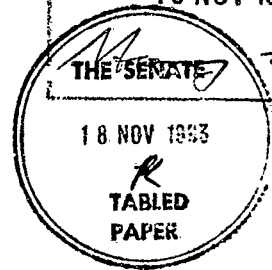


DEPARTMENT OF THE SENATE

PAPER No. 2343

DATE PRESENTED

The Parliament of the Commonwealth of Australia 18 NOV 1993



Joint Standing Committee on Foreign Affairs, Defence and Trade

**AUSTRALIA'S
RELATIONS WITH
INDONESIA**

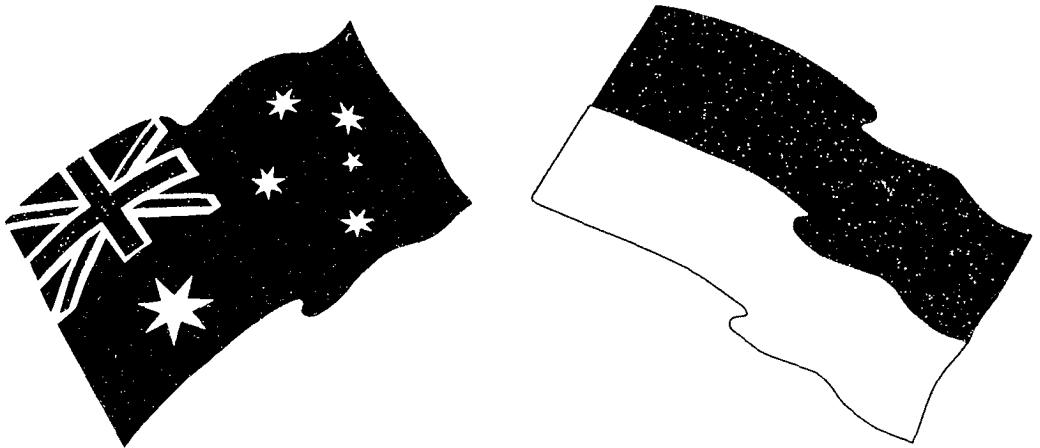
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AUSTRALIA'S RELATIONS WITH INDONESIA



JOINT STANDING COMMITTEE

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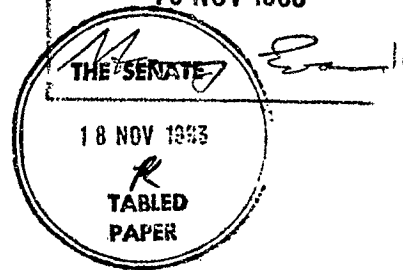
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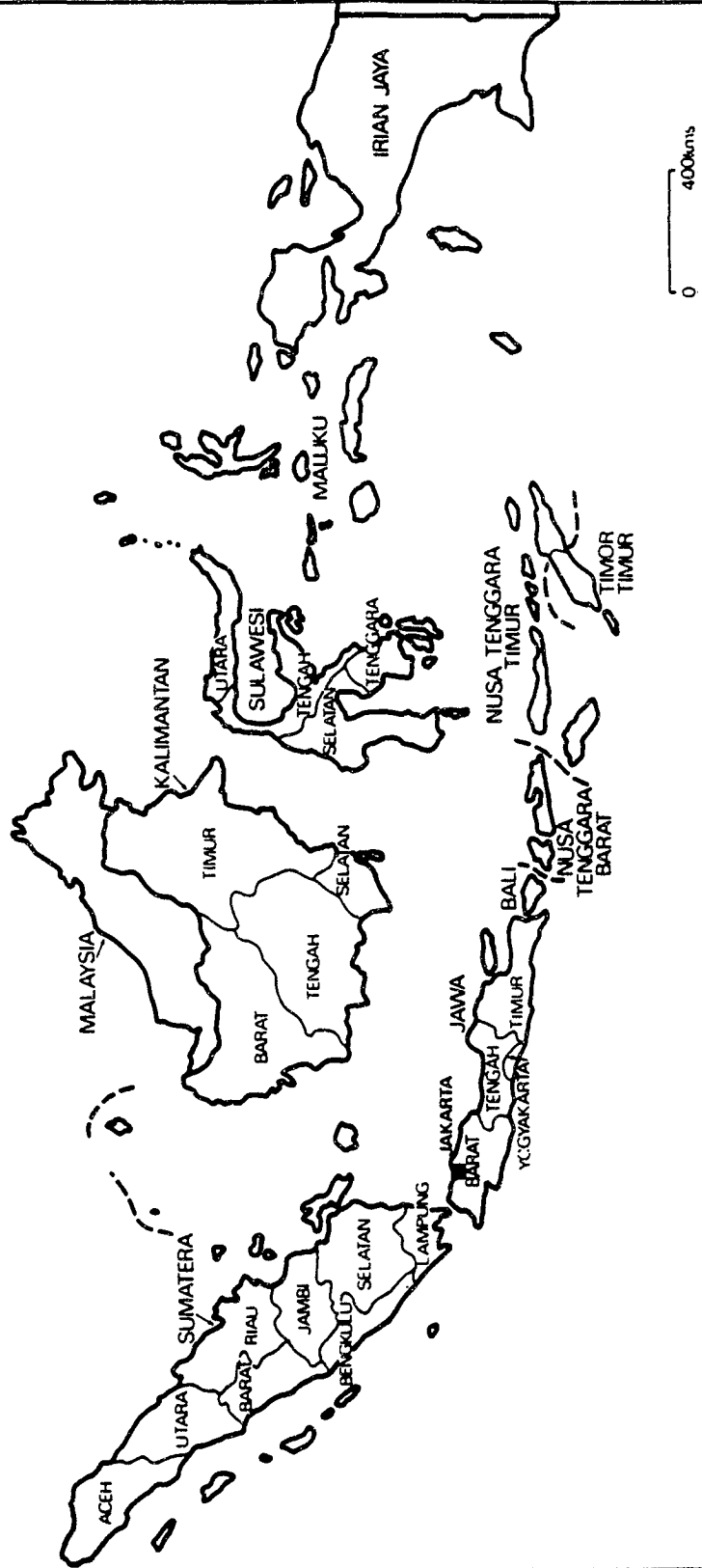
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INDONESIA PROVINCES



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TERMS OF REFERENCE

To investigate and report on Australia's relations with Indonesia, with particular reference to:

- a. economic relations including trade, investment and development assistance;
- b. cultural, political and security issues; and
- c. regional issues involving Australia and Indonesia.

The Australia-Indonesia Institute's Annual Reports for 1990/91 and 1991/92 were also referred for consideration.

**JOINT COMMITTEE ON FOREIGN AFFAIRS,
DEFENCE AND TRADE**

MEMBERSHIP

36th Parliament

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Hon M J R MacKellar MP (Deputy Chairman)

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Senator V W Bourne (from Oct 91)

Senator D G C Brownhill

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Hon J C Moore MP

Hon G F Punch MP (to Nov 91)

Mr J L Scott MP

Rt Hon I McC Sinclair MP

Mr W L Taylor MP

Dr A C Theophanous MP

* Resigned from Parliament on 23 August 1991

** Resigned from Parliament on 31 January 1992

Secretary: Mr P N Gibson MC (to May 91)

Acting Secretary: Ms J Middlebrook (from May 91)

Mrs J Towner (from Oct 91)

Ms M M J Vincent (from Feb 92)

Secretary: Ms M M J Vincent (from June 92)

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Mr M J Lee MP

Hon J C Moore MP

Mr J L Scott MP

Rt Hon I McC Sinclair MP

Senator C Schacht (ex officio)

Hon M J R MacKellar MP (ex officio)

Sub-Committee Secretaries: Ms M A Swieringa
Ms J Middlebrook
Mr P M Regan (from February 92)

Sub-Committee Staff: Ms M Price
Ms M G Brown
Ms D J Singleton

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

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37th Parliament

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Senator V W Bourne

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Secretary: Ms M M J Vincent (to March 93)

Mr P McMahan (from March 93)

Mr P Stephens (from August 93)

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Mr C Hollis MP
Hon J C Moore MP
Rt Hon I McC Sinclair MP
Mr W L Taylor MP

Senator S Loosley (ex officio)
Hon M J R MacKellar MP (ex officio)

Sub-Committee Secretary: Mr P M Regan

Sub-Committee Staff: Ms D J Singleton (to May 93)
Ms C A Stark (from June 93)

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FOREWORD

1. The tabling of this unanimous report into relations with Indonesia completes the Committee's survey of Australia's immediate region. This survey began some years ago and two reports set out the views of earlier Committees: *Australia's relations with the South Pacific*, tabled on 13 April 1989, and *Australia's relations with Papua New Guinea*, tabled on 19 December 1991.
2. This inquiry had its origins in concerns about illegal fishing off the north and north west coast of Australia, but the terms of reference actually adopted were much broader. They encompassed all aspects of the relationship.
3. While the material received covered many facets of the interaction between these two neighbouring countries, two subjects predominated. One was human rights, and East Timor in particular, and the other was fishing operations in northern and north western waters.
4. Human rights are a very difficult and sensitive issue and they have caused problems in the relationship with Indonesia. In this report, the view has been taken that they are a part of the relationship, indeed an integral part, but only one part. The material on this subject should be set against the range and depth of the relationship in the other chapters. It would be impossible to encompass everything about a country in one document; it would be presumptuous to attempt to do so. Inevitably, some issues have received more coverage than others.
5. The Committee did not believe it was possible to produce a credible report on a country without first ensuring that a body of its members had seen something of that nation and its people. The Committee therefore sought and received approval to use an RAAF aircraft for ten of its members to travel around Indonesia from 19 to 31 October 1992.
6. The Study Tour travelled more widely and for longer in Indonesia than any previous Australian Parliamentary group. Although limited by time, it was able to visit many parts of the country with an Australian connection. Particular emphasis was given to the eastern provinces which are a focus of Australian interests, in such areas as education and development assistance.

The opportunity to travel widely and discuss many topics fully meant that those Members who were on the Study Tour have been able to bring to some parts of this report perspectives from their own experience.

7. The Study Tour could not have taken place without the approval of the Government of the Republic of Indonesia and the assistance of the Ambassador, HE Mr Sabam P Siagian. The Committee takes this opportunity to express its formal thanks to all those who were involved in making the visit so worthwhile. The Australian Embassy in Jakarta and the Department of Foreign Affairs and Trade in Canberra were unstinting in their help and also richly deserve our thanks.
8. In addition to the terms of reference for the inquiry, the Committee was charged with examining and reporting on the 1990/91 and 1991/92 Annual Reports of the Australia-Indonesia Institute. These documents have been considered in Chapter 9 against the background of the overall cultural relationship.
9. A number of members who were on the Committee at the time this topic was referred have now resigned or left the Parliament. Their contributions were valuable and we thank them all.
10. Many people worked on this report from the time it was referred to the Committee in June 1991. Thanks are due to Margaret Swieringa, Judy Middlebrook, Denise Picker, Mearl Price, Margaret Brown and Di Singleton who all worked on the inquiry in its earlier stages. To those who were involved in the later stages or for longer periods, our particular thanks: Kate Stark, Elizabeth Robertson and a Parliamentary intern, Zoe Chambers; Jane Vincent and Peter Stephens who were Secretaries in turn to the Committee, and to Patrick Regan.

L D T Ferguson MP
Chair
Foreign Affairs Sub-Committee

SUMMARY OF RECOMMENDATIONS

Recommendation 1. (Chapter 5) The Committee recommends that the Australian Government encourage the Indonesian Government to abide by the provisions of the United Nations Convention on the Law of the Sea (1982).

Recommendation 2. (Chapter 6) The Committee recommends that current discussions about regional security continue and expand, with the object of working towards the creation of a cooperative regional defence structure.

Recommendation 3. (Chapter 6) The Committee recommends that, when major equipment purchases are being finalised:

- . where possible, discussions be held in advance with regional countries to ensure the purposes of these acquisitions are explained; and
- . such purchases are announced in formal statements to Parliament.

Recommendation 4. (Chapter 6) The Committee recommends that the Department of Defence review the appropriateness of training provided to Indonesian military personnel to ensure that:

- . training in international standards of human rights behaviour is provided as an integral part of the defence cooperation program; and
- . training which is provided is directed towards the acquisition of operational military skills and not those which should more appropriately be given to civil police.

Recommendation 5. (Chapter 6) The Committee recommends that the Department of Defence and the Department of Foreign Affairs and Trade examine, in conjunction with such bodies as the Australian International Development Assistance Bureau and the Australian Geological Survey Organisation, the provision of defence and defence-related assistance to Indonesia to ensure that an appropriate, formal level of consultation exists for effective and efficient delivery of that assistance.

Recommendation 6. (Chapter 7) The Committee recommends that the Australian Government respond positively to any request it might receive from the Indonesian Government to assist in reviews of its legal system.

Recommendation 7. (Chapter 7) The Committee recommends that the Australian Government should continue to press for the re-opening of its consulate in Dili.

Recommendation 8. (Chapter 7) The Committee recommends that the Australian Government encourage the Indonesian Government to seek the re-establishment of a direct, regular Darwin-Dili air service to facilitate access for trade and tourism to East Timor.

Recommendation 9. (Chapter 7) The Committee recommends that:

- . the proposed course on human rights be introduced and made compulsory for all officers of the Department of Foreign Affairs and Trade and the Australian International Development Assistance Bureau before they take up overseas postings; and
- . the content and structure of the course be reassessed to ensure that the information provided on the philosophy and practice of human rights is sufficiently detailed to give these officers a sound knowledge of the subject.

Recommendation 10. (Chapter 7) The Committee recommends that the Australian International Development Assistance Bureau include an assessment of progress towards the establishment and protection of human rights, consistent with the Universal Declaration of Human Rights, in the criteria by which it evaluates the feasibility and the success of official development assistance projects.

Recommendation 11. (Chapter 7) The Committee recommends that the Australian Government continue, within the limits of national sovereignty and the principle of non-intervention in the internal affairs of other countries, to make representations to the Indonesian Government about the principles and application of human rights in all parts of Indonesia. Furthermore, the Committee urges the Australian Government to use its good offices to facilitate reconciliation between the Government of Indonesia and the people of Irian Jaya, Aceh and East Timor through discussions with all those who have interests in resolving the issues which currently inhibit the Australia-Indonesia relationship.

Recommendation 12. (Chapter 8) The Committee recommends that the Attorney-General convene a conference of Western Australian, Queensland and Northern Territory Attorneys-General to attempt to standardise the treatment of illegal Indonesian fishermen by different jurisdictions.

Recommendation 13. (Chapter 8) The Committee recommends that the Department of Primary Industries and Energy keep the arrangements for provision of services at Willie Creek under review.

Recommendation 14. (Chapter 8) The Committee recommends that the Department of Primary Industries and Energy consider broadening the scope of the Fisheries Cooperation Agreement with Indonesia to consider the relevance of aquaculture research projects and the joint management of maritime resources.

Recommendation 15. (Chapter 8) The Committee recommends that the Department of Primary Industries and Energy approach Indonesian authorities to undertake jointly a thorough examination of all aspects of Indonesian fishing in Australian waters, using such models as the Torres Straits Treaty with Papua New Guinea, the

Timor Gap Treaty with Indonesia and the forthcoming Convention for Conservation of Southern Bluefin Tuna, with the objects of:

- . renegotiating the 1974 Memorandum of Understanding;
- . defining 'traditional' fishermen in a more appropriate way; and
- . arriving at more effective arrangements for fishermen of both countries in the Arafura Sea.

Recommendation 16. (Chapter 8) The Committee recommends that action be taken urgently to permit carriage of solar powered radios which can receive weather warnings on vessels which would otherwise be classified as 'traditional', and that this matter be part of the examination of the definition of such fishermen in Recommendation 15.

Recommendation 17. (Chapter 9) The Committee recommends that the Department of Foreign Affairs and Trade continue to encourage the Indonesian Government to establish an Indonesia-Australia Institute.

Recommendation 18. (Chapter 9) The Committee recommends that the Department of Foreign Affairs and Trade strongly reaffirm its support for the Australia-Indonesia Institute, its staff and programs, and that the Institute's annual funding allocation be increased to offset the additional costs which it now has to absorb.

Recommendation 19. (Chapter 10) The Committee recommends that, under the provisions of the Memorandum of Understanding on Cooperation in Education and Training, the Schools Council of the National Board of Employment, Education and Training consult the Indonesian Ministry of Education and Culture about ways of providing additional resources to schools, especially those in the eastern provinces. The Committee also recommends that the Department of Employment, Education and Training consults with the Australian International Development Assistance Bureau about the allocation of additional resources for schools in the eastern provinces.

Recommendation 20. (Chapter 10) The Committee recommends that the Department of Employment, Education and Training, with the Australian Vice-Chancellors' Committee, examine the assessment and notification processes for higher degrees to ensure that the time taken is as short as practicable and that the results be conveyed to the Joint Committee within six months.

Recommendation 21. (Chapter 10) The Committee recommends that the report *Degrees of Success* be examined by the Department of Employment, Education and Training and the Australian Trade Commission to establish ways and means by which Indonesian graduates of Australian universities and colleges can continue their association with Australia to the benefit of those graduates and the Australia-Indonesia relationship.

Recommendation 22. (Chapter 10) The Committee recommends that the Department of Employment, Education and Training examines the feasibility of paying Austudy benefits to students pursuing part of their courses in Indonesia.

Recommendation 23. (Chapter 10) The Committee recommends that the framework provided by the Memorandum of Understanding on Cooperation in Education and Training and the Joint Working Group it set up be used to the maximum practical extent to focus and channel Australia's educational contribution to Indonesia.

Recommendation 24. (Chapter 10) The Committee recommends that the Department of Employment, Education and Training:

- . examine, with such bodies as the International Development Program of Australian Universities and Colleges Ltd, the Australian International Development Assistance Bureau and the Australia-Indonesia Institute, the feasibility, cost and funding of an Australian Studies Centre in the eastern provinces of Indonesia;
- . report back to the Joint Committee with its findings within twelve months; and

- . subject to a favourable outcome, give consideration to a formal approach to an appropriate university in the eastern provinces of Indonesia to assist in the establishment and maintenance of such a centre.

Recommendation 25. (Chapter 10) The Committee recommends that the Department of Employment, Education and Training and the Australian International Development Assistance Bureau examine the suggestions put forward by Dr Reeve and his colleagues:

- . preparation of a video series on Australia for use in Indonesia;
- . creation of a system of visiting fellows;
- . creation of a Masters Degree Program at the Australian Studies Centre at the University of Indonesia; and
- . translation of a core of Australian books into Bahasa Indonesia.

with a view to funding them as soon as practicable.

Recommendation 26. (Chapter 11) The Committee recommends that maximum use be made of the Indonesian-Australian High Level Group on Energy and Minerals to ensure:

- . consultations continue with Indonesia to resolve problems of energy demand and supply; and
- . Australian expertise and technology, including all areas of alternate technology, are employed to the maximum extent practicable in the solutions to these problems.

Recommendation 27. (Chapter 11) The Committee recommends that:

- . the Australian Government take every opportunity to impress on the Indonesian Government the serious consequences a

nuclear accident would have for the region, and for north and north western Australia in particular; and

any assistance and advice which can be provided in connection with Indonesia's nuclear plans is made available.

Recommendation 28. (Chapter 11) The Committee recommends that the Ministerial Agreement on Science and Technology be debated in both Houses of Parliament after it is signed, and that detailed information be given at that time about the scope of the subsidiary agreements.

Recommendation 29. (Chapter 12) The Committee recommends that maximum possible use be made of the Australian-Indonesian Ministerial Forum and its Working Group structure to develop bilateral trade.

Recommendation 30. (Chapter 12) The Committee recommends that the Trade and Investment Sub-Group of the Working Group on Trade, Industry and Investment examine the feasibility of Australian assistance in a review and possible re-codification of Indonesian commercial law.

Recommendation 31. (Chapter 12) The Committee recommends that the Australian Trade Commission investigate ways of ensuring the widest possible distribution of its publication *Business Guide to Indonesia*, with the object of including the Australia-Indonesia Business Council and the State and Territory Chambers of Commerce and Industry in its distribution.

Recommendation 32. (Chapter 12) The Committee recommends that the Department of Foreign Affairs and Trade lead a study of the feasibility, likely costs both capital and recurring, structure and management of a comprehensive data base on Indonesia, including appropriate representation from government, academic and business organisations, and report its findings to the Committee within twelve months.

Recommendation 33. (Chapter 12) The Committee recommends that an Australian Consulate be opened in Surabaya as a matter of urgency.

Recommendation 34. (Chapter 14) The Committee recommends that, wherever practicable, the Australian International Development Assistance Bureau ensure that plaques or other means are used to identify projects provided by Australia.

Recommendation 35. (Chapter 14) The Committee recommends that the Australian International Development Assistance Bureau reserve two Sponsored Training Program Scholarships per year for the Australian Studies Program at the University of Indonesia.

Recommendation 36. (Chapter 14) The Committee recommends that there be a full, independent and public review of the theory and practice of the Development Import Finance Facility to ensure its performance is consistent with Australia's development assistance objectives, including progress towards the achievement and protection of human rights in recipient countries.

Part One: Introduction

Chapter 1

Australia's Relations with Indonesia - An overview

This chapter seeks to give an overview of Australia's relations with Indonesia. It has a deliberately Australian perspective. Without this material, much of the rest of the Report would not be readily understandable.

1.1 Before 1945

1.1.1 Much of Australia's northern and north western coasts face the Indonesian archipelago. Each December, the north west monsoon in the Java Sea was the signal for Buginese fishermen to prepare for their annual visit to warm Australian bays and beaches. These were probably the first contacts between the lands which became Australia and Indonesia and they occurred at least several hundred years ago. These fishermen were searching for sea cucumber or trepang. Signs of their contact with the original Australians can be seen in influences on the language and culture of the aboriginal people and in the tamarind trees in northern Australia, the seeds of which came with these fishermen.

1.1.2 Indonesia was a Dutch colony from the early seventeenth century and the Dutch East India Company was established to provide a more efficient trade in spices found in the archipelago. Access through these waters has long been important for vessels travelling between Australia and Europe.¹

1.1.3 Dutch vessels were wrecked off the Western Australian coast on their northern passage to Batavia (now Jakarta). During and after the Napoleonic Wars, the rivalry of the Dutch and the British in and near the archipelago became intense. The Dutch tried to move the British from Singapore, while the British tried to weaken the Dutch by creating a second Singapore in Australia. In 1824, a log fort

¹ *Submissions*, p. S1194

known as Fort Dundas was built on a narrow strait separating Melville from Bathurst Islands north of Darwin. It was maintained for five years.

1.1.4 In June 1827, a trading post named Fort Wellington was built at Raffles Bay on one of the most northerly peninsulas of the mainland, nearly 320 kilometres east of Fort Dundas. There was ample evidence of previous visits by Buginese fishermen in the stone trepang furnaces and wooden curing frames in the Bay. The Fort was closed in August 1829 but not before two large Buginese fleets had visited in successive trepang seasons.²

1.1.5 Dr Campbell Macknight drew attention to the oldest continuous academic and research link between Indonesia and Australia in the field of prehistoric archeology. In 1937, Dr F D McCarthy, of the Australian Museum, collaborated with the Dutch Archaeological Service in Sulawesi. This cooperation has continued and is reflected in the valuable scholarly and technical training still provided to young Indonesian professionals. Dr MacKnight also observed the two countries have enjoyed more than 40 years of relatively close relations.³

1.2 1945 to 1949

1.2.1 The Japanese invaded and occupied the Dutch colony in 1942. Following the Japanese surrender, the Republic of Indonesia was proclaimed on 17 August 1945; the Constitution was adopted as the basic law of the country the next day.

1.2.2 The new republic was then faced with military actions by the Dutch, and initially their allies, which were not resolved until 27 December 1949 when the colony became the sovereign Federal Republic of Indonesia. Australia was among the first countries to recognise Indonesia's right to independence and was asked to represent Indonesia's interests in the United Nations (UN) during negotiations with the Dutch.

² *The Tyranny of Distance*, by Geoffrey Blainey, Revised Edition (Sun Books, Melbourne 1982), pp. 83-89, was the basis of much of this Section.

