from the Japanese experience and provide government support for the alumni relationships.

Looking at the Japanese experience, the Japanese have very solid alumni organisations. They are strongly supported by their foreign affairs ministry. They allocate money to support alumni relations and provide practical follow-up at particular institutions or provide information in certain fields and so on.¹⁵²

- 4.175 The Department of Education, Science and Training (DEST) referred, however, to the alumni network it has built up.

We have a strong alumni network which has been a source of considerable support over the last few years when some other aspects of our relationship with Indonesia have been strained. We have found that those people to people links that have been developed, particularly through education—through the alumni network and through current students—have been very supportive and have helped to keep the dialogue going between ourselves and Indonesia.¹⁵³

- 4.176 In a supplementary submission, DEST elaborated on the extent of the network and its relationship with the Australian Embassy and the AEI office in Jakarta.

The Australia-Indonesia alumni network has a good working relationship with the Australian embassy and the AEI office in Jakarta. Called IKAMA (which is short for Ikatan Alumni Australia) it has around 3,000 members, including graduates from the Colombo Plan, Australian Development Scholarships programme and full fee paying courses. Through the Embassy in Jakarta, AEI provides assistance to IKAMA valued at around \$25,000 to cover the use of premises adjacent to the Australian

152 Transcript of evidence 13 October 2003, p 479 (Dr Manning)

153 Transcript of evidence, Thursday 1 May 2003, p 228 (DEST)

Education Centre and for support staff. IKAM is currently engaged to prepare 250 alumni profiles for AEI to assist in generic marketing efforts. The alumni profiles will provide a useful balance between ethnic background, age, gender and home province to assist AEI marketing in Indonesia. The Counsellor meets regularly with the alumni and participates in their sports, social and philanthropic events. The Ambassador recently hosted a dinner for 35 prominent members at his residence.¹⁵⁴

- 4.177 Of the 18,000 students coming to Australia each year, approximately 2000 are from the schools sector. In evidence before the Committee, DEST mentioned that increasing numbers of students are starting to go to the Malaysia and Singapore's schools sectors from Indonesia.¹⁵⁵ The Committee suggests that this trend be closely watched and that consideration be given to ways of enhancing the schools market in Australia.
- 4.178 Given the value of the education services market to Australia, it would be useful to be able to easily monitor Australia's relative position in the region in terms of providing education services to Indonesia at the higher education, school and corporate training levels. DFAT's publication 'The APEC Region Trade and Investment'¹⁵⁶ provides detailed tables showing Australia's trade over the last decade in various services including travel and transport. The Committee considers that it would be useful if education services were treated in the same way and has written to suggest this to DFAT.
- 4.179 Ensuring that Australia's high standards in education are maintained and nurturing the links with students after their return to Indonesia are strategies that will provide the foundation for continued growth in this sector. There is also a place for direct promotional work. In this context, the Committee was interested to learn of a Study in Australia exhibition in Jakarta organised by Austrade in June 2002 in response to the growing interest by Australian educators in the Indonesian market. According to Austrade, the 'exhibition attracted 70 exhibitors and 4,280 visitors over the course of two days with 450 expected enrolments.'¹⁵⁷ In a supplementary submission, Austrade advised that the event was again held in Jakarta in

154 Submission No 115, p 3

155 Transcript of evidence, Thursday 1 May 2003, p 229 (DEST)

156 DFAT, *The APEC Region Trade and Investment 2003*, Commonwealth of Australia, 2003,

157 Submission No 83, p 32

June in 2003 with 47 institutions participating¹⁵⁸ The Committee was pleased to learn that the event is planned as an annual promotion and that discussions are underway for a third such exhibition to be held in Jakarta in 2004.

Other opportunities for Australian education providers

- 4.180 Indonesia, according to DEST, 'holds Australia's education system, standards, models and practices in high regard. According to DEST, with half of Indonesia's population of over 220 million being under 25, Indonesia 'will face increasing pressure on its capacity to provide quality education for all its people'.¹⁵⁹ The evidence that the Committee received about the match between Indonesia's interests and needs and Australia's capacities in this area suggest that there is considerable potential for Australia to enhance its already significant standing as a provider of educational product.
- 4.181 According to DEST, 'Indonesia views the development of in-country international education services as crucial to improving student choice and enhancing education standards in Indonesia'.¹⁶⁰ Clearly herein lie a wealth of opportunities for Australian education services providers.
- 4.182 DEST described a rich array of educational activities in which Australia is already working with Indonesia to further the reform of its education system. Many of the activities at the government level have as one of their objectives the development of the complementarity of the two systems in order to enhance the opportunities for Australian providers to offer their services within Indonesia.¹⁶¹ The activities encompass school and higher education, English language teaching, distance education, academic research and education management, skills training, standards frameworks and curriculum development.
- 4.183 Indonesia has made some moves since 1999 towards liberalising what was a highly regulated education system. As a result there has been a substantial increase in the number of partnerships between Australian institutions and Indonesian operators. While Australian institutions are not allowed to operate full branch campuses, there are 'now more than 300

158 Of the 47 institutions participating, 57% were from higher education; 32% from VET (Vocational Education Training); 4% from ELICOS (English Language Instructional Courses for Overseas Students); 4% from foundation studies institutions; and 3% from schools. Submission No. 119, p4

159 Submission No 22, p 3

160 Submission No 22, p 2

161 Transcript of evidence, Thursday 1 May 2003, p 228 (DEST)

agreements between Australian and Indonesian institutions under which collaborative projects and staff / student exchanges occur'.¹⁶² DEST advised that 'in addition to the 8 Indonesian National Plus Schools that offer Australian curriculum at the preschool, elementary and junior and senior high schools, a number of Australian higher education institutions deliver offshore foundation programs in Indonesia through approximately 30 local partner institutions.'¹⁶³ Demand for Australian courses is growing.¹⁶⁴

- 4.184 In a supplementary submission, DEST advised that there were some reports indicating that the Indonesian Government was drafting a regulation to allow foreign learning institutions to open branches in Indonesia. It added that it expected that they would still only be able to own up to 50 percent equity in Indonesian universities.¹⁶⁵
- 4.185 Opportunities are also increasing in distance education as Indonesia relaxes its restrictions on distance education and becomes more flexible in recognising qualifications provided by distance education.¹⁶⁶ Australia has an excellent reputation internally for its distance education. Distance education is highly cost effective and the Committee considers there is excellent potential in the long term for growth in this area. In this context, it was pleased that ministers at the most recent AIMF had noted the active links between Australia and Indonesia to develop distance education especially through the South-east Asian Ministers' Centre for Open Learning.'¹⁶⁷
- 4.186 In the longer term there should also be greater opportunities for on-line education. DEST described the lack of infrastructure and teacher expertise in using ICT for education as factors currently hampering the growth in this area.¹⁶⁸ In giving evidence to the Committee, it explained that AusAID is working in Indonesia and looking at opportunities to implement activities there as part of the Virtual Colombo Plan the aim of which is increasing the use of technology in education.¹⁶⁹ The Committee considers that the future potential of on-line education warrants a reasonable investment in facilitating the uptake of technology in education.

162 Submission No 83, p 32

163 Submission No 115, p 6

164 Submission No 22, p 3

165 Submission No 115, p 6

166 Submission No 22, p 3 and Transcript of evidence, Thursday 1 May 2003, p 230 (DEST)

167 AIMF Statement, Working Group on Education and Training

168 Submission No 22, p 4

169 Transcript of evidence, Thursday 1 May 2003, pp 230-231 (DEST)

- 4.187 There are considerable opportunities for training at the corporate level particularly in the petrochemical, IT and telecommunications industries as well as in health services, hospitality and tourism. The Committee notes Austrade's description of the decline in the use of foreign trainers owing to a reduction in training funds.

There is a strong demand for corporate training however, with most companies having limited budget (post the financial crisis) there has been a reduction in the use of overseas professional trainers commensurate with a reduction in training funds. Equally, there has been a shift to the delivery of training services in-country to reduce costs and to a train-the-trainer concept so that local companies can conduct their own training at reduced costs. Most companies also now prefer to use local service providers (which quote in Rupiahs as opposed to US dollars) which are affiliated with and / or accredited with international organisations.¹⁷⁰

- 4.188 The Committee suggests that there may be opportunities here for the development of on-line corporate training.
- 4.189 The potential for Indonesia to take up the services that Australia has to offer is affected by the degree of restrictions still present in its policies regarding foreign operators in Australia. DEST described the two most significant remaining restrictions as being the lack of transparency in the regulatory framework and the lack of a framework for the recognition of overseas professional qualifications. In at least one of these areas, the Committee notes there has been some progress.
- 4.190 At the 2003 Australian Indonesian Ministerial Forum's Working Group on Education and Training, 'Education and Training Ministers noted that officials had agreed to work cooperatively to facilitate mutual recognition issues over the next few years as a priority area of activity.'¹⁷¹ In a supplementary submission, DEST advised the Committee that it has been agreed that the first course of action will be an information exchange on systems for foreign qualifications assessment. Following this, it has been suggested, 'that an exchange of visits by senior officials would take place to improve understanding of respective systems and facilitate discussions on specific activities to progress the issue for the next JWG meeting which is scheduled for late 2004'.¹⁷²

170 Submission No 83, p 33

171 AIMF, Joint Ministerial Statement from the Sixth Australia-Indonesia Ministerial Forum , Jakarta Indonesia 11 March 2003, p 7,

172 Submission No 115, p 7

- 4.191 While it is not possible to assess the impact that mutual recognition issues are having on demand for Australian undergraduate programs by Indonesian students,¹⁷³ the Committee considers the potential impact warrants every effort being made to resolve the mutual recognition issues. It encourages the JWG to continue its work in this area.
- 4.192 Indonesia's capacity to take up Australian education services is also constrained by its lack of resources.

173 Submission No 115, p 7

Promoting regional prosperity and stability through development assistance

- 5.1 Despite progress towards reducing the incidence of poverty over the last three decades, poverty is still a major issue for Indonesia, affecting 'at least half of the entire population of Indonesia'.¹ According to the World Bank, 110 million people in Indonesia live on under \$2 per day and 'remain vulnerable to falling back to severe poverty'.² Poverty, according to the AusAID's *Indonesia Country Program Strategy*, is likely to be major problem for some time to come.
- 5.2 Poverty is not only an outcome of economic malaise. It is self perpetuating. Poverty leads to inadequate education and health services provision, inadequate rural and agricultural development, and environmental degradation. These in turn entrench poverty further.
- 5.3 Poverty can contribute to social unrest and ethnic division. In the case of Indonesia, it has the potential to exacerbate internal dissension and the clamour for succession in provinces such as Aceh and Papua. Poverty can breed disenchantment and feed terrorism. Poverty, in short, threatens Indonesia's internal stability and, in turn, the stability and security of the region.

1 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003 pp 15-16

2 World Bank, *Indonesia Country Assistance Strategy*, The World Bank Group, 2003, p 1

- 5.4 Australia's overall aid program is focused on poverty reduction and achieving sustainable development.³ In Indonesia, as mentioned in Chapter 2, there are four inter-related objectives within this broad focus. Two of these objectives, namely improving economic management and enhancing security and stability, have been discussed in earlier chapters. This chapter explores issues that have been raised in this inquiry around the remaining two objectives, strengthening the institutions and practices of democracy, and increasing the accessibility and quality of basic social services provision. In regard to the latter, the Committee has focussed on education.

Improving the provision of education

- 5.5 An improvement in the quality of basic education services in Indonesia is critical for alleviating poverty in the long term, for achieving economic and social stability, and for security within Indonesia and in the region.
- 5.6 Poor education services potentially undermine any efforts to alleviate poverty in the long term, achieve sustainable economic development and promote security. In the Committee's view, Australia's efforts in improving education services should be the linchpin of its assistance efforts.
- 5.7 AusAID's Indonesia Country Program Strategy describes in some detail an education system that is severely under-funded and that is facing major problems. Although progress has been made in recent years, including the achievement of almost universal access to primary education, there remain many serious issues which include the quality of teaching, lack of resources, the state of the curriculum, and low retention rates in secondary school. There are also serious development needs in terms of education management, needs which have been heightened by the devolution of responsibility for education to the regions.
- 5.8 The problems are shared by both the General Secular system and the Islamic System. Most students attend General Secular School (87%), although the proportion of students attending madrasahs rises significantly in the Junior Secondary System (21%).

3 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003, p 27

- 5.9 The education system also includes approximately 14,000 pesantren, rural Muslim boarding schools. Students in pesantren attend either madrasahs, (sometimes run by the same organisation as the pesantren) or secular schools. There is growing concern in the international community about a handful of these schools thought to have a role in propagating jihadist teachings. According to a report from the International Crisis Group, ‘there is a network of pesantrens that at once serves to propagate JI (Jemaah Islamiyah) teachings, provide religious and occasionally military training to recruits, and shelter members and fellow-travellers who are in transit or are seeking refuge from the law’.⁴ As pointed out by ICG, ‘most students in the schools that do have ties to JI emerge as pious, law-abiding citizens. To have gone to a JI pesantren does not make one a terrorist.’⁵
- 5.10 Education is a key component of Australia’s developmental assistance to Indonesia. Education and training programs accounted for 57 percent of funding for the Indonesia Country Strategy in 2002-03.⁶ The Government has committed to a 25 percent increase in aid to Indonesia in the 2003-04 budget (totalling \$152 million). A substantial share of this increase will be invested in education initiatives.
- 5.11 AusAID has advised that ‘direct expenditure on assistance to Indonesia’s basic and vocational education systems is planned to rise from about \$12 million last financial year to up to \$17 million this year,⁷ and should reach \$25 million by 2006/07.⁸ Some \$47 million will be spent on specialised training and scholarships for study in Australia.’⁹
- 5.12 AusAID’s *Indonesia Country Program Strategy* identified the areas that Australia will target as follows:

Emphasis will be placed on interventions that improve the quality of instruction and reduce dropout rates in these provinces, and on improvement in district and school

4 ICG Asia Report No 63, 26 August 2003, ‘Jemaah Islamiyah in South East Asia: Damaged but Still Dangerous’, Jakarta/Brussels, 26 August 2003, p 26

5 ICG Asia Report No 63, ‘Jemaah Islamiyah in South East Asia: Damaged but Still Dangerous’, Jakarta/Brussels, 26 August 2003, p 26

6 Submission No 116, Attachment A-1

7 Committee correspondence, 12 November 2003

8 Committee correspondence. 13 November 2003

9 Submission No 124, p 1

administration, including for example, community based school management and measures to streamline complex budgetary processes that undermine the ability of local schools to plan and manage their resources effectively.¹⁰

- 5.13 The programs, AusAID advised, will be aimed at helping the Government of Indonesia improve primary and early secondary schooling in the secular system and also in moderate Islamic schools.¹¹
- 5.14 Australia is also involved in reviewing further the 'needs and possible responses in consultation with the Government of Indonesia and other donors, including the multilateral development banks and the United States. The level and nature of future Australian assistance will depend on the outcome of this process of review.'¹² In December 2003, AusAID advised the Committee that the World Bank Education Sector Review was nearing completion with 'an extensive consultation process between national and district governments now underway'. It expected the report to be publicly available in 2004. The Madrasah Education Sub-Sector Assessment managed by the ADB, AusAID advised, was also nearing completion.¹³ The Committee requests to be kept informed of developments concerning these reviews and of any implication for Australia's assistance in the area.
- 5.15 The importance of improving basic education in Indonesia cannot be underestimated. The investment bears rich and wide ranging dividends many of which are immeasurable. Education should retain the central importance that it has in Australia's aid to Indonesia.
- 5.16 In the Committee's view, the increases in education funding should not be at the expense of other aspects of AusAID's program in Indonesia or at the expense of aid to other countries. In a similar vein, the Committee considers that increases to one part of the education program must not be at the expense of other aspects of the education program. In this light, the Committee is concerned that while funding to basic education is to increase from \$12 million in 2002-03 to \$17 million in 2003-04 and to \$25 million by 2006-07, the number of Australian Development Scholarships (ADS) to be awarded to students in Indonesia is to be reduced in 2004 to 300. According to

10 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003, p 33

11 Committee correspondence, 12 November 2003

12 Submission No 124, p 1

13 Submission No 116, p 7

AusAID this follows the completion of the package of 60 Economic Scholarships that were offered after the Asian financial crisis.¹⁴

Recommendation 12

The Committee recommends that:

- **education should continue to retain the central importance that is has in Australia's aid to Indonesia;**
- **that increases in education funding should not be at the expense of other aspects of AusAID's program to Indonesia or at the expense of aid to other countries; and**
- **that increases to one part of the education program should not be at the expense of other aspects of the education program.**

5.17 AusAID informed the Committee that the number of ADS awards to be offered to Indonesia in 2005, 2006 and 2007 is not yet clear and that 'it will depend on the extent to which there may need to be further adjustments in the numbers of ADS awards, in order to allow the flexibility necessary to accommodate new priority areas of cooperation, for example, increased support for basic education and decentralisation'.¹⁵ The Committee reiterates its view that funding should not be siphoned off highly effective schemes such as the ADS to support increases in assistance to other areas of education. The funding increases to education should be additional funding.

5.18 The ADS, a direct descendent of the Colombo Plan, can boast a proud record of assistance. In the last ten years alone it (or its predecessor schemes for overseas scholarships) has brought 5 300 Indonesian students to study in Australia. The program has evolved over time in response to various changes in the countries that it assists. Currently, all of the students from Indonesia are studying at post graduate level. Scholarships are awarded in areas considered to be priority areas. These areas, identified through consultation with the Indonesian Government, have included (although by no means exclusively) agriculture and environment, technology, governance, and health. Current priority sectors for training for Indonesia under ADS, as

14 Submission No 116, p 9

15 Submission No 116, p 9

“framed within the four ‘pillars’ underlying the global aid program’s strategies to reduce poverty”, are as follows:¹⁶

Table 5.1 Current priority sectors for training under Indonesia ADS

Areas of Development Priority	Example Fields of Study
Growth Increasing economic growth by improving economic management and accelerating structural reform	Economics and economic management; tax reform; public sector reform; public administration; human resource development; governance; financial systems; audit; labour policy; industrial relations; international relations; international trade
Accountability Improving accountability by strengthening democratic institutions and practices	Legal and judicial systems; human rights; civil society; decentralisation; gender equity; women in development; political science; media studies
Productivity Improving productivity by increasing the human capital of the poor and near poor	Education and training; teacher training; education management; health services; health management; agriculture; agribusiness; aquaculture and fisheries; English language teaching; computer science and information technology
Vulnerability Reducing vulnerability by mitigating the impact of conflict, natural and other disasters on vulnerable communities	Environmental resource management; regional and community development; development studies; peace studies; conflict resolution

Source Submission 116, p 11

- 5.19 Of the ADS scholarships and predecessor scheme in the last ten years, 290 (approximately five percent) have been in the field of education, teacher training and education management. As pointed out by AusAID, in addition to these scholarships, ‘many other awards would have been for students studying in different fields but eventually going on to teach at Indonesian secondary and tertiary education institutions’.¹⁷
- 5.20 With decentralisation, the responsibility for education has devolved to the regions. Australia’s experience in providing education in a decentralised environment equips it well to offer assistance to Indonesia in developing the skills necessary to deliver high quality services in this area.
- 5.21 Given the importance of education, the Committee considers that a higher proportion of ADS should be awarded to students undertaking teacher training or education management or closely related areas. Just as it appears that a package of 60 Economic Scholarships were offered after the Asian financial crisis, the Committee considers that a

¹⁶ Submission No 116, p 11

¹⁷ Submission No 116, p 11

substantial package of scholarships for studies in education should be offered at this point in time. The funding for these scholarships should be additional funding and should not be siphoned.

Recommendation 13

The Committee recommends that the Australian Government provide for an enhanced Australian Development Scholarships program to enable the provision of a substantial package of scholarships specifically for Indonesian students for studies in education.

- 5.22 The current ADS program is targeted at full time students. The Committee considers that consideration should also be given to offer further professional development training to Indonesian teachers that do not require full time study. Most teachers are not in a position to consider further degrees, yet may benefit substantially from vacation length professional development courses conducted in Australia. Such an experience would enrich not only their teaching but provide them with the opportunity to develop greater understanding of Australia. Given the role teachers have in society, and the breadth of reach and the impact they can have on young people, and through them their families, teachers who are given this opportunity could potentially play a very great role in building positive links between the two countries.

Recommendation 14

The Committee recommends that the Australian Government should establish a program of scholarships to Indonesian teachers to undertake professional development training Australia during vacations.

- 5.23 The Committee also sees value in a work experience component being added to the scholarship scheme. In the field of education management, for instance, a period working in one of the State or Territory education offices would provide invaluable experience. It would, moreover, allow for the establishment of working relationships which could be called on in future years if and when needed. Additional funding should be provided to the Government Sector Linkages Program to enable it to be used for this purpose.

Recommendation 15

The Committee considers that there is value in adding a work experience component to the Australian Development Scholarship Program and recommends that the Australian Government provide substantial ongoing funding to the Government Sector Linkages Program to enable it to be used in conjunction with the Australian Development Scholarship Program by providing for a work component to be added to the Scholarship Scheme.

Strengthening the institutions and practices of democracy

- 5.24 Indonesia's successful transition to democracy is vital to its future prosperity and stability. Since the fall of Soeharto in 1998, Indonesia has made progress towards both democratisation and decentralisation. Major constitutional reforms have been passed, parliament has begun to assume a more 'meaningful role', numerous new institutions and civil society organisations have been established or grown, a free and robust press has grown and the role of the military in politics has been reduced. Regions have more control over their resources and the provision of resources.
- 5.25 Although progress has been made, the pace is slower than many would wish. Internal pressures continue to inhibit the rate and extent of much needed reform. AusAID's *Indonesia's Country Program Strategy* states that 'significant progress on democratic reform and improved governance will only be possible after the elections and will depend on these elections'.¹⁸ Consolidation of democracy in Indonesia, if it is achieved, will take a long time. Moreover, democracy in Indonesia will evolve with its own distinctive character.
- 5.26 While acknowledging that Indonesia faces immense challenges as it pursues political, constitutional, legal and judicial reform; as it builds the institutions that are necessary for accountability, transparency, and justice; as it develops the processes that permit participation; and as it deals with the internal attempts to undermine what it is trying to achieve, the Committee is acutely aware that stable, secure and strong

18 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003, p 13

democracies are not built overnight. Democratisation is a process that throughout history has taken time and demanded patience and perseverance. Australia, as one of the oldest successful democracies can, does and should support its neighbour Indonesia, the world's third largest democracy, though this period of transition.

- 5.27 Australia's efforts in this area, as outlined in the *Indonesia Country Program Strategy* will focus on 'assistance aimed at strengthening legal and judicial institutions, improving the promotion and protection of human rights, strengthening civil society, strengthening electoral processes and institutions, supporting more decentralised and participatory decision-making and improving gender equality'.¹⁹
- 5.28 The Committee received submissions from a number of government agencies involved in providing this assistance.

Strengthening electoral processes and institutions

- 5.29 One of the functions of the Australian Electoral Commission (AEC) is to provide assistance relating to elections and referendums to foreign countries or foreign organisations. With funding from Australia's overseas aid program, the AEC provided technical support for the Indonesian elections in 1999, elections described by AusAID as having 'paved the way for the first time in more than a generation to be governed by a democratically elected government'.²⁰
- 5.30 In its submission to the inquiry, the AEC described its role in the 1999 elections as evolving over time to one that concentrated on 'the compilation of "unofficial" results for the election with the cooperation of the KPU [National Election Commission], through the KPU's Joint Operations and Media Centre (JOMC)'.²¹ The unofficial results produced by the JOMC gave, according to the AEC, 'a remarkably accurate picture of the final outcome within a comparatively short time'. The indication of the results provided by the JOMC figures 'probably served to dispel concerns about the slowness of the official count, in that while the latter caused great frustration there was no real doubt about the actual outcome of the election. According to the AEC, the 'success of the JOMC operation

19 AusAID, 'Indonesia Country Program Strategy From 2003', AusAID, Canberra, 2003, p 30

20 AusAID, 'Good Governance: Guiding Principles for Implementation' AusAID, Canberra, 2000, p 8

21 Submission No 19, p 3

was, and still is, seen by important players in the KPU in 1999 as having been critical to the overall success of the election.²²

- 5.31 Since the 1999 elections, the AEC has been involved in a number of activities which include:
- election management training (a project developed in collaboration with the UN and the International Institute for Democracy and Electoral Assistance);
 - report on the KPU's information technology strategy, identifying a number of challenges which have since been addressed; and
 - assist in the development of the KPU's training needs, strategic planning of KPU training and in the establishment of a KPU training unit.²³
- 5.32 Provision will also exist, the AEC advised, for certain ad hoc assistance should the need arise. The project will continue until the end of October 2004.²⁴
- 5.33 In giving evidence to the Committee, the AEC pointed out that the task of providing training is such a large one that Australia's assistance can only go so far towards effecting change and that ultimately the dominant contribution must come from Indonesia.
- 5.34 Australia committed \$15 million to support the Indonesian Government run the 2004 elections. This includes 'almost \$3 million in assistance through the Australian Electoral Commission to train Indonesian Electoral Commission staff' and '\$8 million to the UNDP Electoral Support Program, which is providing training on elections management and voter education'.²⁵
- 5.35 The Australian Parliament sent a delegation to observe the elections in March 2004 and will be sending other observers to the direct election of the President in July. Reports of these delegations will be tabled in the Parliament. In discussing the value of electoral observation, the Director of the International Division at the AEC suggested that observers do not really have the opportunity in a country the size of Indonesia to make a fully informed judgement as to the validity of the election process. Such visits, however,

22 Submission No 19, p 5

23 Transcript of evidence, Tuesday 5 August 2003, p 380 (AEC)

24 Transcript of evidence, Tuesday 5 August 2003, p 381(AEC)

25 A Downer (Minister for Foreign Affairs), Australians to observe Indonesian elections, media release, Parliament house, Canberra, 30 March 2004

demonstrate 'Australia's interest in the process and support for ongoing democratisation in Indonesia.'²⁶

- 5.36 In describing developments concerning elections in Indonesia, the AEC pointed out the massive scale of the undertaking (with around 142 million people voting and 400 000 polling stations). It referred to the elections as 'the largest logistical undertaking in South-East Asia in peacetime'.²⁷ The electoral system, the AEC noted, is still evolving. Indonesia will for the first time vote directly for the presidency. Significant changes include a shift in the structure and nature of the KPU from being a body that consisted of representatives of all registered political parties to a truly independent electoral commission.
- 5.37 The Committee commends the work of the AEC in Indonesia. It notes that much of its work is done in collaboration with other international donor agencies and supports this as a very appropriate approach.

Centre for Democratic Institutions

- 5.38 Further work to assist the process of democratisation in Indonesia is also undertaken by the Centre for Democratic Institutions. Established in 1988 to assist regional countries strengthen their governance processes, CDI receives core budget funding through AusAID of approximately \$1 million per annum. Since its establishment, it has expended \$733,194 (approximately 18.3% of its core budget) on assistance to Indonesia.²⁸
- 5.39 Projects cover four main sector areas: parliaments, the judiciary, civil society and the media as well as two cross-cutting themes: accountability and human rights. In its submission to this inquiry, CDI identified parliaments and the judiciaries as being its major focus. Projects relating to Indonesia include English language training for officials, the arrangements of a visit of senior Indonesian parliamentary officers from the Australian Parliament to Jakarta in 2002 and a return visit from senior DPR officials to Canberra in 2003, the participation of six Indonesians in the CDI-ANU inaugural Parliamentary Officials course in 2002 and the creation of an AVI

26 Transcript of evidence, Tuesday 5 August 2003, p 389 (AEC)

27 Transcript of evidence, Tuesday 5 August 2003, p 381 (AEC)

28 Submission No 45, p 5

placement at the DPR. A full list of specific projects relating to Indonesia is found in Appendix E.