³ *Submissions*, pp. S474, 476

1.2.3 This period has been characterised as 'a period of close and cordial relations', during which Australia put pressure on the Dutch to make concessions towards independence.⁴ In addition to the official role, there was significant support for Indonesian aspirations from many individuals in Australia, notably former soldiers who had served in Indonesia at the end of the Second World War, and from trade unions which embargoed Dutch cargoes and personnel.⁵

1.3 1949 to 1965

1.3.1 In 1950, Australia co-sponsored Indonesia's admission to the UN; in the same year an Australian ambassador first presented his credentials to President Soekarno. This period of satisfactory relations did not last as it became clear that the relationship is not inherently easy for either country, as a result of complex bilateral issues deriving from proximity with fundamental cultural differences. Differing attitudes over global foreign policy, press freedom and developments in the former Dutch territory of West New Guinea exemplify these difficulties.⁶

1.3.2 In the Dutch-Indonesian dispute over the future of West New Guinea from 1945, Australia supported the Dutch until a settlement was negotiated in 1962 with US involvement. The bilateral relationship was soured by the dispute, but Indonesia appeared to bear very little ill will towards Australia. West New Guinea, or Irian Jaya, became the twenty sixth province of Indonesia.⁷

1.3.3 Serious strains were obvious during 'Konfrontasi' with Indonesia between 1963 and 1966, which also saw actual if minor military conflict on the Sarawak border in 1965. During the period, there was considerable restraint on both sides and it has been noted how successful the Australian government was in making clear its resistance to Indonesia's actions, while at the same time avoiding giving offence to the major Indonesian players.⁸

⁴ *Submissions*, p. S1438

⁵ *Submissions*, p. S1194

⁶ *Submissions*, p. S1195

⁷ *Submissions*, p. S1576

⁸ *Submissions*, pp. S1488, 1578

1.3.4 These two episodes, particularly the second, took place against a background of growing political instability and a flirtation with communism in Indonesia which caused concerns in Australia. In 1965, the abortive communist coup led ultimately to the overthrow of President Soekarno and many significant changes in Indonesia.⁹

1.4 1966 to 1975

1.4.1 The establishment of President Soeharto's New Order Government in 1967 saw an improvement in relations. Both governments were anti-communist and, with the exception of attitudes to the war in Vietnam, there were few issues of dispute in foreign affairs.¹⁰

1.5 1975 to the present

1.5.1 The Indonesian takeover in 1975 with the incorporation of East Timor as its twenty seventh province in 1976 has been the most difficult phase of Australia's relations with Indonesia. In the early 1980s, there were also difficulties over the Irian Jaya-Papua New Guinea border and the treatment of refugees from the western side of that border. While there have been improvements in the relationship since that period, these have alternated with very difficult periods. The latter have included the time after the Jenkins article on President Soeharto's family in *The Sydney Morning Herald* in April 1986 and, most recently and notably, the aftermath of the deaths in Dili in November 1991.¹¹

1.6 Australian Perceptions of Indonesia

1.6.1 It has been pointed out that Australian government policy towards Indonesia has often been out of step with the public's perception of that country. Anti-Indonesian sentiments are said to be widespread in Australia, just below the

⁹ *Submissions*, p. S1195

¹⁰ *Submissions*, p. S1488

¹¹ *Submissions*, pp. S1488, 1195

surface normally but quickly aroused by such episodes as the incident in Dili in 1991. A submission from the Department of Foreign Affairs and Trade (DFAT) obliquely referred to such sentiments generated during the 'Konfrontasi' period.¹²

1.6.2 There clearly are some within the community who have believed that Indonesia has aggressive designs on Australia, with our defence force concerned, in the middle 1960s, about a possible threat. It is revealing that a submission from an expert on Indonesia stated that 'the likelihood of armed invasion from Indonesia or serious conflict with her is extremely low, but it is not entirely negligible'. A witness referred to the Defence budget underwriting 'the fear Australia has' that maybe the Indonesians will 'hoard down' to Australia. It was accepted by some that Australian attitudes were probably conditioned by fear and insecurity, with one witness referring to 'the widespread suspicion and even hostility ... generally based on sheer ignorance and the longstanding fear ... of the threat from the north'.

1.6.3 A DFAT witness drew attention to problems in the past but pointed out that the situation was improving.¹³ Particular mention was made of the establishment of the Australia-Indonesia Institute (AII), and to the improvement in the Australian media's reporting of international affairs. Another witness stated that long term education was the way to improve each country's view of the other.¹⁴

1.6.4 Against the negative views, behind which might be detected unspoken anti-Indonesian sentiments, must therefore be set the interest in, knowledge and love of Indonesia shared by many other witnesses. Much of the evidence received suggests that there is now more dialogue and greater attempts, no matter how halting, to understand the other's point of view than in the past. While Australia wants to 'put ballast' into the relationship, increased contacts by the people of both nations give a feel and depth that formal relationships between governments can never have.

¹² *Submissions*, pp. S1573, 1490, 1578

¹³ *Transcript*, 12 March 1992, pp 405-406; *Submissions*, pp S1493; *Transcript*, 4 February 1992, pp. 82, 117

¹⁴ *Transcript*, 12 March 1992, pp. 332-333, 345-346

1.7 Differences and Similarities

1.7.1 It is a fact that Australia and Indonesia are about as different as neighbours can be. The differences between our cultures, languages, religions, ethnic composition, population size and economies, as well as political, legal and social systems, are probably greater than are those of any other two adjacent countries. Nevertheless, both nations are in the same region and, as a witness from DFAT put it, 'we must work out and foster and preserve ways of working together as equals'. These differences are fundamental to the relationship and are always present; periodically, other external factors add further difficulties.¹⁵

1.7.2 Given these differences, there is a need for tolerance and understanding which has not always been shown by some individuals in each country. Some Indonesians, and some Australians, need to be aware that governments are not all powerful in all areas. Individuals are more free, in some senses and within the law, to say what governments often can not. This different and greater degree of freedom is a central feature of the Australian social-political system and it is one that must be remembered in situations where 'the Government' is being encouraged to take action on such issues as human rights in Indonesia or the fate of the East Timorese.¹⁶

1.7.3 At the unofficial level, increased people-to-people contact operates successfully in a range of ways. The fact that there now seem to be many more things which bring the two countries together than keep them apart indicates that, in spite of past xenophobic attitudes, travel, education and better media coverage seem to be working. That such a statement must be so tentative suggests both difficulties in the past and the amount of effort required to keep the relationship working formally.

¹⁵ *Transcript*, 12 March 1992, pp. 326-327

¹⁶ *Submissions*, p. S1492

1.8 Australia's Trade with and Investment in Indonesia

1.8.1 Australian trade and investment in Indonesia is one notable way the two nations come together, symbolised by the existence of the Australia-Indonesia Business Council (AIBC) which was formed in 1989; it now has about 470 members. There is an equivalent body in Indonesia.

1.8.2 Commercial relations with Indonesia have expanded significantly in the past few years, with trade between the two countries totalling nearly \$A3 billion 1992. Of this amount, Australia's exports were \$A1.7 million and Indonesia is now our tenth largest export market and eleventh largest trading partner.¹⁷

1.8.3 This relationship is narrowly based, with crude petroleum, mining, primary products and some unprocessed/semi-processed goods as the most significant Australian exports. Such a narrow focus was understandable until the mid 1980s when there were few features common to both economies. Since Indonesia's deregulation and resulting expansion from the mid-1980s, together with deregulation in Australia, many new opportunities have been created in each economy for the other.

1.8.4 The fastest growing sector of Australian exports, although from a small base, has been elaborately transformed manufactures (ETMs) including telecommunications equipment and parts, general industrial machinery and electrical switches. ETMs accounted for 22 per cent of Australian exports to Indonesia in 1990/91. Such trade is symptomatic of the opportunities Australian industry could find because of the new manufacturing industries being set-up in Indonesia.¹⁸

1.8.5 In 1990, Australia supplied 5.5 per cent of Indonesia's merchandise imports, a figure which had steadily improved in the 1980s; our market share actually declined in 1990 as our exports had not kept pace with growth in the Indonesian market.¹⁹

¹⁷ *Submissions*, p. S2209; *Transcript*, 29 June 1993, p. 2006

¹⁸ *Transcript*, 15 April 1992, p. 702

¹⁹ *Submissions*, p. S1071

1.8.6 Investment in Indonesia by Australian companies is in the order of A\$1,000 million, mainly in minerals (coal, gold and tin) but with some long established manufacturing joint venture operations.

1.9 People-to-People Contacts

1.9.1 *Tourism* The most visible example of people-to-people contact is probably tourism. DFAT noted that 179,483 Australians visited Indonesia in 1990 of whom at least 135,570 went to Bali. This figure was an increase of 7.3 per cent over the previous year. Australians accounted for 28 per cent of all foreign visitors to Bali and just under 9 per cent of all foreign visitors to Indonesia in that year.

1.9.2 In 1990, 34,400 Indonesians came to Australia on short-term visits of less than one year. Of these, the majority came from the island of Java.²⁰

1.9.3 *Migration* Between 1,000 and 1,400 people from Indonesia settle in Australia each year; rather fewer Australians migrate to Indonesia.²¹

1.9.4 *Education* A number of witnesses, government bodies and private citizens, agreed on many aspects of Australia's educational relationship with Indonesia. In particular, it was accepted that education was central to the overall relationship and that education, especially the study of its language, was seen as fundamental to understanding another society and another culture. On the other hand, the overall educational relationship with Indonesia was seen as fragmented, in spite of the fact that that country is now our fourth largest market for education services. A witness from the Northern Territory (NT) Government observed that education is better placed than most other sectors to enhance the relationship by building contacts, trust and goodwill. The Department of Employment, Education and Training (DEET) gave evidence on the range of programs available.²²

²⁰ *Submissions*, p. S1567; *Transcript*, 29 June 1993, p. 2065

²¹ *Transcript*, 15 April 1992, pp. 609-611

²² *Transcripts*, 14 April 1992, pp. 184, 290, 653; 12 March 1992, pp. 451-452; 10 June 1992, pp. 1052-1053

1.9.5 Members of the Committee who went to Indonesia in October 1992 saw evidence of some constructive work being done in Ambon and Jayapura by the Indonesia-Australia Technical and Vocational Education Project. Some also saw the Australian Studies Centre at the University of Indonesia. Witnesses from the NT Government gave a great deal of evidence on the educational relationship with Indonesia. Evidence also was given, however, of the difficulty of getting finance for educational projects, as was some indication of the educational market in Indonesia; a university sector has been developed. Indonesia has a five year plan for universal primary/lower secondary education which has been achieved to Year 9.²³

1.9.6 As at 30 June 1991, 3,548 (or 7.4 per cent) of the total number of full cost students in Australia were from Indonesia. This number was broken up as follows:

| | |
|--------------------------|-------|
| Higher education | 1,485 |
| TAFE/post secondary | 867 |
| English language courses | 471 |
| Secondary | 725 |

At Brawijaya University, at Malang in East Java, some Committee members heard graduates of Australian universities now on the staff of that university comment on their experiences while studying in this country. Most of these graduates have happy and positive memories of their time in various cities and were positively disposed to this country. This tends to support formal evidence received about the value of the educational relationship.²⁴

1.9.7 *Sister State/Province/City Relationships.* Evidence was received about the following formal relationships between Indonesia and Australia:

²³ *Transcript*, 10 June 1992, pp. 1051-1058, 1134, 1137, 1139

²⁴ *Submissions*, p. S1450

Sister State/Province Relationships:

Queensland with Central Java

Western Australia with East Java

Sister City Relationships:

Brisbane with Semarang

Darwin with Ambon

Bega Valley with Bandung

Lismore with Ujung Pandang.²⁵

1.9.8 Western Australia and Queensland have close and well-developed relationships, in a number of different fields, with different provinces in Indonesia and are notable for the way they are enhancing their interests in Indonesia. Submissions and verbal evidence from the NT Government, the Darwin City Council and the Rotary Club of Darwin North, while obviously not the only examples, give an excellent picture of the range of activities carried out from Darwin. Submissions from all three State/Territory Governments stress the importance of their proximity to Indonesia.

1.10 Media Contacts

1.10.1 The submission by the Australian Broadcasting Corporation/Radio Australia (ABC/RA) gives detailed information about radio and television broadcasts into Indonesia. These broadcasts, by RA and Australia Television (AUSTV), communicate directly with the audience, and the daily format constantly seeks to reinforce the concept that Australia is a responsible, pluralist - sometimes fallible - country.²⁶

²⁵ Transcript, 11 June 1992, p. 1214

²⁶ Submissions, p. S1733

1.10.2 RA spends about A\$4.5 million per year on its South East Asian Service and the Indonesian unit, which employs 19 staff, accounts for about 74 per cent of the direct salaries and expenses in that amount.²⁷

1.10.3 In 1991, after an absence of some years, the ABC appointed one of its most experienced and able persons as its correspondent in Jakarta. The ABC saw this appointment as a signal of its commitment to Indonesia and an acknowledgment of the editorial maturity needed for the position. When this correspondent returned to Australia, his replacement was equally experienced.²⁸

1.10.4 In addition to the ABC, Australian Associated Press (AAP) has a correspondent in Jakarta; regional correspondents for other Australian media outlets visit as required. About 200 journalists have received visas to enter Indonesia and report over the past two years or so.²⁹

1.10.5 Since July 1993, AUSTV has been broadcasting sixteen hours per day of Australian-made programs from a satellite link-up in Darwin, taking the best of the ABC's news, current affairs, educational, children's drama and entertainment. One of the satellites in the Indonesian Palapa system is used to provide these programs. The ABC's Managing Director was quoted as saying the service will be 'culturally sensitive'. It was suggested that this international service would do more in 12 months to create an awareness of Australia in the region than years of cultural diplomacy.³⁰

1.11 The Australia-Indonesia Institute

1.11.1 The Australia-Indonesia Institute (AII) was founded in 1989. Its task is to enhance the relationship between the two countries by increasing people-to-people contact in a wide range of fields.³¹

²⁷ Submissions, p. S1731

²⁸ Submissions, p. S1803; Transcript, 28 June 1993, p. 1902

²⁹ Transcript, 12 March 1992, p. 345

³⁰ Submissions, pp. S1738, 1810; The Age, 26 November 1992, p. 7; Insight, 14 December 1992, p. 6; Transcript, 28 June 1993, p. 1898

³¹ Submissions, p. S421; Transcript, 12 March 1992, p. 391

1.11.2 Since its inception, the AII has taken a multi-dimensional approach to its mandate. It seeks to develop a network of linkages in all areas of its activities which in combination contribute to a more stable and broadly based relationship.

1.11.3 The activities of the AII cover a broad range of areas relevant to the Australia-Indonesia relationship. Such activities include projects and exchanges which focus on media relations between the two countries. A more detailed account of the role, aims and activities of the AII, and of the range of other cultural contacts between the two countries, is at Chapter 9 below.

Chapter 2

Indonesia - A brief description

This chapter outlines the location and characteristics of the archipelago and gives some indication of its people, the State philosophy and structure. Some basic information is given on the economy and trade with Australia.

2.1 Location, Land and Climate

2.1.1 The Republic of Indonesia lies to the north and north west of Australia, from 6°08' north latitude to 11°15' south latitude, and from 94°45' to 141°05' east longitude. With Papua New Guinea, it is our closest neighbour. It is the largest archipelagic state in the world, consisting of five major islands and about 30 smaller groups; of its 13,600 islands, about 6,000 are inhabited. This archipelago is located in two oceans, the Pacific and Indian, so that its sea area is four times larger than the land area of 1.9 million square kilometres.

2.1.2 The archipelago can be divided into three groups of islands: the islands of Java, Sumatra and Kalimantan (part of which is Malaysia) with small islands in between lie on the Sunda Shelf; Irian Jaya on the western end of the island of New Guinea and the Aru islands lie on the Sahul Shelf which stretches north from the Australian coast. Between these two shelves is the island group of Nusa Tenggara, Maluku and Sulawesi.

2.1.3 The land area of Indonesia is generally covered by thick tropical forests, with fertile soils replenished by volcanic eruptions like those on Java.

2.1.4 Indonesia's climate is characterised by two tropical seasons which vary with the equatorial and meridian air circulation. The west and east monsoons or the rainy and dry seasons are the prevalent features of the climate.

2.1.5 The dry season (June to September) is influenced by the Australian continental air masses, while the rainy season (December to March) is the result of the Asian and Pacific Ocean air masses.

2.1.6 Because of the large number of islands and mountains, average temperatures may be classified as:

| | |
|----------------------------|-----------------------------|
| Coastal plains: | 28°C |
| Inland and mountain areas: | 26°C |
| Higher mountain areas: | 23°C, varying with altitude |

Average relative humidity is between 70 and 90 per cent

2.2 People

2.2.1 With a total population of more than 180 million people, Indonesia is the fourth largest nation in the world. Average annual population growth to the mid 1980s was 2.1 per cent, which dropped to 1.9 per cent at the end of the 1980s.

2.2.2 Although Java is only about seven per cent of the land mass of Indonesia, about 60 per cent of the nation's population lives on that island. Sumatra, with about 25 per cent of the land area, has about 20 per cent of the population. A transmigration policy has been used and is still in existence, to overcome the uneven distribution of population. In addition, there is considerable unassisted migration within Indonesia.

2.2.3 The agricultural sector remains the most significant in Indonesia, contributing about one quarter of Gross Domestic Product (GDP) and employing over half of the nation's workforce. There is a drift away from the countryside to cities and larger rural centres, with resulting pressures on the nation's infrastructure.

2.3 Language

2.3.1 While the national language is Bahasa Indonesia, some 580 languages and dialects are spoken in the archipelago. These belong to the various ethnic groups within the population and, because they continue to be spoken, they will not be abolished.

2.4 The Indonesian Economy and Trade with Australia

2.4.1 Indonesia's economy has enjoyed solid and consistent growth rates for the past 20 years. This period has coincided with the era of political stability under the leadership of President Soeharto and the New Order government.

2.4.2 Prior to the President's emergence, the economy was characterised by hyper-inflation, a collapsing infrastructure and a heavy burden of overseas debt. In the late 1960s, the President appointed a range of economic technocrats to key economic positions. The management of the economy has remained in essentially the same pragmatic, Western-oriented hands since then. Features of the economy since then have included market oriented policies, balanced budgets and the use of foreign aid.

2.4.3 In 1969, under the New Order government, the foundations of the five-year development plans (Repelitas) were laid. In each Repelita, the primary objectives have changed with the emphasis on agriculture and transportation giving way progressively to a focus on the promotion of industry for 'take-off'.

2.4.4 Indonesia's Gross National Product (GNP) grew at two per cent per year between 1960 and 1967, and at an average of seven per cent per year from 1969 to 1983. Growth has continued and, in the latter period, the Republic was helped by the oil booms of the mid- and late-1970s, by the rapid increases in agricultural productivity and by steady, growing levels of foreign aid and investment. Until the middle 1980s, when oil prices fell sharply, earnings from oil and gas provided over 70 per cent of Indonesia's foreign earnings. An appreciating yen, in which much of

Indonesia's foreign debt had been denominated, led to both an increasing level of indebtedness and a reduced potential to repay those debts.¹

2.4.5 The strategies to overcome these problems, implemented with Repelita IV (1984/85 to 1988/89) and Repelita V (1989/90 to 1993/94), were:

- . to revise fiscal policy to reduce dependence on revenue from oil and gas while maintaining a balanced budget, and
- . to reduce dependence on oil and gas by adopting policies to encourage non-oil/gas (in particular manufactured) exports.

2.4.6 The first of those strategies entailed:

- . a significant broadening and expansion of the taxation system, with particular emphasis on the introduction of a value added tax, and
- . cuts in government expenditure by freezing civil service salaries and reducing public works, while ensuring debt repayments continued.

2.4.7 The second strategy required a broader range of policy initiatives, including:

- . two major devaluations of the rupiah, to make exports more competitive and amounting to a depreciation of over 55 per cent over the 1980s. At the same time, tight fiscal and monetary policies were instituted to offset any inflationary pressure which could have resulted from the devaluation,
- . introduction of trade and tariff reforms to increase export incentives and lower entry barriers to the domestic economy,

¹ *Submissions*, pp. S1201-1202

- . simplification and streamlining of administrative regulations and procedures to assist economic activity and reduce delays, especially in the customs area, and
- . deregulation of the financial, manufacturing imports and transportation sectors, and the easing of investing restrictions. A near doubling in the number of banks was a prominent result of deregulation of the financial sector.

2.4.8 The results of these measures were encouraging:

- . the value of manufactured exports accounted for 49 per cent of total export value in the first nine months of 1990, up from 11 per cent in 1982,
- . dependence on oil/gas earnings for domestic revenue fell to about 31 per cent in fiscal year 1989/90,
- . GDP growth rates rose, in real terms, from less than three per cent per year in 1982-85 to more than five per cent in the years 1986 to 1988 and to over seven per cent in 1990,
- . the overseas debt level stabilised, while the debt service ratio fell below 30 per cent for the first time in many years. There was an expansion in private sector debt which led the President to urge postponement of private sector investment projects and curtailment of private sector foreign borrowing, and
- . the attraction of record levels of foreign and domestic lending.²

2.4.9 The primary sector of the economy - agriculture and mining - absorbs the majority of the workforce and contributes about 34 per cent of total GDP. Agriculture, predominantly rice production but with significant plantation crops such as palm oil, rubber, coffee, tea and spices, accounts for about 20 per cent of GDP. Much of the agricultural activity is small-scale and at a subsistence level. Mining

² *Submissions*, pp. S1201-1203

has, in recent years, attracted significant levels of investment from Australian companies.

2.4.10 Economic reform and deregulation, since 1988, has seen record levels of approval of both foreign and domestic companies. Much of this investment has been in manufacturing, especially textiles, clothing, footwear, electronics, pulp and paper. This sector currently contributes about 22 per cent of GDP, a substantial increase from the 12 per cent it accounted for in 1982. State Policy guidelines are directed towards higher production from the non-agricultural sector while retaining a balance with a viable agricultural sector.

2.4.11 While tertiary sectors, such as trade and retail, tourism, government, transportation, utilities and banking, make important contributions to the GDP, there has been a significant slowdown in banking, capital market and stock market activity since early 1991.

2.4.12 In May 1991, the World Bank reported that the growth of the Indonesian economy in the 1980s was in general associated with rising living standards. Structural change has resulted in employment and real income growth in the poorest groups and a dramatic decline in poverty. The percentage of the population living below the official poverty line fell from 40 per cent in 1976 (about 54 million people) to about 17 per cent (about 30 million people) in 1987.³

2.4.13 Another result of the growth of the 1980s has been the growth (or accelerated growth) of a middle class in Indonesia which has been estimated at ten per cent of the population.⁴

2.4.14 While the annual target of economic growth set for Repelita V (1989/90 to 1993/94) is five per cent, this is behind growth rates of some of Indonesia's partners in the Association of South East Asian Nations (ASEAN). In spite of the changes which have been made, and World Bank (IBRD)/International Monetary Fund (IMF) predictions of consistently strong growth of between five and six per cent for the rest of the century, significant economic challenges remain, including:

³ *Submissions*, p. S1203

⁴ *Transcript*, 1 December 1992, pp. 1719-1720; *Submissions*, p. S1484

. An imbalance between western Indonesia and the less developed east which has become more pronounced over the past ten years. The current Repelita includes increased emphasis on development in the east.

. The emergence of large business conglomerates in Indonesia which has, with financial deregulation, added another dimension to the debate about the distribution of economic benefits. There are growing concerns about the gap between rich and poor and its potential to cause social strife.

. 2.5 million new job seekers enter the labour market each year; economic growth of about five per cent per year is needed simply to provide jobs for these people. Although the official unemployment rate is about 2.5 per cent, if it was defined as in most Organisation for Economic Cooperation and Development (OECD) countries it would be about 30 per cent. Up to 60 per cent of the 80 million people in the workforce is under-employed, and there has been a degree of unrest over unsatisfactory labour conditions.

. For those with a full-time job, the minimum daily wage, often ignored by employers and earned in unsuitable conditions, is A\$2.20 in Jakarta. The government admits this is not enough on which to live.

. There are significant infrastructure problems in the transport and communication sectors, as a result of the rapid economic growth.

. Inflationary pressures in the economy. The official inflation rate in 1990 and 1991 was 9.5 per cent, the highest level for seven years. Inflation was reported at about six per cent for 1992.⁵

⁵ *Submissions*, pp. S1204-1205; *The Australian Financial Review*, 7 January 1993, p. 9

2.4.15 The transformation in the Indonesian economy since the middle 1980s is impressive and a tribute to those who have presided over it. Some assessment of the role of Australia's Official Development Assistance (ODA) is in Chapter 14 below. At the level of most Indonesians, the Government's biggest challenge is to change the situation where employment is 'actually a luxury'. If, as reported, the GDP grew about 5.75 per cent in 1992 (about one per cent down on 1991), the foreign debt held steady at about \$US78 billion and non-oil/gas exports grew about 20 per cent, favourable trends are continuing, with about six per cent growth forecast for 1993 and 1994.⁶

2.4.16 One of the results of financial deregulation was many under-capitalised banks; poor management and lack of central supervision have contributed to their problems. The closure of a bank in December 1992 was followed by a reassuring statement about the soundness of the overall system and the concession that more supervision was required. While exact figures are not available, investment in Indonesia has fallen and other opportunities in China and Vietnam are beckoning. These problems could strengthen the move towards State intervention and more controls on the private sector.⁷

2.4.17 Indonesia's exports to Australia were valued at \$A496 million in 1989, \$A521 million in 1990, \$A934 million in 1991 and \$A1243 million in 1992. About half of Indonesia's exports to Australia by value in the three years 1990 to 1992 were of petrol and petroleum products and they increased in value from \$A252.5 million to \$A646.3 million. Other products have increased rapidly in value. Trade between Australia and Indonesia is dealt with in Chapter 12.⁸

2.5 Energy and Resources in Indonesia

2.5.1 Indonesia has enormous reserves of coal and is expanding its industry rapidly, using coal as fuel in power stations. Over the last decade, it has implemented policies to encourage foreign and private companies to establish mining operations. Several Australian companies are major investors. Deposits, principally

⁶ *Transcript*, 1 December 1992, p. 1721; *The Australian Financial Review*, 19 July 1993, p. 13
⁷ *The Australian Financial Review*, 10 December 1992, p. 24
⁸ *Submissions*, pp. S1206-1207; Exhibit No 102.

of thermal coal, vary from low grade in Sumatra to high grade export quality in East Kalimantan, usually in easily accessible open cut mines. Estimates of Indonesian exports to 2000 vary from 20 to 30 million tonnes per year and this could provide competition with some Australian export coal. At present, Indonesia is exporting about six million tonnes per year.⁹

2.5.2 Indonesia has 2.2 per cent of world reserves of natural gas. It exports about 21 million tonnes of Liquefied Natural Gas (LNG) annually, of which over 80 per cent is destined for the Japanese market. Liquefied Petroleum Gas (LPG) and LNG are both produced to reduce dependence on petroleum as a source of energy.

2.5.3 Bauxite mined at Bintan is exported to Japan. While the Indonesian government has longstanding plans to build an alumina refinery to process the output, there is doubt whether such a refinery would be viable given the availability of high quality, competitively-priced Australia alumina.¹⁰

2.5.4 Indonesia also mines tin, nickel, copper, gold and silver.

2.5.5 Consumption of electricity increased rapidly in the late 1980s; this expansion is aimed at the industrial sector and to meet household needs, including rural electrification.

2.5.6 Exploration, production and refining of crude oil all increased in the early years of Repelita V. While most production is for export, the domestic consumption of fuel oil in particular is increasing. Refineries have been able to meet a part of this need, as well as some non-fuel needs. Exploration and exploitation of petroleum and gas resources by Australia and Indonesia are provided for under the Treaty on the Zone of Cooperation in an Area between the Indonesian Province of East Timor and Northern Australia which came into force on 9 February 1991. Drilling has begun on one area of the Timor Gap where a joint development regime applies. The Treaty is one of the most significant bilateral agreements in Indonesia-Australia relations.¹¹

⁹ *Transcripts*: 5 February 1992, pp. 315-316; 14 April 1992, pp. 502-503
¹⁰ *Submissions*, p. S926
¹¹ *Submissions*, p. S925

2.6 The Indonesian State Philosophy and Structure

2.6.1 Pancasila, from words meaning 'five principles', is the national ideology or philosophical basis of the Indonesian state:

- . belief in the one and only God;
- . just and civilised humanity;
- . the unity of Indonesia;
- . democracy guided by the inner wisdom in the unanimity arising out of the deliberations among representatives; and
- . social justice for the whole of the people of Indonesia.

2.6.2 These principles are included in the Preamble to the 1945 Constitution. The nation's motto 'unity in diversity' is on the coat of arms which commemorates the declaration of independence on 17 August 1945.

2.6.3 The various islands and sub-regions of Indonesia are home to a range of cultures and religions. This cultural plurality is accompanied by a remarkable religious tolerance. While 85 to 90 per cent of the population is Muslim (mainly Sunni) and is the largest national Islamic population in the world, Indonesia is not an Islamic state. Under Pancasila, there are five officially recognised religions.¹²

2.6.4 According to the 1945 Constitution, there are six organs of the state:

- . the People's Consultative Assembly;
- . the Presidency;
- . the House of Representatives;
- . the Supreme Advisory Board;

¹² *Submissions*, p. S1221

- . the State Audit Board; and
- . the Supreme Court.

2.6.5 The Republic of Indonesia is divided into 27 provinces which are subdivided into 241 districts, 56 municipalities and 3,625 sub-districts. Three of the provinces are special territories: the capital Jakarta, and the special territories of Yogyakarta and Aceh.¹³

¹³ Material for this chapter was drawn from Exhibit No 111

Part Two: Political, Security and Regional Issues

Chapter 3

The Indonesian Political Structure

Some knowledge of the Indonesian political system and the succession issue is vital for understanding how the country functions, and about one of the present strains within it.

3.1 The Presidency

3.1.1 The President is Head of State, head of government with executive powers and Supreme Commander of the Armed Forces of Indonesia (ABRI). He has wide powers to issue executive decisions and regulations, and may rule by decree in an emergency for one year. The President must approve all Bills passed by the Parliament before they gain the status of law. With the exception of the Vice-President, he can choose his own Cabinet. If the President is unable to complete his term, the Vice-President completes it.

3.2 The Parliament

3.2.1 Article 1 of the 1945 Constitution states that Indonesia is a republic with sovereignty vested in an elected People's Consultative Assembly (Majelis Permusyawaratan Rakyat or MPR). Its main tasks are to approve the Guidelines of State Policy for implementation by the President, and to elect the President and the Vice-President for a five year term; it can also amend the Constitution. In practice its role is largely ceremonial, as it only meets once every five years to elect the President and Vice-President. The MPR's members are:

the 500 members of the House of Representatives, made up of 400 elected representatives of the three political parties or groups and 100 appointed ABRI representatives, and

- . 400 regional representatives, additional political party and ABRI representatives, and
- . 100 representatives of other professional and community groups appointed by the President on those bodies' recommendation, or at his discretion.

The MPR met in March 1993 to elect a new President and Vice-President.

3.2.2 The House of Representatives (Dewan Perwakilan Rakyat or DPR) is the legislative body of the State to which the Government submits bills for consideration. Decisions in the DPR are preferably arrived at by consensus, although issues can be put to the vote. It has 11 Commissions (or committees) which examine all aspects of national administration:

- Commission I : Foreign affairs, defence and security, information, the Armed Forces, the National Defence Council, the National Intelligence Coordinating Body, and the State 'Code' institution.
- Commission II : Home affairs, the office of the Minister for Administrative Reform, the State Secretariat, the Junior Minister/Cabinet Secretary, the Institute of Public Administration, the Civil Service Administration, the National Archives, and the Board to Promote Education implementing the Guidance of the Comprehension and Practice of Pancasila.
- Commission III : The Department of Justice, and the Attorney General's Office.
- Commission IV : Agriculture, forestry and transmigration.
- Commission V : Communications, tourism, post and telecommunications, public works, People's Housing and the Council of Telecommunication.

- Commission VI : Industry, mining, energy, manpower, and the Investment Coordinating Board.
- Commission VII : Finance, trade, cooperatives, the Central Bank and the National Logistics Body.
- Commission VIII : Public health, social affairs, the role of women, and family planning.
- Commission IX : Education and culture, religious affairs, the young generation and sport.
- Commission X : National development planning, population and the environment, research and technology, the National Development Planning Agency, the Board of Technological Research and Application, the Indonesian Institute of Sciences, the National Atomic Agency, the National Mapping and Survey Coordinating Board, the National Space and Aeronautics Institute, and the Indonesian Aviation Council.
- Commission XI : The State Budget.

3.2.3 An election for the DPR was held in June 1992. While the DPR serves as a forum for debating government policy, its members can initiate their own bills; these must be accompanied by an explanatory memorandum, signed by at least 30 members. Before a bill is approved, four 'readings' (or discussions), including one by a commission, are required. A bill becomes law following signature by the President and subsequent gazettal.

3.2.4 Beneath the National Parliament are the provincial and district parliaments. Authority is centralised and emanates from the national level down. The 27 provincial governors are answerable to the Minister for Home Affairs and have few independent sources of revenue.

3.3 Political Parties or Groups

3.3.1 There are two 'political parties' and one 'functional group' representing different interests in Indonesian society. While not formally a party, Golkar has for a long time had the support of ABRI and of the civil service. In the June 1992 election, it won about 68 per cent of the vote; it is widely seen as the party of the ruling elite.¹

3.3.2 The United Development Party (PPP) is the result of the fusion of several Islamic parties and gained 62 seats from about 17 per cent of the vote. The Indonesian Democratic Party (PDI) won 56 seats from about 15 per cent of the vote. These percentages represented a five per cent loss for Golkar since the 1987 election, but a four per cent increase for PDI and a one per cent increase for PPP. Some commentators have seen these results as a warning that there is a growing group of people who believe there should be an improvement in social conditions and a change to the political structure. If this is so, it is particularly important in the context of the increasing middle class in Indonesia.²

3.4 The Political Role of the Military

3.4.1 While 100 positions in the MPR/DPR are reserved for ABRI appointees, members of the armed forces cannot vote or stand as candidates in general elections. Its representation is part of its 'dwi fungsi', or dual function, as both the guardian of national security and as a socio-political force. Its central role in society is derived from its role in the War of Independence against the Dutch from 1945. One of the consequences of the dual function has been the ability of serving ABRI officers to hold senior and influential positions not always associated with the military in other countries. Even allowing for its crucial role in the independence struggle, ABRI's powerful position within Indonesia is curious by other standards. Critics within Indonesia have suggested that ABRI is over-represented in the Parliament.³

¹ *Submissions*, p. S1224

² *The Weekend Australian*, 13 June 1992, p. 16

³ *Submissions*, p. S1225; *The Sydney Morning Herald*, 17 August 1992, p. 15

3.4.2 In addition to its role in Parliament, ABRI has other sources of influence, notably through the number of retired officers who are in the Cabinet, filling senior positions such as provincial governors, in the civil service and in Golkar. The significance of such widespread influence is difficult to exaggerate. In the past, however, the number and influence of serving or former ABRI officers in the Cabinet, compared to professors for example, was said to be overstated.⁴ Following the meeting of the MPR in March 1993, the President appointed a 40 person Cabinet. Twenty-two of the Ministers were new appointees; and military representation declined from 11 to nine; of these, only four or five had held top military positions. Perhaps more significant than the simple reduction of numbers was the removal of former General Rudini from the powerful Home Affairs Ministry. Twelve of the 27 provincial governors are classified as military.⁵

3.4.3 Regional military commanders are not under the control of civilian provincial authorities, answering to military headquarters in Jakarta, and they can take action to deal with sudden security disturbances. The role of the military will be considered in Chapter 6.

3.5 The Supreme Advisory Council

3.5.1 The Supreme Advisory Council's role is derived from Article 16 of the 1945 Constitution: to provide advice to the President on the affairs of the State; it may also submit recommendations or express its own views. Members are nominated by the DPR and appointed by the President for five years. Made up of a Chairman, four Vice-Chairman and 45 members, it has four committees covering the following areas:

- . political;
- . economic financial and industrial;
- . people's welfare; and

⁴ *Transcript*, 15 April 1992, p. 736

⁵ *The Independent Monthly*, June 1993, p. 19, *Far Eastern Economic Review*, 3 September 1992, p. 30

. defence and security.

3.6 The State Audit Board and the Supreme Court

3.6.1 The State Audit Board, set up under Article 23 of the 1945 Constitution, conducts official examinations of government financial accounts. Its findings are submitted to the DPR.

3.6.2 Article 24 of the Constitution provides for a Supreme Court and other courts of law. Under its provisions, the Supreme Court is free from government intervention in the exercise of justice.

3.7 The Electoral Process

3.7.1 Golkar, PPP and PDI are all involved in the electoral process, in that they all supervise it; for example, representatives of all three sign papers certifying the process and they supervise the electoral roll. Indonesian citizens 17 years and older, younger if married, can vote and about 107 million individuals did so in June 1992.

3.7.2 To be a candidate for election, a person must fulfil a number of conditions, including:

- . membership of one of Indonesia's five religious faiths;
- . no criminal record;
- . junior high school education;
- . ability to read and write Bahasa; and
- . at least 21 years old.

Lists of candidates are provided to the Election Institute. The Committee was told there is a screening process which attempts to filter out anyone who has spoken against the government, or is believed to be likely to do so.⁶

3.7.3 Those members who visited Indonesia in October 1992 were told that the process was more democratic in 1992 than in the past and, depending on the longer term results of the 1993 Presidential election, it would be more so in 1997. This could include open campaigning between parties and debates on radio and television.

3.8 Comparison of Indonesian and Western Forms of Government

3.8.1 There are a number of features of Indonesia's Pancasila democracy which clearly differentiate it from Western style democracies.

3.8.2 Most importantly, the President exercises a wide range of powers, almost without checks as the Constitution is not specific about limits. He is Chief Executive as well as Head of State; as the latter he is Supreme Commander of the Armed Forces. He appoints all ministers, diplomatic representatives and provincial governors. The Constitution allows him to put legislation before Parliament; the DPR only rarely amends it and almost never puts forward any of its own. Bureaucrats are responsible to their Minister who is responsible to the President, not to the Parliament.⁷

3.8.3 The 'political parties' are more groupings than Western style parties. PPP and PDI were formed by the forcible fusion of nine other parties; their activities are closely monitored and they are in any case deeply divided internally. Golkar is also supervised; all civil servants belong to a body which is part of Golkar. Four campaign don'ts from 1977 further hampered the activities of these groups on Western lines: don't intimidate opponents; don't offend the dignity of the government and its officials; don't disrupt national unity and don't criticise

⁶ Transcript, 18 November 1992, p. 1649

⁷ Transcript, 18 November 1992, pp. 1652-1653

government policies. A 1975 law specifies that only two non-Government 'parties' may exist and it is forbidden to form another, new party.⁸

3.8.4 The right of assembly is guaranteed but is hedged by laws and regulations; permits are required for public gatherings and can be selectively withheld.

3.8.5 While voting is secret, there seems to be ample opportunity to apply pressure for pro-Golkar votes, especially at the lower levels of the civil service. The growth of the so-called 'white' (or blank) ballot is indicative of some disenchantment. For the 1992 elections, while rallies and speeches were not banned, motorcades, guns, and the display of posters of former President Soekarno were.

3.8.6 That the 'festival of democracy' takes place at all, let alone every five years is important. That it may or may not conform to one or other of the Western forms is not as important as the fact that it is a reminder of the 1945 Constitution and the role of the people. The very process, with its restrictions and special characteristics, is appropriately Indonesian and consistent with Pancasila democracy. In June 1992, the issues which were discussed went beyond what was traditionally possible. If there are reforms of some aspects of the framework and the detail before the 1997 elections, discontents voiced by some elements in 1992 may be reduced and lead to the enhancement of the process.⁹

3.9 The Succession Issue

3.9.1 The issue which has not yet been resolved is the succession to President Soeharto. In March 1993, he was re-elected by the MPR to a sixth five year term.

3.9.2 The central role of the President raises significant matters because of its relevance to the role of the military, and to the position of Islam in Indonesian society.

⁸ *Transcripts*: 4 February 1992, p. 127; 18 November 1992, pp. 1648-1649

⁹ *Transcript*, 10 June 1992, pp. 1118-1119

3.9.3 ABRI is very important in Indonesia. Its role in the War of Independence is celebrated and recognised by the respect it is accorded and, specifically, by its members in Parliament. There has, however, been a change in the relationship between the President and ABRI which culminated in the nomination of Vice-President Sudharmono, himself a retired general, in 1988.¹⁰ If the Vice-President elected in March 1993 were to be unacceptable to ABRI, it was suggested, there would be tension and unpredictable consequences.¹¹

3.9.4 To compensate for this potential loss of support, it seems that the President has sought to expand his political support by cultivating links with the Islamic community. In June 1991, he made the pilgrimage, or Haj, to Mecca.¹² Another sign of change was State sponsorship of an Islamic intellectuals' organisation. Most New Order policies have sought to avoid this sort of explicit support, and it is the more unusual because Islam has been seen as the main repository of opposition to the Government.¹³

3.9.5 While General Sutrisno's election as Vice-President has dealt with some problems, if only temporarily, the succession itself remains unresolved.

¹⁰ *Transcript*, 18 November 1992, pp. 1657-1658

¹¹ *Transcript*, 15 April 1992, p. 734

¹² *Submissions*, p. S1225

¹³ *Transcript*, 4 February 1992, p. 136

Chapter 4

Australia, Indonesia and the World

Indonesia and Australia interact in many international forums, generating a variety of relationships.

4.1 Australia, Indonesia and Multilateral Trade

4.1.1 The General Agreement on Tariffs and Trade (GATT) has sought to put sensible trade rules in place world-wide and to phase down tariffs in most manufactures. Those rules have contributed to opening up national economies to international trade. There has been a gradual process of enhancing the welfare of nations through reducing government barriers to global economic integration. This process will continue if the eighth round, or Uruguay Round, of multilateral trade negotiations succeeds in bringing within GATT products previously excluded, such as food, textiles and services.

4.1.2 Within the Uruguay Round, the Cairns Group of 14 nations has been of considerable influence. Established in August 1986, the Cairns Group aimed to secure major reform in international agricultural trade. It is made up of economically diverse countries, including both Australia and Indonesia.

4.1.3 Both countries have been closely involved in the development of the Group's position. Indonesia has been a cooperative and effective member of the Group. Australia retains a strong commitment to the successful conclusion of the Uruguay Round and believes that the contribution made by the Cairns Group to this process has been significant. Regardless of the ultimate outcome, cooperation with Indonesia has been useful to the process and worth while for both nations, as has their involvement in APEC.¹

¹ *Transcripts*: 14 April 1992, p. 499; 29 June 1993, p. 2048

4.2 APEC

4.2.1 The Asia Pacific Economic Cooperation group (APEC) aims to encourage closer regional economic cooperation, complementary to global free trade. APEC was formed to promote a dialogue process between the following countries: Australia, Brunei Darussalam, Canada, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand and the United States of America.

4.2.2 APEC was launched by a Ministerial Meeting held in November 1989 in Canberra, and was a response to a proposal by the then Australian Prime Minister for greater regional economic cooperation. Cooperation and effective consultation between members was envisaged as a way:

- . to help strengthen the multilateral free trade system and support a successful conclusion to the Uruguay GATT Round;
- . to provide an opportunity to assess prospects for, and obstacles to, increased regional trade and investment flows within the Asia Pacific Region; and
- . to identify the range of practical common economic interests shared by APEC members.²

4.2.3 The first APEC meeting has been followed by others in Singapore in 1990, Seoul in 1991, and Bangkok in 1992, with the 1993 Ministerial Meeting taking place in the United States, and Indonesia to host the 1994 meeting. The membership of APEC has been expanded to include the 'three Chinas' (People's Republic, Chinese Taipei (Taiwan) and Hong Kong) and APEC was given an institutional basis with the establishment of a secretariat in Singapore in February 1993.

4.2.4 It has been estimated that APEC brings together a regional population of 2 billion people, with a combined GNP of \$US16, 400 billion, accounting for at least 40 per cent of world exports. Important and recent APEC

² APEC Ministerial Meeting, 1989: Summary Statement by Chairman

initiatives have been the establishment of an Eminent Persons Group, scheduling of the APEC Heads of Government summit to be held in Seattle in November 1993, and the incorporation of the East Asian Economic Caucus (EAEC) as part of APEC.

4.2.5 *Australia and APEC.* The tangible success of APEC has a high priority in Australia's foreign and trade policy. APEC markets account for over 70 per cent of Australia's total exports and 'the bulk of its future trade growth is expected to be with these economies.'³ Regional trade liberalisation is the core aim on the APEC agenda, and Australia is eager to bring about an 'integrated regional market bound together by harmonised trade rules, investment principles, standards and certification, and an agreed way of settling disputes between members.' Currently Australia is the coordinator, or 'shepherd', for the energy work project and it participates in other work projects, such as trade promotion, investment and technology transfer, human resources development, telecommunications, marine resource conservation, fisheries, transportation and tourism.

4.2.6 *Indonesia and APEC.* Indonesia has been a strong supporter of the APEC process, despite some initial misgivings. As a member of ASEAN, Indonesia expressed reservations at the first APEC meeting, anticipating that APEC could detract from the central role of ASEAN in the region.⁴ While this remains a concern, Indonesia shares with Australia an interest in enhancing regional trade in order to sustain its economic growth. By all accounts Indonesia has been an active participant in APEC work projects, despite lacking the funding capacity to allocate resources in the same quantities as wealthier members. Indonesia has placed a high priority on aspects of the APEC program which involve liberalisation of regional trade. It is conscious of problems associated with rapid trade liberalisation, given the current state of Indonesian economic development and the incomplete state of Indonesian economic deregulation. Indonesia is the 'shepherd' of APEC programs on Human Resource Development (jointly with Australia), Investment and Technology Transfer, Trade Promotion and Maritime Resource Conservation. In 1994, Indonesia will be APEC's host country.⁵

³ DFAT *Insight*, 15 February 1993, p. 4

⁴ *Submissions*, p. S1260

⁵ *Submissions*, p. S2124

4.2.7 Both Australia and Indonesia reconfirmed their commitment to APEC at the Australia-Indonesia Ministerial Forum, held in Jakarta in November 1992. Indonesia is an important Australian ally in supporting the Heads of Government meeting in Seattle, with the proviso that careful preparation is required before such a meeting.⁶ Indonesia has consistently favoured APEC over the rival proposal for an EAEC, which has been helpful for Australian interests in advancing APEC. Australia cooperates closely with Indonesia in the Human Resources Development Project, and has been appointed as network coordinator for one of the sub-projects: the Human Resource Development in Industrial Technology (HURDIT).

4.3 EAEC

4.3.1 The East Asia Economic Caucus concept was first mooted by Malaysia in December 1990 and was born of impatience with the stalled progress on the Uruguay Round of GATT negotiations and alarm at the emergence of international economic groupings in Europe and North America. The original proposal was never comprehensively explained, but called for an East Asian economic grouping to act as a counterweight to regional protectionism elsewhere around the globe. The group was to include the ASEAN members, Japan, China, Hong Kong, Taiwan, Republic of Korea and possibly the Indo-Chinese nations. South and North Pacific nations such as Australia, New Zealand, the US, Canada and South Pacific nations were not included nor have they yet been invited to join the proposed EAEC. It is unclear what form or on what trading principles EAEC is modelled, and Australia has officially reserved explaining its position on EAEC 'pending clarification of its form, objectives and membership'.⁷ Australian anxiety that the EAEC proposal would divert interest in APEC and lock Australia out of Asian markets has not been realised. Indonesia, with Japan and other proposed EAEC members, have strongly supported APEC as the major regional body beyond ASEAN.

4.3.2 At the July 1993 ASEAN Heads of Government Meeting, EAEC was adopted as a sub-group of APEC, resolving a disagreement between Indonesia and Malaysia on whether EAEC would be associated with ASEAN or APEC. On this

⁶ *Submissions*, p. S2124

⁷ *Submissions*, p. S2123

occasion, the Australian Foreign Minister noted that APEC would remain the primary body and that negotiations would continue about how independent EAEC would be within APEC and how Australia would be involved with EAEC.⁸

4.4 ASEAN

4.4.1 The Association of South East Asian Nations (ASEAN) is a regional grouping of six nations: Brunei Darussalam, Indonesia, Malaysia, Philippines, Singapore and Thailand. ASEAN was formed by the Bangkok Declaration (1967) and aims to advance South East Asian 'economic growth, social progress and cultural development' and 'regional peace and stability' through cooperative action and support. The combined population of ASEAN is about 300 million people, and the region has demonstrated consistent and relatively high rates of economic growth but with distinct individual levels. The ASEAN secretariat has its headquarters in Jakarta. Indonesia is considered a central player in the ASEAN group and is the largest member in terms of population, territory and GDP. Australia has established long-term ties with ASEAN and recognises the contribution of ASEAN towards a situation of growing regional stability and prosperity.

4.4.2 *Indonesia in ASEAN.* Indonesia is a prominent and committed member of ASEAN, with a degree of influence over the direction of ASEAN policies commensurate with its size. ASEAN's current policies are consistent with the 'New Order' government's principles, combining independent foreign policy with a 'good neighbour policy' and regional leadership through consensus and diplomacy. ASEAN is important for Indonesia's foreign policy not only in terms of regional relations but as an internationally respected association which has so far encouraged a stable regional environment and enhanced Indonesian economic development and international influence.⁹ Indonesia has indicated its opposition to ASEAN developing into a military pact; the latter being 'inconsistent with both its non-aligned status and its emphasis on national resilience'.¹⁰ Indonesia has also indicated that it considers it unlikely that, in the near future, ASEAN will expand its membership or its number of associated dialogue partners. This remains true,

⁸ *The Age*, 26 July 1993, p. 3

⁹ *Submissions*, p. S1250

¹⁰ *ibid.*

despite speculation that ASEAN may soon include some old Cold War enemies from the Indo-China region.

4.4.3 *Australia's Association with ASEAN.* Australia has maintained a long association with ASEAN through its status as one of the seven Dialogue Partners. A strong and stable relationship with Indonesia is an important factor in maintaining and expanding Australian involvement in ASEAN activities.¹¹ Ties have developed through the annual Post Ministerial Conference (PMC) and the ASEAN-Australia Economic Cooperation Program (AAECP). Despite past tension, there is now a general convergence of trade interests between the ASEAN states and Australia. This bodes well for the future of the relationship, and is reflected in the cooperation of the ASEAN members in APEC, and in the participation of ASEAN members in the Cairns Group of nations seeking trade liberalisation.

4.4.4 The ASEAN region provides the third largest Australian export market, ranked behind Japan and the European Community, but ahead of the United States. In the period 1986 to 1991, Australia's imports from ASEAN grew from \$A1.8 to \$A3.8 billion annually, while Australian exports to ASEAN countries grew from \$A2.2 to \$A6.5 billion.¹² From an ASEAN perspective, Australia is a comparatively small player in terms of trade, as with Canada and New Zealand we absorb only 3.5 per cent of ASEAN exports and provide only 4.4 per cent of ASEAN imports (1989 figures).¹³ This asymmetrical aspect of the relationship was underlined by Dr Hal Hill of ANU:

ASEAN as a group is now more important to us as an export market than either the US or the EEC, and it is becoming much more so. They are four times more important to us than we are to them. That holds both for the group as a whole and also for each country, including Indonesia.¹⁴

The relationship between Australia and ASEAN appears to be moving away from less relevant, historical donor-recipient roles.

¹¹ *Submissions*, p. S1483

¹² *Submissions*, p. S2135

¹³ *Exhibit No. 107*, p. 259

¹⁴ *Transcript*, 1 December 1992, p. 1715

4.4.5 In December, 1992, the Governments of Australia and those of ASEAN reached an agreed position on the future of the AAECP program following a joint review. The current phase of the AAECP program (1989 to 1993) has focused on human resources development and science and technology exchange, facilitated by collaborative workshops and joint ventures.¹⁵ In the next phase of the program, running from 1994 to 1998 the emphasis will reflect the changing nature of the relationship, and greater cooperation in the areas of energy, telecommunications biotechnology, environment, technology, transport and science.

4.4.6 Future AAECP projects are expected to encourage joint ventures and private investment contributions, with an emphasis on the advantages of joint cooperation. For this type of cooperation to be successful, broad participation is important and the March 1992 Joint Review of Phase II of AAECP acknowledged the lack of widespread public awareness of the Program's opportunities:

...the program is not widely known in Australia and ASEAN-Australia networks are little utilised beyond a relatively small group of people and institutions directly involved with the AAECP.¹⁶

4.4.7 To counteract this problem, an AAECP Australian Advisory Body will be established by 1994, to provide a forum for 'inputs by major Australian stakeholders, representing the private sector, Government ... and tertiary/academic interests.' This advisory body would presumably function in line with similar non-statutory bodies, but it is unclear how these representatives would be chosen or how such a body intends to extend public involvement in AAECP.¹⁷

4.4.8 *ASEAN Free Trade Area.* Traditionally, ASEAN trade has been dominated by extra-ASEAN trade, and intra-ASEAN trade has been disappointing. In Indonesia's case, exports to other ASEAN countries comprised just over 2 per cent of total exports in 1988.¹⁸ The Singapore Summit (1992) sought to redress this problem by aspiring to an ASEAN Free Trade Area (AFTA), endorsing a proposal for a free trade area which would not function as a trade bloc. It would aim to improve trade performance through reducing tariffs to a Common Effective

¹⁵ *Submissions*, p. S2136

¹⁶ *Submissions*, p. S2135

¹⁷ *Submissions*, p. S2139

¹⁸ *Exhibit No. 112*, p. 142

Preferential Tariff (CEPT) ranging between zero to five per cent to be implemented over fifteen years from January 1993 to form AFTA by 2008.