- 5.40 In its submission to this inquiry, CDI stressed the importance of retaining flexibility and ensuring that the process is driven by the recipients. Expounding on this point in evidence to the Committee, the Director of CDI, Mr Roland Rich, explained that ‘one of the driving concepts we have to have is that democracy promotion cannot be supply driven. It is not just what we have to offer. It really has to be a process driven by the recipients. What is it that Indonesia needs and what can it absorb?’²⁹
- 5.41 CDI also stressed the importance of making a long term commitment. In response to the reality that the environment in which governance strengthening takes place is characterised by short-term electoral and political cycles, CDI has focussed on creating the linkages ‘between the officials of the two parliaments, in that officials can provide a level of continuity that often parliamentarians are unable to.’³⁰ Mr Roland Rich made an appeal to Australian Parliamentarians to stay engaged and to ‘look beyond the occasional delegation visit and try to forge individual links’.³¹
- 5.42 The Committee concurs with CDI about the importance of parliamentarians staying engaged. In considering how to make the most effective contribution in this area, the Committee was aided by the work of Stephen Sherlock, commissioned by CDI to report on the structure and operation of the DPR.³² Sherlock’s detailed description of the working of the DPR and his analysis of some of the problems the new democratic parliament faces is derived from two months in the field interviewing ‘MPs and staff of the DPR Secretariat, political commentators and observers of parliamentary affairs, activists in NGOs and political organisations, together with consultations with representatives of international government and non-government agencies’.³³
- 5.43 The report concludes that:
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29 Transcript of evidence, 5 August 2003, p 364 (CDI)

30 Transcript of evidence, 5 August 2003, p 364 (CDI)

31 Transcript of evidence, 5 August 2003, p 363 (CDI)

32 S Sherlock, *Struggling to Change: The Indonesian Parliament in an Era of Reformasi*: A report on the structure and operation of the Dewan Perwakilan Rakyat (DPR). CDI, Canberra, 2003

33 S Sherlock, *Struggling to Change: The Indonesian Parliament in an Era of Reformasi*: A report on the structure and operation of the Dewan Perwakilan Rakyat (DPR), CDI, Canberra, 2003, summary p 1

The DPR is part of the solution and part of the problem [for Indonesian democracy]: it is a key instrument for bringing about political change and a place where government can be held accountable and where its policy decisions can be deliberated upon. But it retains much of the legacy of a past authoritarian order and has, in many ways, become a conduit for old-style politics of patronage amongst the same exclusive circles, rather than a means to increase popular participation. The changes of the last few years have given shape to the formal institutions of democracy, with free elections, a separation of powers between executive and legislature and a free media and civil society. But real accountability of government to the legislature and the people is still in its infancy, with democratic institutions providing few checks on personalised power relations amongst a privileged elite intent on defending its special position.³⁴

- 5.44 Sherlock notes that opportunities to influence the political character of the DPR and its members are limited and largely in the hands of the Indonesian people themselves. He suggests that the most productive assistance ‘would be to boost the administrative and intellectual support capabilities within the DPR. Key areas include the information and research capacity, legislative drafting and records of DPR proceedings.’³⁵
- 5.45 The Australian Parliament is already supporting parliamentary development in Indonesia, particularly through its very substantial input to the development and delivery of programs arranged by CDI. The visits organised by CDI between the senior officials of the two parliaments have been useful in establishing the relationship. Specific training in targeted areas such as those identified by Sherlock, designed to reflect the reality of the human and technical resources realities of the DPR, should be the next step. These are areas in which the Australian Parliament has much to offer. The Committee suggests that consideration be given to the Australian Parliament having carriage of such programs rather than just supporting them.

34 S Sherlock, *Struggling to Change: The Indonesian Parliament in an Era of Reformasi*: A report on the structure and operation of the Dewan Perwakilan Rakyat (DPR), CDI, Canberra, 2003, summary p 3

35 S Sherlock, *Struggling to Change: The Indonesian Parliament in an Era of Reformasi*: A report on the structure and operation of the Dewan Perwakilan Rakyat (DPR), CDI, Canberra, 2003, summary p 3

Proposal for a Parliamentary Development Program

- 5.46 Australia's record as a successful parliamentary democracy is one of which it can be justifiably proud. The Australian Parliament and its supporting Departments have something to offer to countries that are in relatively early stages of democratisation.
- 5.47 The Australian Parliament and its departments are already very involved, individually or in association with international parliamentary or democratic organisations, in assisting other parliaments develop. It does this through a very broad range of activities involving the provision of advice, education and training for members and staff of a number of parliaments in the Asia Pacific region as well as in other developing areas including Africa and Kosovo. Details of the initiatives involved are outlined in the submission from the Speaker of the House of Representatives to the inquiry of the JSCFADT into *human rights and good governance education in the Asia Pacific region*, a copy of which is attached as Appendix F. Involvement includes the conduct of study tours for visiting parliamentarians and staff, participation in workshops, conferences and seminars, secondment of parliamentary officers into other parliaments and the development and delivery of training packages to other parliaments and staff in their home countries.
- 5.48 Assisting developing parliaments is an area in which the demand will continue growing for the foreseeable future.
- 5.49 The Committee considers that Australia could significantly increase its contribution in this area by building and refining the programs already in place. Moreover, Australia's potential to offer assistance in the strengthening of parliamentary processes could be significantly multiplied if the eight State and Territory parliaments were also more involved.
- 5.50 The Committee considers that there would be much to be gained by drawing together the disparate elements of work in this area. It suggests the establishment of a Parliamentary Development Program (PDP). The PDP would coordinate, administer and deliver the various activities already being undertaken in this area. In the Committee's view, the administration and management for this program should be the responsibility of the Australian Parliament as it is best placed to coordinate the expertise of the parliament and departmental officers and bring together these elements in a way that maximises the contribution that can be made to developing parliaments. Having it located within the Australian Parliament would also enable it to be

developed alongside the bilateral visits program with a view to maximising any opportunities for linkages.

- 5.51 The Australian Parliament already houses a Parliamentary Relations Office and a Parliamentary Education Office. The Parliamentary Education Office has developed a well deserved reputation for the program it offers Australian schools in teaching and learning about the Australian Parliament. The Parliamentary Relations Office has as its primary focus the fostering of direct relationships between the Australian Parliament and parliaments of other countries. It is already involved in the work of strengthening parliaments though through its involvement in CPA and IPU.
- 5.52 The PDP should be the responsibility of the PRO with designated officers appointed to it. It should be funded by an additional appropriation in the budget. Part of its task should be to provide the secretariat for a Working Group comprising representatives from each of the Departments administering the parliaments within Australia.

Recommendation 16

That the Australian Government establish a Parliamentary Development Program to provide assistance to developing parliaments.

Development cooperation and internal stability issues

- 5.53 The Indonesian Government is absolutely committed to maintaining the national and territorial integrity of the country, a position to which Australia has given unequivocal support.
- 5.54 Senator Stott Despoja's view is that there are unresolved issues from the past that need to be revisited if there is to be any hope of long term peace and security within these provinces. This includes Australia's role in the 1969 Act of Free Choice.
- 5.55 Notwithstanding this support, developments in the two areas in which separatist sentiments have been strongest, Aceh and Papua, are of some concern to Australia.
- 5.56 In its submission to the Committee, the Indonesian Embassy described the conflicts in Aceh and Papua as having 'different roots and basically stemming out from the injustices and exploitative

policies of the previous administrations.’³⁶ Both provinces have been offered Special Autonomy arrangements, aimed at addressing the grievances of the people in these provinces without undermining the government constitutional duty to maintain the national and territorial integrity of the country.’³⁷

- 5.57 Most of the evidence received from the Committee relating to Indonesia’s response to the separatist movement concerned Papua. Hence the focus on Papua in the discussion below.

Papua

- 5.58 Retained by the Dutch as a colony after Indonesia won its independence in 1949, Papua became part of Indonesia in 1969 after a vote on independence or integration. The legitimacy / validity of the vote has been questioned since that time with the continuing controversy maintaining an undercurrent of unrest in the province. According to ICG, the struggle between the Indonesian state and the independence movement, supported by most of the indigenous population, is thought to have cost many thousands of lives.
- 5.59 Within Papua itself, there is considerable disagreement about its current situation and about preferred pathways for the future. This is not surprising. Papua is a complex province within a complex nation. As a result of migration from other parts of Indonesia, approximately fifty percent of the population is indigenous with the other fifty percent made up of transmigrants and ‘spontaneous migrants’.³⁸ According to Caritas, of more impact on the indigenous population have been the spontaneous migrants, people ‘attracted by the prospect of a better life, particularly traders and shopkeepers able to buy and sell goods, and civil servants.’³⁹ The disproportionate access they have to the opportunities and resources of the resource rich province fuel resentment and hostility between this group and the indigenous population.
- 5.60 Since the fall of Soeharto, the Indonesian Government’s tolerance of the continuing rebellion and desire for independence has varied as its Presidents have changed.

36 Submission No 90, p 15

37 Submission No 90, p 15

38 Submission No 38, p 8

39 Submission No 38, p 9

Special Autonomy

- 5.61 In response to the separatist sentiment, under President Wahid Abdurrahman, Papua (and Aceh also) was offered Special Autonomy.
- 5.62 The Special Autonomy Package, enacted by law in November 2001, offers, 'some powers of self government, a larger share of the income from natural resources extracted in Papua a stronger recognition of customary law, and the creation of institutions to voice Papuan aspirations'.⁴⁰ While the Autonomy Package passed into law weakened some significant provisions in the draft including some regarding cultural and security issues, it dramatically improved access to the revenue with '80 percent of the government's revenues collected from forestry and fishery and 70 percent of revenue from oil and gas and mining, returning to the province.'⁴¹
- 5.63 According to ICG, 'Theys Eluay and the members of the Presidium Dewan Papua, the leadership council chosen at the time of the Papuan Congress in June 2002, rejected it, as they had rejected autonomy from the outset.'⁴² ICG notes also that 'significant elements within the Papuan elite were prepared to give autonomy a chance.'⁴³ The Special Autonomy Package has been generally supported by the international community with the New York based Council on Foreign Relations describing it as a 'win win' and the EU having made a commitment to give financial assistance to make its implementation successful.⁴⁴
- 5.64 An important element to the Special Autonomy Package, and one which ICG suggests is a key determinant of the wise implementation of the Special Autonomy Package,⁴⁵ is the creation of the Papuan People's Council (MPR). The delays in establishing the MPR are of concern.
- 5.65 Such delays raise questions about the level of commitment to providing for Special Autonomy and have created considerable uncertainty about the future in the province.

40 ICG Asia Briefing, 'Dividing Papua: How not to do it', Jakarta/Brussels, 9 April 2003, p 7

41 Submission No 90, p 18

42 ICG Asia Briefing, 'Dividing Papua: How not to do it', Jakarta/Brussels, 9 April 2003, p 6

43 ICG Asia Briefing, 'Dividing Papua: How not to do it', Jakarta/Brussels, 9 April 2003, p 6

44 The Jakarta Post, 16 June 2003, *There must be wiser ways to deal with Papua*

45 ICG Asia Briefing, 'Dividing Papua: How not to do it', Jakarta/Brussels, 9 April 2003, p 6

Proposal to divide into three provinces

- 5.66 Exacerbating the uncertainty created by the delays in implementing the Special Autonomy Package, the Indonesian Government announced in January 2003 its intention to implement a 1999 law which had divided Papua into three provinces, Irian Jaya, West Irian Jaya and Central Irian Jaya. The division had never taken place. There is considerable debate about the legality of the move. Article 76 of the Special Autonomy Law ‘provided that the division of Papua required the approval of the MPR and the provincial parliament’.⁴⁶ As indicated above, the MPR has not yet been established.
- 5.67 The move to divide Papua into three provinces has met with a mixed reaction with some welcoming the opportunities it presents and others claiming it is a move to undermine the independence movement.
- 5.68 Western Irian Jaya was established January 2003. In August 2003, following clashes between supporters of the plan, mostly migrants, and Papuans, in Timika to mark the inauguration of the new province of Central Papua, Coordinating Minister for Political and Security Affairs Susilo Bambang Yudhoyono announced further division was to be postponed.
- 5.69 In December 2003, the Constitutional Court sat to conduct a judicial review of the law governing the sub-division of Papua. The Papuan DPRD (Provincial People’s Representative Council) had petitioned for the review — believing the sub-division law contradicts the special autonomy law. No findings have as yet been released.

Reaction of Papuans to these developments

- 5.70 The announcement of the Government’s intention to implement the 1999 law has increased the confusion and uncertainty created by the delays in the implementation of the Special Autonomy Package. The resulting tension has been fuelled by other signs of the government taking an increasingly hardline stance on separatist sentiment. Reports of the military bringing in reinforcements are in particular raising concerns.
- 5.71 The Committee received numerous submissions describing the situation in Papua and expressing concern. Observations clustered around two themes in particular: the desire of most Papuans for a

46 ICG Asia Briefing, ‘Dividing Papua: How not to do it’, Jakarta/Brussels, 9 April 2003, p 6

peaceful resolution of the problems they face, and secondly, concerns about continued human rights abuses and the role of the military in fuelling tensions in the province.

Desire for peaceful resolution

- 5.72 In its submission to the inquiry Caritas put Papuans' desire for independence in an interesting and illuminating perspective.

Indigenous Papuans have not experienced the role of the Indonesian government, in particularly the military, positively. Ever since the Dutch promise of independence in the 1950s Papuans have talked about pursuing the same path that other Melanesian countries have taken with the understanding that this alone will solve their problems. The desire for independence is an expression of the desire to live free of discrimination and fear. The practicalities – economic, political, security, language – are ignored and subsumed by the intense and understandable desire to live free of repression.⁴⁷

- 5.73 Although there are some indications that elements of the Free Papua Movement (OPM) are interested in pursuing an armed struggle to achieve independence, they are reported to be poorly armed and organised⁴⁸ and, according to Caritas, there has been 'almost no activity from the OPM since the decision by Papuan leaders to restrict their campaign for independence to a non-violent one (June 2000).⁴⁹
- 5.74 The picture most strongly presented in the evidence that the Committee received during this inquiry is of a long suffering people strongly desirous of a peaceful resolution to the current conflict and problems confronting the province.
- 5.75 The Committee completely supports the view that resolution must be reached through peaceful negotiation and endorses any calls for meaningful talks between the Indonesian government and Papuan leaders. Given Australia's unequivocal support for Indonesia's territorial integrity, the Committee considers that the focus of these talks should be on implementing special autonomy.

47 Submission No 38, p 3

48 'There must be wiser ways to deal with Papua'. The Jakarta Post, 16 June 2003

49 Submission No 38, p 5

- 5.76 A number of submissions called for the Australian Government to play a role in negotiations. Although the Committee strongly supports in principle any measures to progress peaceful negotiation, it does not consider it appropriate for the Australian Government to have a formal role in this.
- 5.77 The Committee is disappointed that the full implementation of the Special Autonomy Package, arguably the most sustainable means of resolving conflict within the province, has been delayed. The Committee urges the Australian Government to use its good offices to encourage all parties to tirelessly pursue the path of negotiation towards a peaceful resolution to the problems in Papua. Furthermore, it recommends that the Australian Government encourages Indonesia to implement the Special Autonomy Package without further delays and to offer any assistance to Indonesia that it can to facilitate this. It urges the Australian Government to examine ways that it can provide substantial assistance in this area.

Discussions in Indonesia about Papua

- 5.78 Issues around Papua were raised on a number of occasions during the Committee's recent visit to Indonesia. The Committee took every opportunity that it could to reiterate Australia's unequivocal support for Indonesia's territorial integrity. The Committee sensed as mentioned earlier in this report, a deep mistrust of Australia's intentions with regard to Papua, a mistrust arising out of Australia's involvement in developments around East Timor's independence. Committee members stressed during meetings in Jakarta in February 2004 that an independent Papua was not in any way in Australia's national interest. The Members acknowledged concerns expressed in some discussions that this was a viewpoint that could change under public pressure. In the Committee's view, this possibility only highlights the need for the situation regarding human rights abuses and the presence of the military in Papua to be properly addressed.

Continued human rights abuses and concern about the role of the military in fuelling tensions

- 5.79 Having had a key role in securing Indonesia's independence, the strongly nationalistic military is largely intolerant of any separatist sentiment. There are few signs that this is abating as suggested by a recent article in the Jakarta Post which reports the Indonesian defence white paper as placing terrorism behind separatism as the main

security threat to the country.⁵⁰ This perception was confirmed on various occasions in the Committee's discussions in Indonesia.

- 5.80 The Committee is deeply concerned by the accounts presented in evidence during the course of this inquiry as well as in more recent reports of mounting tensions in Papua related to the presence and activities of the military. Various submissions provided lists of human rights abuses. Others expressed concerns over a wide range of issues including; the role of the military in the murder of Theys Eluay and the lack of independence of the bodies investigating his murder, the leniency of the sentences handed out to seven Kopassus special forces members convicted for their part in the murder; implication of military involvement in the Freeport incident in August 2002 and the intimidation of members of ELSHAM and Indonesian police involved in the killings; TNI raids across the border into PNG targeting OPM; the links between the military and anti-independence militia; and the role of the military in illegal logging, extortion, and prostitution; and its involvement in providing security for foreign mining interests such as the Freeport copper and gold mine.
- 5.81 The Committee welcomes the announcement reported in November 2003 by the Indonesian Armed Forces (TNI) of its intention to cease its involvement in protecting high profile foreign mining and energy interests. The Committee hopes the decision leads to an amelioration of what has been described by ICG as 'difficult relations between the company its guards and an ethnically diverse community.'⁵¹
- 5.82 In its report, 'Indonesia: Resources and Conflict in Papua',⁵² the ICG called on foreign governments to make clear its concern about the lack of independence of the bodies investigating the murder of Theys Eluay.
- 5.83 As in most situations within Indonesia, a complex mix of factors are at play in determining the behaviour of the military. To some extent at least, the involvement of the military in illegal logging or protection schemes is a product of a system in which the military receives only 30 percent of its funding from the Government and 'must raise the

50 'Defence white paper puts terrorism behind separatism as main threat', The Jakarta Post , 8 December 2003

51 ICG Asia Report No 39, 'Indonesia: Resources and Conflict in Papua', Jakarta/Brussels, September 2002, ii

52 ICG Asia Report No 39, 'Indonesia: Resources and Conflict in Papua', Jakarta/Brussels, September 2002

other 70 percent themselves.’⁵³ Addressing this in any significant way would require not only political will, but a considerably enlarged tax base. Australia is already involved in providing some assistance to Indonesia relating to revenue enhancement, referred to in Chapter 4. The Committee urges the Australian Government to consider expanding its efforts in this area and to use its good offices to encourage Indonesia to work towards reforming the funding arrangements for the military as a matter of high priority.

- 5.84 The Committee notes that the ability of Australia to sustain a good relationship with Indonesia in a way that builds trust, and for the Australian Government to uphold its position in Australian political debate in respect to its strong support for Indonesia’s territorial integrity, would be helped by the maintenance of a tolerant, fair and stable administration of Papua.
- 5.85 Other developments in the course of this inquiry concerning the military have intensified concerns about the situation in Papua. These include developments concerning Laskar Jihad; a build up in the numbers of military within Papua; and reports of military involvement in inciting communal violence.

Laskar Jihad

- 5.86 Laskar Jihad is described by the ICG as ‘a radical Islamic paramilitary organisation whose members have fought against Christians in Maluku and Central Sulawesi’ with an ‘agenda of religious sectarianism flavoured with Indonesian nationalism’ which ‘usually defines its role in conflict areas as protecting Muslims against “Christian separatists”’.⁵⁴
- 5.87 The Committee’s comments in relation to the importance of Indonesia being fair and just in Papua, and the impact of that in Australia in terms of allaying public concerns and domestic political debate, are also pertinent in relation to the situation in Maluku and Central Sulawesi.
- 5.88 In its submission to the Senate inquiry into Australia’s relations with Papua New Guinea and the island states of the south-west Pacific, 2002-03, and attached to its submission to this inquiry into Australia’s relationship with Indonesia, AWPAs refers to large numbers of Laskar

53 Submission No 16, p 4

54 ICG Asia Report No 39, ‘Indonesia: Resources and Conflict in Papua’, Jakarta/Brussels, September 2002, p 10

Jihad moving into West Papua (with some reports indicating that there were at least 3 000 Jihad members in Papua). AWWPA expressed its concern regarding these developments as follows:

This is of great concern as the Laskar Jihad is blamed for the conflict between the Muslim and Christian communities in the eastern islands of Maluku, where large numbers from both sides have been killed. The presence of Laskar Jihad in Papua has raised fears amongst West Papuans that the group may try to incite religious conflict in the province where previously all communities have lived in religious harmony. The Laskar Jihad could not operate in West Papua without the knowledge and approval of the Indonesian Government and military. We believe the military are using the Laskar Jihad in West Papua to counter the West Papuan people in their peaceful struggle for self determination.⁵⁵

- 5.89 In its report on resources and conflict in Papua in September 2002, ICG also suggest that communal tensions could be exacerbated by the arrival of Laskar Jihad. They added, however, that ‘as of September 2002, fears that Laskar Jihad would rapidly expand their presence in Papua appeared to be easing.’⁵⁶
- 5.90 Although officially disbanded following the Bali bombing in October 2002, various reports continue to indicate concern about the presence of Laskar Jihad in Papua and its links with the military.⁵⁷ Caritas Australia notes that ELSHAM and the University of Queensland academic Dr Greg Poulgain have suggested that there is TNI support for Laskar Jihad. It adds, however, that ‘while there may be some TNI involvement in Laskar Jihad this does not necessarily indicate a strategic choice has been made, or that the linkage is centrally controlled.’⁵⁸ In a similar vein the ICG noted that ‘it is hard to imagine Laskar Jihad could operate freely in Papua without the tolerance of senior officers’ adding that ‘this does not necessarily mean the military as an institution supports it’.⁵⁹

55 Submission No 16, Attachment A, p 6

56 ICG Asia Report No 39, ‘Indonesia: Resources and Conflict in Papua’, Jakarta / Brussels, September 2002, p 10

57 Submission No 16, pp 5-6

58 Submission No 38, p 11

59 ICG Asia Report No 39, ‘Indonesia: Resources and Conflict in Papua’, Jakarta / Brussels, September 2002, p 10

- 5.91 In its supplementary submission to the inquiry, AWPAs suggests that the links between Laskar Jihad and other terrorist organisations operating in Indonesia such as Jemaah Islamiah and Al Qaeda need to be investigated. They suggest that the planning of ‘terrorist attacks both within and beyond Papua can only be uncovered and prevented with intervention from a committed task force working on the ground.’ AWPAs believes that the ‘Australian Government should urge the Indonesian Government to allow an Australian Federal Police presence in Papua to work in cooperation with the Indonesian Police in monitoring the movement and activity of the Laskar Jihad.’⁶⁰
- 5.92 In evidence before the Committee, DFAT explained that it had made clear to the Indonesian Government at an earlier stage in 2002, that it thought ‘that any illegal action by Laskar Jihad should be addressed by them.’⁶¹ DFAT also said that it would be difficult to get a clear picture of what is happening in relation to the disbanded Laskar Jihad activity.⁶²

Increase in presence of the military

- 5.93 The Committee is concerned by reports of a build up in the presence of the military in Papua. Sidney Jones, from the ICG, speculated that we may be seeing a stepping up of operations to go after OPM – moving in the direction of a crackdown but a less visible one that in ⁶³Aceh.
- 5.94 The presence of the military in Papua is of concern to the Committee. Many submissions document the unhappy experience of Papuans at the hands of the military. Caritas cite ELSHAM reports of 136 people having been killed and 838 incarcerated or tortured over the last four years. They describe local resentment against the military, especially Kopassus, as intense. According to Caritas, ‘if people are to become free of fear and discrimination the military presence must be reduced.’⁶⁴
- 5.95 Caritas Australia urged the Committee to encourage Indonesia to withdraw the Kopassus troops from Papua and to reduce military numbers substantially.

60 Submission No 16.01, p 5

61 Transcript of evidence, Thursday, 1 May 2003, p 195, (DFAT)

62 Transcript of evidence, Thursday, 1 May 2003, p 195, (DFAT)

63 T Johnston, ‘Fears of Crackdown on Papua Rebels’, *The Weekend Australian*, 8 November 2003

64 Submission No 38, p 2

Human Rights Abuses/concerns

- 5.96 Australia's unequivocal support for Indonesia's territorial integrity does not diminish its grave concerns regarding human rights abuses, the involvement of the military in illegal activities, its alleged links with Laskar Jihad and its reputed involvement in inciting communal violence in conflict areas. The accounts given to the Committee suggest that the pro-independence movement in Papua does not realistically threaten the territorial integrity of Indonesia. Responding to separatist sentiment with further acts of violence and abuse of human rights can only fuel a desire for independence.
- 5.97 Australia must make clear its concerns to Indonesia about the situation in Papua, matching its unequivocal support for Indonesia's territorial integrity with an equally uncompromising rejection of human rights abuses.
- 5.98 The Committee considers that Australia must use its good offices to convey strongly to Indonesia the message that Indonesia's standing in the international community is critically affected by any involvement of its military in human rights abuses, in illegal activities and in inciting violence in conflict areas.
- 5.99 Australia should encourage Indonesia in the opening up of conflict areas to journalists and other international observers.
- 5.100 Whether taking a strong stand on human rights abuses by the military requires Australia to refrain from re-engaging with the military is clearly of relevance to this discussion. The Committee's considerations on this matter have been outlined in Chapter 3.

Civil society organisations

- 5.101 Caritas Australia stressed the crucial nature of the role that civil society plays in observing and monitoring the human rights situation and other developments in Papua.

Ultimately it will be civil society organisations which will monitor and publicise human rights issues. It will be through having their own effective organisations that Papuans will feel strong enough to engage in their self-determination without necessarily demanding succession.⁶⁵

- 5.102 The Committee acknowledges the important role played by NGOs and by churches also in Papua as in other parts of Indonesia. It concurs with Caritas that it is essential that they can continue to play their crucial role. Caritas recommended that Australia 'should encourage a strong and independent civil society in Papua' ⁶⁶
- 5.103 In this context, it is interesting to acknowledge also the concern that Indonesia has on many occasions expressed in relation to some aspects of the involvement of NGOs in Papua and other conflict areas. This included discussion with a number of parliamentarians and senior officials during the Committee's recent visit to Indonesia.
- 5.104 In giving evidence to the Committee, Indonesia made clear its concerns regarding the role of at least two Australian NGOs in advocating independence for Papua. One of four policy recommendations submitted by Mr Imron Cotan, now Indonesia's Ambassador to Australia, was to 'urge the government of Australia to continuously support Indonesia's national and territorial integrity and to take the necessary measures to prevent Australia being abused by elements that support the separatist movement in Indonesia.'⁶⁷
- 5.105 As explained in other fora where Indonesia has expressed such concerns, the freedom to express opinions is a right that is prized by Australians and a fundamental principle of a democracy that serves us well. Australia and Indonesia have different histories and democracy will evolve differently in the two countries. From an Australian perspective, disallowing the expression of differing viewpoints does not make them go away. The Committee respectfully suggests that there is no greater threat to internal stability in the long term than measures calculated to repress peaceful expression of dissenting views.
- 5.106 Australia is nevertheless very sensitive to Indonesia's concerns in this regard. As explained by AusAID:

The Australian Government support for Indonesia's territorial integrity is unambiguous. AusAID oversees a rigorous NGO accreditation process and requires Australian NGOs to observe the laws of the countries in which they work.

66 Submission No 38, p 4

67 Transcript of evidence, Monday 16 June 2003, p 278 (Embassy of the Republic of Indonesia)

With input from the NGO community, AusAID has revised NGO funding guidelines to more effectively meet the government's already robust accountability and security requirements. We now require that all AusAID funded NGO activities in conflict affected areas of Indonesia—specifically Aceh, Maluku and Papua—have the endorsement of relevant Indonesian authorities. We have no evidence that Australian aid funds have been used in ways contrary to the policies or laws of Australia or Indonesia. The Australian government has discussed this issue with the Indonesian government and invited it to provide evidence to the contrary.⁶⁸

Australian assistance to Papua

- 5.107 The Committee believes that the most constructive and direct contribution that Australia can make to restoring stability in Papua is to assist in efforts to address issues underlying the separatist sentiment, in particular the disadvantage experienced by many indigenous Papuans, as well as to assist in equipping the province adjust to decentralisation and special autonomy once implemented.
- 5.108 Before discussing Australia's assistance to Papua, the Committee notes its sense that while there is clearly strong concern in Australia about the situation in Papua, there is less awareness of the contribution that Australia is actually making in Papua. This is not surprising. Little program specific information about the various programs and the level of financial support is available in AusAID's annual report or in the Indonesia Country Program Strategy. Nor does there seem any way to easily access information about the programs in different provinces. While AusAID was invariably very helpful when asked for information by the Committee, it would assist future monitoring by the Committee and also understanding by interested organisations and individuals if detailed information about Australia's involvement was more readily available.
- 5.109 Australia is already contributing to Papua through its aid program. As mentioned earlier, Australia's aid to Indonesia is concentrated on eight geographical areas. One of these is Papua.

68 Transcript of evidence, Tuesday 5 August 2003, p 393, (AusAID)

5.110 AusAID's *Indonesia Country Program Strategy* provides a table identifying characteristics of the eight target provinces, reproduced below.

Table 5.2 Characteristics of Populations in Target Provinces, 1999 (millions)

Province	Population	Absolute Poor	Life Expectancy	Illiteracy	Illiterate	Lack Safe Water	Lack Health Facilities	Suffer Health Problems
	(mill)	(mill)	(years)	(%)	(mill)	(mill)	(mill)	(mill)
East Java	34.	10.3	65.5	81.3	6.5	14.8	5.9	8.9
South Sulawesi	7.8	1.5	68.3	83.2	1.3	3.8	2.0	1.9
East Nusa Tenggara	3.9	1.8	63.6	81.2	0.8	1.6	1.5	1.4
West Nusa Tenggara	3.8	1.3	57.8	72.8	1.0	2.4	0.7	1.3
Papua	2.1	1.1	64.5	71.2	0.6	1.2	0.8	0.5
Maluku / North Maluku	2.0	1.0	67.4	95.8	0.1	1.0	0.5	0.3
Southeast Sulawesi	1.8	0.5	65.0	87.1	0.2	0.8	0.4	0.3
TOTAL/AVERAGE	55.9	17.5	65.2	81.3	10.5	25.6	11.8	14.6
% of Indonesia total	27.5	36.5	98.4	92.0	45.2	24.2	26.8	29.5

* at the time of collection of this data, Nth Maluku and Maluku were the one Province. Data disaggregated for the new province is not currently available.

Source Exhibit No 17. *AusAID Indonesia Country Program Strategy From 2003. P.35 (From: Indonesia Human Development Report 2001)*

5.111 As also mentioned earlier, in addition to focusing its efforts on eight provinces in Indonesia, the current strategy introduces a new approach to providing aid, described in the strategy as 'area focussed approach'.⁶⁹

5.112 Four of the eight target provinces have been identified for this approach. Papua is not one of them. (They are East Java, South Sulawesi, NTT and NTB.)

69 In Submission No 121, AusAID described this approach as one encompassing a stronger emphasis on strategic, long-term relationships with selected districts; a concomitant concentration of resources in those districts; and even greater attention to opportunities for coordination and reinforcement between geographically overlapping Australian-supported programs., p 2

- 5.113 The Committee is concerned that Papua is not one of the areas selected. In additional material provided to the Committee, AusAID described Papua as having one of the highest incidences of poverty in Indonesia, scoring worse than the national average and worse than almost all other provinces against almost all key socio-economic indicators (life expectancy, literacy, etc).⁷⁰ In the same material it notes that ‘over time, it is likely that provinces in which Australia is taking an area-focused approach will receive a higher proportion of Australia’s aid resources, on average, than other provinces’. The Committee is concerned about the implications of this for Australian aid to Papua.
- 5.114 Aid provided to Papua as described by AusAID in its supplementary submission includes:
- consideration being given to a two year continuation of a Safe Motherhood Program (A\$5.6 million over two years);
 - assistance to the districts of Jayapura and Sorong as part of UNICEF/UNESCO Creating Learning in Communities for Children (CLCC) program to which Australia has recently announced a \$4.9 million contribution;
 - assistance, albeit limited by logistical and other factors, through the Indonesia-Australia Specialised Training Project and Australian Development Scholarships program.

HIV/AIDS

- 5.115 A number of submissions present an alarming picture of the potential devastation to be wrecked by HIV / AIDS in Papua, believed according to AusAID to have about one third of Indonesia’s HIV / AIDS cases.⁷¹ AWPA points to reports that an African style AIDS epidemic in Papua is not outside the bounds of probability. Caritas Australia describes HIV / AIDS as ‘perhaps the single greatest direct threat to Papuan livelihood’. Yet, it claims, ‘there is very little action from the Indonesian Government.’⁷²
- 5.116 According to AusAID, Australian assistance related to HIV / AIDS prevention and treatment in Indonesia is likely to total more than

70 Submission No 121, p 1

71 Submission No 121, p 1

72 Submission No 38, p 3

\$60 million over the period 1995-2007. Funding for Papua under the Phase II of Australia's HIV / AIDS Prevention and Care Project, is approximately \$A900,000. The assistance, as described by AusAID, will 'strengthen the capacity of the Provincial HIV / AIDS Commission; help develop strategies for reducing sexual transmission which reflect the specific patterns of sexual transmission in the province; and provide improved access to care, support and treatment.'⁷³

- 5.117 AWPAs believe that the Australian Government should 'offer aid not only to combat the AIDS epidemic but also to train local West Papuan health workers and nurses in the field of general health and support infrastructure for these health workers to reach the more remote areas of the province'.⁷⁴ In response to a request from the Committee for information relating to this suggestion, AusAID advised that it was 'actively pursuing efforts to expand its health sector assistance to Papua including those along the lines set out in the AWPAs submission' and that in its view, 'it is in the health sector that Australia is most likely to be able to make a decisive contribution'.⁷⁵

Concerns about Australian aid assistance to Papua

- 5.118 As mentioned above, in describing its aid efforts relating to Papua, AusAID noted limitations resulting from logistical and other factors in relation to some of its training programs. It also noted that 'access to Papua for aid personnel is somewhat constrained, limiting AusAID's ability to design, appraise, implement and monitor programs'.⁷⁶ The Committee is concerned that Australia's efforts to assist Papua are being hindered by such constraints.

Situation of Papuan refugees in PNG

- 5.119 According to AWPAs, there are approximately 11 600 Papuan refugees living in PNG along the border who, not being officially recognised as refugees, are not given residence (with the exception of some in East Anwin) nor provided with education or medical aid. PNG and the UNHCR are encouraging voluntary repatriation. AWPAs describe the refugees as being reluctant to return and urged the Committee to

73 Submission No 121, p 1

74 Submission No 16, p 6

75 Submission No 121, p 3

76 Submission No 121, p 3

recommend that the Australian Government offer aid to those organisations trying to assist the border crossers.⁷⁷

Aceh

- 5.120 In its submission to the Inquiry, the Indonesian Embassy outlined the Government's commitment to 'finding a peaceful solution to the conflict through dialogues with the armed rebels; to accelerate the region's economic development, social rehabilitation, law enforcement and protection of human rights, restoration of peace, and to build channels of information and communication between the two conflicting parties.' It described 'all these comprehensive and integrated approaches as [being] encapsulated in the special autonomy package offered to the Province of Nanggroe Aceh Darassalum (NAD).
- 5.121 Australia welcomed the Aceh Cessation of Hostilities Agreement signed in December 2002 following talks between conflicting parties conducted by the Henry Dunant Centre and contributed \$2 million for ceasefire monitors.⁷⁸
- 5.122 In January 25 2003, a zone of peace in which soldiers and GAM members were prohibited from carrying weapons was established in order 'to improve security and allow foreign donors to deliver humanitarian and economic assistance'.⁷⁹
- 5.123 Appearing before the Committee in June 2003, Mr Imron Cotan, now Indonesia's Ambassador to Australia, explained the reasons behind the Government's decision to declare on 19 May 2003 a State of Emergency and Martial Law for six months and commence an integrated operation in Aceh in May 2003.

On the subject of Aceh, the subcommittee may also be aware that the Government of Indonesia has recently conducted an integrated operation in Aceh, combining humanitarian, law and order, and security operations after the failure of the joint council meeting between Indonesia and these parties held in Tokyo last May, not only due to the latter's recalcitrant attitudes of negating the sovereignty of Indonesia over the province of Aceh, but also their refusal to disarm in actual

77 Submission No 16, Attachment A, p 3

78 Submission No 89, p 8

79 Submission No 90, p 16

breach of the Cessations of Hostilities Agreement duly signed by the two conflicting parties.⁸⁰

- 5.124 With access to foreign journalists, human rights observers and overseas aids workers strictly controlled,⁸¹ it has been difficult to get an accurate picture of what the integrated operation has involved or the level of casualties. Media reports describe the offensive involving between 35 000 and 40 000 troops and police. GAM at the time was estimated to number 5 000. Estimates of casualties include 900 guerrillas, 67 police or soldiers and 300 civilians.⁸²
- 5.125 In November 2003, the Indonesian Government announced its intention to extend martial law by a further six months. The media have reported international donors including the United States, Japan and the European Union as being concerned by the decision, and as having offered 'to organise a forum for dialogue for the Indonesian government and GAM to evaluate the application of an agreement to stop the violence in Aceh.'⁸³
- 5.126 The Committee is gravely concerned about the developments in Aceh and the potential for an enduring cycle of violence. The Committee encourages the Australian Government to use its good offices to urge both parties to return to finding a resolution through negotiation, to take every opportunity to stress the importance of the observation of human rights by all parties involved, and to urge the Indonesian government to ease press restrictions in Aceh and facilitate impartial international humanitarian agencies access to Aceh. The Australian Government should also urge the Indonesian government to redouble its efforts regarding military reform. Australia should stand ready to recommit its support for ceasefire monitoring.

80 Transcript of evidence, Monday 16 June 2003, p 275, (Embassy of the Republic of Indonesia)

81 S Sherlock, 'Conflict in Aceh: A Military Solution?', *Current Issues Brief*, no 32, Department of the Parliamentary Library, 2002-03, p 14

82 Jakarta Media Indonesia, 7 November 2003

83 Jakarta Media Indonesia, 7 November 2003

At the heart of the relationship - people

- 6.1 At the heart of Australia's relationship with Indonesia is the relationship between the people of Indonesia and the people of Australia. One of the strongest themes that appeared in the evidence received during the course of this inquiry was the importance of the people-to-people links in building Australia's relationship with Indonesia. It was a theme stressed by the myriad government agencies that made submissions to this inquiry, by teachers and academics and by individuals.
- 6.2 The value of building strong people to people relationships in all aspects of the bilateral relationship, be they political, diplomatic, bureaucratic, academic, or between institutions, teachers, students or individuals, has been convincingly demonstrated by the success of the cooperation between Indonesian and Australian police following the Bali bombings, a cooperation grounded in the good relationships that have been built up over time between officers from both forces.
- 6.3 While the evidence received during the course of this inquiry suggests that the relationship at this level is reasonably strong, the Committee firmly believes that there is the potential for further strengthening of the relationship through improving the people-to-people links. Governments have an important role to play in this.
- 6.4 The Committee considers that Australia should give priority at this point in time to two particular areas in strengthening people to people links: namely, increasing mutual understanding and facilitating communication. In pursuing these aims, strategies should be used which will have maximum impact in terms of reaching large numbers of people. Moreover, these efforts should be made at every level in which Australians and Indonesians engage.

Increasing understanding and facilitating communication

- 6.5 Australia and Indonesia have vastly different backgrounds and cultures. Such differences promise potential for rich exchanges. They can also lead to poor communication, misunderstanding and mistrust. Better mutual understanding is in the interests of both countries.
- 6.6 It is difficult to assess the perception that Indonesians generally speaking have of Australians. Impressions are made in all of our interactions by our leaders and elected representatives, by visiting officials, by students and holiday makers. Our mode of being in Indonesia and in our interactions with Indonesians is much affected by the level of our understanding of the Indonesian nation and its culture and complexities. The perception Indonesians have of Australia can only be enhanced if we are seen to be genuinely making an effort to improve our understanding of Indonesia. Similarly we must provide opportunities that allow Indonesians to better understand Australians. Building a relationship is a two-way process.

Australia-Indonesia Institute

- 6.7 At the outset of this chapter, the Committee acknowledges the role of the Australia-Indonesia Institute (AII). The AII features in much of the evidence received during this inquiry about deepening mutual understanding and promoting people-to-people links. Many of the strategies discussed below relate to or resemble programs in which the AII has played a part.
- 6.8 Established in 1989, the Australia-Indonesia Institute has as its objective the promotion of a greater understanding in Australia of Indonesia and a greater understanding in Indonesia of Australia. Many of the AII's programs are undertaken in collaboration with other Australian organisations across a range of areas including education, civil society, culture and arts, religion and the media. According to the Chairman of the AII, Mr Philip Flood AO, the focus is particularly on 'young people, on the media, on the arts and on Islamic issues'.¹
- 6.9 The Committee is impressed by the breadth of the activities outlined in the AII's 2002-03 Annual Report and earlier reports. Whilst aware that many of the organisations involved in joint activities also contribute financially, the Committee considers that much is achieved for relatively little funding. From its inception in 1989 to 1996-97, the Australian Government funded the AII \$1 million dollars annually. In 1996-97 funding was

1 Transcript of evidence, Tuesday 5 August 2003, p 401, (AII)

reduced to \$900,000 and in 2002-03 reduced to \$840, 000. Funding was further reduced in 2003-04 to \$780,000. ²

- 6.10 Notwithstanding its considerable achievements, the Committee heeds the following remarks made by Professor Virginia Hooker in a submission to this inquiry.

The projects supported by the Australia-Indonesia Institute have made valuable contributions to improved understanding between small groups of people but in a nation the size of Indonesia, the impact is really minimal.³

- 6.11 The AII itself suggested that while there is now greater knowledge of each other in both countries, 'this greater knowledge, in both countries, is still relatively thin and thinly spread'. It added:

There is still a long way to go before there is deep knowledge in the political, business, media and military elites. Moreover the fact of greater knowledge only partly promotes greater understanding. Two such different neighbours with different political, intellectual and cultural traditions will always have difficulty dealing with each other. As the recent abominable events in Bali make clear, Indonesia is vital to Australia's security and our security demands a much more intimate knowledge of Indonesia.⁴

- 6.12 An examination of the most recent annual reports of the AII reveals an extremely wide range of projects. Given the importance of building the relationship, the Committee considers that funding to the AII should be substantially increased to enable it to maintain the breadth of the range of programs it supports, to provide for continuity of successful core programs and to enable it to significantly extend its reach.

2 Correspondence dated 29 July 2003

3 Submission No 10 , p 2

4 Submission No 50, p 1-2

Recommendation 17

The Committee recommends that the Australian Government increase funding to the Australia Indonesia Institute to enable it to maintain both the breadth of the range of programs it supports, to provide for continuity of successful core programs and to enable it to significantly extend its reach.

The role of education in improving understanding

- 6.13 The quality of our engagement with our neighbour is critically affected by our endeavours to understand and communicate. In the Committee's view, the importance that we attach to the relationship must be matched by a comparable level of effort towards building our capacity for an enhanced relationship. Many of the suggestions made in submissions regarding how best to do this relate in one way or another to education.
- 6.14 Professor Hill, Director, Australian Consortium for 'In-Country' Indonesian Studies (ACICIS) outlined to the Committee the importance of preparing to engage with Indonesia in all aspects of the relationship and the critical role of education in equipping us to do so.

It is imperative that Australia invest now to ensure that the community at large is optimally prepared for engagement with Indonesia at all levels and in all aspects of economic, political, cultural and social life. Australia must develop both the *specialist* expertise in all relevant areas of the bilateral relationship in addition to a *broadranging* community understanding of, and appreciation for, Indonesia. We need both fluent speakers of Indonesian, and a broad yet differentiated knowledge of the societies and cultures of our region amongst the general population. To achieve this, the government must designate the study of Indonesia and Indonesian language as a *strategic national priority*, and allocate funds for teaching and research accordingly.

Such skills and understanding must be deeply rooted in our primary and secondary education. It is at this level that the breadth must be provided, through stimulating, accessible and carefully graded materials and teaching skills to support studies of Indonesia and Indonesian language. These skills must be enhanced and brought to fruition in *tertiary institutions*, which must provide the advanced, more specialised, research-based

expertise in both Indonesian language and communities, as well as lesser Indonesian regional languages of strategic or scholarly importance.⁵

6.15 Maintaining Australia's expertise on Indonesia and expanding the level of understanding about Indonesia through research and education is crucial if Australia is to continue building its relationship with Indonesia over the long term. The Committee considers Australia's commitment to this should be demonstrated by:

- continuing support for Indonesian studies in Universities and expanding research opportunities;
- restoring NALSAS; and
- increasing opportunities for Australian students to study in Indonesia.

Support for Indonesian studies in universities

6.16 Australia has over the years built a considerable body of knowledge and expertise about Indonesia, knowledge that is drawn on to inform much of our engagement at formal and institutional levels.

6.17 Of particular note is the Indonesia Project, an international centre of research and graduate training based in the Division of Economics at the Australian National University. Established in 1965, the highly respected project monitors and analyses recent economic developments in Indonesia. The Project obtains its core funding from the Australian National University and also receives an annual grant from the Australian Government through AusAID.⁶ The Committee considers that this program is of immense value.

6.18 Commenting on the breadth of experience of the members of the Indonesia Project appearing before the Committee, Professor Mackie pointed out that it had taken 'thirty years or more' to build up this kind of expertise and stressed that 'if there is a danger that Indonesian studies is crumbling in parts of Australia, it is not now that the price will be paid: it is in 10, 20 or 30 years'.⁷

6.19 On a similar note, Professor Hill from Murdoch University, reported that many of the 'leading lights' of the 1970s had either passed away or retired while some of the 'next generation' scholars had been 'lured overseas by

5 Submission No 53, p 2

6 [Http://rspas.anu.edu.au/economics/ip/](http://rspas.anu.edu.au/economics/ip/)

7 Transcript of evidence, Thursday 1 May 2003, p 207 (Professor Mackie)

better funding and research opportunities'. Citing results of the 2002 assessment of the state of Indonesian Studies in Australia report by the Asian Studies Association of Australia (ASAA), *Maximising Australia's Asia Knowledge: Repositioning and Renewal of a National Asset*, Hill stated:

Indonesian studies is undergoing a grave decline around the country, with staff and student numbers contracting or stagnant in many institutions. While there are some upswings, the ASAA Report documents plummeting enrolment figures in key universities since 1998. In some of these, enrolments have roughly halved since 1997 and 2001! Given the overwhelming geo-political and economic significance of Indonesia for Australia's future well-being and security, this represents extremely poor management of our intellectual resources.⁸

- 6.20 Pointing out that Indonesian studies was not included in the full research priorities announced by the Australian Research Council in December 2002, Professor Hill made a case for doing so.

On that point, these four research priorities include, first, safeguarding Australia. But despite that title and the concern within it for issues of terrorism and invasive diseases, pests and those sorts of perceived threats to Australia, there is really no recognition within that priority area that Australia's security wellbeing hinges on us having the knowledge within the Australian community to be able to work with and understand Indonesia as quite obviously the throughput or the exit point for a variety of influences that would come to Australia, such as boat people, smuggling and various kinds of issues. It would not be an extremely huge departure for those strategic areas to have included a recognition of regional knowledge – that is, knowledge of South-East Asia and Indonesia specifically – as contributing part of the safeguarding of Australia to be included in that fourth research priority.⁹

- 6.21 Professor Hill suggested that Indonesian Studies be designated a strategic national priority and that the Australia Research Council and the Department of Education, Science and Training be instructed to recognise this in prioritising funding for both research and teaching.¹⁰

8 Submission No 53, p 3

9 Transcript of evidence, Monday 23 June 2003, p 345 (Professor Hill)

10 Submission No 53, p 6

Recommendation 18

The Committee recommends that Indonesian Studies be designated a strategic national priority and that the Australia Research Council and the Department of Education, Science and Training be requested to recognise this in prioritising funding for both research and teaching.

NALSAS (National Asian Languages and Studies in Australian Schools)

- 6.22 According to the Asia Education Foundation, ‘Indonesia, the 4th most populous nation offers a rich source for the study of the arts, Islam, cultural diversity, post-colonial society etc - an education that does not address study of these cultures is intellectually limited and euro-centric’.¹¹
- 6.23 A key issue that emerged during this inquiry was the impact of the cessation of Commonwealth funding for NALSAS on the study of Indonesian language and related studies. Nearly 38 percent of submissions received in the inquiry expressed a view on this issue. The Committee has therefore gone to some trouble to explore this program further and sets out a summary of its findings below.

Background

- 6.24 In February 1994 the Council of Australian Governments (COAG) considered the report *Asian Languages and Australia’s Economic Future*, prepared by the COAG Working Group on a National Asian Languages / Studies Strategy for Australian Schools.¹² This Report emphasised that a national Asian languages and cultures strategy should be developed in the context of second language provision, and put forward a 15 year plan aimed at producing an Asia-literate generation to boost Australia’s international and regional economic performance.¹³ This report received bipartisan agreement across all levels of state and federal

11 Submission 43, p 4

12 Council of Australian Governments Working Group on Asian Languages and Culture, *Asian Languages and Australia’s Economic Future*. Report Prepared for the Council of Australian Governments on a Proposed National Asian Languages / Studies Strategy for Australian Schools. Brisbane, Queensland Government Printer, 1994.

13 D Henderson, ‘Meeting the National Interest through Asia Literacy – An Overview of the major stages and debates 2003’, *Asian Studies Review*, vol. 27, no. 1, March 2003, pp.23-53.

government, and although it stated that a parallel investment was needed in Asian studies, it did not afford equal emphasis to these studies.¹⁴

- 6.25 The Commonwealth then allocated funding for the 1995-1998 quadrennium for its share (50%, matched by States and Territories) of the National Asian Languages and Studies in Australian Schools (NALSAS) strategy. The implementation of the strategy began in 1995. The Strategy aimed to support enhanced and expanded Asian languages and Asian studies provision through all school systems in order to improve Australia's capacity and preparedness to interact internationally, in particular, with key Asian countries.¹⁵
- 6.26 The National Asian Languages and Studies in Australian Schools Strategy was part of the Schools Languages Programme (somewhat confusingly also referred to as the LOTE in Schools program), which also included the Languages Other than English (LOTE) Element.¹⁶
- 6.27 NALSAS funding was paid to government education authorities, Catholic Education Commissions and Associations of Independent Schools. Funds were allocated on a per capita basis within the amount specified in the Act, and were to be applied by education authorities to enhance and expand the targeted Asian languages and Asian studies provision for school students.¹⁷
- 6.28 The Federal Government contributed around \$210 million to the NALSAS Strategy from 1994 to 2002.¹⁸ The distribution of those funds between the various elements of the Commonwealth Languages Program is depicted in the table below.

14 D Henderson, 'Meeting the National Interest through Asia Literacy – An Overview of the major stages and debates 2003', *Asian Studies Review*, vol. 27, no. 1, March 2003, pp.23-53.

15 Department of Education, Science and Training 2004, *National Asian Languages and Studies in Australian Schools Strategy*, <<http://www.curriculum.edu.au/nalsas/about.htm>>

16 The Australian Government provided a total of \$52 083 000 under the School Languages Programme for 2002. (Department of Education, Science and Training, *Financial Assistance Granted To Each State In Respect Of 2002 States Grants (Primary and Secondary Education Assistance) Act 2000*, Commonwealth of Australia, Canberra, 2003. DEST Number: 6568RES03A)

17 Department of Education, Science and Training. *Financial Assistance Granted To Each State In Respect Of 2002 States Grants (Primary and Secondary Education Assistance) Act 2000*, Commonwealth of Australia, Canberra, 2003. DEST Number: 6568RES03A

18 Submission No 120, p 1

Table 6.1 Commonwealth funding to the School Languages Program as a whole, and the breakdown of those funds to the LOTE component for the duration of the NALSAS program, 1994-2002

Year	NALSAS	Community Languages Element	Priority Languages Element	LOTE
	\$ million	\$ million	\$ million	\$ million
1994-1995	2.80	10.74	3.7 (approx)	
1995-1996	10.22	10.95	4.00	
1996-1997	10.06	11.20	4.08	
1997	30.44	12.06	4.49	
1998	21.56	12.61	4.70	
1999	44.44	13.30	4.95	
2000	29.96	14.28	5.32	
2001	30.01			20.57
2002	30.43			21.65
TOTAL	209.91	85.14	31.24	42.12

Source Submission No 120, p 1 DEST

6.29 The review of the Languages Other than English Program found that ‘State and Territory contributions to NALSAS at least matched that of the Commonwealth, and in the larger state government systems were much more than that.’¹⁹

6.30 A NALSAS Taskforce was set up by the Ministerial Council on Education, Employment, Training and Youth Affairs (MCEETYA) in late 1994 to “develop, support and monitor implementation of the strategy”.²⁰ The Taskforce was a cooperative initiative between the Commonwealth Government, State and Territory Governments and non-government education authorities. The responsibility for implementation of the strategy rested with the state and territory educational authorities in the partnership.²¹

6.31 Using regional forecasts, Indonesian was identified as one of four Asian languages of most benefit to Australia’s economic future, and therefore to

19 Erebus Consulting Partners, *Review of the Commonwealth Languages Other Than English Programme*, a report to the Department of Education, Science and Training, December 2002, p.131

20 NALSAS Strategy Phase 2 Strategic Plan, 1999-2002, p. 1 (available from the DEST website at <<http://www.curriculum.edu.au/nalsas/pdf/strategy.pdf>>)

21 NALSAS, *Partnership for Change: The NALSAS Strategy – interim progress report of the first quadrennium of the NALSAS strategy 1995-1998*. MCEETYA, Melbourne, 1998, p. 3

be given priority in Australian schools.²² The identified languages were to be given priority in Australian schools through to the year 2006 with participation targets set in line with that timeframe.

- 6.32 The Commonwealth initially provided funding for the first four years of the strategy with further funding to be subject to evaluation.²³ Five percent of the Commonwealth funds were used for national collaborative projects and support for the NALSAS secretariat, while the balance was provided to education authorities on a per capita basis.²⁴ According to MCEETYA, this provision of funds to national collaborative activity and projects to encourage “partnership activity among jurisdictions and the non-duplication of projects or initiatives addressing the national strategy”²⁵ has provided a cost-effective way of developing products with national significance and applicability.
- 6.33 In 1996, continued government support for the NALSAS program was expressed, and in 1999 a further \$90 million was allocated to be spent by 2002.²⁶ According to DEST, the 1999-2000 Portfolio Budget Papers stated that the Australian Government commitment was for three years and ‘that the Commonwealth will have provided funding under the Strategy for seven years by which time it should have become self-sustaining’.²⁷
- 6.34 On 2 May 2002, the Office of the Minister for Education, Science and Training, Dr Brendan Nelson, confirmed that there would be no further provision of Commonwealth money under the NALSAS strategy in the 2002 budget.²⁸
- 6.35 The Australian Government continues to support Indonesian language learning through the remainder of its School Languages Programme which assists to improve the learning of Asian, European and Indigenous languages in schools and communities. For the period 2001 – 2004, the

22 The other three priority languages identified were Chinese (Mandarin), Japanese and Korean.

23 NALSAS, *Partnership for Change: The NALSAS Strategy – interim progress report of the first quadrennium of the NALSAS strategy 1995-1998*. MCEETYA, Melbourne, 1998, p. 2

24 NALSAS Strategy Phase 2 Strategic Plan, 1999-2002, p. 1 (available from the DEST website at <<http://www.curriculum.edu.au/nalsas/pdf/strategy.pdf>>)

25 NALSAS, *Partnership for Change: The NALSAS Strategy – interim progress report of the first quadrennium of the NALSAS strategy 1995-1998*. MCEETYA, Melbourne, 1998, p. 3

26 C Mackerras, ‘The end of NALSAS but not of Asian languages study’ *Australian Language Matters*, Vol. 10 no. 2 April/May/June 2002

27 Submission 120, p 1

28 C Mackerras, ‘The end of NALSAS but not of Asian languages study’ *Australian Language Matters*, Vol. 10 no. 2 April/May/June 2002

Australian Government is providing over \$20 million per annum for the School Languages Programme.²⁹

6.36 The DEST submission outlines the following as other areas of continued funding support for language teaching:³⁰

- \$4 million over the next four years for the new Endeavour Language Teacher Fellowships (intensive, in-country study programs for languages teachers);³¹
- \$1.2 million over the next three years to improve the quality of Asian language teaching through a national professional development program for teachers;
- \$3 million towards the development of online curriculum resources for the teaching of Indonesian and two other Asian languages, through the Le@rning Federation, a joint initiative of the Commonwealth, State and Territory and New Zealand Governments; and
- \$1.2 million annual core grant to the Asia Education Foundation to work with schools to support studies of Asia across all curriculum areas.