4.4.9 The ASEAN governments have also announced several 'fast track' tariff reductions affecting vegetable oils, cement, chemicals, leather products, pulp, textiles, ceramic and glass products, jewellery, electronics and timber products. The CEPT reductions are expected to affect about 88 per cent of ASEAN tariffs, although Indonesia, Malaysia, Singapore and Thailand have applied for temporary exclusion from CEPT for an average of 20 per cent of their products.¹⁹

4.4.10 Indonesia has endorsed AFTA, and with certain exemptions will begin implementing its tariff reduction program in 1995. The Australian response to the emergence of a free trade area in ASEAN has been low-key acceptance: 'Australia has no problems with the general concept of Free Trade Areas. . . provided they are consistent with a commitment to a free and open multilateral trading system and are not developed as exclusive trading blocs.'²⁰ All evidence presented to the inquiry indicated that AFTA complied with these criteria and that it is consistent with the goals of APEC and regional trade liberalisation.

4.4.11 *ASEAN and Security Issues.* ASEAN is not a defence alliance at a multilateral regional level, although bilateral military cooperation is encouraged between member states. Regional stability must be seen as an important co-requisite for the other ASEAN aims described above. The strategic environment for most of ASEAN's period of existence has been dominated by the rivalries of superpowers. Concerns for regional security shared by ASEAN members were derived from perceived threats from both internal and external (particularly communist) sources. ASEAN security cooperation therefore concentrates on national and regional resilience, and the measures prescribed by the Declaration of ASEAN Concord (1976), and the Treaty of Amity and Cooperation (1976) and the Kuala Lumpur Declaration (1971). The latter agreement establishes the ASEAN principles of regional neutrality, and the goal of a Zone of Peace Freedom and Neutrality in South East Asia (ZOPFAN). These principles of South East Asian neutrality were adopted as long-term goals and are consistent with Indonesian policies of national resilience and commitment to the non-aligned movement:

¹⁹ *Submissions*, p. S2122

²⁰ *Submissions*, p. S1254

While the ZOPFAN declaration was taken in full cognisance of the fact that there was little prospect of its early realisation, it nevertheless remains for most ASEAN member countries - especially Indonesia - an important expression of principle and aspiration. Discussions at the January 1992 ASEAN Summit suggest that Indonesia, at least, remains committed to ZOPFAN.²¹

4.4.12 Tension between the ASEAN states and neighbouring communist states was extreme after the invasion of Cambodia by Vietnam in 1979. ASEAN led the opposition against the Heng Samrin Government and the Vietnamese occupation of Cambodia, through a joint ASEAN communique and vigorous efforts in the United Nations. Currently, tensions between ASEAN states and their communist and ex-communist neighbours have relaxed somewhat. The end of the Cold War and joint efforts for a Cambodian peace settlement are factors contributing to this accord. The new regional accord was recognised by Ambassador Siagian of the Republic of Indonesia:

All conflicts which have contributed towards tension in east Asia, such as those between Vietnam and the People's Republic of China, have died down.²²

4.4.13 At the 1992 ASEAN Singapore Summit, all countries in South East Asia were invited to accede to the Treaty of Amity and Cooperation. Article 18 of that Treaty has always included a provision that it be open to accession by other South East Asian countries. The 1992 Summit made it clear that this provision was an open invitation to all countries in the South East Asian region. Papua New Guinea was the first non-ASEAN state to accede to the Treaty in 1988. This is not the equivalent of membership of ASEAN but focuses on the peaceful resolution of disputes between parties, and upon economic cooperation. The 1992 accession of Vietnam and Laos to the Treaty, in conjunction with a resolution to the Cambodian problem, will consolidate regional stability. Although Indonesian officials do not expect any expansion in the membership of ASEAN in the foreseeable future it has been suggested that, in time, the Indo-Chinese states will be invited to join.²³

²¹ *Submissions*, p. S1253

²² *Transcript*, 3 February 1993, p. 1803

²³ *Submissions*, p. S1253

4.4.14 Australia has not been invited to accede to the Treaty of Amity and Cooperation, and is not regarded by the ASEAN states as a South-East Asian nation. It does, however, provide a possible avenue for enhancing regional security dialogue, and one worth considering in conjunction with new opportunities to take part in regional security discussions through ASEAN Post Ministerial Conferences. The Treaty is considered in more detail in Chapter 5.

4.5 The Non-Aligned Movement

4.5.1 Indonesia was a founding member of the Non-Aligned Movement (NAM) and is proudly committed to continuing involvement with this organisation. The Non-Aligned Movement is the ongoing development of the Asian African Conference (1955) held in Bandung, Indonesia. For three decades following its creation the NAM aimed to offer an alternative to Cold War alignments, by promoting the strategic and political independence of developing nations. This goal is consistent with the independent and active position emphasised in Indonesian foreign policy.

4.5.2 Indonesia holds the chair of the NAM for the term 1992 to 1995, and attaches great importance to this role as an opportunity for international leadership. The end of the Cold War has necessitated a reassessment of the future role and direction of the NAM. As chair of the movement, Indonesia is in a strong position to influence this reassessment, and according to a DFAT submission, 'President Soeharto has indicated that in chairing the NAM Indonesia will focus on economic problems, with a focus on south-south co-operation.'²⁴

4.5.3 Indonesia hosted the tenth conference of the Non-Aligned Movement in Jakarta in September, 1992. Present at this summit were representatives of government from over one hundred NAM member states, together with observers and guests of the movement. The agenda for the summit was very broad, and the opening address by President Soeharto provided some indication of how Indonesia interprets the future role of the NAM. The speech covered issues of economic development and dealt with areas of conflict around the globe. The President called for global disarmament, and new mechanisms and procedures for resolving disputes

²⁴ Submissions, p. S1250

between NAM members. The President emphasised the need for nations to be 'responsible for [their] own development', but called for a 'differentiated approach' to relieve the debt crisis of developing nations. The address also canvassed possibilities for south-south cooperation and north-south dialogue. On the issue of human rights in NAM states, the President suggested that human rights should not be a 'political conditionality in economic and development cooperation.'²⁵

4.5.4 Australia was represented at the conference by the Minister for Foreign Affairs and Trade who attended as a guest. Guests of the NAM are expected to follow an independent foreign policy, and Australia values the opportunities for consultation provided by this guest status at NAM summits. Australia briefly sought membership of the NAM under the Whitlam Government in 1974. However, given its commitment to the ANZUS Treaty and the Joint Facilities, it is unlikely that Australia will seek greater involvement in the NAM. Our common neighbour Papua New Guinea has taken up full membership of the NAM, 'pointing to the advantages this would bring in developing relations with neighbouring member countries such as Indonesia and Malaysia.'²⁶

4.6 PECC

4.6.1 The Pacific Economic Cooperation Conference has been operating since 1980 as a forum for bringing together government officials, academics, and leaders of private enterprise to discuss issues such as trade policy, agriculture, transportation, tourism and telecommunications. PECC is a result of a joint initiative by Australian and Japanese leaders, and has remained an important component in Australia's efforts to expand economic cooperation in the region, and to improve information exchanges between the private and public sectors. In many ways, PECC complements other Australian regional and sub-regional trade programs.

4.6.2 In September 1992, the PECC Ninth General Meeting adopted the San Francisco Declaration, which advocates greater regional freedom in the 'flow of goods, investment, services and practices'. Dr Hadi Soesastro, Executive Director

²⁵ Exhibit No. 108, pp. 13, 16-17, 25
²⁶ Insight, 7 September 1992, p. 3

of Indonesia's Centre for Strategic and International Studies, has been appointed as Chair of the Coordinating Group of PECC Task Forces. Australia is coordinator of the Minerals and Energy task force and has established a non-statutory body which assists with preparation for PECC meetings which are held every eighteen months.²⁷

4.7 Indonesia, Australia and the United Nations

4.7.1 *The Role of the United Nations.* Within the context of the 1992 NAM Summit held in Jakarta and the Australia-Indonesia Ministerial Forum meeting held in November 1992, Indonesia has agreed that the United Nations has a role in promoting global peace, through preventative diplomacy, peace making and peace keeping. The Joint Statement of the 1992 Australia-Indonesia Ministerial Forum emphasised the need for a coordinated approach to facilitate UN humanitarian relief, particularly in Cambodia, Somalia and the former Yugoslavia. Both Australia and Indonesia have recognised the importance of improving the status and credibility of the United Nations in a post-Cold War international era. The statement proposed that a framework for structural and procedural reform of the United Nations should provide a basis for changes in the role and workings of the UN. In particular, Ministers considered that the subsidiary bodies of the UN Economic and Social Council should be reviewed, and that there was a need for 'continued action in the social and economic fields with the creation of an effective Sustainable Development Commission to follow up the outcomes of the UN Conference on Environment and Development.'²⁸ The UN also has a role in promoting the protection of human rights and in providing aid to refugees through its refugee programs; one of these programs which most directly concerns both Australia and Indonesia operates on the Irian Jaya-PNG border.

4.7.2 In Cambodia, Australia and Indonesia have played substantial and complementary roles in the peace process. DFAT noted with gratitude Indonesian efforts to sustain the cooperation of the Cambodian parties and to encourage negotiations by hosting meetings of relevant factions, often when solutions and compromises seemed impossible. As signatories of the Paris Agreement underpinning

²⁷ *Submissions*, p. S2126

²⁸ *Submissions*, p. S2150

the effort towards a peace settlement, Australia and Indonesia have each given support to the United Nations' presence in Cambodia and have called 'on the United Nations Transitional Authority in Cambodia to create a neutral political environment, and [condemn] political and ethnic violence, including on UNTAC personnel.'²⁹ For both Australia and Indonesia, a resolution to the Cambodian problem would remove one tragic and long-standing barrier to stability in the South East Asian region.

4.8 Indonesia-Asia Relations beyond ASEAN (Japan, China, Russia, India)

4.8.1 *Indonesia-Japan Relations.* Indonesia runs a trade surplus with Japan sustained by exports of coal and oil and a growing amount of manufactured commodities. Japan is Indonesia's most important export market and largest source of investment capital. The submission from Greenpeace Australia noted that:

At the end of 1988, some 60 per cent of bilateral loans to Indonesia were from Japan and some 40 per cent of all commercial loans to Indonesia were from Japanese institutions.³⁰

Japan donated about one third of the development assistance provided to Indonesia under Inter-Governmental Group on Indonesia (IGGI) arrangements. It follows that Indonesia regards smooth relations with Japan as critical. Japan is also a major trading partner of Australia; it supports the APEC process and an overarching US presence in the Asia-Pacific region. The Committee was advised that Indonesia is not alarmed by high levels of Japanese military expenditure, but like many countries in the region observes with interest Japan's changing political and security role in the region.³¹

4.8.2 *Indonesia-China Relations.* After the alleged involvement of China in the 1965 Coup, the New Order Government suspended relations in 1967 and tension and suspicion between the two former allies remained until reconciliation and

²⁹ *Submissions*, p. S2129

³⁰ *Submissions*, p. S1658

³¹ *Submissions*, p. S1250

normalisation of relations in 1991. While this normalisation of relations followed assurances that China had no intentions of interfering in Indonesian affairs, some suspicions of China's military capacity and, possibly, China's influence over ethnic Chinese in Indonesia remain.³² Indonesia has encouraged China to negotiate a peaceful resolution to the Spratly Islands dispute, involving six conflicting claims of sovereignty over these islands in the South China Sea by regional states.³³ From Australia's perspective, normalisation of relations between China and Indonesia has a generally positive effect on regional security and trade.

4.8.3 *Indonesia-Russia Relations.* Indonesian relations with the former Soviet Union reflected its position as a member of the Non-Aligned Movement, suitably neutral but under the loose protection of the United States. Indonesia has recognised the independent states of the Confederation of Independent States and has promised aid in the form of food and technology.³⁴

4.8.4 *Indonesia-India.* Indonesia shares a maritime border with India between Sumatra and the Andamans. This boundary is regulated under the trilateral agreement between Indonesia, India and Thailand. The two populous states have a stable co-existence underpinned by an 'understanding' on security and defence positions.³⁵

4.9 Indonesia-United States

4.9.1 The United States has been a major supplier of military equipment, aid and manufactured products to Indonesia, as well as providing a large market for Indonesian commodities. Tension over trade, labour laws and human rights issues has strained the relationship. However, Indonesia accepts that the US presence in the Pacific and the role of ANZUS in maintaining a secure South West Pacific. Indonesia has not 'commented negatively' on the Joint Facilities in Australia, although membership of NAM obliges Indonesia not to support foreign bases.³⁶ Recent moves in the US Congress to cut off military aid and supply of weapons to

³² *Transcript*, 18 November 1992, p. 1667

³³ *Submissions*, p. S2130

³⁴ *Submissions*, p. S1251

³⁵ *Ibid*

³⁶ *Submissions*, p. S1255

Indonesia, as a protest against its human rights record, have the potential to sour the relationship. The rise of US Congressional pressure for managed trade has caused both Indonesia and Australia concern. Maintenance of permanent access through Indonesian archipelagic waters is an issue to the United States and Australia.

4.10 Indonesia-European Community

4.10.1 For historic reasons Indonesia has strong ties with members of the European Community (EC), and still is regarded as 'having commercial and strategic significance' to the Netherlands, . . . Germany, France and the United Kingdom'.³⁷ Indonesia's trading relationship with the EC is largely conducted through ASEAN forums and under the EC's General Scheme of Preferences. Since 1986, trade between the EC and ASEAN has increased every year and in 1992 the ASEAN trade surplus with the EC reached an unprecedented level.³⁸ Indonesia cannot afford to ignore the EC as a destination for trade or source of investment. Differences over human rights issues could easily strain the relationship.

4.10.2 Differences between Portugal and Indonesia over the annexation of East Timor are a source of tension at an EC level, as each of the twelve EC member states has certain powers of veto and carries influence not necessarily commensurate with individual size. Another potential problem between Indonesia and the EC is the necessity of gaining the approval of the European Parliament (EP) for any international agreement between the two. The EP has previously blocked international agreements because of human rights issues. At a bilateral level, the Netherlands and Indonesia suspended development assistance arrangements on grounds of human rights violations on the one hand and interference in internal affairs on the other.³⁹

³⁷ *Submissions*, p. S1252

³⁸ *Exhibit No. 109*, p. 179

³⁹ *Submissions*, p. S1661

Chapter 5

Australia, Indonesia and the Region

The Indonesian-Papua New Guinea relationship is significant, but there are a number of other regional and sub-regional links of importance to both Australia and Indonesia. There are sea lanes through Indonesian waters which are vital to the region.

5.1 Indonesia and Papua New Guinea

5.1.1 Indonesia's relations with Papua New Guinea (PNG) have not only gained stability but have found a new spirit of cooperation since the signing of the Treaty of Mutual Respect in 1986 and ratification in 1987. The 1992 Status of Forces Agreement between Indonesia and PNG provides a legal framework for a wide range of activities including training, exchanges of personnel and civil construction projects. The Agreement allows for movement of people across the border, where agreed by both Governments. It does not provide for joint exercises along the border.¹

5.1.2 Despite huge disparities in size and population, both nations have a colonial history, are dependent on primary commodities and minerals and require foreign investment and technology transfers to help them in their quest for economic development. For Indonesia stable relations between Australia and PNG maintain a secure south-west border.

5.1.3 The relationship between Indonesia and Papua New Guinea has historically been troubled by a legacy of activism by the Organisasi Papua Merdeka or Free Papua Movement (OPM). The OPM is a political organisation seeking to unite the Indonesian province of Irian Jaya with Papua New Guinea to establish an independent 'Melanesian State'. OPM refugees and their families fleeing into PNG have put great strain on PNG resources and have been the subject of incursions by

¹ *Submissions*, pp. S1258, 2127

the Indonesian armed forces into PNG territory in pursuit of 'rebels'. There is some sympathy in PNG for the OPM, particularly in the immediate border area where family and tribal ties defy the arbitrary nature of the border. The PNG government has avoided supporting the OPM position or the underlying sentiment for independence of Irian Jaya, but has been disturbed by the intrusion of Indonesian armed forces into PNG territory and incidents such as the killing of Irianese activist Arnold Ap in 1984. DFAT assessed the current strength of OPM to consist of several hundred members, poorly equipped, and fragmented. It also noted that the number of organised OPM raids on Indonesian military posts had declined and that so far none have been recorded in 1993.²

5.1.4 For Australia, incidents on the Irian Jaya-PNG border have caused concerns in the past, as noted in our report *Australia's relations with Papua New Guinea*:

Border incidents have been of great concern to Australia. The Joint Declaration of Principles (JDP) commits Australia to helping maintain Papua New Guinea security. Australia's own relations with Indonesia have not always been smooth, and given Australia's security commitment to Papua New Guinea, any deterioration in Jakarta/Port Moresby relations could have the potential to become an irritant in Jakarta/Canberra relations.³

5.1.5 Border issues will no doubt continue to be a concern to Indonesia, PNG and Australia. The relationship between Port Moresby and Jakarta appears to have stabilised through the Treaty of Mutual Respect, the establishment of a Ministerial Council focused on trade issues, the accession of PNG to the ASEAN Treaty of Amity and Cooperation (1988) and the overall sensitivity of both nations towards the position of the other.

5.1.6 Australia assists refugees on the Irian-Jaya border through a United Nations High Commissioner for Refugees' (UNHCR) program and, since 1984, has contributed about \$A8 million to the efforts to sustain an estimated six thousand

² *Submissions*, pp. S1582, 2127
³ JCFADT, 1991, p. 217

refugees in the border camps. With the support of UNHCR, the PNG Government has been voluntarily repatriating and relocating border refugees.⁴

5.2 Indonesia-Pacific Relations

5.2.1 Indonesia's cultural, trade and security outlook is orientated towards the north and the west of its region and it is easy to forget that Indonesia is also a Pacific nation. In regard to the South West Pacific area, Indonesia recognises the strong ties between Australia, New Zealand and its South West Pacific neighbours, developed through trading ties, education, migration and development assistance. Indonesia shares several interests with the South West Pacific nations, including the desire for a stable regional security environment, access to markets and the promotion of a regional fishing industry. Indonesia and Australia both support the establishment of a South Pacific Nuclear Free Zone and deplore French nuclear testing in the region.⁵

5.3 Sub-Regional Cooperation

5.3.1 *Indonesia-Singapore-Malaysia Growth Triangle: A Regional Example?* The so-called 'ASEAN growth triangle' links Singapore with the neighbouring province of Riau, in Sumatra, and the Malaysian state of Johor. The concept was first proposed by the then Deputy Prime Minister of Singapore, Mr Goh Chok Tong, in 1989, and was later endorsed by President Soeharto and the Malaysian Prime Minister, Mr Mahathir Mohamad. It aims to foster sub-regional economic development within the wider context of ASEAN trade initiatives. Initially the idea was developed independently of ASEAN, firstly as a bilateral and then as a trilateral agreement. Its rapid success has encouraged its adoption as a model for future ASEAN cooperation and industry-trade cooperation in the wider Asia-Pacific region.⁶

⁴ *Submissions*, p. S1258
⁵ *Submissions*, p. S1259
⁶ *Exhibit No. 110*, pp 308, 310

5.3.2 The growth-triangle agreement works on the premise that it is advantageous to combine the capital, technology and administration of regionally advanced centres, such as Singapore, with the abundance of land, resources and relatively inexpensive labour located in Riau and Johor. The benefits from developing an export and industrial base in these provinces are expected to be considerable, and include boosts to tourism, food and water supplies for Singapore and improved access to the global economy for Johor and Riau.⁷

5.3.3 The economic links between regions pre-date the formal recognition of the growth triangle, which had advanced mainly through the efforts of the private sector; particularly the Singapore-Johor axis through which over 40 per cent of Singapore's trade to Malaysia passes. The Indonesian government has had a long-standing commitment to develop Batam Island in Riau Province to emulate the economic success of neighbouring Singapore, only 20 kilometres to the north. This distance, in comparison with the 1000 kilometres between Batam Island and Jakarta, would suggest that Singapore is better placed to develop the region, particularly given its own limited territorial area. The Indonesian Government has encouraged the growth triangle by setting up an administrative authority, the Batam Industrial Development Authority, to develop infrastructure, and to regulate and encourage joint projects with foreign investors through tax-incentive schemes. By 1992 the growth-triangle agreement was perceived by Indonesia to be successful enough in terms of foreign-investment interest (primarily from Singapore) to extend government incentives to neighbouring Bintan Island.

5.3.4 *Sub-Regional Trade Links between Australian and Indonesian Regions*

The ASEAN growth triangle suggests possibilities for Australian involvement in a similar scheme and these possibilities are being examined by an East Asia analytical unit. However, an early suggestion that Australia could participate in a growth triangle arrangement with PNG and Indonesia appears to have been rejected as lacking in 'immediate logic'.⁸ A more realistic option would be a growth triangle drawing on the strengths of sub-regional cultural and trade links which exist

⁷ *Ibid* pp. 306 - 307

⁸ *Transcript*, 29 June 1993, p. 2037

between Australian states and partner provinces in Indonesia. These relationships are considered successful by participants, and complementary to national initiatives.

5.3.5 The sister state/province arrangements between Queensland and Central Java and Western Australia with East Java, and the sister/city relationship between Darwin and Ambon were initiated to strengthen people-to-people contact. The Western Australia and East Java sister state relationship is accorded high priority in WA with considerable emphasis on institution to institution cooperation. The WA Government has opened a trade office in Surabaya. Considerable progress in the relationship has resulted, in terms of delegations, exchange agreements and commercial benefits.⁹ On 23 September 1991, the Queensland Government signed a Memorandum of Understanding (MOU) for Sister State cooperation with Central Java to promote and expand an effective and mutually beneficial relationship. In January 1992, the Northern Territory Government signed an MOU with the Government of Indonesia. It is unique because it was the first to be signed with a foreign provincial government. It acknowledges the strong cultural and social ties between Eastern Indonesia and the Territory, and leads the way in increasing economic cooperation between the two regions.¹⁰

5.3.6 The Northern Territory Government has appointed a Joint Policy Committee, which coordinates the Trade Zone Partnership between the Northern Territory and East Indonesia, and related projects. This Partnership is intended to be beneficial in such areas as manufacturing and processing industry, bilateral trade, transport services, physical infrastructure development and professional services including health and education.¹¹ The advantages of the Trade Zone Partnership for the Northern Territory have included priority processing of applications and approvals, facilitation of assistance with ongoing business operations, identification of training opportunities for company and government employees and an overall increase in the efficiency of manufacturing operations.¹²

5.3.7 The Committee commends the work of the Joint Policy Committee in promoting sub-regional trade partnerships, within a context of increased Australian-Indonesian economic cooperation at a national level.

⁹ *Transcript*, 2 September 1992, pp. 1270-79

¹⁰ *Submissions*, p. S2006; *Transcript*, 10 June 1992, p. 1022

¹¹ *Submissions*, p. S893

¹² *Transcript*, 10 June 1992, p. 1025

5.4 Regional Security

5.4.1 Australia and Indonesia share an interest in a stable and prosperous region, free from conflict and unwelcome interference by external powers. While there is no imminent threat to regional security, the increased rates of military expenditure in the region, the end of the Cold War and reassessment by the various regional powers of their role in the region has introduced new elements of uncertainty to the region. These changes in the security environment were recognised at the 1990 and 1991 ASEAN Post Ministerial Conferences, and provisions have been made for regional security discussions in ASEAN forums. This decision by ASEAN Heads of Government to allow formal discussions on security matters has been welcomed by the Australian Government as offering new possibilities in regional security cooperation, at least at the level of dialogue. Despite its size and the diversity of its membership, APEC might possibly develop a security dimension.

5.4.2 The Indonesian attitude to regional security is interpreted as 'marked by caution, by a concern to maintain ASEAN consensus, by an avoidance of formal military security arrangement, and by a sensitivity to issues which might highlight divergences of views within ASEAN.'¹³ Its policy of national resilience and its prominent role in the NAM make Indonesia wary of formal involvement in any multilateral regional security arrangements or common security pacts, with the exception of ZOPFAN. Indonesia does cooperate at a bilateral level in military exercises, personnel exchanges and training with other ASEAN states, and with Australia. Military cooperation with Australia will be considered in Chapter 6.

5.4.3 The official Australian position on regional security recognises a need for a web of dialogue on key security issues and a willingness to promote regional confidence-building measures in which Australia is an active participant.¹⁴ As yet Australia and Indonesia have not undertaken discussions on a joint response to regional peace keeping, except for the specific case of participation in the Cambodian

peace effort.¹⁵ Australia is involved in two regional security arrangements, ANZUS and the Five Power Defence Arrangement, while Indonesia regards any external involvement in regional security affairs as regrettable. In practice, Indonesia seems to accept the benign and long standing presence of the United States in the region.¹⁶

5.4.4 A significant example of regional cooperation aimed at averting conflict is the ASEAN Treaty of Amity and Cooperation in South East Asia. The Treaty, also known as the Bali Treaty, was signed by the Heads of Government of the then ASEAN countries in February 1976. Brunei Darussalam acceded on joining ASEAN in 1984. Other non-ASEAN countries have acceded, including Laos and Vietnam in 1992.