Evaluations and Value of NALSAS

6.37 In discussing the value of NALSAS, DEST asserted that:

As well as redressing an imbalance between European and Asian languages in schools, the Strategy contributed to a significant increase in the study of the priority NALSAS languages, (including Indonesian) at primary and secondary school levels. It also contributed to deeper knowledge of Asian cultures.³²

Partnership for Change Report

6.38 The report on the first quadrennium of the NALSAS strategy (1995-1998), *Partnership for Change*³³ highlighted significant activities and achievements in the first four years of the NALSAS Strategy. The report noted that student participation in Asian languages had increased by more than 50%

29 Submission 115, p 3

30 Submission 115, p 3

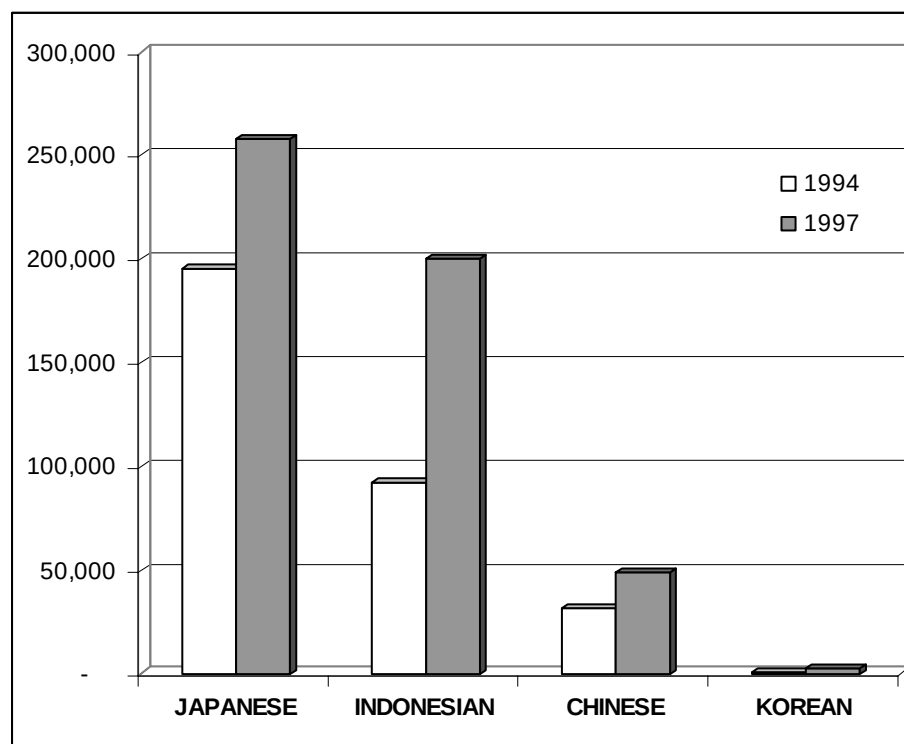
31 Indonesia is not one of the countries of destination for Fellowship recipients, for January 2004 because of current DFAT travel advice to Indonesia

32 Submission 115, p 2

33 NALSAS, *Partnership for Change: The NALSAS Strategy – interim progress report of the first quadrennium of the NALSAS strategy 1995-1998*. MCEETYA, Melbourne, 1998

from 1995 to 1997 and that approximately 2 500 teachers had been trained in Asian languages.³⁴ Figure 1 shows the increase in students studying Indonesian over this period.

Figure 6.1 Total Student Enrolments: NALSAS Priority Languages



Source NALSAS. 1998. *Partnership for Change: The NALSAS Strategy – interim progress report of the first quadrennium of the NALSAS strategy 1995-1998*. Melbourne: MCEETYA. P.6

- 6.39 At the time of the report, the Commonwealth had agreed to continue its funding at the rate of approximately \$30m a year to the end of 2002.³⁵
- 6.40 The NALSAS Strategy Phase 2 Strategic Plan for the quadrennium 1999–2002 was developed following the release of the Partnership for Change report and focussed on the four strategic areas of curriculum delivery, teacher quality and supply, strategic alliances, and outcomes and accountability.³⁶

34 NALSAS, *Partnership for Change: The NALSAS Strategy – interim progress report of the first quadrennium of the NALSAS strategy 1995-1998*. MCEETYA, Melbourne, 1998 p.9

35 NALSAS Strategy Phase 2 Strategic Plan, 1999-2002, p. 1 (available from the DEST website at <<http://www.curriculum.edu.au/nalsas/pdf/strategy.pdf>>)

36 NALSAS Strategy Phase 2 Strategic Plan, 1999-2002, p. 2 (available from the DEST website at <<http://www.curriculum.edu.au/nalsas/pdf/strategy.pdf>>)

Evaluation of the National Asian Languages and Studies in Australian Schools Strategy Report

- 6.41 In January 2002 Erebus Consulting Partners released their report to the Commonwealth Department of Education, Science and Training, *Evaluation of the National Asian Languages and Studies in Australian Schools Strategy*. This report, commissioned by DEST, was an evaluation of progress in the second quadrennium (1999 – 2002) of the NALSAS Strategy.³⁷
- 6.42 This report found that NALSAS funding had contributed to achievements including:
- an increase in the number of schools teaching a NALSAS language;
 - a considerable increase in the number of students studying a NALSAS targeted language;
 - an increase in the number of teachers teaching an Asian language and upgrading their qualifications to teach an Asian language; and
 - an increase in the number of schools and teachers including studies of Asia in their curriculum.³⁸
- 6.43 According to the report, State and Territory stakeholders believed the program would wither and die within a very short time if program funding was not continued. Of critical importance were the training and professional development programs for teachers.
- 6.44 Further, this report asserted that the program could not continue without its Commonwealth funding:

The overall conclusion to be drawn from the evidence available to this evaluation is that, while significant progress continues to be made towards the achievement of the NALSAS agenda, the program is not yet at a stage where continued implementation would be sustained by jurisdictions without continued Commonwealth funding support.³⁹

37 Erebus Consulting Partners. *Evaluation of the national Asian languages and studies in Australian schools strategy*, a report to the Department of Education, Science and Training, January 2002

38 Erebus Consulting Partners. *Evaluation of the national Asian languages and studies in Australian schools strategy*, a report to the Department of Education, Science and Training, January 2002, p. xii

39 Erebus Consulting Partners. *Evaluation of the national Asian languages and studies in Australian schools strategy*, a report to the Department of Education, Science and Training, January 2002, p. xii

- 6.45 The report also claims that a greater loss than a reduction in funds could arise from the symbolic loss of status that would occur if Asian language and Asian studies were no longer a national priority area.⁴⁰
- 6.46 However the report also suggested that continued funding to support the program, as it was at the time funding ceased, is not justified as “it should not be assumed that the work is stable or complete”. In fact the evidence collected in the development of the evaluation report suggests that there are “few reasons why any school or school sector could not teach studies of Asia or an Asian language in some way if they chose to do so”.⁴¹
- 6.47 The report argued that the rationale (and need for) the NALSAS program needed re-examination and restatement in order to bring the Strategy to a point where the outcomes would be self-sustaining, rather than remaining the same at the end of another cycle of funding.⁴²
- ... there should be no expectation that a project such as this should continue indefinitely, ... while some further funding would appear prudent to protect the investment thus far, such funding should be extended with the aim of ensuring the self-sustainability of the project outcomes.⁴³
- 6.48 Suggested components of a restated program include more realistic targets being set for students studying a NALSAS language, and a concentration of future funding on the consolidation of Indonesian, Chinese and Japanese (as Korean studies in Australian schools lag far behind the other three in economic importance)⁴⁴.
- 6.49 The NALSAS report recommended that:
- to capitalise on the gains made thus far and to ensure that they become further embedded into the curriculum of Australian
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40 Erebus Consulting Partners. *Evaluation of the national Asian languages and studies in Australian schools strategy*, a report to the Department of Education, Science and Training, January 2002, p xiii

41 Erebus Consulting Partners. *Evaluation of the national Asian languages and studies in Australian schools strategy*, a report to the Department of Education, Science and Training, January 2002, p xiv

42 Erebus Consulting Partners. *Evaluation of the national Asian languages and studies in Australian schools strategy*, a report to the Department of Education, Science and Training, January 2002, p xiii

43 Erebus Consulting Partners. *Evaluation of the national Asian languages and studies in Australian schools strategy*, a report to the Department of Education, Science and Training, January 2002, p xiii

44 Erebus Consulting Partners. *Evaluation of the national Asian languages and studies in Australian schools strategy*, a report to the Department of Education, Science and Training, January 2002, p xv

schools, Commonwealth funding for the NALSAS strategy be continued for a further quadrennium in declining annual amounts.⁴⁵

6.50 The associated recommendations included:

- MCEETYA making a strong commitment to the NALSAS objectives through a national position statement;
- strategic planning for NALSAS to retain the four focus areas of the current plan, but to more clearly identify desired outcomes (not outputs) to be achieved;
- strategic planning and funding for the next NALSAS program cycle (2003-06) be focussed on ensuring self-sustainability by the end of the period;
- the overall balance of funding for studies of Asia and Asian languages within the budget remain commensurate with that of the quadrennium 1999-2002;
- consideration given to concentrating resources on three priority languages rather than the original four;
- the middle years of schooling be targeted for sustained development; and
- links between Asian languages and studies of Asia to be made more explicit in curriculum material development and professional development programs

6.51 In response to this report, the Ministerial Council on Education, Employment, Training and Youth Affairs agreed to the preparation of a national statement and a four-year plan on languages education in July 2003, for consideration at its meeting in 2004.⁴⁶

Review of the LOTE Program

6.52 Between August and December, 2002 an external review was conducted into the Commonwealth Languages Other Than English (LOTE) Program. The report presenting the findings and recommendations was published in December 2002.⁴⁷

6.53 Until recently, the “LOTE in Schools Program” comprised both the National Asian Languages and Studies in Australian Schools Strategy and

45 Erebus Consulting Partners. *Evaluation of the national Asian languages and studies in Australian schools strategy*, a report to the Department of Education, Science and Training, January 2002, p 95

46 Submission 115, p 3

47 Erebus Consulting Partners, *Review of the Commonwealth Languages Other Than English Programme*, a report to the Department of Education, Science and Training, December 2002

the LOTE element; however the review under discussion here focussed on the LOTE element.

- 6.54 The LOTE element supports language programs in schools (including European, Asian and Indigenous languages) at all levels of schooling across all sectors, as well as community language programs (such as insertion classes in regular school hours and after-hours ethnic schools), intended to “maintain the languages and cultures of students from a language background other than English and to increase students’ awareness and understanding of those languages and cultures”.⁴⁸
- 6.55 At the time the report was published, the Commonwealth allocated \$50 million a year for its “LOTE in Schools Program” (\$20 million for the LOTE element and \$30 million for the NALSAS Strategy). Continued funding for the LOTE element has been provided for in the States Grants agreements until December 2004.
- 6.56 The LOTE report was influenced strongly by the *Evaluation of the NALSAS Programme*,⁴⁹ and so the recommendations of the LOTE report were similar to those in the NALSAS report, except that the NALSAS program had been discontinued by the time the second report was prepared. The recommendations included that:
- a new National Policy or Statement on Languages Education be developed through MCEETYA. ... to address the purposes, nature, value and expected outcomes of languages learning;
 - activities associated with the former NALSAS Strategy be subsumed into the wider LOTE action plan and National Policy Statement on LOTE; and
 - the overall quantum of LOTE Element funds for 2003-04 be maintained at the same level as for 2002.⁵⁰
- 6.57 Following the review of the School Languages Program in 2002, continued funding of \$104 million⁵¹ for the program over the next four years was announced in the 2003 Budget.⁵²
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48 Erebus Consulting Partners, *Review of the Commonwealth Languages Other Than English Programme*, a report to the Department of Education, Science and Training, December 2002, p. vii

49 the report was also influenced strongly by a national seminar conducted by the Australian Principals Associations Professional Development Council, entitled *Working Together on Languages Education* (Melbourne 30-31 May, 2002)

50 Erebus Consulting Partners, *Review of the Commonwealth Languages Other Than English Programme*, a report to the Department of Education, Science and Training, December 2002, p. 196.

Issues

- 6.58 A number of issues were raised in the evidence in relation to the discontinuation of Commonwealth funding of the NALSAS program. These are discussed below.

Understanding and interacting with the region

- 6.59 It seems only logical that studies of Indonesia and Indonesian language will assist with improved understanding of the country and its culture. Any program that can improve the reach of such studies should therefore have a greater impact on the Australia/Indonesia relationship and improve interactions across a range of business, social or cultural experiences.
- 6.60 The Westralian Indonesian Language Teachers Association (WILTA) states that the NALSAS initiative during 1995 - 2003 enabled Australia to move some way towards achieving success through “enhancing and expanding Asian languages and Asian studies through all school systems in order to improve Australia's capacity and preparedness to interact internationally, in particular, with key Asian countries.”
- 6.61 WILTA suggests that what will help this region live in peace and harmony, is giving young Australians “the ability to understand and relate with the Indonesian people and culture, and them with ours, and for this knowledge and understanding to be shared with families and friends”.⁵³
- 6.62 The Nusantera Bookshop submission reported that the Chief of the Defence Force, General Peter Cosgrove, told Australian school principals on 30 May 2002, he was “especially encouraged to learn that ... Indonesian [is] among the four priority languages designated under the Commonwealth national Asian Languages and Studies in Australian Schools Program,”⁵⁴ as our ability to understand these cultures is what “our future prosperity and security will depend on”.⁵⁵

51 Submission 115, p 3

52 B Nelson, *Government boosts language teaching and education*, Dr Brendan Nelson, Department of Education, Science and Training. 13 May 2003 (MINBUD 34/03)

53 Submission 112, p 3

54 Submission 31, p 4

55 Address by The Chief Of Army Lieutenant General Peter J. Cosgrove AC, MC, To The Australian Principals Association Professional Development Council (Apapdc), Melbourne 30 May 2002

Decline in Indonesian studies and language teaching

- 6.63 The Asia Education Foundation (AEF) claims that notwithstanding the additional funding provided by the Commonwealth, a recent study showed that at least 50% of Australian schools either do not teach about Asia at all or if they do so, only superficially. In 2000, only 5.5% of Year 12 students learnt an Asian language, of this 1.2% studied Indonesian language.⁵⁶
- 6.64 This area does not appear set to improve in the near future. Professor Mackie, of the Australian National University, claims that the existing corps of specialists with real knowledge and experience of Indonesia, is shrinking as the older members retire, and could suffer “serious attrition over the next decade or so because ... fewer junior academics [are] obtaining permanent positions”. Not enough younger people coming through to replace those leaving, means Australia is “in danger of badly eroding a valuable national asset which has taken over forty years to build up”.⁵⁷
- 6.65 This issue also relates to that of understanding and interacting with the region as Professor Mackie states:
- The decline in Indonesian language teaching in Australian schools and universities in recent years is an extremely important matter because of its adverse implications for the sustainability of our analytical capacities on matters Indonesian.⁵⁸
- 6.66 An issue associated with the decline in Indonesian teaching is the impact this has on the businesses supplying teaching and other resources to this area.

NALSAS funding

- 6.67 The Committee received many submissions which were strongly supportive of the NALSAS program including 19 which explicitly asserted that the program should continue.⁵⁹
- 6.68 WILTA claims the success of NALSAS:
- ...will be short lived if the job is left unfinished ... the hard work and money already invested will be wasted. We must persevere with this injection of funds for longer so that a whole generation of

56 Submission 43, p 3

57 Submission 91, p 6

58 Submission 91, p 5

59 Submissions numbered: 13, 18, 31, 32, 34, 35, 43, 53, 64, 66, 67, 68, 69, 71, 72, 73, 74, 75, and 112

school students will have, for the duration of their schooling, been provided with ample opportunities to develop a greater understanding of the need to be culturally literate and have opportunities to learn an Asian language of great importance to Australia.⁶⁰

- 6.69 The Nusantara Bookshop submission maintains that there will be a larger impact than just on the students and teachers:

The loss of specific and dedicated NALSAS or NALSAS-like support will diminish the Commonwealth's actual and perceived commitment to Australia as an Asia-literate society. ... Inevitably, it will be perceived by other education authorities across Australia as a diminution of commitment, which will contribute to a nationwide collapse of Indonesian language teaching, and the emaciation of providers, both commercial and non-commercial, of related goods, services and activities.⁶¹

- 6.70 WILTA stresses that funding is particularly required to continue and expand projects such as those providing in-country experiences for teachers and students of Indonesian language and providing increased professional development and support for teachers in both language and methodology.⁶²

- 6.71 The AEF also holds the view that programs that offer expert input, in-country study, exchange and sharing of professional expertise, are required, but goes further to claim this will shift the curriculum away from being predominately euro-centric.⁶³

- 6.72 Nusantara asserts that a reinstatement by the Commonwealth of dedicated funding for Bahasa Indonesia will:

- strengthen the position of Bahasa Indonesia in Australia at a time when events in Indonesia have eroded support among some sections of the community;
- give certainty and support not only to teachers in a difficult period, but to specialised suppliers of goods, services and activities whose role has been critical to the success of the NALSAS strategy; and

60 Submission 112, p 1

61 Submission 31, p 1

62 Submission 112, pp 1-2

63 Submission 43, p 2

- help to end the confusion arising from the mixed messages emanating from our nation's leaders, by providing a leadership role at the forefront of a national strategy to make Australia Asia-literate.⁶⁴
- 6.73 DEST reported that in 1994 about 100 000 students in 1 500 schools were studying Indonesian and by 2001, Indonesian was the third most popular language studied in Australian schools, with 316 877 students studying Indonesian in 1 768 schools across Australia.⁶⁵
- 6.74 However the LOTE review found that 'compared to most other OECD countries, Australian students receive far less LOTE instruction than their counterparts elsewhere. In other countries, second language learning begins in earnest much earlier in the curriculum, is given more hours per week of instructional time and continues throughout the school life of the student'.⁶⁶

Conclusion

- 6.75 The NALSAS Strategy is described as a truly national approach between the Commonwealth and States and Territories, as all education authorities entered into bilateral agreements with the Commonwealth to work towards the Strategy's objectives with Commonwealth funds and their own resources. The Commonwealth allocated funding for its share of the NALSAS Strategy from 1994 to 2002.⁶⁷
- 6.76 After looking into the issue of Asian studies and languages in Australian schools, the Committee appreciates that the NALSAS program has had considerable impact on studies of Indonesia and Indonesian language since the program's inception in 1995, and also on teachers and associated industries in this area. The particular strengths of the program are evident in the coordinated national program which provides dedicated support for teacher professional development and in-country exchanges.
- 6.77 The Committee is concerned that the cessation of NALSAS effectively means a substantial overall drop in funding for Asian languages, including, of course, Indonesian. The Committee is not convinced that it is appropriate for a requirement to be attached to an educational strategy

64 Submission 31, p 4

65 Submission 115, p 3

66 Erebus Consulting Partners, *Review of the Commonwealth Languages Other Than English Programme*, a report to the Department of Education, Science and Training, December 2002, p. x

67 Erebus Consulting Partners, *Review of the Commonwealth Languages Other Than English Programme*, a report to the Department of Education, Science and Training, December 2002, p. ix

such as NALSAS that it ultimately be self-sustaining. It notes DEST's advice that while the original COAG report which gave rise to the strategy outlined targets to be reached by 2006, 'it did not indicate that the program was expected to become self-sustaining'.⁶⁸ NALSAS represents a commitment to better equipping Australia to engage more productively, harmoniously and effectively with its neighbours in the region. Quite simply, it is in Australia's national interest to sustain its investment in NALSAS or equivalent programs.

Recommendation 19

The Committee recommends that NALSAS (the National Asian Languages and Studies in Australian Schools program) be restored, or a program with similar aims and an equivalent level of funding be established.

Increased Opportunities for Australian students to study in Indonesia

- 6.78 As discussed in Chapter 4, approximately 18,000 Indonesian students study in Australian education institutions. The Committee has already made clear its support for the existing programs that provide such opportunities for these students.
- 6.79 Having Indonesian students studying in Australia not only generates valuable export income. It also creates goodwill and provides the opportunity for enhancing the relationship through better understanding. As pointed out by Professor Hill, Director of the Australian Consortium for "In-Country" Indonesian Studies (ACICIS), many students return to positions of prestige and influence within their community'.⁶⁹
- 6.80 Given the number of Indonesian students who already have the opportunity to study in Australia, the Committee is particularly interested in efforts to increase opportunities for Australian students to study in Indonesia. In evidence before the Committee, Professor Hill, pointed out the 'paucity of Australian students studying in Indonesia'.

Last semester, from universities all around Australia, we had only, to the best of my knowledge, 14 Australian students studying in

⁶⁸ Submission No 120, p 1

⁶⁹ Submission No 53, p 4

Indonesia. So it was less than 0.2 per cent by comparison with the number of Indonesians studying in Australia.⁷⁰

- 6.81 In this context, the Committee was interested to learn of the work of ACICIS. Established in 1994, ACICIS provides a means through which Australian students from member universities (numbering 19 at June 2003), can ‘undertake a semester’s study at an Indonesian university for credit towards their Australian degree’.⁷¹ Since 1995, more than 500 students have taken the opportunity with 167 having spent a full year studying in Indonesia.
- 6.82 To date ACICIS has received only a very small amount of funding from the Federal Government, including a small project grant from the Australia-Indonesia Institute and following approaches to the Department of Education, Science and Training in 2003, some funding to enable ACICIS to operate securely for another 12 months.
- 6.83 Were ACICIS better funded, Professor Hill suggested, it would be much more able to ‘bring to the community’s attention the opportunity to study in Indonesia’. According to Professor Hill, ‘there is no reason why we should not have in Indonesia not just dozens but hundreds of Australian students, building up to thousands’.⁷²
- 6.84 Professor Hill estimated running costs and salary costs for ACICIS to amount to approximately \$100,000 to \$130,000 per year and placed this figure in the context of the \$400 million per annum generated for the Australian economy by Indonesian students coming to Australia.
- 6.85 In the Committee’s view, it is extremely important that Australian students are given the opportunity and encouragement to study in Indonesia. Australian students who do so ultimately enrich not only their own but Australia’s expertise and understanding of Indonesia and the Indonesian language. As young ambassadors for Australia, they also send a strong signal of our interest in Indonesia, and through their interactions, present opportunities for Indonesians to increase their understanding about Australia and Australians.

70 Transcript of evidence, Monday 23 June 2003, p 344 (ACICIS)

71 Submission No 53, p 4

72 Transcript of evidence, Monday 23 June 2003, p 347 (ACICIS)

Recommendation 20

The Committee recommends that additional funding be provide to the Department of Education, Science and Training to enable it provide an annual grant to the Australian Consortium for ‘In-Country’ Indonesian Studies, for running and salary costs.

Understanding Islam

- 6.86 Indonesia is a complex country and there is much to understand. At this point in time, the Committee considers it most important that Australians have greater understanding of the role of religion in Indonesian society and in particular the moderate nature of Islam as practised by the vast majority of Indonesians. In this context, the Committee notes the observation made in the submission from Australian Volunteers International that ‘in an otherwise deep and multidimensional people-to-people relationship there remains a profound lack of information and understanding amongst Australians about Islam, in general, and Islam in Indonesia’.⁷³ By the same token, the Committee suggests, it is important that Indonesia has a better understanding of the tolerant and multicultural nature of Australia.
- 6.87 The efforts that have been made in this respect to date appear, quite understandably, to focus on current and future leaders in both communities. These efforts include the activities supported under the AII’s Inter Faith program and its Australian Studies Program.

Inter-faith Program

- 6.88 Under the Australia-Exchange Program, the AII has supported a series of visits to Australia by leading Indonesian Islamic community leaders. Under this program, ‘eight participants drawn from a broad range of Indonesian educational, political and non-government organisations visited Australia in three groups’ this year.⁷⁴ The Institute also sponsored visits to Australia for leaders of the two largest Islamic organisations in Indonesia, Nahdlatul Ulama (NU) and Muhammadiyah. The Committee has been fortunate to have had the opportunity to meet in Australia with both leaders as a result of these visits.

⁷³ Submission No 44, p 8

⁷⁴ Australia Indonesia Institute, *Annual Report 2002-03*, Commonwealth of Australia, Canberra, 2003, p 18

The Australia-Indonesia Young Leaders Dialogue

- 6.89 As part of its Australian Studies Program the AII has supported an Australia-Indonesia Young Leaders' Dialogue organised by the Asia-Australia Institute of the University of New South Wales and the Habibie Centre.
- 6.90 The Dialogue brings together participants from politics, the media, academia, the military, government and non-government organisations. The first Dialogue was held in Bogor, Indonesia, in May 2002.⁷⁵ The second dialogue was held in Bowral, Australia, in May 2003 with a theme of 'Mutual Trust and Cooperation in an International, Regional and Local Climate of Fear and Insecurity: Building an Achievable Action Agenda.'⁷⁶
- 6.91 Committee member Senator Payne was present at both dialogues and attested to their value in 'enabling participants to form very valuable working relationships and a far greater understating than we would otherwise have of the importance that both sides place on very different issues.'⁷⁷ Senator Payne also noted that the Dialogue has led to some online discussions and that some chat groups have been set up. Such initiatives provide a low cost means for continuing engagement.
- 6.92 The Committee commends the efforts that have been made to date to increase understanding of the religious and social values in both countries. It considers, however, that much more needs to be done. In evidence before the Committee, AII Chairman, Mr Philip Flood AO, expressed his views relating to the scale of effort needed to make a difference.
- A lot is being done by various arms of government to make clear that Australian policy is one of opposition to terrorism, not opposition to Indonesia and not opposition to Islam. I do not think we are doing enough ... that this Islamic program we have started really needs to be run on a much larger scale ... Bringing 12 people here is a drop in the bucket. I would like to see us bring in 100 or 200 young Islamic leaders.⁷⁸
- 6.93 The Committee considers that the programs that are in place are of immense value and should be significantly expanded. The Committee

75 Australia Indonesia Institute, *Annual Report 2001-02*, Commonwealth of Australia, Canberra, 2002, p 13

76 Australia Indonesia Institute, *Annual Report 2002-03*, Commonwealth of Australia, Canberra, 2003, p 15

77 Transcript of evidence, Tuesday 5 August 2003, p 409 (Senator M Payne)

78 Transcript of evidence, Tuesday 5 August 2003, p 404 (AII)

recommends that the AII budget be substantially increased to enable it to conduct this work.