5.4.5 The Treaty contains a series of commitments between the signatories to govern their relations. Articles 2 and 4 cite the following principles underlying these commitments:

- . mutual respect for independence;
- . non-interference;
- . peaceful dispute settlement;
- . renunciation of the threat or use of force; and
- . cooperation in economic, social, technical, scientific and administrative fields.¹⁷

5.4.6 It also aims to provide a mechanism for the peaceful resolution of conflict through negotiation and the mediation of a High Council. This mechanism is as yet untried and its effectiveness in resolving regional disputes can only be debated. Australia has developed many links with ASEAN countries, cooperating in economic, scientific and technological development and exchange through AAECP

¹³ *Submissions*, p. S1255

¹⁴ *Submissions*, p. S1256

¹⁵ *Transcript*, 12 March 1992, p. 435

¹⁶ *Submissions*, p. S1255

¹⁷ *Submissions*, pp. 2339-2340

and APEC. Many of the terms of the Treaty are already being met in Australia-ASEAN relations. The Northern Territory Government expressed the opinion that accession to the Treaty would be of 'value in demonstrating where Australia stands in relationship with Asia.' Similar sentiments were expressed by Papua New Guinea at accession.¹⁸

5.4.7 The Manila Protocol of 1987 opened the Treaty to accession to States outside South East Asia. As the Minister for Foreign Affairs has said, there are obvious advantages for Australia in some form of association with the Treaty. Whether or not Australian accession proves to be viable depends on the approach taken by the ASEAN countries. This Treaty has a part to play in the larger regional concept but, if it is to extend beyond these countries, they must first decide their position.¹⁹

5.5 The Straits of Malacca, Lombok and Sunda

5.5.1 Maintaining access through sea lanes for Australian vessels is of vital interest to Australian military and economic security. It also, clearly, an important issue to the wider region. A majority of Australian exports destined for Japan and other important North Asian markets pass through the Straits of Malacca, Lombok and Sunda. The Straits connect the Pacific Ocean to the Indian Ocean and are the channels frequently used for shipping oil, LNG, raw materials and finished products moving between the Middle East and Western Asia, and the Asia-Pacific region. While it is certainly possible to detour around Australia, such a route substantially increases sailing time and costs.²⁰ The Straits have great strategic value as the shortest route between the Indian and Pacific Oceans and the United States Navy relies on access through them to maintain an effective presence in the Asia-Pacific region.

5.5.2 Indonesia has long argued that the Straits are an integral part of the Indonesian 'archipelagic state' and subject to Indonesian sovereignty and control for rights of access. The 1982 United Nations Law of the Sea Convention supported the

¹⁸ *Transcript*, 10 June 1992, p. 1022
¹⁹ *Submissions*, p. S2340
²⁰ *Exhibit No.* 113

concept of archipelagic states, on condition that international free passage through designated archipelagic sea lanes was guaranteed. Indonesia is a party to this Convention, and has moved towards designating archipelagic sea lanes. Australia is also a signatory to the Convention, supports the UN concept and rejects Indonesia's claims of the right to suspend international transit through the Straits.²¹

5.5.3 Indonesia has closed the Straits four times. The first two occasions in 1958 and 1964 were in the context of hostilities with Dutch forces, and part of Sukarno's 'Konfrontasi' with Malaysia respectively. In 1978, Indonesia temporarily closed the Ombai-Wetar Strait: a deep-water channel that is important to the transit of nuclear submarines between the Indian and Pacific Oceans. Most recently, in 1988, officials from the Indonesian armed forces (ABRI) announced a temporary closure of the Sunda and Lombok Straits for the purpose of conducting military exercises. International protests, including those of Australia, ensured that the exercises did not go ahead. However, the insistence by the then Indonesian Minister for Defence, General Benny Moerdani, that Indonesia retains the sovereign right to close off access to the Straits is of continuing concern to Australia.

5.5.4 An unnamed expert has been quoted as summarising the current situation as a desire by Indonesia 'to be able to stop passage on a selective basis in accordance with international law if the passage is deemed prejudicial to Indonesian security . . . not just in a military sense but in a pollution and environmental sense.'²²

5.5.5 The UN Convention, Article 25(3), provides that a coastal state may, temporarily, and in specified areas, suspend the innocent passage of foreign ships. Article 45(2) provides that in Straits used for international navigation, there shall be no suspension of innocent passage and that there shall be a right of transit passage. One of the two forms of right of passage by foreign ships is the right of archipelagic sea lanes passage. This cannot be suspended at the discretion of an archipelagic state and is not subject to the provision of Article 19(2) which excludes a vessel from innocent passage if it engages in any prescribed activity.

²¹ *Submissions*, p. S1247
²² *Exhibit No.* 113

5.5.6 Article 53(1) of the Convention provides an archipelagic state may designate sea lanes and air routes through its archipelagic waters and the adjacent territorial sea. No state has yet designated archipelagic sea lanes. Indonesia has both signed and ratified the Convention while Australia has only signed it. The Convention will not come into effect until 12 months after the 60th ratification; to date, 59 nations have ratified it.²³

5.6 Piracy in the Region

5.6.1 There have been problems with pirates in regional waters, but these have been principally in the Gulf of Thailand. Australia has provided advice to ASEAN countries, and the 1800 patrol boat days per year provided by the Australian Defence Force to coastal surveillance include dealing with any incidents which occur. Although incidents continue, there has been progress in bringing the problem in the region under control.²⁴

5.7 The Committee's Views

5.7.1 Although consideration of the issues in Chapter 4 and in this chapter were divided into the world and the region, there is a need for an overview of our relations with Indonesia at both levels.

5.7.2 The South East Asian region is becoming more important to Australia, and an enormous effort is being made at all levels of government to integrate Australia into the region. The concept of increasing integration or 'enmeshment' within the Asia-Pacific region represents a trend, well represented in submissions and evidence. At a national level, this trend has been manifested in the adoption of policies aimed at positioning Australia as an integral part of the Asia-Pacific region as far and as fast as possible. This is reflected by the interest in APEC, ASEAN PMCs, PECC, Cambodia and, of course, in bi-lateral relations with Indonesia in particular in a variety of other world and regional forums.

²³ Submissions, pp. S2345-2346

²⁴ Transcripts: 12 March 1992, pp. 427-428; 3 February 1993, p. 1878

5.7.3 More sophisticated Australian involvement with the Asia-Pacific region promises much: for example, improved regional security, trade liberalisation and a constructive role in developing regional civil and social justice. It is an important objective, not least because the Asia-Pacific region represents Australia's largest potential trading market, a region vital to security and strategic interests, and the source of an increasing proportion of our population. Australia has always been an Asia-Pacific nation in geography but not in attitudes or outlooks. There are other Asia-Pacific nations for whom an Asian or Pacific 'consciousness' is also relatively novel.

5.7.4 The credibility of an Australian identity as an integral part of the Asia-Pacific region depends, to an extent, on efforts to change perceptions held by many in the region that Australia is a European outpost. Although these stereotypes and cultural barriers should not be overstated, the gradual process of improving cross-cultural awareness, cooperation and understanding at all levels is certainly a necessary foundation for mature and stable integration.

5.7.5 Compared with previous 'special relationships', the Asia-Pacific region has substantial advantages. It acknowledges the importance of our immediate neighbourhood, and involves by necessity a series of relationships with a number of other nations. The overall trade and security interests and resources of the region are largely complementary to Australia's.

5.7.6 Developing an Asia-Pacific identity for Australia does not imply ignoring other regions or isolating Australia from other parts of the world, but it recognises the mutual interests served through greater integration with the region. Having acknowledged the importance of the process of integration, there does seem to be a great deal of overlap in the roles of various advisory bodies, forums, and meetings. In part this must be attributed to a deliberate government policy to create (in the words of the Minister for Foreign Affairs and Trade) 'a web of dialogue' between nations in the area.

5.7.7 Further consideration should be given to the Treaty of Amity and Cooperation or a similar document as a first step towards regional security which is neither threatening to ASEAN's status in the region nor overly European. Both of these objections have been used in the past to quash previous Australian regional security suggestions.

5.7.8 Acceding to the Treaty would be seen as a far greater commitment to the region. It would be an important statement about Australia's view of ASEAN and about Indonesia's role in that body. Before Australia can accede, it will be necessary for ASEAN to decide whether or not this country is wanted as a signatory. It also remains to be seen whether the Treaty has any purpose beyond being a covenant of friendship and a gesture of goodwill and amity between ASEAN and its neighbours.

5.7.9 Indonesia and PNG are our closest northern neighbours and are strategically important to Australia. Australia would have legitimate concerns if the PNG-Indonesia relationship deteriorated, but it seems that the 1987 Treaty of Mutual Respect and the 1992 Status of Forces Agreement have kept a potentially difficult relationship from revisiting some of the problems of the past.

5.7.10 As the Treaty and the Agreement have now been in place for some time, the two governments have mechanisms which can be used to resolve issues before they become difficult. There is therefore no role for Australia in many situations which might arise, but, such is the importance of the Indonesian-PNG relationship to this country, it must be observed by Australia. There could be times when Australia's good relationship with both nations may be of use to all three.

5.7.11 The Straits are of vital importance to world trade and to Australia in particular. Australia's position has been that recognition of Indonesia's claims for archipelagic status gives rise to rights and responsibilities associated with archipelagic sea lanes. Support for Indonesia's claims was based on the understanding in the UN Convention: that satisfactory guarantees would be given to passage through archipelagic waters.²⁵

5.7.12 Indonesia's position seems to be a variance with the provisions of the UN Convention. The Australian Government's position is clear and there seems to be no reason to vary it. It must ensure it is in a position to discuss the sensitive issue of passage through the Straits with Indonesia, if it should be necessary. This would not only serve Australia's interests but it would be useful for the region, and for all nations whose vessels use these waters.

²⁵ *Submissions*, p. S2346

Recommendation 1: The Committee recommends that the Australian Government encourage the Indonesian Government to abide by the provisions of the United Nations Convention on the Law of the Sea (1982).

5.7.13 There is cooperation with Indonesia and ASEAN generally about piracy in regional waters and there has been progress in reducing the number of incidents.

Chapter 6

The Defence Relationship

The Defence connection between Australia and Indonesia is a significant part of the bilateral relationship. It has many strands but has generally been untouched by difficulties in the wider relationship.

6.1 The Military in Indonesia

6.1.1 The Armed Forces of Indonesia (ABRI) have a key role in their society, part of which was dealt with in the Chapter 3. In 1991, Indonesia spent \$US 1.57 billion on defence, this was about 1.6 per cent of its GDP; ABRI totals 278,000 with another 800,000 in reserve forces. Comparisons with the other members of ASEAN are instructive.

Table 6.1: Numbers in the Armed Forces of ASEAN

| COUNTRY | NAVY | ARMY | AIR FORCE | TOTAL | RESERVES |
|-------------|--------|---------|-----------|---------|----------|
| Indonesia | 42,000 | 212,000 | 24,000 | 278,000 | 800,000 |
| Brunei | 550 | 3,400 | 300 | 4,250 | 900 |
| Malaysia | 10,500 | 105,000 | 12,400 | 127,900 | 40,600 |
| Philippines | 23,000 | 68,000 | 15,500 | 106,500 | 128,000 |
| Singapore | 4,500 | 45,000 | 6,000 | 55,500 | 250,000 |
| Thailand | 50,000 | 190,000 | 43,000 | 283,000 | 500,000 |

Source: *Exhibit No. 95.*

6.1.2 To these figures must be added about 1000 naval air personnel, 12,000 marines and a further significant paramilitary component of police, about 180,000, and people's security, about 1.5 million. While these are large numbers, it must be remembered that Indonesia has a population of more than 180 million people and that these are not high numbers, particularly given the size of the

archipelago. The Department of Foreign Affairs and Trade (DFAT) estimated them as 0.24 per head including police, compared to Australia's 0.41 per head not including police.¹

Table 6.2: Spending on Defence by ASEAN, 1991

| COUNTRY | VALUE (\$US BILLION) | % GDP |
|-------------|----------------------|-------|
| Indonesia | \$1.57bn | 1.63% |
| Brunei | \$0.229bn * | 6.57% |
| Malaysia | 1.74bn | 4.22% |
| Philippines | \$0.968bn | 2.21% |
| Singapore | \$2.12bn | 6.32% |
| Thailand | \$2.4bn | 3.00% |

* 1988 Figure

Source: Exhibit No. 95.

6.1.3 While spending on defence is small by comparison with its ASEAN partners, the military does dominate Indonesian society. Many members of ABRI work outside formal military structures and any expenditure on such personnel would not be shown against spending on defence.

6.1.4 The Indonesian military, under the 'two functions', undertake all the things their equivalent in other countries do; they also have a role, for example, in reporting the movement of small craft within local waters.² Thus, the Minister of Defence and Security is responsible for the acquisition and utilisation of national resources for national defence and security. The Commander-in-Chief of ABRI is responsible for the forces' state of readiness, for directing ABRI in accordance with State policy and for ABRI's performance as a socio-political force.

6.1.5 As Dr Harold Crouch pointed out, there are significant differences between the Australian and the Indonesian concepts of defence and security.

¹ Submissions, p. S1225

² Transcript, 14 April 1992, pp. 520, 534-535

Australians do not primarily think of security having an internal dimension. The Indonesian ministry concerned is called 'the Department of Defence and Security'.³

6.1.6 The Indonesian Army is divided into ten military areas (or KODAMs). The Army's Strategic Reserve (or KOSTRAD) is under the direct control of the Commander-in-Chief and is separate from the combat commands. KOSTRAD includes two highly mobile infantry divisions, an armoured brigade and Special Force units.

6.1.7 The army is the main focus of Indonesian military preparedness ; it is concentrated on Java and in such provinces as Aceh and East Timor. Of its 102 battalions, 67 are engaged in 'territorial' duties, in provincial capitals and small towns; they have extensive powers to arrest people considered to be threats to security. Apart from these battalions, the other 18 (in six brigades) and another five in Special Forces Command are roughly equivalent to forces in the Australian Army. It is these forces which are or have been in action in East Timor, Aceh and Irian Jaya; they are also reported to have received training with the Australian Special Air Service Regiment in Australia in June 1993.⁴

6.1.8 The Maritime Area Command has eastern and western fleets. Within the Air Force, there are two operational commands and the National Air Defence Command. All are under the Air Force Commander. There are also naval air and marine units.⁵

6.1.9 While the Indonesian navy does not have an aircraft carrier, it has a significant number of vessels for a variety of roles. Its current capability is modest given the area of the archipelago. It has its own construction program and Committee members were able to see something of this during a visit to the PT Pal Shipyard in Surabaya in October 1992. Witnesses from the Australian Defence Force (ADF)/Department of Defence were enthusiastic about the navy-to-navy exercise program with Indonesia.⁶

³ Submissions, p. S1997

⁴ Submissions, pp. S1997-1998; *The Sydney Morning Herald*, 29 July 1993, p. 2

⁵ Submissions, pp. S1225-1226

⁶ Transcript, 12 March 1992, pp. 418, 423, 426, 431

6.1.10 The Indonesian air force has over 80 combat aircraft, including one squadron of F-16s, and a wide range of aircraft for other roles including C130s and a number of different helicopter types. While airmen-to-airmen cooperation is building up, language differences appear to be restricting this activity. No difficulties are experienced in RAAF aircraft (F-111s, P3Cs) getting transit rights through Indonesian airspace en route to /from Malaysia.⁷

6.2 The Australia-Indonesia Defence Relationship

6.2.1 Australia and Indonesia have similar defence outlooks and needs. The submission from the Department of Defence pointed out that Australia's security is linked with that of our neighbours, hence the contribution to regional security through bilateral and multilateral defence relationships which support shared security interests.⁸

6.2.2 Indonesia is strategically important to Australia because of its position to our north, it straddles air and sea routes and, as a member of ASEAN, has a significant influence on regional security policies. Australia's interests, the submission continues, are served by a strong, stable Indonesia which meets its own requirements and contributes to the stability of the region. A partnership across a range of cooperative activities is in the long-term interests of both countries. There are important similarities in their outlooks:

- . both value the concept of 'national resilience' or self reliance;
- . each aims for the capacity to defend itself without reliance on direct support from other powers;
- . each seeks to maximise the contribution of wider national resources to defence, if necessary;

⁷ Transcript, 12 March 1992, pp. 410, 441
⁸ Submissions, p. S318

- . without specific external threats, both are moving independently to develop relevant capabilities for a range of possible contingencies.⁹

6.2.3 A witness from the Department of Defence referred to the possibility of subsuming national resilience and self-reliance into a concept of 'regional resilience'.¹⁰

6.2.4 Such similar ideas provide scope for cooperation for the benefit of both countries; it is not surprising there has been a longstanding defence relationship, albeit one which has changed over time.

6.2.5 From the early 1970s, the Defence Cooperation Program (DCP) was the framework for cooperative defence activities. These emphasised assisting the development of Indonesia's capabilities and included, at various times, provision of Sabre aircraft, Attack-class patrol boats and Nomad aircraft, together with assistance in surveying and mapping the archipelago.

6.2.6 As a result of problems in the overall relationship, after the Jenkins article on the President's family in *The Sydney Morning Herald* 1986, the DCP was cancelled in 1988 at Indonesia's request. After a period of some uncertainty, since 1989 the two countries have undertaken a range of jointly funded activities which emphasise practical cooperation which is of mutual benefit and develops personal and professional relationships, including:

- . attendance at Staff Colleges;
- . significant and varied logistics cooperation;
- . maritime surveillance cooperation;
- . naval exercises; and

⁹ Submissions, pp. S319, 321
¹⁰ Transcript, 12 March 1992, p. 404

training in a wide range of technical and military disciplines.¹¹

6.2.7 Since the termination of the DCP, no defence equipment has been given to Indonesia. While some equipment has been sold commercially, Australia has not provided any arms, ammunition or equipment which 'would be directly relevant to the kind of military operations conducted in East Timor.'¹²

6.2.8 *Language Training.* Increased emphasis is being given to the learning of Bahasa Indonesia by the ADF, particularly the Army, to assist in overcoming communications problems which limit possible army-to-army exercises. There are two levels of proficiency:

a group of 255 who have undergone formal training, principally at the ADF Language School. They are at different levels of proficiency, depending on how much use they have been able to make of their skill. All could be brought to the required standard by a refresher course; these are run regularly at the School; and

a further 285 people have some skills in Bahasa from lower level courses at the School or from other sources. They could manage simple conversations.

6.2.9 In 1992, 20 students at the Australia Defence Force Academy (ADFA) studied Bahasa. The ADF is at present reviewing its language training needs to set its objectives, but the results of this review will not be available until later in 1993.¹³

6.2.10 It is not hard to find evidence of the bilateral defence relationship; the following examples will suffice, in addition to other instances of cooperation already mentioned.

¹¹ *Submissions*, pp. S323, 326-327; *Transcript*, 12 March 1992, pp. 430-431

¹² *Transcript*, 12 March 1992, p. 431; Answer to Question on Notice No 1682, *Hansard, Senate*, 24 March 1992, p. 1012

¹³ *Transcript*, 3 February 1993, pp. 1862-1863

6.2.11 *Nomad Maintenance Project.* Nomad aircraft are an integral part of Indonesia's maritime surveillance capability. In Phase One of the Nomad Maintenance Project a consultancy team of six ADF members was provided for four months to undertake emergency maintenance and repair to make the aircraft airworthy.

6.2.12 In Phase Two from January 1993, three personnel have been provided to undertake training of Indonesian personnel and to assist in the development of an effective and cost efficient maintenance system. Three Indonesian technicians were attached to work on maintenance of Australian Army Nomads at the Aviation Centre at Oakey in Queensland. This phase is expected to take two years and the total cost of the project is expected to be \$A2.236 million.¹⁴

6.2.13 Those members of the Committee who went to Indonesia in October 1992 had discussions with the Project leader and two of his team.

6.2.14 *Aerial Survey Work.* The ADF has had a long record of cooperation with Indonesia in the aerial surveying of the archipelago, particularly in Sumatra, Kalimantan and Irian Jaya. The last phase will begin in Irian Jaya and take about two years to complete, from mid-1993.¹⁵

6.2.15 *Maritime Cooperation.* In addition to various naval exercises past and planned, Indonesia and Australia are working to develop common techniques for military maritime surveillance requirements. There is also a requirement for joint patrols arising from the Timor Gap Treaty. While the responsibility for maritime surveillance does not rest with Defence in Australia, ABRI has that responsibility in Indonesia.¹⁶

6.3 Training within Australia

6.3.1 After describing the military presence in East Timor during his visit, Monsignor (now Bishop) Hilton Deakin questioned the training of Indonesian

¹⁴ *Submissions*, p. S2069

¹⁵ *Transcript*, 3 February 1993, pp. 1878-1879

¹⁶ *Transcript*, 3 February 1993, pp. 1863-1865

officers in Australia, suggesting that the skills acquired were likely to be used in East Timor.¹⁷

6.3.2 Lieutenant-General J S Baker, Vice Chief of the ADF, referred to the involvement of most of Indonesia's armed forces in the nation building function and said that the bulk of its Army had no requirement for training in the sorts of activities the Australian Army undertakes. Thus, only about nine ABRI battalions would need the field training and collective training given to the ADF, whereas there are benefits for giving Indonesian personnel training in such areas as leadership and officer qualities. Decisions about what training is to be undertaken by Indonesians is reached after consultation.¹⁸

6.3.3 Questioned about the training given to Indonesian armed forces personnel in Australia, Lieutenant-General Baker made two points:

- . training only goes ahead when there are common interests and there are areas where there would not be any benefits to either country, and
- . therefore, what is provided has very little relevance to the internal or security function carried out by ABRI.

6.3.4 While accepting this argument, and the statement that the killings in Dili resulted from a breakdown in the ABRI command system, the Committee was uneasy about his further statement: that the skills being taught are not applicable to crowd control or riot control.¹⁹

6.3.5 There have been reports that troops from the Indonesian special forces regiment (or Kopassus) received two weeks training in Australia with the Special Air Service Regiment. It was also reported that members of Kopassus had been deployed to Aceh and been linked to human rights abuses there. Two thousand innocent people have allegedly been killed since 1989.

¹⁷ *Transcript*, 18 November 1992, pp. 1588-1589

¹⁸ *Transcript*, 3 February 1993, pp. 1870-1871

¹⁹ *Transcript*, 3 February 1993, pp. 1875-1876

6.3.6 One aim of the Australian defence cooperation program with Indonesia is to reduce the potential for human rights violations by the armed forces through enhancing professionalism and the awareness of internationally accepted standards of military behaviour. Any training of Indonesian military personnel is designed to improve leadership skills and generally to create an environment for more effective cooperation in external defence policy. Such training is not in any way designed to improve the capability of the Indonesian armed forces in dealing with internal matters.²⁰

6.4 Issues in the Defence Relationship

6.4.1 In its submission, the Australian Defence Association (ADA) was particularly critical of the 1986 Dibb Report, stating that its assessment of Australia's force structure had been based on the assumption that it should be able to deal with small-scale raids on the mainland, and that the archipelago is the area from or through which a military threat 'could most easily be posed.' The ADA stated that 'the belief that Indonesia would launch such an attack or would connive at an attack' by another power was implicit in this statement.²¹

6.4.2 Some 16 per cent of Australians seem to consider Indonesia will pose a military threat in the next decade, according to an article by the ADA's Mr Michael O'Connor. Indonesia, he continued, 'does perceive that Australian policy is unduly fearful of dark designs', and this perception is reinforced by military deployments to the north and by the scenarios of the Kangaroo series of military exercises. The RAAF's deployment could be valuable in the context of regional security. However, ground exercises and their scenarios seem to have been conceived independently of the political context and any consideration of a neighbour's sensitivity.²²

6.4.3 Later in its submission, the ADA refers to the Five Power Defence Arrangement (FPDA) which was set up in the middle 1960s between the United Kingdom, Malaysia, Singapore, New Zealand and Australia.²³ It has provided a

²⁰ Senate, *Hansard*, 27 September 1993, p. 1243; *Far Eastern Economic Review*, 23 September 1993, p. 13; *The Sydney Morning Herald*, 29 July 1993, p. 2

²¹ *Submissions*, p. S158

²² *The Australian*, 25 September 1992, p. 14

²³ *Submissions*, pp. S169-170

framework for joint air exercises and temporary stationing of RAAF aircraft for the Integrated Air Defence System (IADS). There have been some concerns in Indonesia about the appropriateness of both FPDA and IADS, although the official government position is that these arrangements are the responsibility of the five countries in the Agreement.²⁴ There have also been discussions about increasing the complexity of exercises carried out within FPDA and including a maritime component IADS. Such developments would seem to be an extension of the existing Operation Gateway which involves P3C aircraft flying from Butterworth in Malaysia, out into both the Indian Ocean and the South China Sea.²⁵

6.4.4 Evidence was given that there had been discussions with Malaysia about what was needed to bring Operation Gateway into line with current surveillance requirements. Maritime surveillance and cooperation in the region is the area that Defence believes will have benefits. Discussions with Malaysia will be pursued before Indonesia is involved.²⁶

6.4.5 In its submission, the ADA states that there has been little consideration of the external impact of Australia's northern bases which lie on the edge of the most direct passage between the Pacific and Indian Oceans. By deploying forces to this area Australia, the ADA argues, 'alters the regional and global strategic balance'. It is this which leads Australia's neighbours, especially Indonesia, to be sensitive to deployments in the north. It was also asserted that this leads to impatience about our claimed erratic attitude to regional security.²⁷

6.4.6 On 15 October 1992 in reply to a Question Without Notice, the Minister for Defence announced the Australian Government's intention to purchase 15 F-111 aircraft to be stored, upgraded and introduced into service to meet attrition or to extend the life of the fleet. This decision was justified on the grounds of retaining a superior strike and interdiction capability in Australia's sea-air gap.²⁸

6.4.7 While members of the Committee were in Indonesia in October 1992, one of the most frequently asked questions related to this announcement. While

²⁴ *Transcripts*, 12 March 1992, pp. 409-410; 3 February 1993, p. 1860

²⁵ *Transcript*, 12 March 1992, pp. 428-429

²⁶ *Transcript*, 3 February 1993, pp. 1877-1878

²⁷ *Submissions*, p. S159

²⁸ *Hansard*, Senate, 15 October 1992, pp. 1929-1930.

there was no hostility, the lack of prior consultation had generated unnecessary concerns in Indonesia and, probably, in other countries in the region.

6.5 The Committee's Views

6.5.1 The defence relationship with Indonesia has been sound at times when the political relationship was disturbed, so that any difficulties in the former have been caused by the latter.²⁹ This has been based on a solid, cooperative program where there are important security interests in common and on increasing personal contacts and friendships between various senior officers of the respective armed forces. There is a cooperative approach in which a number of aspects provide a capacity to work together as regional partners. The good work being done by the Nomad Maintenance Project is an example of such a cooperative approach.³⁰

6.5.2 There will probably always be some Australians who see threats from neighbouring countries which, like Indonesia, are 'different', large and unknown. It is probably not possible to do anything about their attitudes. Indonesia has repeatedly made it clear it is no more a threat to Australia than we are to Indonesia. This should be a crucial ingredient in any assessment.

6.5.3 Neither country has any aggressive designs on the other. Indonesia's military capability has been designed primarily for internal security and to protect the archipelago. It was suggested that Indonesia regards Australia's attitude to regional security as 'erratic' and that Australia's army is so small as to be 'irrelevant' in terms of regional security.³¹ Australia does not possess, and has no plans to acquire, the logistic and other capabilities which would be needed to intervene in the region. It has, like Indonesia, a profound interest in a peaceful region. While there may have been some 'periods of serious difficulty' in the past, they seem largely to have disappeared.³²

²⁹ *Transcript*, 12 March 1992, p. 439

³⁰ *Transcript*, 3 February 1993, p. 1855

³¹ *Submissions*, pp. S159, 162

³² *Submissions*, pp. S1195, 1246

6.5.4 Indonesian observers have been included in the planning and conduct of the Kangaroo series of exercises since 1989.³³ As was pointed out, at senior levels within ABRI, there should be no doubt about the purpose of and scenarios for these exercises. As they continue, perceptions of the sort dealt with by the ADA, that these exercises tend to reinforce a perception of Australia defending itself against Indonesia, should recede without the need for the 'sensitive program of public discussion in Australia.'³⁴ It is clear that the general military consultations sought by the ADA are already under way; in view of the presence of Indonesians at these exercises, it seems there is no need to change the current format.

6.5.5 With regard to concerns about Australia's deployments or bases in the north and north west, it is Australia's right to arrange its defence force within national boundaries. The ADA's concerns about the Indonesian reaction to these internal matters appear to be over-stated. If necessary, of course Australia's rights and the purposes of bases and deployments should be explained again to regional countries.

6.5.6 The FPDA continue to serve a useful purpose; they are seen to have value for the defence of Australia, and they create a positive security environment which benefits all regional countries. While a Defence witness conceded that, if the FPDA were being constructed now, they would not have their current form, it was also true that more comprehensive regional security arrangements were some distance in the future.³⁵

6.5.7 Given past Indonesian sensitivities about FPDA arrangements, the United Kingdom's involvement in the region and FPDA, and the issue of regional security, it has been suggested a review of these arrangements is needed to make them more relevant.³⁶ Discussions about wider regional security arrangements are under way.³⁷ If it is true that Indonesia prefers bilateral defence relationships, and in view of renewed regional concerns, such a review would have value and be very timely.

³³ *Transcript*, 3 February 1993. pp. 1868-1869

³⁴ *Submissions*, p. S169

³⁵ *Transcript*, 3 February 1993, pp. 1857-1859

³⁶ *Submissions*, p. S170; *Transcript*, 11 November 1992, pp. 1664-1665

³⁷ *Transcript*, 3 February 1993, p. 1861

Recommendation 2: The Committee recommends that current discussions about regional security continue and expand, with the object of working towards the creation of a cooperative regional defence structure.

6.5.8 The issue of acquiring additional F-111 aircraft was a sensitive matter during the Study Tour in 1992.

Recommendation 3: The Committee recommends that, when major equipment purchases are being finalised:

- . where possible, discussions be held in advance with regional countries to ensure the purposes of these acquisitions are explained; and
- . such purchases are announced in formal statements to Parliament.

6.5.9 It may be true that Australia's cooperative training program with Indonesia is directed towards those areas where there are interests in common. Nevertheless, it is also a fact that the skills and training passed on can be used even in the most general way as part of the internal security role of most of ABRI. While there can be no exception taken to training which enhances Indonesia's ability to defend itself against external aggression, Australian training which could be used against other Indonesians is another matter.

6.5.10 The submission from the Secure Australia Project advocated that military aid to Indonesia should be phased out, so as to discontinue support of the armed forces 'which have systematically...repressed' East Timor. There are justifiable concerns about the training Australia provides to Indonesian special forces personnel.³⁸

³⁸ *Submissions*, p. S704

6.5.11 The Committee's report *A Review of Australia's Efforts to Promote and Protect Human Rights* recommended that a direct connection be established between military exports and human rights violations, so that, where possible, training in international standards of human rights be provided as part of defence cooperation training.

6.5.12 We endorse the aim of Australia's defence cooperation program with Indonesia: to reduce the potential for human rights violations by members of the Indonesian armed forces by enhancing professionalism and the awareness of internationally accepted standards of military behaviour.

6.5.13 A proper distinction can and should be drawn between training troops for military operations and training for police operations such as crowd control. The Department of Defence must use this principle in designing training courses for military personnel from Indonesia, and other countries as appropriate.

Recommendation 4: The Committee recommends that the Department of Defence review the appropriateness of training provided to Indonesian military personnel to ensure that:

- . training in international standards of human rights behaviour is provided as an integral part of the defence cooperation program; and
- . training which is provided is directed towards the acquisition of operational military skills and not those which should more appropriately be given to civil police.

6.5.14 While relations with Indonesia cover many different areas of the Australian Government, the lack of contact between them is disturbing. A witness from the Department of Defence said he did not believe 'there is generally a need to coordinate with AIDAB' because there is close contact with DFAT, mainly at section-head level. Another Defence witness was not aware whether there was any

Australian Geological Survey Organisation involvement in aerial survey work in Irian Jaya.³⁹

6.5.15 The present level of ADF/Defence consultation with AIDAB via DFAT may be satisfactory; it may not matter whether more than one group surveys a province. Similarly, there is no suggestion that another coordinating level be included in assistance to Indonesia. However, the inquiry revealed a lack of coordination in this area.

6.5.16 There is a need for greater consultation between agencies to reduce duplication and ensure Indonesia's various defence needs are met efficiently within the resources Australia can make available.

Recommendation 5: The Committee recommends that the Department of Defence and the Department of Foreign Affairs and Trade examine, in conjunction with such bodies as the Australian International Development Assistance Bureau and the Australian Geological Survey Organisation, the provision of defence and defence-related assistance to Indonesia to ensure that an appropriate, formal level of consultation exists for effective and efficient delivery of that assistance.

³⁹ *Transcripts*: 12 March 1992, pp. 432-33; 3 February 1993, p. 1879

Chapter 7

Human Rights in Indonesia

This issue attracted the greatest volume of evidence to the Inquiry; it is also the point of greatest sensitivity and difficulty in the relationship between Indonesia and Australia. General principles and mechanisms of human rights will be examined before Indonesian philosophy and practices are considered and assessments are made of applications in particular situations.

7.1 General Principles and Mechanisms

7.1.1 'Human rights are universal; the diminution of the rights of any group detracts from the whole. ...Therefore, all people have a responsibility to preserve and protect the rights enshrined in the Universal Declaration of Human Rights. This declaration ... sets the standard by which nations can judge their own and others' performance in the preservation of human rights'.¹

7.1.2 The opening words from its report *A Review of Australia's Efforts to Promote and Protect Human Rights* summarise the Committee's position on human rights. In that Report, the Committee set out its views in full; much of what follows in this Section is drawn from it.

7.1.3 The Universal Declaration of Human Rights is a manifesto which sets out the basic rights of human beings; it was adopted by the General Assembly of the United Nations in 1948. The text of the Declaration is at Appendix 5.

7.1.4 The other international instruments which embody human rights protection are:

- . The International Covenant on Economic, Social and Cultural Rights (ICESCR) is a treaty, adopted unanimously by the

¹ JCFADT, 1991, p. 1

General Assembly in 1966, which is binding on those nations which have ratified it and is monitored by a committee of experts appointed by the Economic and Social Council of the UN. It came into force in 1976 after 35 nations had ratified it.

. The International Covenant on Civil and Political Rights (ICCPR) is a treaty unanimously adopted by the General Assembly, binding on those nations which ratify it and monitored by the Human Rights Committee of the UN. It came into force in 1976 and, by 1992, 120 nations had ratified it.

7.1.5 Attached to the ICCPR are two optional protocols:

. The (First) Optional Protocol, ratification of which entitles individuals within a state to file complaints of human rights violations with the Human Rights Committee. By November 1991, it had been ratified by 58 States.

. The (Second) Optional Protocol, ratification of which aims at the abolition of the death penalty. By February 1992, it had been ratified by 11 States.

7.1.6 The Universal Declaration and the two Covenants form what is known as the International Bill of Rights. As well as these, a series of conventions has been adopted by the UN Specialised agencies and by the International Committee of the Red Cross which further specify areas of human rights:

. the Convention on the Prevention and Punishment of the Crime of Genocide;

. the Convention on the Elimination of Racial Discrimination;

. the Convention against Torture and Other Cruel, Inhuman and Degrading Treatment or Punishment; and

. various International Labour Organisation (ILO) conventions.

7.1.7 While Western society created philosophical and legal frameworks to protect the rights of individuals, however these may have been abused, other cultures adhered to comparable principles. The concepts they enshrine are not new, as they can be traced back to Greek and Roman civilisations. The Universal Declaration was framed in the immediate aftermath of the Second World War when terrible crimes against humanity were committed. In that document, the nations of the world combined to express the principles of human rights. International bodies have been formed with international laws. These laws are political and civil, in the belief that preservation of rights would be seen as the most rapid route to economic and social development. The means of protecting human rights include:

- . adherence to the rule of law;
- . separation of executive and judiciary;
- . an independent judiciary;
- . a free press;
- . freedom of speech and assembly; and
- . the right to a fair trial.

7.1.8 While the principles underlying these laws are stated to be universal, their acceptance in practice is not. Those who have an interest in human rights, whether as governments or individuals, tend to take into account national sovereignty and the principle of non-intervention in the internal affairs of other nations. There are also suggestions that human rights are Western, neo-colonialist notions which are, moreover, incompletely adhered to in many Western countries which are critical of the records of others. As a result of de-colonisation, the UN reflects profound differences in wealth between West and North compared with East and South. This has led to assertions of cultural relativism: that rules of morality are derived from particular cultures and therefore change from time to time and nation to nation. Thus the allegation is that there are no universal values, as they form part of the West's cultural imperialism which attempts to dominate other societies.

7.1.9 Mechanisms in democratic societies, and the rights enshrined within constitutions and legal systems which are designed to protect the individual, sometimes are not highly regarded in other societies where collective values are stressed. This emphasis is often accompanied by assertions of the primacy of economic and social values - the need to improve conditions for the good of all and the need for civil order as a means to that end. This in turn leads to debate about what are human rights and the different priorities of nations.

7.2 Indonesia and Human Rights

7.2.1 The 1945 Constitution is the basis for the legal system in Indonesia and its Preamble includes the Pancasila, or national ideology, which embraces and recognises the idea of human rights.

7.2.2 According to an official publication by the Attorney General of Indonesia, *Legal Protection of Human Rights in Indonesia*,² the Pancasila reminds Indonesians about the importance of balance in the fulfilment of various rights, and between rights and obligations. Thus, in fulfilling their rights, Indonesians have obligations to maintain the unity of the country, and to provide social justice to all the people of the country. For the sake of this balance, the limitation of some rights is justifiable. The argument continues that the requirement for balance, as well as the recognition of limitations to rights, is not detrimental to the UN Declaration of Human Rights.

7.2.3 Article 29 of the Universal Declaration of Human Rights deals with the duty of the individual to the community and to the limitations of the law on the exercise of rights and freedom. The Indonesian document does not refer to the third part of that Article, which states:

These rights and freedoms may in no case be exercised contrary to the purposes and principles of the United Nations.

7.2.4 This document then defends Indonesia against the charge of denying the right of self determination. As a signatory of the Bandung Ten Principles,

² *Exhibit No. 96* This publication has been used extensively in this Section.

Indonesia recognised this right but states that it is 'the right of a nation, not the right of an individual. The exercise by an individual or a group of individuals can be considered as a separatist movement. No state tolerates such a movement'.

7.2.5 The right of free expression, the argument continues, has to be balanced against the obligation to maintain the unity of the State; the exercise of this right which does not consider that obligation is a threat to national stability. This hampers the nation's efforts to improve the peoples' conditions. Such an exercise of the rights constitutes a violation of criminal law provisions and is subject to criminal prosecution.

7.2.6 The 1945 Constitution includes the following rights for its citizens:

- . equality before the law and government (Article 27);
- . to work and to live in ways befitting human beings (Article 27);
- . freedom of religion (Article 29);
- . to participate in the defence of the state (Article 30); and
- . to obtain an education (Article 31).

7.2.7 Under Article 28, freedom of association and assembly, of speech and publication, 'shall be prescribed by statute'.

7.2.8 The Attorney General's document then compares the rights given to citizens under the Constitution with those in the Universal Declaration of Human Rights. It claims that freedom of association, assembly and expression are guaranteed in Article 28 of the Constitution.

7.2.9 This document then gives some examples of provisions in Indonesian law which carry out the rights in the Universal Declaration, before setting out the principles in the Code of Criminal Proceedings (1981). The law is quite specific about what is allowed, in terms of suspects' rights while in detention. The rights of a defendant and the obligations of the prosecutor and the judiciary are also specified. These matters are set out in Appendix 6.

7.2.10 Even after sentence has been passed, Indonesian law gives a person the right to request a review of a case if he or she finds new evidence.

7.2.11 This part of the document concludes by stating that its publication shows that Indonesian law does not justify the use of torture or recognise summary execution.

7.2.12 National development in Indonesia is carried out under the guidance of the Basic Guidelines of State Policy, enacted in a 1988 decree of the MPR. These Guidelines state that economic development must be given priority, as economic success will lead to development to the provision of sufficient funds for progress in these other areas.

7.2.13 The national development program facilitates both the fulfilment and the protection of human rights. It allows the government to improve conditions, while imposing an obligation on the people to support the program. The Attorney General asks that Indonesians be considerate so that the exercise of their rights does not jeopardise efforts to carry out this program.

7.2.14 The Indonesian Prosecution Service's legal information program informs people of their rights under law, their obligations and the need to be considerate about exercising these rights. It also explains how the law operates.

7.2.15 In the Conclusion to this publication, the point is made that Indonesian law recognises human rights and that legal provisions protect them. While there are some weaknesses in the protection of human rights, violations are the results of individual actions and not justified by state policy or the law. The goal of the national development program is the provision of a just and prosperous society in which rights can be guaranteed. The government has improved both the conditions for the people and their enjoyment of rights, including human rights, through legislative action.

7.2.16 During his meeting with the Study Tour in October 1992, the Attorney General said that Indonesia's civil law, derived from the Dutch, was being reviewed. It was not clear whether a similar review was being carried out on the Criminal Code.

7.2.17 In June 1993, the Indonesian Government announced the establishment of a national human rights commission. The creation of this body was seen as a response to international criticism of Indonesia's human rights record, its creation coinciding with the UN Conference on Human Rights which took place in Vienna in June 1993.

7.2.18 In his 1993 Independence Day address, President Soeharto appears to have signalled a significant change. He was reported as pledging to allow openness and democratisation, saying that friction and conflict were natural and legitimate in a society like Indonesia. It was the government's job to find solutions in a peaceful, ethical, fair, mature and civilised manner.

7.2.19 The subsequent release of General Nasution of the Petition 50 group was another welcome indication of a changed attitude.³

7.3 Other Laws

7.3.1 The Attorney General's publication makes no mention of the Anti-Subversion Law of 1963 or the sections in the Criminal Code which refer to 'spreading of hate' (from the Dutch 'haatzai').

7.3.2 The relevant provisions from the Anti-Subversion Law are:

Chapter 1

Subversive activities

Article 1

(1) The following shall be convicted of having engaged in subversive activities:

Whosoever has engaged in an action with the purpose of, or clearly with the purpose which is known to him, or can be expected to be known to him can:

³ *The Australian Financial Review*, 23 August 1993, p. 13

a. distort, undermine or deviate from the ideology of the Pancasila State or the State policy lines, or

b. overthrow, destroy or undermine the power of the State or the authority of the lawful Government, or State apparatus, or

c. disseminate feelings of hostility or arouse hostility, cause splits, conflict, chaos, disturbances or anxiety among the population or broad sections of society or between the State of the Republic of Indonesia and a friendly State, or

d. disturb, obstruct or disrupt, industry, production, distribution, commerce, cooperatives or transport conducted by the Government, or based on a Government decision, or which exerts a widespread influence on the livelihood of the people.

(2) Anyone who encourages the activities referred to in paragraph (1) shall also be considered guilty of engaging in subversive activities.

7.3.3 Conviction under this Act carries the death penalty, although it is rarely applied. This provision is still in the Statutes and has been used against those jailed, and not released, following the attempted coup in 1965.

7.3.4 Articles 154 and 155 of the Criminal Code were inherited from the Dutch colonial government and were used by it to suppress the nationalist movement:

Article 154

Whosoever expresses in public feelings of hostility, hatred or contempt towards the Government of Indonesia, is threatened with a criminal sentence of a maximum of seven years goal, or a maximum fine of three hundred rupiah.

Article 154a

Whosoever denigrates the national flag and emblem of the Republic of Indonesia is threatened with a criminal sentence of a maximum of four years goal, or a maximum fine of three thousand rupiah.

Article 155

Whosoever disseminates, displays or posts up in public writings or pictures which contain statements of feelings of hostility, hatred or contempt towards the Government of Indonesia, with the intention that the message be publicly or more publicly known, is threatened with a criminal sentence of a maximum of four years and six months goal, or a maximum fine of three hundred rupiah.

Fines in Indonesian legislation are usually quite low.⁴

7.3.5 Because of the nature of the disturbances, the Anti-Subversion Law has been used in Aceh, East Timor and Irian Jaya against people detained for involvement in anti-government activities. Of those tried as a result of the killings in November 1991, four defendants were charged in Jakarta, two for subversion and two for the spreading of hatred. In Dili, two other defendants were charged with subversion and six with spreading hate.⁵

⁴ *Submissions*, p. S1567-1569

⁵ *Submissions*, pp. S1569, 2097-2099

7.4 Indonesia and the United Nations

7.4.1 Indonesia joined the UN on 28 September 1950; on 20 January 1965, it announced its decision to withdraw from that body. On 28 September 1966, the General Assembly took note of Indonesia's decision to resume full cooperation and participation in the UN's activities and Indonesian representatives were invited to take seats in the Assembly. In 1992, Indonesia was elected for the first time to the UN Commission on Human Rights.⁶

7.4.2 Indonesia has only ratified two of the documents listed in paragraphs 7.1.4 to 7.1.6 (inclusive) above: one of the ILO conventions and the Convention against Torture and other Cruel Inhuman and Degrading Treatment or Punishment.

7.5 Particular Human Rights Issues

7.5.1 As shown in Section 7.2 above, the 1945 Constitution and the Code of Criminal proceedings contain many provisions which should safeguard human rights within Indonesia. While these provisions exist, they do not guarantee these rights can be exercised.

7.5.2 Indonesia has made great economic progress since 1965; among the consequences of this progress have been rising expectations and stresses within that society. One example of the latter is labour relations. There is only one legally recognised union in Indonesia, SPSI, and its activities are heavily controlled. About 75 per cent of workers are not represented by a legal union. Agreements are negotiated by SPSI but working conditions and rates of pay are poor, as Committee members observed for themselves in October 1992. Part of the control exerted over labour relations is the tendency for the military to intervene in strikes or demonstrations. The military also seems to intervene in disputes about land holdings to the detriment of squatters. The rights of indigenous inhabitants to land are not protected.⁷

⁶ UN Press Release, ORG 1144, 22 May 1992, p.5; *Submissions*, p. S1241

⁷ *Transcripts*: 5 February 1992, pp. 221-222; 1 December 1992, pp. 1726-1727; 23 September 1992, pp. 1518-1519

7.5.3 The existence of the Anti-Subversion Law, said to be so vaguely worded that any disagreement can be the basis for a charge, is in the background of all these issues. Potential use of the death penalty means it is not only completely disproportionate to such threats as free speech or the organisation of labour, but extremely effective against any sort of dissent.⁸

7.5.4 There have been other, less explicit restrictions on human rights in Indonesia. The Government's 1992 decision to reject all funding from the Netherlands meant that the Legal Aid Institute (LBH) was cut off from about 80 per cent of its funding. As a nation-wide body, set up initially with the support of the Government, it did a great deal of work in a number of human rights areas. With most of its funding removed, and uncertainty about alternative sources, its effectiveness is likely to decline.

7.5.5 Then there are specific geographical areas of human rights concerns: Irian Jaya, Aceh and East Timor. Many of the matters described as referring to one of these places are also relevant in the others.

7.6 Irian Jaya

7.6.1 The former Dutch colony, known as West New Guinea, did not become part of Indonesia in 1949. In 1962, authority was transferred to the UN; in May 1963, it became a de facto part of Indonesia. An 'Act of Free Choice' in July/August 1969 approved integration with Indonesia as its twenty sixth Province.

7.6.2 The Australia West Papua Association referred to the suppression of expressions of independence between 1963 and the Act of Free Choice: 'uprisings were brutally put down... and thousands of the local people were killed'.⁹ The report by the representative of the Secretary-General of the UN drew attention to the fact that, although the elected consultative assemblies unanimously decided in favour of remaining with Indonesia, 'certain elements of the population held firm convictions in favour of independence'.¹⁰ Peaceful and armed opposition to Indonesian rule in

⁸ *Transcripts*: 19 May 1992 p. 799; 1 December 1992, p. 1797

⁹ *Submissions*, pp. S775-776, S586

¹⁰ *Submissions*, p. S819; see also an article in *The Herald Sun*, 28 November 1991, p. 12

Irian Jaya has continued, the main vehicle being Organisasi Papua Merdeka (Free West Papua Movement or OPM).

7.6.3 Amnesty International Australia referred to an attempted uprising in Irian Jaya in February 1984. The uprising was uncoordinated and, after its failure, large numbers of Irianese became refugees in PNG because of actual or anticipated military activity and associated violations of human rights. Amnesty stated there were 11,000 Irianese refugees in PNG in 1986.¹¹

7.6.4 The killing of the Irianese nationalist Arnold Ap in Jayapura in 1984 and the movements across the border that year created serious tensions in the Indonesia-PNG relationship. Australian public sympathy for the refugees, and PNG, together with condemnation of Indonesian policies in Irian Jaya, was significant. This sympathy was reinforced by concerns about the plan to settle 500,000 transmigrants in Irian Jaya in the 1984/89 Five Year Plan. This proposal did not proceed.¹²

7.6.5 Amnesty gave details of flag raising ceremonies in 1988 and 1989 and the consequences which, it states, were arrests for subversion and gaolings. Amnesty's submission gives details of sentences imposed as a result of these ceremonies, as well as examples of torture, extra-judicial executions and disappearances.

7.6.6 Amnesty estimates there are currently about 130 political prisoners from Irian Jaya serving sentences for subversion. It believes that at least 80 may be in prison solely because of non-violent political activities and beliefs.¹³

7.6.7 While not directly linked to human rights issues, the Australia West Papua Association refers to the development of resources - minerals, forestry and fisheries - in Irian Jaya expanding enormously over the next decade. While not opposing development as such, the Association was concerned that it was being imposed on rather than involving the indigenous people. There is also a report that, in some places, populations have been forced to move to enable mineral exploration

¹¹ *Submissions*, p. S587

¹² *Submissions*, pp. S1582

¹³ *Submission*, p. S587

in new areas. Traditional landowners have been moved from their land for the benefit of mines in the past. If the people would not move, government services and supplies were withdrawn. If this report is true, there was a famine because supplies were withheld.¹⁴

7.6.8 There was a significant transmigration program into Irian Jaya; this has now been replaced by voluntary migration from other parts of Indonesia. As observed by members in October 1992, this has resulted in the disproportionately small number of indigenous students at government technical schools. Success in an examination in Bahasa can lead to a place in a government school; failure restricts an individual to the less well-resourced private system. A visit to the main market in Jayapura also seemed to indicate non-indigenous dominance in small trading. Non-Irianese occupy positions of power in such places as banks and other commercial enterprises. Limiting the indigenous people of their opportunities to participate fully in education and commercial and business activities can be seen as a denial of their rights.¹⁵

7.6.9 It is clear that development of the eastern provinces is important to the Indonesian government. However, the Australia West Papua Association is concerned that the way it has been handled is leading to the 'disempowerment and disenfranchisement and therefore continuing resentment' of the indigenous people. If this continues, support for the OPM, now seemingly at a low level, may grow, perhaps leading to a cycle of further demonstrations, government action, responses and increased numbers of refugees. The Association is in favour of democratisation of the system in Irian Jaya as a basis for long-term stability and development.¹⁶

7.7 Aceh

7.7.1 Aceh is a special region of Indonesia, at the northern tip of the island of Sumatra. Located across the Straits of Malacca from Malaysia, it is rich in natural gas and timber. Its history of rebellions against the Dutch and the Indonesian governments caused it to be given special status in 1959.¹⁷

¹⁴ *Submissions*, p. S774; *Pacific Islands Monthly*, April 1992, p. 19

¹⁵ *Transcripts*: 4 February 1992, pp. 144-146, 159-163; 18 November 1992, p. 1587

¹⁶ *Submissions*, pp. S774, 1409

¹⁷ *Submissions*, p. S596

7.7.2 Aceh is seen as unique because of its peculiar history, its cultural orientation and its unusual ethnic composition and language. It is the most westerly province in Indonesia and there has been a long history of contact with the Malayan Peninsular. Although the Acehenese are not Malays there are cultural similarities between the two peoples.

7.7.3 The increasing influence of Indonesian culture, and Javanese in particular, over Aceh is often viewed with hostility by the Acehenese. Java's culture is disparaged for being rather feudalistic and not truly Islamic because of the influence of Hinduism and the other non-Islamic legacies.