Meeting with Muslim leaders in Jakarta 2004

- 6.94 During its recent visit to Jakarta, the Committee was fortunate to meet with Muslim leaders including Dr Iman Addaruutni, Member of Parliament, National Mandate Party; Mr Fajrul Falaakh, Executive Member, Nahdlatul Uluama (NU) and Mr Abdul Mu'ti, Chairman, Muhammadiyah Youth.
- 6.95 The Muslim leaders shared information and insights on a range of issues including the role of Muhammadiyah universities, the relationship between local universities and the central organisation and with the Government; the independence politically of members of Muhammadiyah; the prevalence of corruption and the Muhammadiyah and NU joint program on anti corruption; and the importance of opportunities to deepen understanding and to establish cultural links through programs such as the Muslim Exchange Program.

Enhancing understanding of Islam in the wider community

- 6.96 While the Committee appreciates the initial focus in efforts to increase our understanding of the role of religion in Indonesian society being on leaders, current and future, is it also concerned that efforts be made to reach out into the wider community.

Extending reach through schools

- 6.97 Schools are an extremely important vehicle for significantly increasing Australia's understanding of the moderate nature of Islam in Indonesia. The Committee appreciates that schools are already dealing with a very crowded curriculum. Notwithstanding this, governments should encourage teachers to take the opportunities that exist within the curriculum to develop activities around fostering a better understanding of the role of religion in Indonesia. Teachers will be more inclined and better equipped to do this if they are provided with appropriate resources.
- 6.98 Schools should also be encouraged to develop links with schools in Indonesia. Some schools are already engaged in doing this. For instance, as reported in the most recent AII Annual Report, Burgmann Anglican School in Canberra, having constructed a dedicated Indonesian Language

and Cultural centre, will expand its program through connection with a sister school in Bandung.⁷⁹

- 6.99 The Committee proposes that MCEETYA develop a strategy for promoting understanding of Islam in Australian schools, and of creating ways of and encouraging Australian schools to establish sister school links with schools in Indonesia.

Recommendation 21

The Committee recommends that the Ministerial Council on Education, Employment, Training and Youth Affairs, develop a strategy for promoting understanding of Islam in Australian schools, and of creating ways of and encouraging Australian schools to establish sister school links with schools in Indonesia including Muslim schools.

Commitment to deepening understanding of Islam

- 6.100 The tragedy of the Bali bombing brought many individual Australians and Indonesians in contact with each other in an immediate and unforgettable way, forging relationships born out of shared grief. For those families, and for those who watched media coverage of the reactions in both countries, new understanding of each other has developed and with that a greater appreciation of what we have in common.
- 6.101 The Bali bombing was, as have been other wanton acts of terrorism before and since, a product of ignorance, intolerance and misunderstanding. Australia's response as described in other parts of this report has been multifaceted. In addition to all the practical and constructive ways in which Australia has responded to that event, the Committee believes that we should send a strong signal of our intent to do what we can, in however small a way, to address the things that gave rise to such horror.
- 6.102 October 12 2002 was a day in which the histories of our two countries came together in a way they had not previously. The Committee considers that it would be fitting on this day in future years for Australians to not only remember those lost and injured and to acknowledge those that helped at the time of the crisis and since, but to commit ourselves to making substantial and sustained efforts to deepen our understanding

79 Australia Indonesia Institute, *Annual Report 2002-03*, Commonwealth of Australia, Canberra, 2003, p 17

and appreciation of Indonesian society. Australia will be perceived as tolerant and multicultural by its actions more than its words.

Recommendation 22

The Committee recommends that on October 12 in this and future years, Australians not only remember those lost and injured in the Bali bombings, but commit ourselves to making substantial and sustained efforts to deepen our understanding and appreciation of Indonesian society.

The role of the media

- 6.103 One of the issues raised with Muslim leaders during the Committee's visit to Jakarta was the role of the media in improving understanding of Islam. Young Muslim leaders explained to the Committee that the portrayal in the media of Islam, and the media's failure to distinguish between Muslims generally and radical elements such as the Taliban, was offensive. A plea was made for the western media to give Muslims the right to have the benefit of the doubt.
- 6.104 The Committee and the Muslim leaders discussed the importance of the mass media getting more understanding of Islam and of the East. In this context, the Committee was very pleased to learn, on its return to Australia, of a program being undertaken by the Asia Pacific Journalism Centre. The Asia Pacific Journalism Centre is an Australian based not-for-profit organisation with 'the mission to help journalists develop and share professional skills and insights in a changing world'.⁸⁰ Its work is informed by the belief that 'effective journalism is closely linked to good governance, respect for human rights and international understanding'.⁸¹ It conducts professional development programs, exchanges and visits and innovation seminars.
- 6.105 As a pilot program under the APJC's exchanges and visits portfolio, it has established an APJC Fellowship. Based on the US Jefferson Fellowship model, the program will provide opportunities for 'Australian and other journalists in the region to learn firsthand about other cultures and societies'. The inaugural program, starting in late May 2004, focuses on Islam in Indonesia. The program's broad goals are to provide participants with 'up-to-date information on Islam in Indonesia - its social and cultural

⁸⁰ Submission No 123, p 1

⁸¹ Submission No 123, p 1

role as the major religion and connections domestically and internationally with political life – and to permit participating journalists to share insights on reporting news to do with Islam.’⁸²

- 6.106 Participants will travel through East and Central Java, ‘visiting pesantren (boarding schools) and other Islamic communities, calling on universities and think tanks, meeting Islamic and civic leaders, and having discussions along the way with local editors and journalists, and amongst themselves’.⁸³
- 6.107 The APJC applied for but did not receive funding from the AII. Financial support for the program is being provided by the Myer Foundation.
- 6.108 The Committee considers such programs are an extremely important way of enhancing the media’s understanding of Islam and through their extended reach, the general community. An insensitive and inaccurate portrayal of Islam in the west is indeed offensive and damaging to relationships.
- 6.109 Elsewhere in this report, the Committee supports the promotion of visits and exchanges by parliamentarians and teachers as a means of deepening not only their own understanding but through them the people that they influence. In this context, the Committee strongly endorses the aims of the APJC Fellowship program, specifically in respect to its focus on Indonesia. The program, at least for the foreseeable future, should be conducted on an annual basis. The significant extension of funding to the AII recommended earlier in this chapter should facilitate it providing support to the APJC for this purpose.

Expanding opportunities for communication through exchanges and visits

- 6.110 Although practicalities will always dictate that exchanges and visits are limited to fairly small proportions of the population, they provide an excellent means for individuals to simultaneously deepen their understanding of the other culture and establish personal links. The effectiveness of exchanges as a vehicle for improving understanding in the community more broadly and building the relationship between the two countries depends in large part on the capacity of the individuals to

82 Submission No 123, p 2

83 Submission No 123, p 1

present themselves as ambassadors while away, and to share with their home community their new insights and experience on return.

- 6.111 To counter the necessity of limiting exchange / visits in number, exchange programs should be targeted, in particular, to areas in which the individuals who take part will be in a position on their return to share their understanding and insights with others (such as students and professionals in the fields of education, health and the media) or who have the capacity to influence public thinking such as parliamentarians.
- 6.112 The Committee has discussed in earlier sections of this report the value of parliamentarians, students, student teachers, and young leaders having opportunities to visit and work with counterparts in each others' countries.
- 6.113 The Committee has also discussed the value in extending existing programs, such as the Government Sector Linkages Program (GSLP), that provide opportunities for exchanges and visits between government officials and professional and trained staff in other highly relevant areas.

Private sector exchanges and work experience programs

- 6.114 Opportunities for professional exchanges should not be limited to government employees. According to Professor Hooker:

The opportunities for professional exchanges are almost unlimited. The impact and benefits to be derived from several months of practical experience in the other nation would be manifold. One can think of exchanges of medical staff, lawyers, bankers and insurance agents, police (as has already begun in the aftermath of the Bali tragedy), school teachers and so on. The problem to date has been that it is relatively easy to send Australians to Indonesia where the costs are not very great but much harder to select Indonesians to come as exchangees to Australia. Nevertheless, there does exist a strong network around Australia which could now be called upon to identify Indonesians who would benefit from an extended period in Australia and feed their experiences back into the community.⁸⁴

- 6.115 As mentioned in other places in this report, a number of teacher exchange programs have been undertaken. The Committee has urged the expansion

of such programs. It also urges that similar programs be developed for other professions, particularly in areas that are the focus of Australia's aid efforts in Indonesia, including health and governance. In keeping with the view that the responsibility for developing a strong bilateral relationship rests not just with government, the Committee urges professional associations to play their part in promoting better understanding with their counterparts in Indonesia.

Australian Volunteers International

- 6.116 No organisation is better entitled than Australian Volunteers International to comment on the value of exchange programs in promoting people-to-people links.
- 6.117 With over 50 years of continued presence in Indonesia, AVI's program 'has played a significant role in facilitating the development of people-to-people relationships, leading to ongoing links being established in educational, cultural and commercial fields'.⁸⁵
- 6.118 Exchange programs are mutually beneficial in a variety of ways. They not only result in the transfer of skills and enhanced capacity, but enable greater cross cultural exchange, deepen understandings and establish connections not only for the individuals involved but also for the wider communities of which they are part.
- 6.119 Mr Richard Smith, Australia's Ambassador to Indonesia at the time, described in November the value of the AVI program as follows:

There's a tradition of regarding volunteers as somehow part of our aid program. My experience of over 30 years tells me that they're very much more than that. Certainly we do hope that Australians who come to Indonesia or anywhere else as volunteers, are able to help, to leave something behind, to show that they've made a difference. But more than that, there's no question that the volunteers take away at least as much as they leave, and that Australia is a very significant beneficiary of that ... That's the sort of linkage, the linkages between people beyond just the government, that not only make a difference and always have, but increasingly will in the future as our two societies progressively democratise.

Building the relationship through culture, heritage and the arts

- 6.120 Although there were some exceptions, one of the most surprising and disappointing aspects of the evidence received during this inquiry was the scant recognition that appears to have been given to the importance of culture and the arts in building bilateral relationships. The exceptions relate to the heritage and conservation area, and to significantly broader cultural and arts engagement at the State and Territory levels.
- 6.121 Indonesia has an extraordinarily rich and diverse cultural and artistic heritage. Australia has a vibrant arts and cultural sector and a strong sporting tradition. The arts and cultural dimensions of both countries provide extremely fertile ground for productive cooperation and rich exchange in any bilateral relationship as recognised by the Western Australian Government as follows:
- Arts and culture can play a vital role in developing long lasting bonds between people and regions. They are an important dimension of foreign affairs, acting as tools of communication for both government and the community. They help to promote understanding and respect of cultural difference and are invaluable assets in creating goodwill, which is essential to the establishment of ongoing and mutually beneficial trade relations.⁸⁶
- 6.122 The Committee considers that substantial efforts need to be made to realise more fully the enormous potential of culture and the arts to increase understanding, enhance appreciation, build links, create markets and strengthen ties between Australia and Indonesia.
- 6.123 In evidence before the Committee and in its second submission, DCITA placed the responsibility for determining priorities for engagement with other countries firmly in the arena of the cultural agencies which are part of its portfolio. It explained that ‘within the parameters of broader Government policy, the portfolio’s cultural agencies set their own priorities for engagement with other countries. The level of engagement is dependent upon whether appropriate infrastructure exists and the level of interest in Australia and its cultural activity within a particular region’.⁸⁷
- 6.124 DCITA advised that ‘Indonesia has not, at present, been identified as a key target market for all of the portfolio agencies’ and explained ‘this is based on the decision by agencies to capitalise on their presence in existing

86 Submission No 33, p 10 (WA Department of Premier & Cabinet)

87 Submission No 108, p 2

markets and to build on relationships that have been developed within a particular region.’⁸⁸

- 6.125 The Committee considers this regrettable. Australia’s efforts to engage culturally with Indonesia should reflect the importance that we attach to the relationship. Given the proximity of Indonesia to Australia, its significance in terms of security and its actual and potential significance economically, Australia should be doing considerably more to expand the arts and cultural aspects of the relationship.
- 6.126 Nowhere in the evidence to this inquiry is the need for a whole-of-government approach to building the relationship with Indonesia more apparent than in the area of culture and the arts.
- 6.127 As mentioned by DCITA, Indonesia has not been identified as a priority area. The submission from the Australia Council provides a short list of activities that the Australia Council supports which specifically relate to Indonesia. It also notes that it is the main funder of Asialink residences each year, through which a number of Australian artists are supported to undertake residences in Indonesia. The submission confirms the Committee’s sense that little attention has yet been paid to specifically developing an arts relationship with Indonesia.
- 6.128 The Australia Council pointed out that ‘establishing artistic and market development relationships in Asia is often more difficult than in other regions, and requires good knowledge of local cultural, artistic and market dynamics.’⁸⁹ In the Committee’s view, this supports the necessity of expanding the efforts that are being made and of maintaining a degree of continuity once they have been established.
- 6.129 A whole-of-government approach to building the relationship with Indonesia would better ensure that instruments as useful as the arts and culture for building that relationship are not overlooked.
- 6.130 The Committee recommends that DCITA actively promotes in the agencies within its portfolio a commitment to building a relationship with Indonesia.

88 Submission No 108, p 3

89 Submission No 105, p.1

Recommendation 23

The Committee recommends that the Department of Communications, Information Technology and the Arts actively promotes in the agencies within its portfolio a commitment to building a relationship with Indonesia.

- 6.131 The low profile of culture and the arts in the bilateral relationship is also reflected by the fact that there is no related Working Group in the Australia Indonesia Ministerial Forum. As mentioned in Chapter 1, the Australia Indonesia Ministerial Forum has a number of working groups covering trade, industry and investment; the environment; education and training; health cooperation; agriculture and food cooperation; science and technology; transport and tourism; marine affairs and fisheries; legal cooperation; and energy and minerals. The omission of arts, heritage and culture from this array is curious but possibly explained by the original purpose of the Australia Indonesia Ministerial Forum.
- 6.132 To the extent that the Australia Indonesia Ministerial Forum represents an umbrella under which Australia's engagement with Indonesia across a broad range of areas comes together, the omission is significant with some consequences. For instance, arts and cultural organisations are unlikely to receive funding from the GSLP, because the GSLP is designed to support the AIMF. Yet the sorts of connections and activities that the GSLP allows would be highly beneficial to arts and cultural organisations.

Recommendation 24

The Committee recommends that the Australia Indonesia Ministerial Forum establish a Working Group on Arts, Heritage and Culture.

- 6.133 While arts and cultural organisations do have access to other sources of funding for such connection building and technical cooperation activities, these are very limited. The key organisation to which they have access is the AII. In 2002-03, for instance, \$211,082 (29.7%) of the AII total expenditure of \$848,582 was on arts and culture.⁹⁰ In 2001-02, the arts and

90 Australia Indonesia Institute, *Annual Report 2002-03*, Commonwealth of Australia, Canberra, 2003, pp 26-30

sports program was allocated \$117,980 (16%) of total expenditure.⁹¹ While these sums represent a reasonable proportion of the AII's funding, they are small amounts of money.

Recommendation 25

The Committee recommends that the Australia Indonesia Institute receive additional funding to expand its efforts in promoting culture and arts.

- 6.134 Arts and cultural organisations can also receive support from Asialink, a non academic department of the University of Melbourne, supported by the Myer Foundation and the University of Melbourne. Asialink's aim is to promote understanding of the countries of Asia and create links with Asian counterparts.⁹² The Committee commends the work of Asialink in building the relationship with Indonesia through greater cultural and arts links.

Individual agency efforts

- 6.135 Some of the cultural agencies in DCITA's portfolio made their own submissions to the inquiry or contributed to DCITA's original submission. These included the Australian Sports Commission, the National Library and the Australian National Maritime Museum

Australian Sports Commission

- 6.136 The Australian Sports Commission (ASC) described having made good progress towards establishing a very positive bilateral relationship in sport between Australia and Indonesia between the years 1992-1999. Funded largely by the AII, and under the auspices of the Australian Indonesia Sports Program (AISP), the ASC conducted 31 sports activity projects.
- 6.137 The major projects in which the ASC was involved included the establishment of a centre of sporting excellence in IKIP Surabaya and a sports training network of 13 IKIPs throughout Indonesia; the

91 Australia Indonesia Institute, *Annual Report 2001-02*, Commonwealth of Australia, Canberra, 2002, pp 30-35

92 www.asialink.unimelb.edu.au/asialink/index.html

establishment of an Indonesian talent identification scheme and the conduct of a consultancy which led to the report 'A Plan for the development of Sport in Indonesia'. Its last major project 'involved the key Indonesian sports agencies together for the first time to work on sports administration as the first step to establishing a sport education system.'⁹³

- 6.138 The ASC proudly asserted in its submission that 'after years of work the relationship grew to a point where Indonesian sports authorities trusted ASC expertise and the excellence of the Australian sporting system'.⁹⁴
- 6.139 Sadly, the Committee learned, the decline in the Indonesian economy and the increasing political and civil unrest in Indonesia in the later 1990s 'led to a situation where activities were curtailed or placed on hold and then eventually ceased. Funding from the Australia-Indonesia Institute was also redirected away from sport at this time and the ASC was required to return all unexpended funds to the Australia-Indonesia Institute'.⁹⁵
- 6.140 The Committee considers it regrettable that the Australian Sports Commission's efforts in Indonesia ceased. It notes that its MOU with Indonesia, while inactive, is still current. It notes also the Australian Sports Commission's strong interest in rekindling the relationship.
- 6.141 Sport is deeply embedded in the Australian culture. Australians are proud of their sporting achievements at home and abroad. Sport is unrivalled in Australia for achieving broad participation. Sport is a time honoured way of bringing people of diverse backgrounds together.
- 6.142 Sport, as such, can make a valuable contribution to building the cultural relationship between Australia and Indonesia. Wherever possible, programs to encourage this aspect of the relationship, such as those previously run by the Australian Sports Commission in Indonesia, should be maintained on an on-going basis. To enable this, a proportion of the Australia -Indonesia Institute annual funding should be dedicated to furthering the sports relationship. The level of funding should be sufficient to enable the ASC to resume activities to at least the level it had established before funding was withdrawn in 1999.
- 6.143 The Committee has earlier recommended that funding to the AII be substantially increased in order to enable it to fund programs across all

93 Submission No 40, p 7

94 Submission No 40, p 10

95 Transcript of evidence, Tuesday 5 August 2003, p 424 (ASC)

aspects of the arts and cultural relationship and to maintain successful programs on an on-going basis.

Recommendation 26

That a portion of the increased funding recommended earlier for the Australia Indonesia Institute be dedicated to the furthering of the sports relationship between Australia and Indonesia.

Heritage and Conservation

- 6.144 Various submissions alerted the Committee to Australia's potential to contribute to institution building in Indonesia and to building the bilateral relationship through cultural heritage initiatives. Some very significant work has already been undertaken in this area over long periods of time.

The National Library

- 6.145 The National Library has operated an Acquisitions Office in Jakarta for over the last 30 years, establishing in that time, a 'world class research collection on contemporary Indonesia'.⁹⁶ The collection includes over 160 000 monographs, 250 newspaper titles, 5 000 journal articles and several thousand sheets of microfiche as well as maps and films.
- 6.146 In 2002, an MOU between the National Library of Australia and the National Library of Indonesia was signed. The MOU 'aims to reaffirm and strengthen the longstanding cooperation between the two national libraries and covers collaboration in the acquisition of Indonesian publications, the creation of bibliographic (cataloguing) records for Indonesian titles and the preservation of Indonesian publications'. The Committee commends the National Library for its work in this area and concurs with the National Library's own assessment that 'its in-country representation is contributing to the important cultural, economic and political links between Australia and Indonesia'.⁹⁷

The Australian National Maritime Museum

- 6.147 In its submission to the inquiry, the Australian National Maritime Museum (ANMM), suggested that 'museums –particularly those with a social history approach that focuses on the people and cultures behind

96 Submission No 30, p 1

97 Submission No 30, p 2

events, like the Australian National Maritime Museum –can play a significant role in educating Australians about their nearest neighbour in ways that counteract misunderstandings and stereotypes.’⁹⁸ The Museum described its own efforts to do this, efforts which include research and collection activities, exhibitions, lectures, publications and cultural/history tours to Indonesia. Its focus is on ‘the maritime-mediated relations between the two countries, past and present, and on the cultural exchanges arising from these links.’⁹⁹ The Committee affirms the value of such initiatives in enhancing Australians’ appreciation of aspects of Indonesia’s history and culture and of fascinating and important aspects of our engagement over the centuries.

Cultural heritage

- 6.148 The efforts of the National Library and ANMM are example of activities which not only benefit Australians by increasing our understanding or by preserving resources for understanding but which also contribute to the conservation of Indonesia’s cultural heritage.
- 6.149 The evidence put to the Committee by AusHeritage underscored the importance of cultural heritage and its management, as reflected internationally by the 2001 ASEAN Declaration on Cultural Heritage, and the development by the World Bank of a policy for cultural heritage impact assessment of physical cultural resources.¹⁰⁰ The submission noted that Indonesia had declared 2003 as Indonesia Heritage Year.
- 6.150 Indonesia, AusHeritage, suggests, is ‘taking the management of its cultural heritage very seriously and is looking to the international community for assistance in this monumental task’.¹⁰¹ Australia, AusHeritage claims, is well placed to assist.¹⁰²
- 6.151 Stressing the importance of cultural sensitivity in the relationship, AusHeritage suggested that Australia could ‘define itself in a manner that emphasises sensitivity to the cultural values of our neighbour’ and urged that cultural heritage management be given a key place Australia’s cultural relationship with Indonesia.

Making the conservation of those values, and the cultural heritage that is their manifestation, a central part of the relationship will

98 Submission No 11, p 2

99 Submission No 11, p 1

100 Transcript of evidence, Wednesday 30 April 2003, p 108 (AusHeritage)

101 Submission No 8, p 3

102 Submission No 8, p 2

reinforce the key foundations for Australia's public diplomacy, aid and trade programs.¹⁰³

- 6.152 AusHeritage called for a cultural heritage component to be included in all projects of a political, strategic, economic and social nature in which Australia engages with Indonesia.¹⁰⁴
- 6.153 The Committee endorses the importance of demonstrating cultural sensitivity in our engagement with Indonesia and concurs with AusHeritage about the value of cultural heritage management and Australia's capacity to contribute in this area.

Recommendation 27

The Committee recommends that AusAID examine and report on the value and budgetary implications of adding cultural heritage as a third crosscutting issue in its program.

Expanding mutual understanding in the broader community through the media

- 6.154 While the programs mentioned earlier in this chapter will all contribute to increasing mutual understanding and to opening pathways for greater communication between the peoples of Australia and Indonesia, the Committee considers that the medium that has the most power to enhance mutual understanding both immediately and in the long term is the broadcasting media.

Responsibilities of the media

- 6.155 Before referring to the role the media, and in particular to the ABC's contribution to this inquiry, the Committee notes that the portrayal of events by the media, and the ABC in particular, was cited on a number of occasions as one of the concerns about the bilateral relationship expressed by senior Indonesian political leaders during the Committee's visit to Jakarta earlier this year.
- 6.156 Reforms in Indonesia in recent years have allowed the development of a robust press, an essential condition for practising democracy. Notwithstanding this, the Committee considers that the capacity to influence is a privilege that imposes a responsibility to adhere to high

103 Submission No 8, p 2

104 Submission No 8, p 7

standards of reporting. Much hard work can be undone quickly by careless reporting.

- 6.157 Having made this point, the Committee welcomed the submission from the Australian Broadcasting Corporation, some aspects of which have already been referred to in the previous chapter.
- 6.158 The Australian Broadcasting Corporation has a long standing engagement with Indonesia, an engagement encompassing Radio Australia, ABC News and Current Affairs, the new ABC Asia Pacific television service and, in recent times, ABC content sales.¹⁰⁵ A further arm of engagement is ABC International.

Radio Australia

- 6.159 Of all the avenues of its engagement, the ABC's involvement via radio has been the most enduring and, to date at least, the one with the greatest reach. Radio Australia's audience during the 1970s and 1980s was estimated to be 20 million people across Indonesia, an audience not only larger than the ABC's audience in Australia at the time (or since) but larger than the entire Australian population at the time.
- 6.160 Much of this audience was lost with the closure of Radio Australia's transmitters in Darwin in 1997. Despite such setbacks and the continued limitation of shortwave broadcasting capacity, Radio Australia has been able to begin to regain its audience. This has been achieved with the aid of additional transmission funding provided by the Australian Government, and innovative program formats and delivery methods. The ABC estimates its reach in Indonesia is now approximately 6.5 million.
- 6.161 In describing the operation of Radio Australia, the ABC claimed that Radio Australia's programs, particularly those broadcast in Indonesian, have 'become a vital conduit for better mutual understanding between a growing number of Indonesians and the people of Australia'.¹⁰⁶ Radio programs such as those featuring aspects of Australian life or those involving talkback segments between Australian and live audiences in Indonesia provide an invaluable means of presenting Australia to Indonesia.
- 6.162 The submission also asserted that Radio Australia is becoming a 'platform for the delivery of educational material aimed at Indonesian audiences on key development and political issues such as health, the environment,

105 Submission No 24, p 1

106 Submission No 24, p 5

globalisation, regional autonomy, governance and media and democracy'.¹⁰⁷ Through such programs as well as its news and current affairs coverage and associated on-line materials, Radio Australia provides for many Indonesians a window to Australia and Australian attitudes.

- 6.163 The Committee considers that radio's immediacy and friendliness make it an extremely powerful means of reaching into Indonesia and promoting grater understanding of Australia.
- 6.164 Radio Australia also plays an important role in enhancing Australians knowledge and understanding of Indonesia through its regular ABC news and current affairs program, its Asia Pacific Program and its on-line news and information gateway, goasiapacific.com.
- 6.165 The ABC's submission reports a growing demand for Radio Australia's program material and suggests ways of making the most of current opportunities. These include:
- increasing local Radio Australia representation in Indonesia and Indonesian-speaking producers on the ground in Indonesia in order to lift Radio Australia's profile and to enable it to compete effectively with major foreign competitors such as BBC World Service, Voice of America and Deutsche Welle;
 - providing a longer term funding framework for educational radio / online activities;
 - increasing reach by generating TV programming in Indonesian along the lines of the present integrated radio-TV and online service on offer from other broadcasters such as Voice of America;
 - integrating educational public awareness material, such as Radio Australia's recent radio and website series on federalism and regional autonomy, into Australia's broader political and economic development effort directed at Indonesia;
 - taking advantage of short wave capacity directed at Indonesia and broadcast on multiple frequencies like the BBC or Voice of America; and
 - increasing staff and production capacity to enable Radio Australia to better respond to the growing demands for radio programs from Australia in Indonesian.¹⁰⁸

107 Submission No 24, p 1

108 Submission No 24, pp 8

- 6.166 The Committee brought to its consideration of these suggestions the view that Radio Australia is an extremely powerful and relatively cost-effective means of communicating Australia's voice and spirit to the people of Indonesia. Priority should be given to measures which will significantly extend the reach of Radio Australia, preferably at least to levels enjoyed in the 70s and 80s.
- 6.167 Radio Australia's current reach is obtained through direct short-wave broadcasts and through local relays by means of arrangements with a number of affiliate stations. According to the ABC, direct short wave broadcasts remain the most cost-effective means of reaching large Indonesian audiences.¹⁰⁹ They also 'provide an independent means of reaching listeners should local relays come under political pressure to cease or curtail rebroadcasts.'¹¹⁰
- 6.168 The Committee supports the continuation of additional funding for transmission from the Federal Government. It also sees merit in the ABC's suggestion that 'Radio Australia could take advantage of spare short wave capacity directed at Indonesia and to broadcast on multiple frequencies.'¹¹¹

Recommendation 28

The Committee recommends:

- **that the Federal Government continue providing additional funding for transmission for Radio Australia; and**
- **that the Australian Broadcasting Authority examine and report on the cost and feasibility and implications of Radio Australia taking advantage of spare short wave capacity directed at Indonesia and broadcasting on multiple frequencies.**

- 6.169 The Committee also considers that the Radio Australia's reach would be significantly increased if more program material was produced in Indonesian. (The ABC cited surveys that indicated that the use of the Indonesian language to reach Indonesian audiences had a six times better reach than the use of English¹¹²).