7.7.4 There has been progress in Aceh as a result of central government initiatives, in spite of entrenched local interests and groups claiming to uphold Acehenese values. The local peoples have concerns which include protection of the environment from loggers and industrialists, more equitable distribution of wealth and maintenance of Acehenese interests in the face of what is sometimes seen as fierce competition from other ethnic groups.¹⁸

7.7.5 In 1976, the Aceh/Sumatra National Liberation Front, more commonly known as Aceh Merdeka or the Free Aceh Movement, was established to remove the 'Javanese' domination of Aceh and establish an independent Islamic state. This declaration coincided with preparations for the 1977 Indonesian elections; an outburst of political activism in Aceh, Java and North Sumatra led to the arrest of hundreds of people, some of whom were supporters of Aceh Merdeka, between 1977 and 1979.¹⁹

7.7.6 In the late 1970s, some scores of people were allegedly arrested on suspicion of supporting Aceh Merdeka. In 1989, the army launched a military operation to eradicate marijuana growing and the remnants of Aceh Merdeka. Since then, incidents began to occur with a frequency and geographic spread that suggested a more coordinated movement. The US-based group Asia Watch, while condemning without reservation some of the violent crimes including murder committed in the name of Aceh Merdeka, has documented human rights abuses in Aceh. It says 'there is no possible justification under international or Indonesian law

¹⁸ Exhibit No. 93

¹⁹ Exhibit No. 93

for the executions, tortures and disappearances... or for killings of suspected guerillas by villagers at the instigation of the army when victims have been captured or have laid down their arms'.²⁰ Amnesty has first-hand and eye-witness testimony which confirms that beating, ill-treatment and torture have been routinely practiced in Aceh.²¹

7.7.7 While many of those arrested in 1989 were released in April 1990, Amnesty says there is considerable evidence that more than 2000 people have been killed since the beginning of 1989. There are reports of many arrests and trials under the Anti-Subversion Law which do not accord with international standards of fair trials because of the use of torture and selection of and access to defence lawyers restricted by the authorities. There are also reports of large scale arrests of those suspected of membership in or sympathy with 'disturbance creating elements' (or GPKs), as the Indonesian army calls a group which could include petty criminals, marijuana growers, Aceh Merdeka members and others arrested for real or suspected political beliefs.²²

7.7.8 Amnesty reported that, in July 1991, the International Committee of the Red Cross was able to visit detainees in Aceh for the first time. However, while Aceh Merdeka's actions may have declined, the passing of a death sentence on a rebel leader in his absence suggests that human rights abuses in Aceh may not have ceased. It is not surprising that concerns were expressed about a report of training being given in this country to members of a Indonesian unit which was deployed in Aceh in 1990. This matter was referred to in Chapter 6 in the context of Australian training given to ABRI personnel.²³

7.8 East Timor

7.8.1 Indonesia's incorporation of East Timor is the greatest difficulty in the relationship between that country and Australia. Australian involvement in Timor

²⁰ Submissions, p. S596; Exhibit No. 93

²¹ Submissions, pp. S596-597

²² Submissions, pp. S596-597; *The Sydney Morning Herald*, 21 September 1993, p. 10

²³ Submissions, p. S597; *The Canberra Times*, 8 April 1993, p. 8; *The Sydney Morning Herald*, 29 July 1993, p. 2

in the Second World War, religious connections, a significant East Timorese community in this country and the proximity of the island have all ensured there is continuing Australian interest in East Timor.

7.8.2 It is not appropriate, or relevant, to deal with all the events - proven or alleged - in East Timor since 1975. In that period, the evidence suggests that at least 200,000 East Timorese have died from causes directly or indirectly attributable to integration by Indonesia. A number of witnesses paid tribute to Indonesian efforts for the East Timorese, but the fact remains that a tragedy has occurred on our north western doorstep. The East Timor issue engendered the largest volume of evidence to the inquiry.²⁴

7.8.3 East Timor was a Portuguese colony from the Sixteenth Century; little was done in that time to improve the condition of the local people. Following a change of regime in Portugal in 1974, decolonisation began and there were discussions inside and outside East Timor about its future. After a brief civil war between rival groups Indonesian forces accompanied by some Timorese invaded East Timor on 7 December 1975. East Timor was formally integrated into Indonesia as its twenty seventh province on 17 July 1976.

7.8.4 In the initial period, 1975 to 1982, Amnesty International learnt of executions of unarmed civilians, disappearances and the continued imprisonment without trial of thousands suspected of aiding or sympathising with opposition forces. In late 1983, a series of political trials began which lasted until 1987; Amnesty International has always doubted the fairness of these trials. For 13 years, until January 1989, East Timor was closed to outsiders; during that time, there were military campaigns against the resistance and a famine.²⁵

7.8.5 Amnesty International Australia believed the human rights situation between the re-opening of the province in 1989 and 1991 improved without becoming satisfactory. Even in that period, and at the times of visits by the Pope (1989) and the US Ambassador to Indonesia (1990), there were reports of extra-

²⁴ *Transcript*, 4 February 1992, document after p. 114; *Submissions*, pp. S1893-1896;

Transcripts: 1 December 1992, pp. 1675-1676, 1693-1694; 4 February 1992, p. 31

²⁵ *Submissions*, p. S577; *Transcript*, 10 June 1992, p. 1105

judicial executions, unacknowledged detentions and the continuing use of torture on detainees.²⁶

7.8.6 In October/November 1991, there was tension in Dili as the result of the cancelled visit of a Portuguese delegation. On 28 October 1991, two young men who had taken refuge in a church were killed. Early on 12 November 1991, a mass was held in the church to commemorate one of the dead. After the service, a large procession, which had been advertised on the officially controlled radio, began moving towards Santa Cruz cemetery. Independent eyewitnesses said the procession was peaceful and well-controlled, although pro-independence slogans were shouted. Flags of the nationalist movement Fretilin and banners with slogans were also displayed.

7.8.7 Indonesian security personnel, allegedly in large numbers, stood along the route. There was a report of an attack on an Indonesian officer during a scuffle one and half to two kilometres, and five to ten minutes, away from the cemetery. This was also estimated to be 30 minutes before the shooting began. There were about 3000 people in various parts of the cemetery for about ten minutes before shots were fired.

7.8.8 Troops moved in a premeditated, disciplined manner along the same route as and behind the demonstrators. Without warning or provocation, they began firing into the crowd. When the firing ceased, some wounded were, it was reported, stabbed to death by soldiers and the arrests of those protesters still on the scene began.²⁷

7.8.9 It is not possible to say how many died at the cemetery, nor later of their wounds, but estimates range from 50 to over 200. An estimated 300 were reported to have been arrested in East Timor following the killings. There were also reports of intimidation of people suspected of opposing Indonesian rule, torture, interrogation without the presence of a lawyer and ill-treatment in detention. Amnesty International received unconfirmed reports of extra-judicial executions on 15 November 1991. Visitors to East Timor since November 1991 have reported in detail about such things as the air of tension and sense of foreboding, in both Dili

²⁶ *Submissions*, pp. S577-578

²⁷ *Submissions*, pp. S1117-1121; *Exhibit No 77*, pp. 26-34

and outside it, of the strong military presence, the suppression of Tetum, the indigenous language of East Timor, the domination by Javanese and continuing disappearances.²⁸ It is a cause for concern that, in July 1993, Indonesian authorities acknowledged that over 60 people were still unaccounted for following the events of November 1991 in Dili.

7.8.10 A legal opinion was tabled by Citizen Limbo which argued 'that certain Australian government officials and Australian businessmen have a criminal responsibility as accomplices to... genocide.' In support of this opinion, decisions from the High Court and other courts were cited, and a definition given of complicity. The opinion then stated that one way for Australians to avoid complicity was to support the proposal for UN supervised peace talks without preconditions, involving all parties.²⁹

7.8.11 Mr R N Wesley-Smith described the period since 1975 in East Timor as 'one of the biggest genocides of our century.'³⁰ Another witness hesitated to use the word 'genocide' about Indonesia's family planning program in East Timor, but saw that program as part of the process of domination by the Government in Jakarta.

7.8.12 Evidence by officers of the Department of Foreign Affairs and Trade on the human rights situation in East Timor included the following major points:

- . Australia's human rights policy is universal, reflecting a commitment to worldwide application of internationally accepted standards and conduct of human rights.
- . This policy in particular situations depends on the welfare of the people involved.
- . Australia's position is understood by the Indonesian Government, so that Australian representations are accepted as legitimate.

²⁸ *Submissions*, pp. S1150-1151; *Transcript*, 18 November 1992, pp. 1581-1599
²⁹ *Submissions*, pp. S1170-1181; *Transcript*, 4 February 1992, pp. 39-40
³⁰ *Transcript*, 10 June 1992, p. 1095

. The Indonesian Government had responded positively in dealing with the killings in Dili.

. Successive Australian governments have believed that, while they did not condone the way East Timor was incorporated into Indonesia, it has been recognised as a fact.

. This policy has allowed Australia to pursue its aim, of giving priority to the welfare of the East Timorese people involved, while allowing both representations on human rights issues to continue and the development of a bilateral aid program.³¹

7.8.13 There can be no doubt that the Australian Government takes human rights seriously. Within DFAT, there is a human rights section and it will shortly publish a manual on the subject which will be widely available in the Department and the community. This manual will be an integral part of a one day course which has been proposed for DFAT and AIDAB officers posted overseas. The content and structure of the course has yet to be determined, nor has it been decided whether it will be mandatory for all officers before they take up postings.

7.8.14 At present, briefings on human rights issues both in principle and practice within DFAT and AIDAB are not included in any formal pre-posting program and are left to the discretion of the individual.

7.8.15 Australia is not the only country to have expressed concerns about human rights in Indonesia. The US Congress has passed a resolution about the situation in East Timor and in 1992 suspended \$US3.5 million in military aid for training. More recently, the US Senate's Foreign Relations Committee linked military sales with improvements to human rights in Indonesia.³²

³¹ *Transcript*, 12 March 1992, pp. 328-329, 352, 367
³² *Far Eastern Economic Review*, 23 September 1993, p. 13; *The Australian Financial Review*, 30 September 1993, p. 14

7.9 The Committee's Views

7.9.1 The Ambassador of the Republic of Indonesia argued that Asians want 'an Australia which conveys its values on what constitutes a humane and democratic society without sermonising, nor instantly judging its neighbours because of what are perceived as their ethical imperfections.' In an interview, the Ambassador also said Australia has the right to raise human rights issues, 'but it is the aggressive manner in which they are raised which could hamper the trade relationship.'³³

7.9.2 In its report *A Review of Australia's Efforts to Promote and Protect Human Rights*, the Committee drew attention to some issues of Australia's domestic practices which we believed should be listed as worthy of attention.³⁴ Thus, when we deal with human rights in East Timor, or anywhere else in Indonesia, our comments recognise Australia's own record with reference to the Universal Declaration of Human Rights. What follows is our attempt to convey Australia's values on what constitutes a humane and democratic society without sermonising or making instant judgements. Human rights issues figure so prominently in the relationship with Indonesia that they must be expressed clearly.

7.9.3 While the UN was conceived with the desire to preserve peace through international cooperation, it has broadened its scope to provide forums for debate and review on a wide range of matters, including human rights. It therefore limits national sovereignty, by consensus, in the interests of international order and the rights of people. UN conventions cover a wide range of activities and inevitably they impinge on the internal affairs of countries; this is not without its tensions or accusations of unwarranted intrusion into those internal affairs, especially where international judgements are critical.³⁵

7.9.4 By its very membership of the UN, it may be assumed that Indonesia shares the values set out in the Universal Declaration and in the instruments it has signed. The representative of the International Commission of Jurists, Australian Section, stated these are international guidelines which are well recognised and

should always be resorted to in situations which involve controversy about human rights.³⁶

7.9.5 The Ambassador of Indonesia argued that human rights must come out of the inner workings of the nation's political process and that, while social justice for all is in the Pancasila, as economic development is enhanced, issues such as human rights will be addressed.³⁷

7.9.6 Such views seem to be reflections of cultural relativist arguments; they also seem to echo statements in the Bangkok Declaration from the Asia-Pacific Conference on Human Rights in March-April 1993.

7.9.7 This declaration by the 49 participating countries reaffirmed their commitment to the principles of the UN Charter and the Universal Declaration of Human Rights, calling for the full realisation of human rights around the world. While these rights are universal in nature, the Bangkok Declaration continued, they must be considered in the context of 'national and regional peculiarities and various historical, cultural and religious backgrounds.' The pursuit of these rights must respect national sovereignty and territorial integrity, and recognise the principle of non-interference in the internal affairs of other nations. The text of the Declaration is at Appendix 7.

7.9.8 Such cultural relativist arguments cannot be accepted, nor can the contention that economic and social values must take priority in a society, for whatever period, over human rights. Acceptance of such arguments would deny the common humanity of all people, over which are laid particular cultural heritages and values. To do so would deny the statement in Article 1 of the Universal Declaration:

All human beings are born free and equal in dignity and rights.

7.9.9 The existence and use of the Anti-Subversion Law of 1963 presents specific human rights problems. It is Amnesty's experience that people tried under its provisions 'can hardly expect to receive a fair trial.' It refers to presumptions of

³³ Exhibit No. 94; *The Canberra Times*, 31 January 1993, p.9

³⁴ JCFADT, 1992, pp. 59-67

³⁵ JCFADT, 1992, p. 13-14

³⁶ Transcript, 1 December 1992, p. 1755

³⁷ Transcript, 3 February 1993, pp. 1824-1825

guilt by the judiciary, intimidation of witnesses, defendants and defence lawyers and, often, restrictions on access by defence lawyers. It believes the law is vaguely worded and that almost any act or word can be construed as subversive. Amnesty states trials under this law are 'a deliberate display of the government's uncompromising attitude towards political dissent and are, in effect, political show trials.' It suggested that trials resulting from the killings in Dili in November 1991 showed that innocent actions were considered to be serious grounds for charges under that law.³⁸

7.9.10 We reaffirm the view expressed in the report, *A Review of Australia's Efforts to Promote and Protect Human Rights*, where the Australian Government was urged 'to draw to the attention of the Indonesian Government the gross injustice of the application of the Anti-Subversion Law to those involved in peaceful protest.'³⁹

7.9.11 There are two further and inter-connected difficulties in discussing human rights in Indonesia. One is the position of the military, the other is the rule of law. How they are connected is demonstrated by events in the aftermath of the killings in Dili.

7.9.12 The representative of the International Commission of Jurists, Australian Section, stated that there was no evidence he had discovered that any of the people put on trial after that incident had offered any violence. All had adhered to the principle that East Timor should be free and independent. 'It turns justice on its head when they are the ones who receive very severe punishment... while the military receive different treatment.'⁴⁰

7.9.13 The same witness referred to the Commission of Inquiry, known as the Djaelani Commission, which was established by President Soeharto after the Dili killings. In its interim report, the Commission described acts of serious assault and homicide for which soldiers involved were tried for breaches of discipline. He saw this situation as 'the most pointed manifestation of the failure of the rule of law in Indonesia.' He suggested the rule of law, which clearly exists in principle as shown in Section 7.2 above, should be applied so that all involved in the Dili incident could

³⁸ *Submissions*, p. S587; *Transcript*, 19 May 1992, p. 799

³⁹ JCFADT paragraph 6.32, pp. 78-79

⁴⁰ *Transcript*, 1 December 1992, p. 1761

be tried. Another witness believed the rule of law could be strengthened with changes to the 1945 Constitution, as it is 'a broad, open-ended and flexible instrument.'⁴¹

7.9.14 Members who visited Indonesia in October 1992 asked the Attorney General about the significant differences in the sentences imposed on the military personnel and on demonstrators from the incident in Dili. These variations arose from the different jurisdictions, so that the military were and had to be charged with insubordination and lack of discipline. The Attorney General seemed also to say that those charged under the Anti-Subversion Law were so charged because killings had occurred during the incident at the cemetery in Dili.

7.9.15 Many witnesses drew attention to the paramount position of the military in Indonesia. This situation is derived from its crucial role in fighting the Dutch. But nevertheless, this does not seem to justify what the representative of the International Commission of Jurists, Australian Section, said about the situation in East Timor: 'the rule of law is completely subordinate to the rule of the military.'⁴²

7.9.16 If the provisions of the 1945 Constitution, the Pancasila and the Criminal Code were implemented universally, human rights would be protected. Indonesia would not then be faced, among other things, with incomprehension about the very different sentences which were brought down on the civilian defendants and on the military involved in the Dili incident.

7.9.17 The argument which is put forward is that there are profound differences, both political and social, between Indonesian and Western society and that there is a very real (and perhaps justified) fear of instability in the country. Therefore, the argument continues, the existence of the Anti-Subversion Law and the articles against the spreading of hate in the Criminal Code might be justified. Such an attitude seems to be incompatible with the spirit of the United Nations' Universal Declaration. Such blunt instruments, used against aspirations which are consistent with the principles of the United Nations, do not sit well with an Indonesia which is so proud of its progress over the past 25 years and of its ability to change.

⁴¹ *Transcript*, 1 December 1992, pp. 1760-1761, 1756, 1739

⁴² *Transcript*, 1 December 1992, p. 1753

7.9.18 This change is primarily economic, one which, if the Bangkok Declaration is any guide to Indonesia's thinking, precludes any developments in human rights until some unquantified economic progress has been achieved.⁴³ The review of civil law, if at least followed by a review of the Criminal Code, could do much to reduce concerns about human rights in Indonesia. The Australian Government should respond positively to any request it receives for assistance in the reform of the Indonesian legal system.

Recommendation 6: The Committee recommends that the Australian Government respond positively to any request it might receive from the Indonesian Government to assist in reviews of its legal system.

7.9.19 The creation of the National Commission on Human Rights in June 1993 can only be welcomed in this context. It has, however, been criticised as seriously flawed because it will not be independent, will be made up of people closely connected to the government and will have little real power. If indeed it was created before the Vienna conference to deal with international criticisms, this need not automatically blight it. It is reasonable, though, that this body be judged by what it achieves.⁴⁴

7.9.20 For much of 1993, it appears that the climate for human rights in Indonesia has been improving. The President's words, in his 1993 Independence Day address, about the need to change and to accommodate different viewpoints seemed significant. It is to be hoped that the change in attitude he talked of will be seen at all levels and groups within Indonesia. Shortly after 17 August 1993, there was a relaxation of official attitudes towards the Petition 50 group. In addition, clemency has been granted to Mr Xanana Gusmao and it has been announced that, in East Timor, combat troops will be replaced by territorial forces.

7.9.21 All these things are to be welcomed, but the depth and sincerity of words will be measured against performance. During the period these positive changes were occurring, an independent trade union was denied registration and

⁴³ *Transcript*, 3 February 1993, p. 1810

⁴⁴ *The Canberra Times*, 10 July 1993, p. 9

denied permission to hold a conference. Concerns expressed by Greenpeace Australia, referred to in Chapter 11, will provide a useful way of assessing how significant the changes have been. If the Indonesian nuclear program goes ahead, and those opposed to it are allowed to protest, within the law, then Indonesia will have changed.

7.9.22 The Australian Government maintains that its position on East Timor has, overall, been realistic, notwithstanding criticisms by the media, individuals and organisations. Given its belief in considering the welfare of the people involved and the principles of non-intervention and national sovereignty, it could be argued that there were few options open to various Australian governments since 1975. It could also be argued that the granting by Australia of de facto recognition of the incorporation of East Timor on 21 January 1978 and de jure recognition on 22 December 1978 were so hasty as to imply condonation of Indonesia's action or, in many eyes, should never have been given. There are strong differences of opinion in the Australian community, which extend to the Committee, on these matters.

7.9.23 Australia has continued to make representations about East Timor. Following the report of the Military Honour Council's investigation of military involvement in the Dili killings, the Minister for Foreign Affairs and Trade stated the Government would monitor follow up actions which had been foreshadowed. The Government remained concerned about a number of issues and representations would continue to be made about them:

- . that no-one should be detained or otherwise penalised for non-violent political activities, that those detained in Dili, Denpasar and Jakarta be treated humanely and that those brought to court be given proper legal representation and fair trials;
- . the need for the future policies and practices of the Indonesian security forces in East Timor to be controlled effectively and generally much more sensitive to the needs and aspirations of the East Timorese people; and
- . the need for the Indonesian Government to develop a systematic approach to longer term reconciliation in the province, including

improved social and economic development and greater recognition of East Timor's distinctive cultural identity.⁴⁵

7.9.24 In view of Australia's practice of not intervening in the internal affairs of other nations, this was a very firm statement of its position.

7.9.25 In *A Review of Australia's Efforts to Promote and Protect Human Rights*, it was observed that the proximity of East Timor to Australia, the historic and emotional ties forged during the Second World War, together with the scale of the killings in Dili and the injustices done to the victims, suggested the incident and its outcome deserved much stronger condemnation. That report went on to point out the need for a consistent Australian Government reaction to human rights outrages. Finally, while this country has a laudable history of promoting human rights and condemning human rights abuses in distant parts of the world, by softening the European Community's strongly worded resolution on the killings in Dili, Australia lessened its credibility on the issue of human rights in Indonesia. Nothing which has happened since December 1992 has altered the need for Australia to be consistent in its expressions of concern about human rights, wherever abuses occur.⁴⁶

7.9.26 The final report of the Djaelani Commission, including the full text of the evidence taken, has never been published. Because of world-wide concerns about events in Dili in November 1991, this report should have been published in full.

7.9.27 It could be argued that Australia should do more, such as making East Timor an issue at the UN and endeavouring to have sanctions invoked against Indonesia, or suspending diplomatic relations with Indonesia.

7.9.28 In view of Indonesia's significant position within ASEAN and, more importantly, its chairmanship of the Non-Aligned Movement, UN action against its activities in East Timor would be unlikely to find support. There has not been a vote in the UN on the issue of Indonesian incorporation of East Timor since 1982.

⁴⁵ *Exhibit No. 97*
⁴⁶ JCFADT paragraph 6.24, p.76

7.9.29 In the unlikely event that Australia were to suspend diplomatic relations with Indonesia, little would change and least of all for the people of East Timor for whom such a gesture would in theory have been designed. Whatever leverage had been achieved by the Government's prior representations would be lost. Although this may have changed somewhat since the middle 1980s, it is still true that Indonesia matters more to Australia than the reverse.⁴⁷

7.9.30 Australia can take some further steps to improve the position in East Timor. The re-opening of the consulate in Dili has been sought but there has not been any action on that proposal. Regular visits continue from the Embassy in Jakarta, providing opportunities to monitor and report on the province, and to support the increased development assistance activity there. Such visits cannot be compared with a consular presence. The re-opening of the consulate in Dili should be pursued as a recognisable and diplomatic statement of Australia's concerns about East Timor.

Recommendation 7: The Committee recommends that the Australian Government should continue to press for the re-opening of its consulate in Dili.

7.9.31 As pointed out in the report of a Parliamentary Delegation which visited East Timor in 1991, many people in Australia would welcome easier access to East Timor. Re-establishment of a direct, regular Darwin-Dili air service would assist in family reunions and improve trade links. The introduction of modern communications is likely to lead to private sector investment, particularly in the hospitality industry.⁴⁸

7.9.32 These actions would assist in opening up the province, in showing other Indonesians and the world that the East Timorese are treated in the same way as the rest of the population, including free movement into, out of and around the province. If recent moves to reduce the military presence were combined with

⁴⁷ *Transcript*, 1 December 1992, pp. 1713-1715

⁴⁸ *Report of the Visit to Hong Kong, Singapore and Indonesia*, Recommendation 3.24, p. xxxiv

reductions on the surveillance of visitors, much would be done to reduce tensions within East Timor and make it more comfortable for visitors to move around.

Recommendation 8: The Committee recommends that the Australian Government encourage the Indonesian Government to seek the re-establishment of a direct, regular Darwin-Dili air service to facilitate access for trade and tourism to East Timor.

7.9.33 The Committee, particularly through its Human Rights Sub-Committee, is well aware of the work being done by DFAT in this sensitive area. The forthcoming manual on the subject will be widely available within the Department and the community. The structure and content of a one day course based on this manual for DFAT and AIDAB officers about to go on postings, is being discussed.

7.9.34 The introduction of such a course is a welcome development. It should be compulsory for all DFAT and AIDAB officers before they take up overseas postings. It is unlikely, however, that much of the theory of a complex subject such as human rights could be absorbed in one day, let alone practical issues in particular countries. The course should be re-assessed to ensure more time is available to consider both the philosophy and practice of human rights.

Recommendation 9: The Committee recommends that:

- . the proposed course on human rights be introduced and made compulsory for all officers of the Department of Foreign Affairs and Trade and the Australian International Development Assistance Bureau before they take up overseas postings; and
- . the content and structure of the course be reassessed to ensure that the information provided on the philosophy and practice of human rights is sufficiently detailed to give these officers a sound knowledge of the subject.

7.9.35 A witness from the Australian National University related a request, made in East Timor before November 1991, that more Australians were needed on projects there because 'it is much harder for the military to do things in the dark of the night.' Amnesty International Australia suggested people involved in development projects should be better briefed on human rights in Indonesia and made more sensitive to what it is like to be a victim of human rights oppression. Amnesty also pointed out that the words 'human rights' do not appear in many AIDAB documents.⁴⁹

7.9.36 The emphasis in AIDAB's work is very much on development issues, such as the alleviation of poverty, with little overt attention given to human rights. Without wishing to be critical of the high quality work done by that organisation, we believe that it needs to give more emphasis to human rights in its work. This is the more important because of the strong position the Australian Government has consistently taken on human rights world-wide.

7.9.37 In the assessments made for feasibility and success of ODA projects, there should be some consideration of the progress towards the achievement in recipient countries of the basic rights in the Universal Declaration of Human Rights.

Recommendation 10: The Committee recommends that the Australian International Development Assistance Bureau include an assessment of progress towards the establishment and protection of human rights, consistent with the Universal Declaration of Human Rights, in the criteria by which it evaluates the feasibility and the success of official development assistance projects.