109 In 2001 Radio Australia received an additional funding grant of \$8.4 M over three years. Submission No 24, p 2

110 Submission No 24, p8

111 Submission No 24, p 8

112 Submission No 24, p 7

Senator Alan Ferguson

Chair

12 May 2004



Appendix A – List of Submissions

Submission No	Individual/organisation
1	Export Finance and Insurance Corporation
2	Griffith Asia Pacific Research Institute, Griffith University
3	Melbourne Institute of Asian Languages and Societies, University of Melbourne
4	Queensland University of Technology
5	Media Entertainment and Arts Alliance
6	Bureau of Meteorology
7	Deakin University
8	AusHeritage Ltd
9	Australia Defence Association
10	Faculty of Asian Studies, ANU
11	Australian National Maritime Museum
12	Mr Kerry Collison
13	Catholic Education Office
14	Chairman of Pengurus Besar Nahdlatul Ulama and Member of the National Research Board
15	Dr Jacob Rumbiak

16	Australia West Papua Association
16.01	Australia West Papua Association
17	Australian Centre for International Agricultural Research
18	Ms Leonie Wittman
19	Australian Electoral Commission
20	Dr Lesley Harbon
21	Name and address supplied
22	Department of Education, Science and Training
23	West Papua Foundation, Victoria
24	Australian Broadcasting Corporation
25	Centre for Asia Pacific Social Transformation Studies, University of Wollongong
26	The Uniting Church in Australia
27	Australian Customs Service
28	The Institution of Engineers, Australia
29	Department of Industry, Tourism and Resources
30	National Library of Australia
31	Nusantara Indonesian Bookshop
32	Ms Linda Keyte
33	Department of the Premier and Cabinet
34	Ms Julie Jackson
35	Macksville High School
36	Mr Lev Lafayette
37	Jubilee Australia
38	Caritas Australia
39	University of New South Wales
40	Department of Communications, Information Technology and the Arts

41	CSIRO
42	Australia West Papua Association, Adelaide
43	Asia Education Foundation, University of Melbourne
44	Australian Volunteers International
45	Centre for Democratic Institutions, Australian National University
46	Centre for Peace and Conflict Studies, University of Sydney
47	Department of Family and Community Services
48	Chief Minister of the ACT
49	Union Aid Abroad - APHEDA
50	Australia Indonesia Institute
51	Mr Chris Owens
52	Department of Transport and Regional Services
53	Australian Consortium for In-Country Indonesian Studies, Murdoch University
54	Confidential
55	Dr Thomas Reutter
56	Mt Evelyn College of Ministry
57	Graham & Lyn Beatty
58	Australia West Papua Association, Central Highlands
59	Mr Sam de Silva
60	Oxfam Community Aid Abroad
61	The Mineral Policy Institute
62	Australian Federal Police
63	Ms Janet Hunt
64	Open High School
65	V & F Say

66	Ms Jeanette Debney
67	Alice Springs Language Centre
68	School of Modern Language Studies
69	Chisholm College, WA
70	Mr Peter Pritchard
71	Mr Fred Scholten
72	Mr Riyong Kim
73	Ms Karen Kelloway
74	Victorian Indonesian Language Teachers Association
75	Chief Assessor for Victoria, Indonesian Second Language
76	Department of Immigration and Multicultural and Indigenous Affairs
77	Australian Strategic Policy Institute
78	Environment Australia
79	Amnesty International Australia
80	Attorney-General's Department
81	ACTU
82	Inside Indonesia Magazine
83	Austrade
84	Australian Council for Overseas Aid
85	Australian Agency for International Development (AusAID)
86	Confidential
87	Acting Minister for Asian Relations and Trade
88	Department of Agriculture, Fisheries and Forestry - Australia
89	Department of Foreign Affairs and Trade
90	Embassy of the Republic of Indonesia

91	Australian National University, Canberra, ACT
92	Department of Defence
93	Canberra
94	Australia West Papua Association, Central Highlands
95	Bureau of Meteorology
96	Oxfam, Community Aid Abroad
97	Johns Hopkins University
98	Department of Family and Community Services
99	Department of Foreign Affairs and Trade
100	Department of Transport and Regional Services
101	Embassy of the Republic of Indonesia
102	Jubilee Australia
103	Australian Federal Police
104	Attorney General's Department
105	Amnesty International Australia
106	Australia Council for the Arts
107	Australian Electoral Commission
108	Department of Immigration and Multicultural and Indigenous Affairs
109	Department of Communications, Information Technology and the Arts
110	Department of Foreign Affairs and Trade
111	Australian-Indonesia Business Council Ltd
112	Westralian Indonesian Language Teachers Association
113	Ms Karen Bailey
114	Department of Foreign and Trade
115	Department of Education, Science and Training
116	Mr Stuart Schaefer

117	Humane Society International
118	Treasury
119	Austrade
120	Department of Education, Science and Training
121	AusAID
122	Department of Foreign Affairs and Trade
123	Asia Pacific Journalism Centre
124	AusAID



Appendix B – List of Hearings and Witnesses

Monday 17 March 2003 – Melbourne

Australian Defence Association

Mr Michael James O'CONNOR, Executive Director

Indonesia Resources and Information Program

Dr Katharine Elizabeth McGREGOR, Board Member, Inside Indonesia

Ms Helen PAUSACKER, Board Member, Inside Indonesia

Oxfam Community Aid Abroad

Mr James ENSOR, Director of Public Policy and Outreach

Mr Malcolm REID, Advocacy Manager

Uniting Church in Australia

Dr Mark Andrew ZIRNSAK, Social Justice Development Officer, Justice and International Mission Unit, Synod of Victoria and Tasmania

Australian Volunteers International

Mr Peter Austin BRITTON, Senior Manager, South East Asia, Africa and Middle East Programs

Ms Dimity Anne FIFER, Chief Executive Officer

Australian West Papua Association – Central Highlands

Sister Rita HAYES, Chair, Central Highlands Branch

Mr Andrew Neal CALLISTER, Member, Central Highlands Branch

Dr Norma Marie SULLIVAN, Member, Central Highlands Branch

Australia West Papua Association – Adelaide

Mr Andrew Derrington, Member – Phone Conference

Australian Council of Trade Unions

Mr Alan MATHESON, International Officer

Commonwealth Scientific and Industrial Research Organisation

Mr Peter Raymond LEWIS, General Manager, Business Development

Ms Jacqueline WRAIGHT, International Liaison Officer

Commonwealth Bureau of Meteorology

Dr Venantius TSUI, Superintending Meteorologist, International and Public Affairs

Mr Kenneth John WILSON, Assistant Director, Executive and International Affairs

Australian Education Foundation

Ms Kathleen KIRBY, Director

Private Capacity

Mr Andrew Victor SAY

Nusantara Indonesian Bookshop Pty Ltd

Mr Bede HARRADINE, Managing Director

Wednesday 30 April 2003 - Sydney**Caritas Australia**

Mr Jack DE GROOT, National Director

Mr John SCOTT-MURPHY, Public Policy and Advocacy Adviser

Export Finance and Insurance Corporation

Mr Slater SMITH, General Manager, Credit Policy and Risk Management

Mr Mark, Senior Economist THIRLWELL

AusHeritage Limited

Mr Graham Leslie BROOKS, Former Chairman

Ms Anna Mary ROACHE, Board Member

Centre for Peace and Conflict Studies

Professor Stuart REES, Emeritus Professor and Director

Australian National Maritime Museum

Mr Jeffrey Robert MELLEFONT, Publications Manager

Ms Mary-Louise WILLIAMS, Director

International Federation of Journalists

Mr Christopher WARREN, Federal Secretary, Media, Entertainment and Arts Alliance;
President

Australian Broadcasting Corporation

Mr Trevor John BURNS, Head, Government and Parliamentary Relations Branch, Corporate
Affairs Division

Mr John DOHERTY, Head, International Operations, Asia Pacific Television Service

Mr Jean-Gabriel MANGUY, Head, Radio Australia

Ms Marilynne Joy Kathleen SMITH, Manager, International Training

Union Aid Abroad-APHEDA

Mr Peter JENNINGS, Executive Officer

Jubilee Australia

Prof. Ross Philip BUCKLEY, Representative

Ms Shennia Maree SPILLANE, Member

Australia West Papua Association

Mr Joseph COLLINS, Secretary

Miss Michela Agosta NOONAN, Member

Austrade

Mr Michael ABRAHAMS, Senior Trade Commissioner Jakarta

Mr Michael MOIGNARD, Executive General Manager South East Asia

Private Capacity

Dr Lesley Anne HARBON

Ms Leonie WITTMAN

University of Wollongong

Professor Adrian Athol VICKERS, Associate Dean, Faculty of Arts

Thursday 1 May 2003 – Canberra**Department of Foreign Affairs and Trade**

Mr Peter DOYLE, Director, People Smuggling, Refugees and Immigration Section, International Organisations Branch

Mr David ENGEL, Director, Indonesia Section

Dr Gregory Alan FRENCH, Assistant Secretary, Legal Branch

Mr Bryce HUTCHESSON, Assistant Secretary, Anti-Terrorism and Intelligence Policy Branch

Ms Jennifer RAWSON, First Assistant Secretary, South and South-East Asia Division

Ms Tracy Fay REID, Acting Director, Consular Information and Crisis Management Section, Consular Branch

Department of Science, Education and Training

Mr Graeme BEVAN, Acting Director, South East Asia Unit, International Cooperation Branch, Australian Education International Group

Ms Julie WALDING, Acting Branch Manager, South East Asia Unit, International Cooperation Branch, Australian Education International Group

Australian Customs Service

Ms Christine MARSDEN-SMEDLEY, National Manager, Planning and International

Mr Greg MORIARTY, Assistant Secretary, Maritime South-East Asia Branch

Department of Agriculture, Fisheries and Forestry Australia

Dr David John Douglas BANKS, General Manager, Animal Biosecurity

Mr Paul Charle MORRIS, Executive Manager, Market Access and Biosecurity

Mr Paul Neville ROSS, Manager, International Fisheries

Mr William John WITHERS, Manager, Asia, APEC and Trade Strategy, Trade Policy Branch,
Market Access and Biosecurity Group

Attorney-General's Department

Mr Ian CARNELL, General Manager, Criminal Justice and Security Group

Mr John TUCKER, Principal Legal Officer, Office of Legal Services Coordination

Ms Robin WARNER, Assistant Secretary, International Crime Branch, Criminal Justice Division

Australian National University

Dr Robert CRIBB, Member, Australian National University Indonesia Group, Research School
of Pacific and Asian Studies

Professor Harold CROUCH, Member, Australian National University Indonesia Group,
Research School of Pacific and Asian Studies

Professor James Joseph FOX, Director, Research School of Pacific and Asian Studies

Professor Virginia HOOKER, Member, Australian National University Indonesia Group, Faculty
of Asian Studies

Professor Andrew MACINTYRE, Member, Australian National University Indonesia Group

Professor Jamie MACKIE, Member/Convenor, Australian National University Indonesia Group, Research School of Pacific and Asian Studies

Dr Chris MANNING, Member, Australian National University Indonesia Group, Research School of Pacific and Asian Studies

Dr George QUINN, Member, Australian National University Indonesia Group, Faculty of Asian Studies

Monday 16 June 2003 – Canberra

Department of Family and Community Services

Mr Roger Andrew BARSON, Assistant Secretary, International Branch

Ms Annabelle CASSELLS, Assistant Director, Capacity Building, International Branch

Mr Leon TRAINOR, Director, Capacity Building, International Branch

Department of Transport and Regional Services

Dr Gary DOLMAN, Assistant Secretary

Mr Ross GOUGH, Director, Asia and Europe Aviation Markets, Airports and Aviation Division

Ms Antonia LEHN, Assistant Director, Aviation Security Policy Branch

Embassy of the Republic of Indonesia

Mr Imron COTAN, Charge d'Affaires

Mr Sutriono EDI, Industry and Trade Attache

Mr Foster GULTOM, Counsellor (Economic)

Mr Burhan MUHAMMAD, Counsellor (Politic)

Ms Deana NILAWATI, First Secretary (Head of Consular Section)

Mr Lutfi RAUF, Head of Political Section

Mrs Trini SAULANG, Head of Information Section

Air Commodore Victor SUDARISMAN, Defence Attache

Mr Wahdi YUDHI, Education and Cultural Attache,

Department of Industry, Tourism and Resources

Dr Michael GREEN, Director, Space Licensing and Safety Office

Mr John HARTWELL, Head of Resources Division

Mr Kenneth James MILEY, General Manager, Trade and International

Mr Jeff RIETHMULLER, Manager, International Tourism, Tourism Division

Mr Douglas Clifford WILLIAMSON, Assistant Manager, Space Policy Section, Aerospace and Defence Industries Branch, Manufacturing, Engineering and Construction Division

Engineers Australia

Ms Leanne HARDWICKE, Director, Public Policy Unit

Ms Kathryn Louise HURFORD, Policy Analyst, Public Policy Unit

IP Australia

Ms Helen Jean DAWSON, Assistant Director, External Relations

Ms Susan Ann FARQUHAR, Director, External Relations, Corporate Strategy

Monday 23 June 2003 – Canberra (Morning)

Australian Federal Police

Mr Shane Francis CASTLES, General Manager, International

Mr John Alexander DAVIES, Deputy Commissioner

Department of Defence

Mr Shane CARMODY, Deputy Secretary, Strategic Policy

Department of Immigration and Multicultural and Indigenous Affairs

Ms Arja KESKI-NUMMI, Assistant Secretary, Temporary Entry Branch, Migration and Temporary Entry Division

Mr Edward Victor KILLESTEYN, Deputy Secretary

Mr John Cameron OKELY, Assistant Secretary, International Cooperation Branch

Australian Strategic Policy Institute

Mr Hugh John WHITE, Director

Monday 23 June 2003 – Canberra (Afternoon)**Australian Consortium for “In-Country” Indonesian Studies**

Professor David Tom HILL, Consortium Director

Tuesday 5 August 2003 – Canberra**Amnesty International**

Mr Anthony John O’CONNOR, Member, Indonesia Coordination Group

Ms Felicity PASCOE, Executive Officer, Centre for Democratic Institutions

Centre for Democratic Institution

Mr Roland RICH, Director

Australian Council for Overseas Aid

Ms Helen PAUSACKER, Joint NGO Indonesia Information Project Coordinator

Ms Shennia Maree SPILLANE, Policy Officer

Mr Graham TUPPER, Executive Director

Australian Electoral Commission

Mr Michael Charles MALEY, Director, International Services

Ms Dezma Lee MAXWELL, Assistant Director, International Services

AusAID

Mr Robin DAVIES, Assistant Director-General, East Asia Branch

Mr Scott DAWSON, Deputy Director-General, Asia and Corporate Resources

Mrs Allison SUDRADJAT, Director, Indonesia Section

Australia-Indonesia Institute

Mr William George RICHARDSON, Director

Australian Centre for International Agricultural Research

Mr Peter Thomas CORE, Director

Dr Paul FERRAR, Research Program Manager, Crop Protection

Department of the Environment and Heritage

Dr Stephen Edward BATES, Policy Adviser, International Regional Unit

Mr Graeme BEECH, Assistant Director, Marine Protected Areas Section

Mr Phillip GLYDE, First Assistant Secretary, Policy Coordination and Environment Protection Division

Mr Richard James WEBB, Director, International Regional Unit

Department of Communications, Information Technology and the Arts

Mr Peter RUSH, Acting General Manager, Collections and Governance Branch

Information Technology and the Arts

Ms Karen GOSLING, Special Adviser, Arts and Sport, Department of Communications

Mr Colin OLIVER, Acting General Manager, International Branch, Telecommunications Division, Department of Communications

National Library of Australia

Ms Pamela Jane GATENBY, Assistant Director General, Collection Management Division

ScreenSound Australia

Mr David BODEN, Acting Deputy Director, Public Programs and Corporate Services

Ms Pam SAUNDERS, Deputy Director, Collections and Technical Services

Australian Sports Commission

Ms Lois FORDHAM, General Manager, Business Operations

Mr Mark McELLIGOTT, Assistant Manager, International Relations

National Oceans Office

Dr Krista SINGLETON-CAMBAGE, Assistant Manager

Mr Mark TUCKER, Acting Director

Monday 18 August 2003 – Canberra

Department of Industry and resources, Western Australia

Mr Simon Charles JOHNSON, Director, Export and Market Development

Department of Fisheries, Western Australia

Mr Neil Lindsay SARTI, Senior Policy Officer, Strategic Planning and Policy

Department of Agriculture, Western Australia

Mr Henry STEINGIESSER, Executive Director, Trade and Development

Dr Soon Chye TAN, Principal Research Officer and Project Manager

Monday 15 September 2003 – Canberra

Department of Culture and the Arts, Western Australia

Mr Ellis GRIFFITHS, Director of Planning and Policy

Ms Allanah LUCAS, Director, ArtsWA

Western Australian Museum

Dr Gary John MORGAN, Executive Director

Monday 13 October 2003 – Canberra**Department of Business, Industry and Resource Development, Northern Territory Government**

Mr Peter BLAKE, Chief Executive Officer

Mr John KILLEN, Senior Asian Relations Officer

Mr Jeff LAURIE, Director, International Business

Mr Ian PRINCE, Director, Policy Development, Department of Business

Australian National University

Professor Hal Christopher HILL, Deputy Convenor and H.W. Arndt Professor of Pacific and Asian Studies, Indonesia Project, Research School of Pacific and Asian Studies

Dr Chris MANNING, Head, Indonesia Project, Economics Division, Research School of Pacific and Asian Studies

Dr Ross McLEOD,, Fellow; Editor of Bulletin of Indonesian Economic Studies, Indonesia Project, Research School of Pacific and Asian Studies

Department of Foreign Affairs and Trade

Mr Craig Ian CHITTICK, Director, Indonesia Section, South and South-East Asia Division

Mr Royden CLOGSTOUN, Executive Officer, Services Trade Negotiations Section, Office of Trade Negotiations

Mr Paul Anthony GIBBONS, Executive Officer, Indonesian Section, Maritime South-East Asia Branch

Ms Julie GLASGOW, Executive Officer, Regional Trade Policy Section

Mr Bill PATERSON, First Assistant Secretary, South-East Asia Division



Appendix C – Joint Ministerial Statement from the Sixth AIMF - March 2003



SIXTH AUSTRALIA-INDONESIA MINISTERIAL FORUM
AND
FOURTH AUSTRALIA-INDONESIA DEVELOPMENT AREA
MINISTERIAL MEETING

JAKARTA, INDONESIA, 11 MARCH 2003



JOINT MINISTERIAL STATEMENT

1. The sixth meeting of the Australia-Indonesia Ministerial Forum and the fourth Ministerial meeting of the Australia-Indonesia Development Area (AIDA) were held in Jakarta on 11 March 2003. The Indonesian delegation was led by HE Prof Dr Dorodjatun Kuntjoro-Jakti, Coordinating Minister for Economic Affairs. The Australian delegation was led by the Hon. Alexander Downer MP, Minister for Foreign Affairs. The Indonesian and Australian delegations are at Annex A.
2. Ministers on both sides welcomed the holding of the Forum as an important symbol of the enduring commitment of both countries to maintaining positive, realistic and mutually beneficial neighbourly relations. Ministers embraced the opportunity to set a dynamic forward-looking program to ensure that the current links between both countries remained invigorated and strong. Ministers underscored the valuable role played by the Ministerial Forum in providing a regular mechanism for reviewing progress.
3. Ministers acknowledged that the Forum was being held at an important time. The Bali bomb attack had underscored that Australia and Indonesias prosperity, security and stability were linked as neighbours, they must support each other. Both countries placed a high priority on working

closely together to combat terrorism. Australian Ministers expressed their appreciation for Indonesias efforts to combat terrorism and to counter people smuggling. Australia expressed its commitment to assist Indonesia as it addresses social and economic challenges. Indonesia reaffirmed its commitment to continuing its political, social and economic reforms.

4. Ministers welcomed the comprehensive nature of links between Australia and Indonesia encompassing all areas of mutual interest, notably security issues, transnational crime (including terrorism), economic issues, development assistance, immigration, education, cultural ties and people-to-people links. Ministers underscored the valuable role played by the Ministerial Forum in providing a regular mechanism for reviewing progress.

OVERVIEW OF POLITICAL AND STRATEGIC DEVELOPMENTS

Terrorism

5. Ministers condemned in the strongest terms terrorism in all its forms as contravening the laws, religious beliefs and fundamental values of our two countries. Ministers particularly condemned the brutal terrorist attacks in Bali on 12 October 2002, which took the lives of so many innocent civilians, including a large number of Australians and Indonesians. They extended their deepest sympathy and condolences to the victims and their families. Ministers welcomed the excellent cooperation between Indonesian and Australian police, intelligence and security agencies in investigating the Bali bombings. Ministers recognised that both countries had a strong common interest in ensuring that the perpetrators of the Bali attacks were brought to justice quickly.

6. Ministers acknowledged that terrorism posed a serious threat to the regions peace, security and economic prosperity. They recognised that the transnational nature of the problem called for a comprehensive approach that embraced action on many fronts - political, legal, economic, diplomatic - as well as close cooperation in bilateral, regional and multilateral fora. Ministers expressed a strong commitment to enhanced bilateral cooperation across a range of areas, within the framework of the recently extended Australia-Indonesia MOU on Combating International Terrorism, including information and intelligence sharing, law enforcement, money laundering and terrorist financing, cooperation on border control systems, and aviation security. Indonesian Ministers appreciated the proposed technical assistance from Australia to strengthen security at Jakarta and Denpasar international

airports. Australian Ministers reiterated the commitment of the Australian Government to supporting the development of Indonesias capacity to fight terrorism and noted the Prime Ministers recent announcement of \$10 million to assist in this. Foreign Ministers signed a joint statement on counter-terrorism as a signal of their intentions to maintain their cooperative efforts against terrorism.

7. Ministers noted the valuable role that regional organisations such as the ASEAN Regional Forum (ARF), APEC and the Asia-Pacific Group on Money Laundering (APG) played in developing and promoting measures to combat terrorism in the region. They committed their respective countries to strengthened cooperation in these and other multilateral fora, including the United Nations, to support efforts to disrupt and eliminate terrorism and restore economic confidence in the region.

Conference on Combating Money Laundering and Terrorist Financing

8. Ministers commended their recent co-hosting of the Conference on Money Laundering and Terrorist Financing as an excellent example of bilateral cooperation in combating this crime. The Co-Chairs report from the Conference is designed to inform future international and regional work on these issues.

Travel Advisory

9. Indonesian Ministers requested the Australian Government reconsider its travel advisory on Indonesia. Australian Ministers noted that Australian travel advisories remain under constant review.

Papua and Aceh

10. Australian Ministers supported special autonomy in Papua and Aceh as the best way of meeting the needs of local communities within the context of a united and stable Indonesia. Indonesian Ministers appreciated Australia's commitment to contribute financial assistance to supporting the Aceh international ceasefire monitoring group.

11. Australian Ministers reiterated the strong statements of support for Indonesia's territorial integrity made by Prime Minister Howard, including during his recent meeting with President Megawati. Ministers noted the Australian Government has instituted a code of conduct for NGOs in Indonesia that prevents funding of organizations that operate contrary to the laws and policies of Australia and Indonesia. Australian Ministers agreed to investigate any evidence of pro-independence activities by NGOs that it funds in Indonesia. Indonesia undertook to provide information on any such claims. Australian Ministers agreed to take necessary measures to allay doubts over its principled position of supporting the territorial integrity of Indonesia and its sovereignty over Papua.

People Smuggling and Trafficking

12. Ministers agreed that illegal migration posed a threat to national security and prosperity. Ministers agreed that efforts to work cooperatively at the bilateral, regional and international levels to combat people smuggling and illegal immigration should remain a priority for both governments. Ministers affirmed support for an international response requiring close cooperation within and between regions. Indonesian Ministers welcomed the placement of Australian Airline Liaison Officers in Jakarta and Denpasar international airports to assist Indonesian immigration authorities. Ministers acknowledged the outcomes achieved at the first Regional Ministerial Conference on People Smuggling, Trafficking in Persons and Related Transnational Crime, held in Bali from 26-28 February 2002 and co-chaired by Australia and Indonesia. The two Ad Hoc Experts Groups established at that Conference had received support from across the region and were working on practical measures to improve information exchange, legislation and law enforcement issues.

13. Ministers noted that Australia and Indonesia were once again cooperating very closely in the preparation of their co-chairmanship of the second Regional Ministerial Conference on People Smuggling, Trafficking in Persons and Related Transnational Crime, to be held in Bali from 29-30 April 2003. The Conference would review the work of the Experts Groups, other regional developments in combating people smuggling and trafficking, and would set a framework for the continuation of the work started at Bali last year.

14. Ministers noted that a Working Group on Immigration Cooperation comprising senior officials from the Indonesian Directorate-General of

Immigration and DIMIA was established in September 2001. It is the principal mechanism for formal engagement between the two Government agencies to deal with immigration issues including people smuggling and immigration. Ministers formally endorsed the efforts of the Working Group as a means of further enhancing mutual cooperation, increasing technical capacities, combating people smuggling and assisting in advancing regional security. Ministers also endorsed the Working Groups continued existence as the principal mechanism for engagement. In a related development, Ministers also endorsed the bilateral Customs MOU on mutual administrative assistance aimed at the better enforcement of customs laws.

Iraq

15. Ministers appreciated the opportunity to exchange views on the Iraqi crisis. Ministers noted the key role under the UN Charter of the UN Security Council in ensuring international peace and security, including preventing the spread of weapons of mass destruction. They called on Iraq to comply fully and immediately with relevant UN Security Council resolutions.

Korean Peninsula

16. Ministers expressed serious concern at the threat to regional and global security posed by the DPRKs nuclear program. Ministers noted that both Australia and Indonesia had sent envoys to the DPRK to raise these concerns and to urge a peaceful resolution to the issue through diplomatic means. Ministers agreed that the DPRKs announced withdrawal from the NPT was a matter of grave concern and urged the DPRK to reconsider its decision. Ministers called on all countries to cooperate fully with the International Atomic Energy Agency. Noting the key role of the ASEAN Regional Forum in promoting regional security, Ministers explored the possibility of convening officials-level discussions on developments in the Korean Peninsula at an early opportunity.

Disarmament

17. Ministers agreed that the Nuclear Non-Proliferation Treaty (NPT) remained essential to international efforts to prevent the spread of nuclear weapons, advance nuclear disarmament and facilitate access to the peaceful uses of nuclear energy. Ministers agreed that global application of the Additional Protocol on strengthened IAEA safeguards would reinforce the non-proliferation regime and contribute to a climate conducive to further progress on nuclear disarmament. They called upon all states yet to conclude an Additional Protocol to do so as quickly as possible. Ministers emphasised the importance of strengthening international protection against nuclear terrorism, including the need for effective controls over radioactive materials.

ASEAN Regional Forum and Regional Security

18. Ministers emphasized the importance of multilateral security dialogues, such as the ASEAN Regional Forum (ARF), in promoting regional security. They welcomed the ARFs continuing work against international terrorism, and looked forward to the first meeting of the ARF Inter-Sessional Meeting on Counter-Terrorism and Transnational Crime to be held in Sabah, Malaysia, later in March 2003.

South-West Pacific Dialogue and Trilateral Ministerial Meeting

19. Ministers expressed satisfaction with the inaugural ministerial meeting in October 2002 of the South West Pacific Dialogue, grouping Australia, Indonesia, East Timor, Papua New Guinea, the Philippines and New Zealand. Ministers underlined the value of the Dialogue in promoting understanding and cooperation on sub-regional issues of common concern. Ministers welcomed Indonesias offer to host a cultural exchange program under the South West Pacific Dialogue.

20. Ministers welcomed outcomes of the first Trilateral Ministerial Meeting of Australia, Indonesia and East Timor hosted by Indonesia in February 2002. The trilateral process recognises the extent of intersecting interests and the importance of open dialogue and confidence-building among the three neighbouring states.

OVERVIEW OF ECONOMIC DEVELOPMENTS, TRADE AND INVESTMENT ISSUES

Reform and trade liberalisation

21. Ministers recognised that ongoing reform was essential for countries to reap the benefits and meet the challenges of globalisation. Ministers recognised that the reforms that insulated Australia from the 1997 economic crisis continued to serve Australia well, with solid growth expected in 2003. They also noted Australia's commitment to implement further economic reform to ensure its international competitiveness.

22. Ministers underscored their commitment to trade liberalisation, noting the significant benefits it had brought to both their countries. Ministers reaffirmed commitment to lower tariffs and other barriers to trade so that Indonesian and Australian exporters and consumers continued to receive liberalisation gains. Ministers welcomed the ongoing significant technical assistance that Australia provided to build Indonesias trade policy and trade negotiation capacity.

23. Ministers welcomed the significant progress Indonesia had made in its macro-economic reform program in cooperation with the IMF and agreed that further extensive economic reform was necessary to restore investor confidence and achieve the strong growth that would underpin political and social stability. Indonesian Ministers noted that an extensive reform program lay ahead which would focus on decentralisation, legal and judicial reform and labour market policy. Ministers noted that debt issues would also need to be managed carefully.

24. Ministers stressed the importance of continuing strong international support for Indonesia's reform program. They welcomed the positive outcomes of the 12th meeting of the Consultative Group on Indonesia (CGI) in Bali on 21-22 January, noting the significant support for Indonesia's program of economic reform and democratisation. Indonesian Ministers thanked Australia for supporting Indonesia's economic recovery, including through its development cooperation program of A\$121.6 million for 2002-03. Through this program, Indonesia and Australia will work together to implement Indonesia's economic reform program, enhance security and stability and reduce poverty, including through improving basic social services such as education and health. Indonesian Ministers reiterated their request to the Australian Government to consider a debt swap program.

Australian Ministers noted that Australia provides debt rescheduling through Paris Club processes in the context of an IMF program and does not have a policy of undertaking debt swaps.

Bilateral Economic Relations

25. Ministers noted the important role played by Australian and Indonesian business communities in sustaining a vibrant bilateral economic and commercial relationship. Despite the global economic slowdown, bilateral trade reached its highest point ever in 2002 at A\$7.3 billion. Indonesian exports to Australia reached record levels at A\$4.2 billion. Indonesia was now Australia's 10th largest export market and Australia was Indonesias twelfth largest. Ministers welcomed the key services trade component in the bilateral relationship. In financial year 2001-02, two-way services trade totalled over A\$1.59 billion, an increase of eight percent from 2000-01.

26. Ministers underscored the vital role governments play in ensuring an appropriate setting for the development of strong commercial relations, including a conducive investment climate. Ministers welcomed the success of the Australian Trade Ministers High Level Investment Mission to Indonesia in 2001, noting that five Australian companies have since announced major investments in Indonesia. Indonesia is Australia's 12th largest investment market and Indonesia is the 21st largest investor in Australia. Ministers welcomed the Trade Ministers meetings in 2001 and 2002, noting that annual meetings between the two Ministers were a key vehicle in addressing business concerns.

WTO

27. Ministers reaffirmed their commitment to maintaining an open, non-discriminatory, rules-based world trading system. Stressing the important contribution successful conclusion of the Doha Development Agenda negotiations would make to economic growth and development in the Asia Pacific region, Ministers renewed their commitment to concluding the negotiations by 1 January 2005. Ministers endorsed the call by APEC Leaders for all WTO members to intensify their efforts to keep the negotiations on track, noting that political leadership would be essential to resolve

outstanding differences during the lead-up to the fifth Ministerial Conference in Cancun in September 2003 and beyond. In this regard, Ministers noted that the Cairns Group continues to play a leading role in realising the mandate on agricultural trade reform agreed by Ministers in Doha in November 2001.

28. Recognising the central place of development issues in the Doha Development Agenda, Ministers noted the need for technical assistance and capacity building to help developing countries participate effectively in the negotiations and implement WTO agreements. They emphasised the importance of progress on issues of particular concern to developing countries including implementation, special and differential treatment and access to medicines. In that context they noted the special importance of real market access gains to the development prospects of developing countries and reaffirmed their shared commitment to long-term reform of world agricultural trade, taking into account the interests of developing countries.

APEC

29. Ministers emphasised that Indonesia and Australia were looking for APEC to make a strong political contribution to the WTO Doha Round and to continue its work on counter-terrorism in 2003. Ministers noted that Australia remains committed to the Bogor goals and that Indonesia was also making good progress towards achieving those goals by 2020. Ministers noted that APECs Workshop on Trade and Environment, seminars on Geographical Indications and intensive training in customs law were significant contributions to the enhancement of APEC members capacity in the WTO Doha negotiations. Ministers welcomed the APEC Counter-Terrorism Action Plan and the establishment of the APEC Counter-Terrorism Taskforce.

AFTA-CER

30. Ministers welcomed the signing of the Ministerial Declaration on the AFTA-CER Closer Economic Partnership (CEP) at the 7th annual consultations between ASEAN Economic Ministers (AEM) and Ministers from Australia-New Zealand Closer Economic Relations Trade Agreement (CER), held in Bandar Seri Begawan, Brunei Darussalam, on 14 September 2002. Ministers noted that agreement had been reached at the same time to set a target for doubling ASEAN-CER trade and investment by 2010, and said

they expected officials and the AFTA-CER Business Council to collaborate in efforts to achieve this target.

AUSTRALIA-INDONESIA DEVELOPMENT AREA (AIDA)

31. Ministers agreed that AIDA continued to provide a useful framework for private sector activity. They agreed to address governance impediments to investment while recognising that further development within the AIDA region rested principally with the private sector of both countries. Ministers welcomed Australia's announcement that it would provide a four year A\$ 4 million contribution to the International Finance Corporation's eastern Indonesia Enterprise Development Facility. The project is aimed at improving SME access to capital, the investment regulatory environment and SME business performance and it should be relevant with and supportive to the strategic policy of the Ministry of Eastern Indonesia Development, and Ministry of Cooperative and SMEs.

WORKING GROUP REPORTS

Working Group on Trade, Industry and Investment

32. Ministers noted that two-way merchandise trade had reached its highest point ever in 2002, at A\$7.3 billion. Indonesian exports to Australia were valued at A\$4.2 billion and Australian exports were worth A\$3.1 billion. Ministers agreed to re-double the efforts of both countries, including through addressing market access issues, to further increase two-way trade. Ministers also noted that cooperation between Australian and Indonesian customs agencies had the potential to further facilitate bilateral trade.

33. Ministers welcomed advice on Indonesias strategy to attract foreign investment, including amendments to Indonesias forestry law and its 2003 Year of Investment, as a key component of its economic recovery program. Ministers noted the continuing commitment of Australian companies to Indonesias business sector, including through new investment announced during Mr Vailes High Level Investment Mission to Indonesia in February 2001, and Minister Soewandis visit to Australia in November 2002. Ministers also noted progress in industrial and trade cooperation in the automotive sector and agreed to consider cooperation in other sectors, including

information technology and food production. Ministers welcomed Australia's continuing commitment to building Indonesias capacity in trade policy development and small and medium enterprises (SMEs).

Working Group on the Environment

34. Ministers welcomed the announcement of a Memorandum of Understanding between Environment Business Australia and the Indonesian Chamber of Commerce (KADIN) for business cooperation, and the joint development of a strategy to improve Indonesias environmental management in the mining sector. Ministers welcomed a new project to build Indonesian capacity in oceans management funded by AusAIDs Government Sector Linkages Program.

Working Group on Education and Training

35. Ministers welcomed the renewal of a bilateral MOU on Cooperation in Education and Training for a further period of three years at the Education and Training Working Group meeting on 10 March. Ministers also welcomed the announcement that two Indonesian students had been awarded scholarships to study at Australian universities under the Australia-Asia Award Scheme. Ministers noted the active links between Australia and Indonesia to develop distance education, especially through the South-East Asian Ministers Centre for Open Learning. Ministers also noted that officials had agreed to work cooperatively to facilitate mutual recognition issues over the next few years as a priority area of activity.

Working Group on Health Cooperation

36. Ministers were pleased to note that a number of joint health activities have taken place since the last AIMF. In particular, Ministers recognised three successful GSLP projects under the Memorandum of Understanding (MOU) on Health Cooperation: Capacity Building (health promotion) in a Decentralised System, Cooperation on Therapeutic Goods Regulation, and Joint Management Capacity Building. Ministers also noted that a joint project

to collaborate on the regulation of medicines and medical devices will begin in 2003 and welcomed further joint health projects between Australia and Indonesia in the future.

37. Ministers noted the development of a Plan of Action for the next three years under the MOU on Health Cooperation, as an ongoing framework for cooperative activities. It was agreed to consider broadening the area of cooperation and information exchange both formally and informally.

Working Group on Agriculture and Food Cooperation

38. Ministers welcomed the continuing close cooperation in the agriculture and food sectors based on the strong economic complementarities between Australia and Indonesia. Ministers noted the well established linkages in live cattle, wheat, and cotton and encouraged the continued development of closer commercially focused agribusiness relationships, including the development of safe supply chain and quality assurance systems for horticulture as well as animal products. Ministers noted that the Working Group on Agriculture and Food Cooperation agreed on a program of activities aimed at enhancing the bilateral agricultural relationship during its 9th meeting in Perth in March 2002. Ministers welcomed the high level of cooperation across a range of sectors, including the capacity building programs for Indonesia in plant and animal health.

39. Ministers noted that Quarantine Consultations were held during the 9th Meeting of WGAFC to promote a mutual understanding of quarantine and food safety standards and regulation. It was agreed that the following activities would be given priority for future cooperation: fumigation accreditation; animal and plant health support; rabies diagnosis; and FMD surveillance. To facilitate the consultation, it needs to have a regular open dialogue between the two countries. Ministers also noted that the 10th meeting of the Working Group will be held in Medan, Indonesia in June 2003.

Working Group on Science and Technology

40. Ministers noted that a wide range of collaborative activities continued to progress under the Joint Working Group on Science and Technology. A joint collaborative project has been implemented under the RUTI Program (the Indonesian International Joint Research Program) since April 2002, entitled "Submarine metallogenic resources and its management: Case of Sunda Straits and Northern Sulawesi." Ministers also welcomed the announcement of two new Government Sector Linkages Program (GSLP) projects to build Indonesias management of seabed mineral resources and its capacity to maintain power plant safety and reliability.

41. Ministers also noted the need to finalize at the earliest opportunity a new Treaty on Scientific and Technological Cooperation between Australia and Indonesia to support the ongoing collaborative relationship. As an adjunct to the Treaty, a new Memorandum of Understanding between the Department of Education, Science and Training and the Ministry of Research and Technology outlining the administrative mechanisms underpinning the Treaty will be signed.

Working Group on Transport and Tourism

42. Ministers welcomed ongoing close cooperation in the transport sector. The Australian Department of Transport and Regional Services had delivered training programs in air services negotiations and aviation law, while Air services Australia has worked with Indonesian counterparts on the implementation of new International Civil Aviation Organization standards. Ministers noted search and rescue training being provided by Australian Maritime Safety Authoritys Australian Search and Rescue (AusSAR) to officers of Badan SAR Nasional. Ongoing cooperation between Indonesian and Australia through the APEC Transportation Working Group was also noted, focusing on air services liberalisation, e-commerce training and seafarer training.

43. Ministers endorsed the signing of an MOU on Tourism Cooperation in June 2001, which would facilitate information sharing in marketing and statistical analysis among other activities. Ministers welcomed the proposed Australia-Indonesia tourism industry summit, which will focus on boosting tourism between the two countries.

Working Group on Marine Affairs and Fisheries

44. Ministers endorsed the establishment of the Working Group on Marine Affairs and Fisheries and its role in facilitating practical cooperation on commercial matters and priority issues of mutual interest. Ministers welcomed 2 (two) new projects under AusAIDs Government Sector Linkage Program (GSLP) on "Capacity Building in Oceans Management" and "Capacity Building in Fisheries Management". Ministers agreed that illegal fishing is a growing concern for both countries, as it threatens the livelihoods of our coastal communities and damages our natural environment. Ministers encouraged further activities aimed at combating illegal fishing and also activities aimed at improving the management of shared marine resources such as those in the 1974 MOU Box, which are important for traditional Indonesian fishers who have access to the area.

Working Group on Legal Cooperation

45. Ministers welcomed the deepened understanding and appreciation of each countrys legal system and institutions arising out of the inaugural meeting of the Working Group on Legal Cooperation held in Jakarta in April 2002, which was jointly opened by the Indonesian Minister for Justice and Human Rights, Professor Dr. Yusril Ihza Mahendra and the Australian Attorney-General, the Hon Daryl Williams AM QC MP. Ministers noted the meeting of the Sub-Groups on intellectual property rights and immigration, and the subsequent continuation of activities on those matters. They endorsed the establishment of a Sub-Group on Arbitration and Alternative Dispute Resolution and the joint task force on bankruptcy, insolvency and commercial law. Ministers noted informal links established in legal education and training and the participation of private sector law firms from Indonesia and Australia in the Working Group on Legal Cooperation. They endorsed the continuing wide range of legal cooperation activities comprising training, study visits, exchanges and consultations across all fields of law between the two countries.

Working Group on Energy and Minerals

46. Ministers recognized the strong relationship that has characterized energy and minerals cooperation. They supported officials maintaining a close dialogue, through the Joint Working Group, in the field of geology, geophysics, mineral resources, coal technology, oil and gas, electric power technology, new and renewable energy technologies, environmental impacts of mining, energy conservation and human resources developments as well as developments in domestic and international energy policies.

47. Ministers agreed to having the 10th Meeting of the Working Group in Canberra, Australia. Australia was currently considering possible dates for hosting the meeting and will advise Indonesia as soon as possible.

Institutional issues

48. Ministers acknowledged the importance of maintaining flexibility in the development of the Ministerial Forum structures. They noted that new Working Groups have been developed and existing ones merged in the past to reflect the natural evolution of the bilateral cooperation agenda. At this Forum, Ministers:

- Agreed that a new Working Group on Social Security be established to build on the recent close collaboration and MOU and deepen and broaden practical cooperation on social security issues. Issues to be addressed in the working group would include social security reform, covering social insurance and social assistance, in both countries. The establishment of the working group and the development of its plan of action would take place after the meeting of the Ministerial Forum.

- Decided to abolish the working group on public works and infrastructure; and

- Formalized the new Working Group on Marine Affairs and Fisheries which was established at a meeting on 26 June 2001 between the Minister for Marine Affairs and Fisheries, HE Dr Ir Rohkmin Dahuri, and the Former Minister for the Environment and Heritage, Senator the Hon Robert Hill, and for Forestry and Conservation, the Hon Wilson Tuckey MP.

DATES AND VENUE FOR THE SEVENTH MINISTERIAL FORUM AND FIFTH AIDA MINISTERIAL MEETING

49. Ministers concluded that the sixth meeting of the Australia-Indonesia Ministerial Forum had been of substantial value. They welcomed the opportunities it had provided for both countries to reaffirm their mutual commitment to building the bilateral relationship and to set out plans for its further development. They acknowledged the important contribution made by their respective business communities to the success of the forum.

50. Ministers agreed that the seventh Ministerial Forum and the fifth AIDA meeting is tentatively scheduled to be held in Australia at the end of the year 2004.

The Hon Alexander Downer MP

Minister for Foreign Affairs

HE Prof Dr Dorodjatun Kuntjoro-Jakti

Minister Coordinator for Economic Affairs

Jakarta, Indonesia, 11 March 2003

Annex A**Sixth Australia Indonesia Ministerial Forum****Indonesian Delegation**

HE Prof Dr Dorodjatun Kuntjoro-Jakti, Coordinating Minister for Economic Affairs (Co-Chair)

HE Gen (Ret) Susilo Bambang Yudhoyono, Coordinating Minister for Political and Security Affairs

HE Dr Hassan Wirajuda, Minister for Foreign Affairs

HE Ms Rini Soewandi, Minister for Trade

HE Dr Bungaran Saragih, Minister for Agriculture

HE Prof Dr Yusril Mahendra, Minister for Justice and Human Rights

HE Mr Jacob Nuwa Wea, Minister for Manpower

HE Dr Achmad Sujudi, Minister for Health

HE Drs I Gde Ardhika, State Minister for Culture and Tourism

HE Mr Alimarwan Hanan, State Minister for Cooperatives and Small/Medium Enterprises

HE Mr Hatta Rajasa, State Minister for Research and Technology

HE Drs Manual Kaisiepo, State Minister for the Acceleration of Development in Indonesias Eastern Regions

Mr Theo F Toemion, Chairman, Indonesian Investment Coordination Board (BKPM)

Australian Delegation

The Hon Alexander Downer MP, Minister for Foreign Affairs (Co-Chair)

The Hon Mark Vaile MP, Minister for Trade

The Hon Philip Ruddock MP, Minister for Immigration and Multicultural and Indigenous Affairs

The Hon Daryl Williams MP, Attorney-General

The Hon Warren Truss MP, Minister for Agriculture, Fisheries and Forestry

Senator the Hon Amanda Vanstone, Minister for Family and Community Services

The Hon Joe Hockey MP, Minister for Small Business and Tourism



Appendix D – Breakdown of GSLP Activities since commencement 1995/96

Breakdown of GSLP Activities since commencement 1995/96

YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
02/03	11786	Australian Federal Police (AFP)	Indonesia Counter Terrorism Forensic Capacity Building Program	219,840
02/03	11612	Therapeutic Goods Administration (TGA)	Collaboration on the regulation of medicines and medical devices with Indonesian regulatory agency	117,054
02/03	11611	Australian Nuclear Science and Technology Organisation (ANSTO)	Provision of a quality remaining life assessment and material properties capability for BATAN	95,865
02/03	11608	CSIRO	Building Indonesia's Management Capacity in Marine Mineral Resources and their Environmental Sustainability	139,820
02/03	11607	National Oceans Office (Environment and Heritage Portfolio)	Indonesia's Capacity Building in Oceans Management	57,910
02/03	11606	Australian Government Analytical Laboratories (AGAL)	Establishment of National Integrated Food Safety System Programs in Indonesia	249,250
02/03	11605	Commonwealth Ombudsman	Indonesia Ombudsman Enhancement Program	117,000
02/03	11602	Australian Bureau of Statistics (ABS)	Cooperation in Statistics in Indonesia (phase II)	70,100
02/03	11445	Australian Maritime Safety Authority (AMSA)	Search and Rescue training for staff of the Indonesian National Search and Rescue (SAR) Authority, Badan SAR Nasional (BASARNAS)	125,000
02/03	11444	Australian Bureau of Statistics (ABS)	Cooperation in Statistics in Indonesia	118,500

APPENDIX D – BREAKDOWN OF GSLP

ACTIVITIES SINCE COMMENCEMENT 1995 / 96

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YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
01/02	11224	Attorney General's Department (AG)	Legislative Drafting: Training and technical assistance	76,500
01/02	11219	Department of Education, Science and Training (DEST)	Educational Quality Assurance and Management for Basic Education	179,070
01/02	11214	Department of Immigration and Multicultural and indigenous Affairs (DIMIA)	Border Integrity Management Program	250,000
01/02	11212	Therapeutic Goods Administration (TGA), Department of Health & Aged Care	Australia and Indonesia inter-agency cooperation on therapeutic goods regulation - phase 2	126,456
01/02	11090	CSIRO Energy Technology	Assessment of the Environmental Impact of Illegal Gold Mining	129,200
01/02	11089	Commonwealth Ombudsman	Developing administrative oversight	61,000
01/02	11087	Australian Securities & Investments Commission (ASIC)	Securities Regulators Training	71,000
01/02	11082	Department of Industry, Science & Resources Australian Government Analytical Laboratories (AGAL)	Institutional Strengthening of food safety initiatives in Indonesia	90,000
01/02	11078	Australian Quarantine & Inspection Service (AQIS)	The Australian Fumigation Accreditation Scheme - stage 2 for Indonesia	130,490
01/02	11077	Agriculture, Fisheries and Forestry Australia - Biosecurity Australia (AFFA)	Papua Agriculture Quarantine, Animal and Plant Health Support Project (Phase 3)	221,000

YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
01/02	10775	Department of Transport & Regional Services (DTRS)	Sustainable skill enhancement to more efficiently provide air traffic services (ATS) in Indonesia	167,880
00/01	10202	Department of Environment and Heritage	Development of aquaculture as an alternative income generating livelihood for traditional Indonesian fishers dependant on declining fisheries in Australian waters	145,500
01/02	10201	Department of Transport & Regional Services (DTRS)	Indonesia Perishables Cool Chain Project	85,296
00/01	10200	Department of Environment and Heritage	Enhancement of local Government planning & management capacity at Lorentz National park natural world heritage property, Irian Jaya	228,850
00/01	10199	Australian Government Analytical Laboratories (AGAL)	Institutional strengthening of food safety initiatives in Indonesia	125,250
00/01	10198	(Australian New Zealand Food Authority) Food Standards Australia New Zealand	Food import labelling and composition guide - Bahasa Indonesian version	73,868
00/01	10197	Therapeutic Goods Administration (TGA)	Australia & Indonesia inter-agency cooperation therapeutic goods regulation	114,594
00/01	10195	Australian Customs Service (ACS)	Integrity implementation strategy	135,695
00/01	10194	Office of the Commonwealth Ombudsman	Developing administrative oversight	54,600

APPENDIX D – BREAKDOWN OF GSLP

ACTIVITIES SINCE COMMENCEMENT 1995 / 96

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YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
00/01	10191	Department of Agriculture, Fisheries & Forestry - Australia (AFFA)	Komodo Mariculture project - Finfish mariculture to support alternative livelihood development in the Komodo area, Nusa Tenggara Timur	55,900
00/01	10190	Department of Health and Aged Care	Capacity building in health promotion and public health education	151,609
00/01	09921	Commonwealth Treasury	Jakarta workshop on Commonwealth-State relations	61,220
00/01	09920	Department of Environment and Heritage	Development of a strategy to improve Indonesia's environmental management in mining capabilities	122,600
00/01	09919	Department of Agriculture, Fisheries & Forestry - Australia (AFFA)	Development of a database & upgrading of associated reference specimens of agriculturally important insects	79,575
00/01	09918	CSIRO - Division of Exploration and Mining	Expanding Indonesia's capacity to assess its seafloor mineral resources	100,440
00/01	09917	Department of Foreign Affairs and Trade (DFAT)	WTO dispute settlement assistance to Indonesia	31,756
00/01	09914	Australian Federal Police (AFP)	AFP/INP Cooperative law enforcement assistance program	223,200
00/01	09913	Attorney General's Department (AG's)	Improvement of human resources in information technology	199,390
00/01	09912	Department of Education, Training and Youth Affairs (DETYA)	Curriculum and assessment reform project	154,636
00/01	09909	Australian Trade Commission (ATC)	NAFED Capacity Building Project	152,342

YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
00/01	09896	Federal Court of Australia	Strengthening Judicial training in Indonesia Stage 3	249,910
00/01	09889	Attorney General's Department (AG's)	Comparative study on legal drafting in Australia	44,530
00/01	09579	Department of Agriculture, Fisheries & Forestry - Australia (AFFA)	The Irian Jaya Animal and Plant Health and Quarantine Support Project	122,960
00/01	09535	Australian Institute of Marine Science (AIMS)	Project Tropics - Tropical River-Ocean processed in Coastal settings	36,459
99/00	09470	Department of Agriculture, Fisheries & Forestry - Australia (AFFA)	Marine resources mapping technologies assessment	98,000
99/00	09204	Department of Health and Aged Care	Management Capacity Development program	126,780
99/00	09147	CSIRO	Application of Australian technologies to the study of Indonesian ore deposits	180,980
99/00	08983	Australian Customs Service ACS)	Strategic planning for compliance audit management	129,887
99/00	08982	Australian Federal Police (AFP)	Australian Federal Police and Indonesian National Police cooperative law enforcement assistance program 2000-2001	244,970
99/00	08967	CSIRO	Expanding Indonesia's capacity to assess its seafloor mineral resources - 2000-2001	67,737

APPENDIX D – BREAKDOWN OF GSLP

ACTIVITIES SINCE COMMENCEMENT 1995 / 96

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YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
99/00	08951	CSIRO	Zoonotic disease control and prevention: Transfer of diagnostic tests for Nipah virus in animals	68,030
99/00	08896	Attorney General's Department (AG's)	Law in a global economy 2: International law and International trade law	209,864
99/00	08817	Australian Maritime Safety Authority (AMSA)	Training of Indonesian Government Marine Officers in the conduct of ship inspection (Port State Control)	45,000
99/00	08813	Australian Geological Survey Organisation (AGSO)	Scientific collaboration and support for geomagnetic observatory operations in Indonesia - upgrading Manado Geomagnetic Observatory	101,210
99/00	08812	Australian Geological Survey Organisation (AGSO)	Scientific collaboration and support for geomagnetic observatory operations in Indonesia - sustaining operations at Tangerang Geomagnetic Observatory	56,910
99/00	08802	Federal Court of Australia	Strengthening Judicial Training in Indonesia - stage 2	244,390
99/00	08787	Australian Government Analytical laboratories (AGAL)	Risk management training courses for food control purposes	70,774
99/00	08786	Australian Government Analytical laboratories (AGAL)	Laboratory based training courses for food control purposes - 2000	94,032

YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
99/00	08785	Department of Education, Training and Youth Affairs (DETYA)	Decentralisation of education management and training Indonesian Ministry of education	240,000
99/00	08714	Attorney General's Department (AG's)	Law in a global economy phase 2: Planning and preparation	13,922
99/00	08362	Environment Australia (EA)	Scoping mission for training and technology transfer of Australian biodiversity assessment and land-use planning methods for application in the Indonesian forests sector	29,549
99/00	08268	Australian Bureau of Statistics (ABS)	Cooperation in the field of statistics between the Australian Bureau of Statistics and Badan Pusat Statistik	49,500
99/00	08226	Environment Australia (EA)	Community water quality monitoring in Indonesia and Waterwatch Australian Study Tour	70,200
98/99	08079	CSIRO	Expanding Indonesia's capacity to assess its seafloor mineral resources	48,966
98/99	07975	Australian Federal Police (AFP)	Australian Federal police/Indonesian National Police cooperative law enforcement assistance program 1999-2000	235,066
98/99	07960	Attorney General's Department (AG's)	A short term training & facilitation course for the Director General of Law and Legislation of the Department of Justice	22,500
98/99	07959	Department of Transport and Regional Services (DTRS)	Strategic plan for the establishment of a maritime training agenda in Indonesia for calendar years 1999 & 2000	23,820

YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
98/99	07958	Department of Transport and Regional Services (DTRS)	Indonesian Railway safety project	152,516
98/99	07957	Department of Immigration and Multicultural Affairs (DIMA)	Australia's border management and processing of unauthorised arrivals	110,349
98/99	07956	Federal Court of Australia	Strengthening judicial training in Indonesia	249,000
98/99	07955	CSIRO	Diagnosis and control of very virulent bursal disease virus of poultry	55,500
98/99	07954	CSIRO	Integrated application of Australian exploration technologies to the Nusa Tenggara region	139,900
98/99	07953	Australian Securities and Investments Commission (ASIC)	Strengthening the Indonesian financial regulatory processes	19,880
98/99	07952	Australian Maritime Safety Authority (AMSA)	Training in management of oil spill response	26,132
98/99	07951	Australian Maritime Safety Authority (AMSA)	Search and Rescue training for staff of the Indonesian National Search and Rescue Authority	31,569
98/99	07950	Department of Agriculture, Fisheries and Forestry - Australia (AFFA)	Creation of an internet database of Australian quarantine and food safety standards and regulations for Indonesian food exporters	62,660

YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
98/99	07947	Australian Customs Service (ACS)	Technical assistance in customs post entry audit	103,935
98/99	07946	Australian Quarantine and Inspection Service (AQIS)	Strengthening Quarantine and animal health infrastructure in Irian Jaya	150,529
98/99	07851	Department of Transport and Regional Services (DTRS)	Year 2000 compliance assessment of Indonesian air traffic services	51,850
97/98	07565	Australian Bureau of Statistics (ABS)	Purchase of superstar computer software for the central bureau of statistics (biro pusat statistik (BPS) of Indonesia)	275,000
97/98	07367	Ausindustry	Establishment of strategic linkages between Department of Industry, Science and Tourism (Aust) and Indonesian counterpart agencies	100,478
97/98	07302	Australian Government Analytical Laboratories (AGAL)	Laboratory based training courses for food control purposes	89,592
97/98	07301	Australian Government Analytical Laboratories (AGAL)	Risk management training courses for food control purposes	51,604
98/99	07296	Attorney General's Department (AG's)	Indonesia-Australia Ad Hoc Legal Visits program	60,000
97/98	07284	Department of Primary Industries and Industry	Animal disease emergency management evaluation and training program	25,243

APPENDIX D – BREAKDOWN OF GSLP

ACTIVITIES SINCE COMMENCEMENT 1995/96

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YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
97/98	07283	Department of Primary Industries and Industry	Improved quality assurance in the Indonesian horticulture industry	128,197
97/98	07282	CSIRO - Exploration & Mining	Study of the mineral resource potential of eastern Indonesia	63,358
97/98	07245	Great Barrier Marine Park Authority	Training of marine protected area managers from eastern Indonesia	60,000
97/98	07244	Department of the Environment	General Policy Officer Exchanges/Secondments	13,962
97/98	07243	CSIRO	Expanding Indonesia's capability to assess its seafloor Mineral Resources	38,556
97/98	07242	CSIRO	Extension of the Aust-Indon Mineral resource research network project to include the directorate general of geology and mineral resources.	54,613
97/98	07241	CSIRO	Air pollution from Indonesian biomass burns	95,000
97/98	07240	Australian Nuclear Science and Technology Organisation (ANSTO)	Collaborative safety project between Indonesian National Atomic Energy Agency (Batan) and the Australian Nuclear Science and Technology Organisation (ANSTO)	20,400
97/98	07239	Department of Transport and Regional Development (DTRS)	Policy and Technical Officer Exchange Visits	67,000

YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
97/98	07238	Attorney General's Department	Law in a global Economy: Dispute resolution, corporations law, international trade law, negotiable instruments and insolvency training course and seminar	148,000
97/98	07237	Australian Bureau of Statistics (ABS)	Cooperation in the field of statistics between the Australian Bureau of Statistics and the central Bureau of Statistics (BPS) Indonesia under a memorandum of understanding between the ABS and the BPS	238,300
97/98	07236	Department of Primary Industries and Industry	Training program for Fisheries management and mariculture development	71,900
97/98	07235	Australian Federal Police	Training and Education Assistance to the Indonesian National Police	241,000
96/97	06422	Department of Industry Science and Tourism Aust. Institute of Marine Sciences	Marine Genetic Resources	48,230
96/97	VAR 06421	Australian Institute of Marine Sciences	Project Tropics - Tropical River-Ocean processed in Coastal settings	35,057
96/97	06420	Commonwealth Scientific Industrial Research Organisation (CSIRO)	Program development in reducing anaemia of female adolescents in Indonesia	50,000
96/97	06419	CSIRO	Sustained productivity of acacia plantations in Indonesia for commercial & community benefit	56,250

YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
96/97	06418	CSIRO	Establishment of genetic base populations of Melaleuca Cajuputi. Cajuputi for improving production of essential oils	34,750
96/97	06417	CSIRO	Establishment of an Australia-Indonesia Mineral Resource Research Network	52,113
96/97	06416	CSIRO	AAHL - Balivet National Veterinary Laboratory linkage development: Collaboration on Bovine Disease diagnosis	21,956
96/97	06415	Department of Industry, Science & Tourism (AusIndustry)	Development of institutional linkages between dist and counterpart Indonesian agencies focussing on SME development	98,500
96/97	06413	Australian Customs Service (ACS)	Technical assistance in customs control of excisable spirit	48,095
96/97	06412	Dept. of Industry, Science and tourism	Australian Technology and sustainable marine resources development in eastern Indonesia	132,700
96/97	06411	Department of the Environment, Sport & Territories	Bureau of meteorology - meteorological project with the Indonesian meteorological & geophysical agency (MGA)	68,400
96/97	06410	Department of the Environment, Sport & Territories	Training of instructors in best practice environmental management in mining	87,622

YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
96/97	06409	Department of Transport and Regional Development (DTRS)	Adequacy of tourism transport infrastructure in eastern Indonesia	60,851
96/97	06408	Department of Transport and Regional Development (DTRS)	General Policy Officer Exchange	65,773
96/97	06407	Department of the Environment and Heritage	Training program for improved management of marine turtles in Indonesia	25,000
96/97	06406	Department of the Environment, Sport & Territories	Best practice Environmental management in Mining translation of booklets into Bahasa Indonesia	53,190
96/97	06405	Department of the Environment, Sport & Territories	Tri-national wetland cooperative management program - training visits for Indonesia on-ground wetland managers	20,000
96/97	06404	Great Barrier Reef Marine Park Authority	Sustainable tourism in marine and coastal environments - study tour & workshop project	44,170
96/97	06403	Department of Health and family Services	Indonesian Drug information needs in rural and remote areas	59,030
96/97	06402	The Department of Health & Family Services	Eastern Indonesia remote health service seminar	32,385

YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
96/97	06401	Department of Health and family Services	Secondments and work attachments for an official of the Indonesian ministry of Health (DEPKES) to Australia and the secondments of an official from the Australian dept. of Health and family Services (HFS) to Indonesia	48,800
96/97	06400	The Department of Health & Family Services	Promoting evidence-based priority setting in health policy, health service provision & Health & Medical research in Indonesia & Australia	56,160
96/97	06399	Department of Health and family Services	Poisons Information Centre training	31,570
96/97	VAR 06397 (1)	Department of Transport & Regional Services (formerly Department of Transport & Regional Development)	Maritime Training Development in eastern Indonesia	55,814
96/97	06396	The Department of Primary Industries and Energy	Institutional Strengthening & model project implementation for sustainable development in rural Indonesia	194,726
96/97	06394	The Department of Primary Industries and Energy	Scientific Exchange: Geomagnetic Observatories and Surveys	44,234
95/96	05639	The Department of Environment, Sports & Territories	Integrated coastal area management training manual for Indonesia	35,000

YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
95/96	05638	The Department of Environment, Sports & Territories	Indonesia: Training program - Best practice environmental management in mining	39,994
95/96	05616	The Department of Health & Family Services	Feasibility Study for the upgrading of C & D Class Hospitals in Indonesia	5,982
95/96	05614	The Department of Health & Family Services	Development of substance abuse program in Indonesia	15,360
95/96	05613	The Department of Health & Family Services: Therapeutic Goods Administration	Good manufacturing practice training program in Indonesia	23,224
95/96	05612	The Department of Health & Family Services: Therapeutic Goods Administration	Assistance in Drug Evaluation in Indonesia	20,034
95/96	05611	The Department of Health & Family Services	Education & Training in Mental Health Service delivery in Indonesia	43,328
95/96	05610	The Department of Health & Family Services	Assistance in monitoring Poliomyelitis Eradication in Indonesia	15,683
95/96	05609	The Department of Environment, Sports & Territories	Cleaner production for small businesses in Indonesia	65,000
95/96	05608	The Australian Maritime Safety Authority	Search and Rescue Training for Staff of the Indonesian national Search & Rescue (SAR) Authority	48,620
95/96	05607	The Depart of Transport & Regional Development	General Policy Officer Exchange in Indonesia	22,134

YEAR	ROU Number	DEPARTMENT	NAME OF ACTIVITY	FUNDING
95/96	05606	The Department of Transport & Regional Development: Bureau of transport & Communications Economics	Eastern Indonesia - Northern Australia Transport Synergies Study	31,650
95/96	05605	The Department of Primary Industries & Energy: Australian Bureau of Agricultural & Resource Economics	Australia-Indonesia Modelling Exchange: Energy Sector Technology Assessment	61,323
95/96	05604	The Department of Primary Industries & Energy: Australian Geological Survey Organisation	Feasibility Study of Volcanic Disaster Mitigation in Bali	48,216



E

Appendix E – Summary of the CDI's Projects with Indonesia

TABLE 1 SUMMARY OF CDI'S PROJECTS WITH INDONESIA

	1998	1999	2000	2001	2002	2003
Parliament		- English language for Indonesian officials - DPR Official attendance at IFU Seminar	- Visit of Indonesian Political Leaders - Training for members of the Research and Information Service of the Indonesian Parliament - Information Seminar on the Structure and Functioning of the Inter-Parliamentary Union - English language for Indonesian officials	English language for Indonesian officials	- CDI-ANU Parliamentary Officials Course - Australian Parliamentary Secretariat Study Tour to the Indonesian Parliament - English language for Indonesian officials	- DPR Secretariat Study Tour to Australia - English language for Indonesian officials - AVI Placement in DPR
Judiciary						
Civil Society		Policy and Advocacy Training for Indonesian Non-government Organisations	Leadership and Advocacy Training for Indonesian Non-government Organisations	Indonesian Civil Society Study Tour Observing Election Monitoring in the Philippines		
Media		Workshop on the Transition to Publicly Accountable Broadcasting in Indonesia	Transition to Publicly Accountable Broadcasting in Indonesia		Indonesian Media and Democratisation Training Project	Investigative Journalism Training Project
Human Rights	Human Rights Treaty Implementation Workshop: Indonesia				Visit by the Delegation from the Indonesia Directorate-General of Human Rights Protection	
Accountability		Anti-Corruption Workshop	Indonesian Ombudsman Commission Study Tour			
Research			Scoping Study of the DPR Research Service		DPR Research Project	
Other		- Seminar on The Indonesian Election: Challenges, Opportunities and the Role of the International Community - Chinese-Indonesians: The Way Ahead Workshop - Monitoring Indonesian Elections	AusAID Indonesia governance review			
Total	1	8	3	2	6	4

Source Submission 45 - The Centre for Democratic Institutions



**Appendix F – Submission to the inquiry
into Human Rights and Good Governance
Education in the Asia Pacific Region from
the Speaker of the House of
Representatives**



Submission 7

Speaker of the House of Representatives

The Hon Neil Andrew MP

- 2 DEC 2002

The Secretary
JSCFADT Human Rights Sub-Committee
Suite R 1 120
Parliament House
Canberra ACT 2600

Thank you for the invitation to make a submission to the Human Rights Sub-Committee's inquiry into human rights and good governance education in the Asia Pacific region.

The House of Representatives and the parliamentary departments for which I am responsible are involved in a number of initiatives aimed at assisting other parliaments in the Asia Pacific region. Many of these initiatives are undertaken in association with international parliamentary or democratic organisations or with other parliamentary departments, especially the Department of the Senate and the Parliamentary Library. There are three principal educational areas in which we have some involvement:

- assisting parliamentary staff with the good governance of their respective legislatures;
- education or training of members of parliament to help them build strong parliamentary institutions and operate effectively as members in a democratic parliamentary system; and
- informing citizens and public servants about the parliamentary system and how they can most effectively interact with it.

Informing citizens

The third listed educational area is carried out almost exclusively within Australia but the experience we have gained has to some extent been shared with other parliaments through publication of papers in specialist journals and presentations at international parliamentary conferences.

The Parliamentary Education Office which is jointly funded by the Departments of the Senate and the House of Representatives is specifically established to develop understanding of our parliamentary system among students in Australia.

In 1997 the Department of the House of Representatives began a seminar series aimed principally at public servants and others whose work brings them into contact with the House of Representatives. The seminars, entitled 'About the House', 'About Legislation', 'About Committees' and 'About Parliamentary Consideration of the Budget', have a key aim of improving understanding of the House's operations in order to improve the effectiveness of interaction between the parliament and government. The seminars are conducted on a cost recovery basis mainly in Canberra although they have been held in Melbourne and one is planned for Hobart in 2003. An extension of the seminar program commenced in 2002 with lectures being presented to university students.

Working with other national parliaments

The Department of the House of Representatives strives for best practice in administering and supporting the House of Representatives and the parliamentary institution. The Clerk and parliamentary staff are always happy to share their experience and knowledge with other parliaments especially in the Asia Pacific region. For many years the department has provided detailed briefings and training for parliamentary staff visiting from other parliaments, tailored to each visitor's stated needs. Various committees and MPs frequently meet with visiting parliamentarians to discuss issues. The department also routinely responds to requests for advice or information from other parliaments.

More specific initiatives are detailed below. Examples provided in each case concentrate on activities in the Asia Pacific region but the House of Representatives Department is also involved in work in other developing areas, notably Africa and most recently Kosovo.

Inter-Parliamentary Study Program

Prior to 2001 the Australian Parliament hosted approximately 12 visits from officials of other parliaments. A program of briefings covering all relevant areas was prepared for each visit. In 2001 a new Inter-Parliamentary Study Program was introduced which allowed 12 to 15 parliamentary officials to be invited to participate in a program together. The study course will be held annually (the second has recently been completed) and involves a comprehensive introduction to Australian parliamentary administration. It runs over most of two weeks with the first week dedicated to formal presentations and group discussions and the second week offering programs of informal individual meetings and briefings based on each participant's stated interests. The program is based on a similar one run by the Canadian Parliament and does not preclude people visiting at other times. The first course run in 2001 had participants from Canada, Ghana, Hungary, Nigeria, Papua New Guinea, South Africa, South Australia, South Korea and Wales.

The main aims for the program were to improve the effectiveness of the study programs provided by the Australian Parliament for visiting officials and increase the efficiency of program visit administration.

The benefits anticipated for the participants are:

- an opportunity to mix widely, establish contacts and exchange views on a variety of parliamentary and political systems;
- an opportunity to consider the role and working of their own parliament and observe the relevance of Australian management practices to the administration of their legislatures; and
- an overview of Australia's system of government, the functioning of the federal parliament, its key players, management of business, legislative process, committee system, publications, and the organisation of parliamentary support services.

The program is focussed on ensuring representation from a range of parliaments from those with highly developed parliamentary institutions to those that are still developing their parliamentary frameworks. In keeping with the overall focus of the Australian Parliament with regard to training and development, participation by parliaments from our region (South East Asia and the Pacific) is always a priority. This program is viewed as a valuable means of

assisting with strengthening parliamentary institutions, both directly through training provided to parliamentary staff and the development of networks for on-going support.

A comprehensive evaluation was carried out after the first program which revealed very positive feedback from the participants. The ability to mix, discuss and establish contacts in such a varied group was particularly valued.

A copy of the program for the 2002 course and an overview of the course is at attachment A.

Commonwealth Parliamentary Association (CPA) activities

Participation in conferences, working parties, colloquiums and seminars

The Commonwealth Parliamentary Association has a stated purpose to promote knowledge and understanding of the constitutional, legislative, economic, social and cultural systems within a parliamentary democratic framework. It fosters cooperation and understanding among members of Commonwealth parliaments and promotes the study of and respect for parliament. The Commonwealth of Australia Branch of which most Members and Senators are members participates in many CPA sponsored activities including conferences, regional conferences and seminars, and workshops. The Clerk participated, on invitation, in a CPA working group on the training of parliamentary staff which produced a range of training materials which may be used by member parliaments. More recently the Clerk was a member of the CPA team which presented a post election seminar in Kenya and, in February this year, was unable to accept an invitation to join a CPA post election seminar in Zambia due to the opening of this parliament. Some recent examples of CPA activities in the Asia Pacific region include:

- *26th Joint Australian and Pacific Regional Conference (Adelaide, July 2002)*—This conference is held on a biennial basis and was attended by a range of parliamentarians with varying experience from both Australia and the Pacific. The issues discussed are determined in consultation with Branches but normally have a very strong parliamentary focus. At the Adelaide conference topics included the role of a new member, the role of the whips, parliamentary and constitutional reform, and the development of parliamentary committees in Fiji. These conferences serve to facilitate the exchange of information and experience related to the effective operation of legislatures and assist in improving the effectiveness of individual parliamentarians. They also encourage the development of valuable networks.
- *CPA Pacific Regional Seminar for Parliamentarians on Practice and Procedure (Wellington, New Zealand, February 2002)*—This seminar was aimed at parliamentarians from the Pacific, specifically inexperienced parliamentarians. This is an ongoing process made necessary by the significant turnover of parliamentarians in most Pacific parliaments. While this was a one-off exercise aimed purely at Pacific parliamentarians, the CPA also sponsors a similar exercise involving both Pacific and Australian parliamentarians on a biennial basis. The next joint seminar is due to be held in 2003 and will be jointly hosted by New Zealand and Samoa.

At the request of the CPA, the Australian Parliament also sends experienced parliamentarians to workshops organised by the CPA on a range of subjects in various locations around the world. These parliamentarians are invited on the basis of their expertise and usually attend as facilitators or workshop chairs.

Study tour to Australia

Each year the Commonwealth of Australia Branch of the CPA hosts a study tour of parliamentarians from Pacific nations. The study tour is jointly funded by the Commonwealth of Australia Branch and the Working Capital Fund of the CPA. Features of the study tour are:

- participating members visit the Commonwealth Parliament and usually two State or Territory parliaments of varying sizes;
- the tour is intended for members of parliament rather than parliamentary staff;
- the tour group usually consists of between six and ten participants from three or four Pacific parliaments selected on a rotational basis. Parliaments are invited to participate but selection of individual participants is the responsibility of the invited parliament. Selection of less experienced parliamentarians is encouraged;
- the tour provides opportunities for participants to learn how Australian parliaments operate including practice and procedure, committee systems, administration and the work of a member. They also have the opportunity to exchange views with Australian parliamentarians and officials.

The study tour has been in operation since 1985 and is considered a successful initiative in assisting the Pacific region parliaments understand and develop their role. A copy of a report on the 2001 study tour prepared for CPA headquarters at attachment B provides more detail on the objectives and program of a sample tour.

CPA Australian region trust fund

Following the hosting of the CPA's annual conference in 1988 by the combined parliaments of Australia, agreement was reached by the hosts to use excess funds to establish a trust fund. Funds for the trust were derived from various sources associated with the conference including all of the State and Territory parliaments (except the ACT which was not then a member but has since contributed). The fund was established to provide training and other forms of assistance to parliaments of developing Commonwealth countries particularly those within the Pacific region. An annual program of activities is prepared based on invited proposals. In general the trust funds are used for:

- the conduct of training seminars for parliamentarians and parliamentary officers;
- secondments of parliamentary officers to Australian parliaments;
- visits by members and parliamentary officers from Australian parliaments to benefiting parliaments with an emphasis on training and an exchange of views on areas of common interest; and
- provision of books, materials and equipment for use by benefiting parliaments.

Some examples of trust fund sponsored activities in the region in 2002-03 include:

- *Cook Islands*—Training provided by an Australian based parliamentary officer for members on the Constitution and standing orders. An attachment for a Cook Islands parliamentary officer in Australia to study practice and procedure.
- *Fiji Islands*—Training attachments in Australia for a research officer, librarian and sector committee secretary. A training seminar in Fiji for members and parliamentary staff. Provision of a range of IT equipment.
- *Kiribati*—Attachment in Australia for Parliamentary Counsel for training regarding his or her role, legal matters and drafting private members' bills. The provision of recording machines.

- *Niue*—Training to assist development of a practice and procedure book for the Legislative Assembly. The provision of mini-recorders for committee meetings.
- *Papua New Guinea*—Training attachment for PNG librarian in the Commonwealth Parliamentary Library. Training attachment for human resources officer. Training attachment for Hansard officer in a State parliament in Hansard production and indexing methods.
- *Samoa*—Training for members concerning parliamentary practice and procedure, questions, motions and general debates. Provision of a conference stand alone sound system with recording equipment.
- *Tonga*—Training for a computer operator to manage computer activities in the parliament. The provision of Hansard transcribing machines to assist shorthand writers.
- *Tuvalu*—Training for senior Hansard officer and Second Acting Clerk Assistant.

Inter-Parliamentary Union (IPU) activities

The Australian Parliament is a member of the Inter-Parliamentary Union, an international organisation of parliaments of sovereign states. The IPU is a focal point for world-wide parliamentary dialogue and works for peace and cooperation among peoples and for the firm establishment of representative democracy.

The Australian National Group of the IPU has been involved in sponsoring visits of parliamentary staff to the Australian Parliament to study the operations and management of this parliament. Most recently two parliamentary staff from the National Parliament of East Timor were funded for a study program with the Australian, NSW and ACT parliaments. A copy of the program is at attachment C. This proved a valuable follow up to the contribution of Australian parliamentary staff in the capacity building project undertaken during the transition period of UNTAET management detailed below.

An affiliate of the IPU, the Association of Secretaries General of Parliaments, of which the Clerk of the House is currently President, also sponsors programs for staff of developing Parliaments. An Australian parliamentary officer is currently on a six month attachment to the Assembly of Kosovo arranged through the Association.

Work with other organisations

Capacity building in East Timor

During the period of transition to self-government in East Timor, the UNTAET contracted the provision of capacity building training and assistance in the public sector. The contractor was Illawarra Technology Corporation Limited (a University of Wollongong enterprise) who subcontracted senior staff from the Australian and New South Wales Parliaments to develop and present a training package for members and staff of the National Council of East Timor. AusAID was also involved in the provision of broader assistance across public sector and governance matters.

The then Clerk Assistant (Committees), Mr David Elder, with an officer from the NSW Legislative Council, was involved in the provision of training for members and staff of the National Council in areas covering characteristics of parliamentary government, the legislature, parliamentary procedure, passage of legislation and parliamentary committees. Later Ms Gillian Gould of the House of Representatives Committee Office with officers from the Senate and NSW provided training for the National Council secretariat staff in both

parliamentary matters and office procedures and administration. Details of the scope of services provided by Mr Elder and Ms Gould and a report by Mr Elder are attached at D. The training team worked with the staff and members of the fledgling parliament to help them develop their own procedures and build skills to run their own parliament.

Centre for Democratic Institutions (CDI)—Parliamentary officials course 2002

The Centre for Democratic Institutions is funded by AusAID and works in promoting democracy and training in good governance in the Southeast Asia and Southwest Pacific regions. It is based at the Australian National University (ANU) in Canberra. In 2002 the CDI commissioned a three week intensive training program for mid-level parliamentary officials convened by the Graduate Program in Public Policy at the ANU. The course was aimed at experienced officials of regional parliaments (people from Indonesia, Thailand, Cambodia and Vietnam comprised the first intake) and is intended to be held annually. The course covers the Australian political system, supporting the legislative, scrutiny and international relations functions of parliaments, public budgets, Territory and local government, electoral matters and a range of workshops and institutional visits.

The Department of the House of Representatives, along with other parliamentary departments worked with the ANU to develop the program and presented a number of sessions of the course. A copy of the program is at attachment E.

Assistance to Indonesian Parliament

With the agreement of myself and the President of the Senate, the CDI initiated a training program with the Indonesian Parliament (DPR) in 1998. An officer of the Parliamentary Research Service conducted an initial scoping study and recommended assistance be provided with the development of parliamentary research services, support for committees and legislative drafting. Initially 12 Indonesian parliamentary staff were selected to attend a two week training course in Australia in 2000. The course was specifically developed for them focussing on their own work responsibilities and providing them with an opportunity to be introduced to the broad range of services provided in the Australian Parliament.

In 2002 a group of senior level officers, including the head of the Parliamentary Research Service and the Clerk of the House, visited the DPR. The central objective of the visit was to build on goodwill engendered by the first round of training in Australia and seek to establish an ongoing working relationship between the Parliaments of Australia and Indonesia. A particular objective was to identify areas where cooperation and/or training could be initiated. The visit made a number of recommendations which are being considered and/or implemented, including, for example, a permanent place for an Indonesian official on the annual Inter-Parliamentary Study Program described above.

The Australian Parliament will continue to work with the CDI to assist the DPR in its transition to a more democratic framework.

The UNDP and assistance to Fijian Parliament

Through the auspices of the United Nations Development Programme (UNDP) based in Suva the Australian Parliament, including the Department of the House of Representatives, has provided regular assistance to the Fijian Parliament and other Pacific nation parliaments.

In 1998 and 1999 officers from the House of Representatives, the Senate and the Parliamentary Library prepared and presented seminars for members of the Fijian Parliament. The 1998 seminar covered aspects of parliamentary committees and the 1999 seminar was

specifically for newly elected members of parliament and covered a wide range of topics. A report on the 1999 seminar is at attachment F. The officers who presented the 1999 seminar also prepared and presented a workshop to a Fijian school giving an introduction to parliamentary representation and the purpose of parliament. The teaching materials for this were developed with the assistance of the Australian Parliamentary Education office and were to be used by Fijian schools as part of an ongoing UNDP Fiji Parliament Project.

Since the disruptions in Fiji in 2000 the UNDP has commenced new programs for good governance in Fiji and the Pacific and the Australian Parliament has again provided assistance. Mr Garry Nehl, a former Deputy Speaker of the House, visited Fiji to chair workshops and assist with facilitation of training programs for members of the Fiji Parliament following the Fijian elections. The UNDP has also requested the services of an officer from the Parliamentary Library to design a project for the parliamentary component of its Fiji Good Governance Programme.

Staff from the House of Representatives and the Senate also contributed significantly to the presentations and outcomes for the inaugural Pacific Regional Conference on Governance for Parliamentarians sponsored by the UNDP in 2000. The major objective of the conference was to begin a process whereby Pacific legislatures might strengthen their internal operations and enhance their legitimacy and role in good governance. An outcome of the conference was the establishment of a Pacific Speakers' Forum to meet regularly to determine principles of best practice in all aspects of parliamentary functions.

Conclusion

The Australian Parliament and the Department of the House of Representatives have a long record of support for other parliaments in the region. The Clerk and departmental staff always respond as positively as they can to requests for assistance. The examples set out in this submission reflect only a part of the work which has been done over recent years.

The main constraints on the provision of assistance are, as always, funding and the availability of appropriate staff to participate in projects. The latter is an important consideration as I am of the view that assistance provided by fellow practitioners is far more valuable than any that can be given by professional trainers or presenters. Our parliamentary staff are increasingly developing skills and experience in this type of educational work and there are return benefits and satisfactions in broadening understanding of different parliamentary situations and building friendships. However in these times of tightening budgets and continuing pressure to improve productivity, the capacity to provide increasing services outside this parliament is not unlimited.

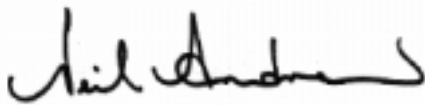
Improving access to technology, especially electronic communications and the Internet, across the region is helping to streamline preparations for visits and attachments and enhance follow up in educational projects. Effective use of technology can to an extent relieve pressure on resources but should not replace opportunities for face to face discussion and experience on the ground.

Working with other organisations such as the UNDP or CDI can also relieve pressure on resources if those organisations are able to provide all the administrative and organisational support for a project with parliamentary staff simply providing their specialist expertise. This may be especially true if the other organisation, like the UNDP, has a continuing presence in the beneficiary country and established relations with the parliament there. Partnerships can be an effective way to provide these services. In addition cooperation among Australian

parliaments has led to a larger pool of people being available to support requests for assistance.

An issue of which the Australian Parliament is always conscious in providing assistance to smaller or developing countries is the need to avoid the appearance of big brother or having all the answers. It is important that each national parliament develops solutions and practices which meet its needs. For this reason I particularly support initiatives which improve skills as well as provide information (for example the capability building program in East Timor) or which help small parliaments to support each other (for example the Pacific Speakers' Forum).

Both I and the Clerk of the House would be happy to provide further information or speak to the committee about these issues.



NEIL ANDREW
Speaker