7.9.38 Citizen Limbo's allegation about Australia's complicity in genocide is serious. No proof was offered and his views can be given no more credence than a legal opinion about what he later described as potential genocide.⁵⁰

⁴⁹ *Transcripts*: 12 March 1992 p. 366; 29 June 1993, pp. 2013-2014; *Submissions*, p. S2338;

⁵⁰ *Transcripts*: 15 April 1992, p. 745; 19 May 1992, pp. 803-804
Transcript, 4 February 1992, p. 39

7.9.39 In the course of contacts with the Indonesian Government, opportunities can and should be taken to recommend reconciliation with the people of Irian Jaya, Aceh and East Timor. This is particularly important in view of statements from the Indonesian Ambassador that the East Timorese are Indonesian, and that in the coming years there will be an attempt to enhance the autonomous participation of all regions of the country. At the same time, Mr Siagian made it clear that there could be no questioning of East Timor's status, nor could there be dealings with negotiators outside Indonesia.⁵¹

7.9.40 In *A Review of Australia's Efforts to Promote and Protect Human Rights*, the Committee urged the Australian Government to support actively a new UN initiative to begin consultations with all parties to the problems in East Timor, Irian Jaya and Aceh with a view to negotiating a settlement. Almost a year has passed since that report was tabled and, although there are some hopeful signs in East Timor, various human rights problems remain unsolved in these provinces and in Indonesia as a whole.⁵²

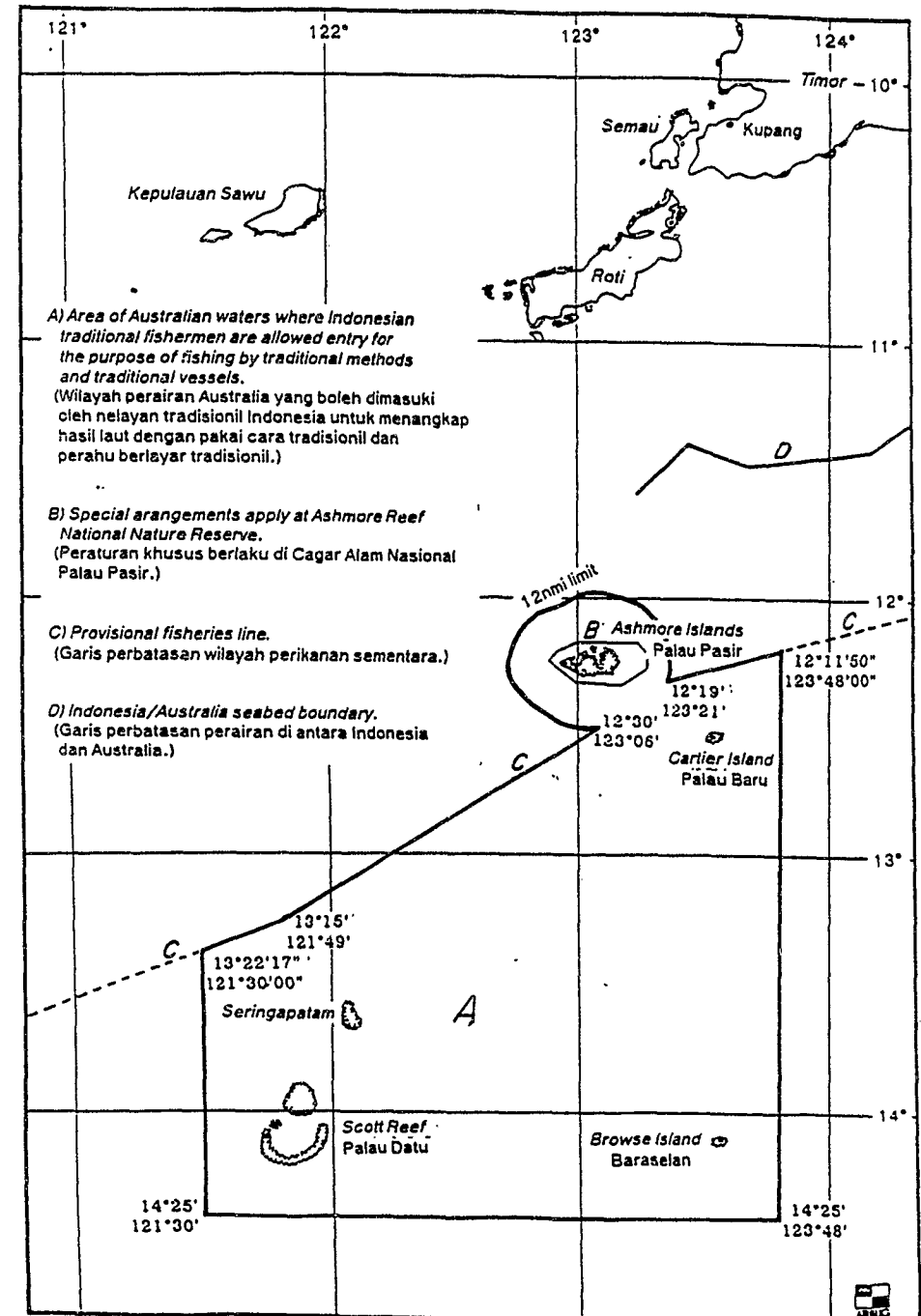
7.9.41 The Committee believes that differences with Indonesia over the definition and application of human rights are not insuperable and need not, in any event, blight the relationship with Australia. Until these differences are dealt with, they will continue in the eyes of many Australians to be a barrier to a positive attitude to our neighbour.

Recommendation 11: The Committee recommends that the Australian Government continue, within the limits of national sovereignty and the principle of non-intervention in the internal affairs of other countries, to make representations to the Indonesian Government about the principles and application of human rights in all parts of Indonesia. Furthermore, the Committee urges the Australian Government to use its good offices to facilitate reconciliation between the Government of Indonesia and the people of Irian Jaya, Aceh and East Timor through discussions with all those who have interests in resolving the issues which currently inhibit the Australia-Indonesia relationship.

⁵¹ Transcript, 3 February 1993, pp. 1818, 1820-1822
⁵² JCFADT, paragraph 6.32, pp.78-79

The MOU Area for Traditional Indonesian Fishermen

MAP 2



SOURCE: DPIE

Chapter 8

Fisheries Issues

Although only a small part of Australia's relationship with Indonesia, illegal fishing in Australian waters by Indonesian fishermen has attracted considerable attention.

8.1 Indonesian Fishing in Australian Waters

8.1.1 Fishermen from what is now Indonesia have been fishing off the west coast of Australia for at least 300 years, although there have been periods when it did not occur. The Indonesian tradition of distant shore fishing, or voyaging, has always been a commercial enterprise with most of the targeted species sold on the international market. Only a few species, eg; dried shark flesh, are sold at local or regional markets. In addition, a certain amount of effort has always been given to subsistence fishing.¹

8.1.2 At the end of 1974, a Memorandum of Understanding (MOU) was signed by Australia and Indonesia which permitted a specific category, traditional fishermen, to fish in a designated area between Australia and West Timor. The area covered by the MOU is shown in Map 2. Within it is the Territory of Ashmore and Cartier Islands; in 1983, Ashmore Reef was declared a National Nature Reserve under the National Parks and Wildlife Conservation Act 1975 and is managed by the Australian National Parks and Wildlife Service (ANPWS), restricting the operations of some fishermen.

8.1.3 ANPWS stations a chartered vessel at Ashmore Reef during the fishing season (March to November), demonstrating Australia's sovereignty. This presence enables the activities of fishermen to be monitored and assists in the protection of wildlife, at a cost of about \$250,000 per year. This arrangement

¹ *Submissions*, p. S1926; *Transcript*, 3 September 1992, p. 1427

appears to have been successful in explaining the provisions of the MOU to fishermen.²

8.1.4 Because of the abuse of access rights to Ashmore Reef by Indonesian fishermen, in 1988 Australia sought to renegotiate the MOU. Indonesia rejected this approach and Australia then introduced new controls to reflect the area's Nature Reserve status and Australia's international obligation to protect wildlife. In 1989, a new interpretation was agreed with Indonesia, whereby all motorised vessels and motorised methods of fishing were excluded to ensure the operation of traditional fishermen.³

8.1.5 The MOU was drawn up to control trochus harvesting from the islands and reefs off the WA coast. Problems with illegal Indonesian fishermen had been increasing in those waters since the early 1970s. Although it has resolved some problems, it does not seem to have dealt adequately with all groups of fishermen. It is also clear that there are unresolved problems with Indonesian shark fishermen in the Arafura Sea.

8.1.6 The signing of a Fisheries Cooperation Agreement between Australia and Indonesia on 22 April 1992 provides a forum for discussions. Its first major activity was a joint workshop on the fisheries resources of the Arafura Sea in Darwin in November 1992. This workshop established that there is over-fishing of some resources in Indonesian waters.⁴

8.1.7 The signing of the MOU and other, subsequent arrangements aimed to reduce illegal fishing. The main concerns arising from these activities include:

- . depletion of trochus, shark and other marine life;
- . quarantine - particularly the risks associated with unauthorised landings;

² *Submissions*, p. S1023-1024; *Transcript*, 14 April 1992, p. 594

³ *Submissions*, p. S1024

⁴ *Submissions*, p. S933; *Transcript*, 3 February 1993, pp. 1833-1835

- . the costs associated with surveillance and enforcement activity, including accommodation, processing, gaoling and repatriation of illegal fishermen;
- . practical difficulties of accommodating and processing large numbers of fishermen when pulses of illegal fishing occur;
- . concentration of Australian surveillance effort in the north, at the cost of other, potentially 'high risk' areas in the AFZ;
- . possible immigration violations; and
- . threats to the livelihood of the Bardi aboriginal people, who have the exclusive right to exploit trochus in King Sound where many illegal Indonesian fishing expeditions have taken place.

8.1.8 Evidence from Mr Phillip McCarthy of the Bardi Aborigines Association made it clear that the number of trochus shells is declining. More importantly, their size is also declining.⁵

8.1.9 While a number of measures have been used to try to reduce illegal fishing, perhaps the most effective means has been the price received for the catch. At present, the world price for trochus is down and illegal harvesting has fallen; the price of shark fin is high and illegal fishing in the Australian Fisheries Zone (AFZ) is a problem.

8.2 Categories of Indonesian Fishermen in Australian Waters

8.2.1 Ms Bu Wilson and Mr B C Campbell opined there were five different groups of Indonesians fishing in Australian waters, although some of the distinctions between these groups were blurred:

- . high technology, motorised shark fishermen, including drop-line fishing;

⁵ *Transcript*, 12 June 1992, pp. 1248, 1255

- . low technology, motorised shark fishermen;
- . South-East Sulawesi trochus fishermen;
- . Rotinese sedentary species fishermen (also including some Madurese); and
- . traditional un-motorised shark fishermen.

These appear to be broadly valid groups and will be used in our consideration of the issues.

8.2.2 Ms Wilson and Mr Campbell believe that there has been an understandable tendency to group all fishermen together and categorise them, simplifying a complex set of only lightly related characteristics. This has resulted in inconsistencies in the treatment accorded to different groups.⁶

8.2.3 Although the rights of the sedentary species fishermen were recognised by the MOU in 1974, traditional shark fishermen also have clear rights of access to the Australian Fishing Zone (AFZ) under the Third United Nations Convention on the Law of the Sea (UNCLOS III). As a result of reductions to the allowed areas, especially the excision of the Ashmore Reef nature reserve in 1983, together with the consequential pressure on species and a steep rise in the price of shark fin, many sedentary species fishermen from Roti have begun to target shark. Thus, the distinctions between traditional shark and Rotinese sedentary species fishermen has been further blurred.⁷

8.2.4 According to the provisions of UNCLOS III, countries which claim a 200 nautical mile Exclusive Economic Zone (EEZ) are obliged to take into account countries which have an historical dependence on the resources in that zone. If the coastal state cannot fully utilise the allowable catch of a commercial species, it is obliged to licence foreign fisheries for part of the catch. Licences were provided to Japan and Taiwan.⁸

⁶ *Submissions*, p. S1930
⁷ *Submissions*, p. S1931
⁸ *Submissions*, p. S1929

8.2.5 Fishermen from South-East Sulawesi have fished for shark within the AFZ for decades; if they do not use motorised boats, they can fish legally within the areas allowed by the MOU. Since 1988, this has been a boxed area, as well as the 12 nautical mile zone around certain islands and reefs. This MOU 'box' does not correspond to their original fishing ground which was a long, kidney shaped zone south of the box and a small area south-east of East Timor just inside the AFZ.⁹ Such fishermen are routinely arrested, their boats confiscated and burnt.

8.2.6 Professor J J Fox stated that, although they come from the same area to fish in Australian waters, trochus and shark fishermen present separate problems for which different measures are needed.¹⁰

8.3 Illegal Indonesian Fishing in Australian Waters

8.3.1 Statistics on the interception of illegal Indonesian fishermen in Australian waters are kept by a number of authorities, Commonwealth and State. It is quite clear that the number of interceptions has declined since reaching a peak in 1990/91. As either the DFAT figures in Table 8.1 or the DPIE figures in Table 8.2 demonstrate, the number of motorised trochus boats intercepted has declined since 1989/90. While there is room for debate about the effectiveness of such things as surveillance of northern/north western waters and education programs in Indonesia, Ms M B Harwood of DPIE attributed the decline in the number of trochus fishermen to a reduced world price for trochus. It cannot, of course, be predicted how long this price will remain low.

8.3.2 The WA Fisheries Department stated that a fleet of 30 to 50 vessels, mostly from the island of Roti or Kupang in West Timor but also from other, specific areas of Indonesia, had fished legally in the MOU area for trochus. Since the early 1970s, the catch was made during a voyage of about a month; the catch has declined in that time. Boats of this type were not causing the Department any problems.

8.3.3 The former WA Minister for the North West, Agriculture and Water Resources, the Hon E F Bridge MLA, gave details of his visit to Roti in October 1991 when discussions were held with local people about fishing in Australian waters.¹¹

⁹ *Transcript*, 2 September 1992, p. 1305; *Submissions*, p. S1930
¹⁰ *Submissions*, pp. S520, 1930
¹¹ *Transcript*, 2 September 1992, p. 1302; *Exhibit No. 76*

Table 8.1 Apprehensions of Illegal Indonesian Fishing Vessels from 1987 to 1991

| TYPE OF VESSEL | 1987 | 1988 | 1989 | 1990 | 1991 |
|---------------------------|----------|-----------|-----------|-----------|-----------|
| Traditional non-motorised | 0 | 2 | 0 | 8 | 5 |
| Motorised trochus | 7 | 19 | 15 | 29 | 4 |
| Motorised shark | 0 | 25 | 21 | 14 | 32 |
| Other | 0 | 0 | 1 | 0 | 0 |
| TOTAL | 7 | 46 | 37 | 51 | 41 |

Source: *Submission No 119, p. S1234*

Table 8.2 Foreign Fishing Vessels Apprehended between 1987/88 and 1991/92

| NATION | TYPE OF VESSEL | 1987/88 | 1988/89 | 1989/90 | 1990/91 | 1991/92 |
|------------|---------------------------|-----------|-----------|-----------|-----------|------------|
| Indonesian | traditional non-motorised | 2 | 0 | 5 | 3 | 5 |
| | motorised trochus | 12 | 9 | 26 | 16 | 4 |
| | motorised shark | 0 | 34 | 19 | 35 | 1 |
| | long-liner (tuna) | 0 | 0 | 0 | 1 | 0 |
| | pearl | 0 | 0 | 1 | 0 | 0 |
| | Sub-total | 14 | 43 | 51 | 55 | 10* |
| Taiwanese | long-liner | 0 | 0 | 2 | 0 | 0 |
| | gill netter | 0 | 0 | 1 | 0 | 0 |
| | clam | 0 | 1 | 0 | 0 | 0 |
| | Sub-total | 0 | 1 | 3 | 0 | 0 |
| Korean | long-liner | 0 | 0 | 1 | 0 | 0 |
| Japanese | long-liner | 0 | 0 | 1 | 2 | 1 |
| Thai | stern trawler | 0 | 1 | 0 | 0 | 0 |
| | TOTAL | 14 | 45 | 59 | 57 | 11 |

Source: *Submission No. 95, p. S941*

* Information subsequently given to Senate Estimates Committee F on 2 April 1992 was that a total of 13 vessels was intercepted in 1991/92 (*Hansard, p. F 43* refers).

8.3.4 Rotinese fishermen accepted that there are areas in which they can fish legally for trochus, but drew attention to problems being caused by other fishermen from South East Sulawesi. Because the latter boats have a basic motor, they are not regarded as traditional fishermen.¹²

8.3.5 A further significant difference between traditional trochus fishermen and those from South East Sulawesi is the crew: traditional boats often have an owner, elders and a mixed crew of old and young from a village. Boats from Sulawesi are joint ventures in boats of lower quality where all parties contribute equal shares and there is often no defined captain. Crews might well be farmers lured into fishing by the promise of rewards or coerced by debt.¹³

8.3.6 A great deal of evidence was taken about the financial arrangements in Indonesia for voyages by various groups. From Mr Campbell's evidence, it appears that those who organise and finance trochus voyages do not bear the direct consequences of the apprehension of boats. It was clear that crew members may have to put up an indemnity to an owner-financier which could be higher than the value of the boat. If a boat is apprehended, the owner could make a profit.¹⁴

8.3.7 Crews include a large number of juveniles to reduce the numbers gaoled by the courts. This could indicate difficulties in making up crews and the success of the surveillance program.¹⁵

8.3.8 Whether because of the low price for trochus or the price of boats in South East Sulawesi, as Mr Campbell said, the problem of illegal fishing appears to have moved north to shark fishing grounds.¹⁶

8.3.9 Shark fin is also traded internationally and eaten by the small Chinese minority in Indonesia. The price of shark fin has risen dramatically over the past three years because Taiwanese boats outside Indonesian waters, in the Arafura Sea, have depleted stocks. Poor fishermen are therefore moving into other waters to take advantage of the higher prices and their boats are being intercepted. The

¹² *Transcripts: 3 September 1992 p. 1404; 2 September 1992 p. 1303*

¹³ *Transcript, 3 September 1992 p. 1433*

¹⁴ *Transcripts: 3 September 1992, pp. 1433-1434; 2 September 1992, p. 1317*

¹⁵ *Transcript, 3 February 1993, p. 1833*

¹⁶ *Transcript, 3 September 1992, p. 1433*

poorest fishermen use only sail power, whereas the large majority of vessels have auxiliary engines and, under the MOU, are described as motorised. They are, therefore, categorised with much more sophisticated vessels. Professor Fox observed that many of the so-called motorised vessels are almost as traditional as those which only use sail power.¹⁷

8.3.10 Such boats are very different compared with the shark boats seen in Northern Territory waters which have commercial tackle and facilities to catch and freeze large quantities of fish. The WA Fisheries Department suggested that the former group only came under Australian consideration after the 1978 declaration of a 200 nautical mile EEZ; before this such vessels were fishing legally. A box has been drawn for them in which sharks are not usually found.¹⁸

8.4 Measures Taken to Combat Illegal Fishing

8.4.1 In its submission, DPIE referred to a number of measures which had been taken to reduce illegal fishing:

- . the maintenance of a high level of surveillance and enforcement effort;
- . investigations into the nature and origins of the activity;
- . education campaigns;
- . removal of incentives;
- . increased penalties; and
- . immediate repatriation.¹⁹

¹⁷ *Transcripts*: 3 September 1992, p. 1431; 14 May 1992, pp. 573-574, 579
¹⁸ *Transcript*, 2 September 1992, pp. 1304-1305
¹⁹ *Submissions*, p. S932

8.4.2 It is clear, if only from the evidence of Professor Fox and Ms Wilson and Mr Campbell, that there are significant gaps in knowledge about Indonesian fishermen. Some research has been done but little seems to be easily available. Ms Wilson and Mr Campbell suggested areas where currently accepted ideas may be incorrect.²⁰

8.4.3 Discussions have been held with Indonesian authorities about illegal fishing. In 1991, the Director-General of the Fisheries Directorate was brought to Australia, to be briefed about the seriousness of the problem and management of fish stocks. Indonesian authorities have followed up Australia's expressed concerns by getting local harbour masters to control departures.²¹

8.4.4 Surveillance of likely areas, interception, detention gaol sentences, repatriation, and removal of gratuities earned must reduce the incentive for voyaging. These measures, with the exception of shark fishermen in northern waters, appear to have worked; the continued high price for shark fin seems to work against these measures.²²

8.5 Treatment of Illegal Fishermen

8.5.1 Foreign vessels caught, or suspected of, illegally fishing in Australian waters are boarded by RAN personnel accompanied by Australian Customs Service (ACS) officers. Vessels are then escorted or towed to a port, generally Darwin or Broome, where they are moored pending investigations into their status and possible legal action.

8.5.2 The Commonwealth has legal power over illegal fishermen but the Offshore Constitutional Settlement Arrangements have been made by the Commonwealth with the States and the Northern Territory for appropriate officers to exercise these powers. The situation does not appear to have caused many problems but there have been varying penalties for groups because of the responses of different jurisdictions.²³

²⁰ *Transcripts*: 14 April 1992, p. 576; 3 September 1992, pp. 1437-1438
²¹ *Transcript*, 13 March 1992, pp. 378, 381
²² *Transcripts*: 14 April 1992, p. 539; 3 February 1993, p. 1853
²³ *Transcript*, 10 June 1992, pp. 1041, 1044-1045

8.5.3 In Queensland, fisheries surveillance and apprehension are carried out on behalf of Commonwealth and State authorities. Between 1988 and 1992, 20 vessels were apprehended and the masters dealt with in courts at Thursday Island and Cairns. All these vessels had been gill netting for shark and, in most instances, fins had been removed and the trunks returned to the sea. Nets had contained other illegal material.

8.5.4 After apprehension, vessels were escorted to Thursday Island where crews remained on board, with food and water provided, until repatriation. In all but one case, the masters of each vessel were charged with offences against Australian fisheries law, convicted and fined, with vessel and catch forfeited to the Crown.

8.5.5 One master was apprehended three times between December 1989 and November 1990, in each case being convicted and serving three months in gaol in default of payment of fines.

8.5.6 Nineteen vessels were forfeited but only one was sold; because of the poor condition of the rest, they were destroyed.²⁴

8.5.7 For the Northern Territory, the main problem is gill netting for sharks in the Arafura Sea. Vessels are involved on a seasonal basis. When a boat is apprehended in NT waters, it is towed or escorted to Darwin harbour where it is moored until a decision is made whether or not to prosecute the skipper. In addition to fines, revenue benefits from the forfeiture of boats and catches. Boats are inspected and valued and generally destroyed as they are of little value.

8.5.8 Once apprehended by West Australian authorities or in WA waters, illegal Indonesian fishermen have been taken to a detention centre at Willie Creek, north of Broome. Boats are moored until a decision is made about their future. In the past, fishermen were looked after by a caretaker under an arrangement between the Commonwealth and the WA Fisheries Department before repatriation or an appearance in court. WA Fisheries Department officers gave details of how the arrangement came into existence and the number of people detained. They stated

²⁴ Submissions, pp. S1957-1958

that, without a contract, about \$A300,000 had been spent by the Commonwealth on detainees there.²⁵

8.5.9 WA Fisheries Department officers traced developments in dealing with Rotinese fishermen illegally targeting trochus in King Sound and Rowley Shoals in the mid 1970s, initially by warning them off, to the present. When South East Sulawesi fishermen became involved from about 1988, seizure and forfeiture of boats had already been adopted as a solution. Prosecution of the nominal captain and sending the rest of the crew home was not preventing the return of the same person as a crew member on a later voyage. The courts therefore decided that pooled resources, a common purpose and the command arrangement meant equal guilt. Thus, all crew members were charged even though this caused problems with those under 17 years of age. Large numbers of Indonesian fishermen were gaoled for non-payment of fines awarded against them. Dr R E Fitzgerald of the WA Department of Corrective Services advised that the number of Indonesian fishermen prisoners peaked at 220 and estimated the marginal costs were \$330,000.²⁶

8.5.10 Some prisoners received sentences of between six weeks and two years, although they were eligible for remissions of one-third of that period. Others were fined between \$A2500 and \$A10,000; as they were unable to pay, these were effectively prison sentences.²⁷

8.5.11 While in Western Australian gaols, Indonesian fishermen were paid a gratuity of about \$A1.70 per day for work performed during their sentences. The average per person was about \$A180, a significant amount for someone from an area where the yearly income could be anything from \$A200 to \$A400 per year. It is the policy of the WA Corrective Services Department to provide, as far as practicable, meaningful work for all prisoners. As the fishermen were classified as minimum security, they were able to work outside their gaols.²⁸

8.5.12 Under the provisions of the *Migration Amendment Act (No 2) 1992*, illegal fishermen will be liable for the costs of apprehension, detention, repatriation

²⁵ Transcript, 2 September 1992, pp. 1349-1359

²⁶ Transcript, 2 September 1992, pp. 1309-1311, 1337, 1344

²⁷ Transcript, 2 September 1992, p. 1336

²⁸ Transcript, 2 September 1992, pp. 1311, 1338-1339

and any other legal expenses incurred. This should remove any remaining ideas of apprehension and a gaol term as an opportunity to save money.²⁹

8.6 Unresolved Issues and Possible Solutions

8.6.1 Although the problem of illegal trochus fishing off the WA coast has largely been contained, there are clearly unresolved issues relating to shark fishing in northern waters. Access by the Australian industry and the question of depletion of species need to be resolved.

8.6.2 NT officials manage shark fishing out to 12 nautical miles, and the Commonwealth manages from there to the edge of the EEZ, although the same fishermen operate in both areas. Because Indonesian fishermen do not fish for shark in the same areas as the Australian industry, the NT Government is not concerned about the depletion of the species in this area. Over-exploitation by Taiwanese vessels led to reductions in catch allocations; earlier arrangements with Taiwan and Thailand have now ceased.³⁰

8.6.3 Mr R P Mounsey and Mr G Baulch drew attention to the fact that the area of the Arafura Sea on which the Australian fishery is based is very small. The AFZ has shallower, muddier water with larger sharks whereas, outside it, the water is deeper and has reefs which requires technology Indonesian fishermen do not have. These witnesses suggested it was reasonable to allow the Indonesians to fish for the sharks our industry does not want and to let the Australian industry seek reef fish the Indonesians do not want.³¹

8.6.4 They also suggested creation of a buffer zone of perhaps 50 nautical miles intersected by the AFZ, open to a limited number of vessels from both countries, to allow legal fishing for sharks. This zone would need to be patrolled jointly to reduce poaching by the vessels of other nations. It could pave the way for a joint management policy on migratory fish stocks and an avenue for technology transfer between the Australian and Indonesian fishing industries.³²

²⁹ *Submissions*, p. S1517

³⁰ *Transcript*, 10 June 1992, pp. 1042, 1046-1047

³¹ *Transcript*, 10 June 1992, p. 1066

³² *Submissions*, pp. S100-101

8.6.5 Asked about this proposal, a witness from DPIE said a buffer zone was already being observed so that boats just inside the AFZ, and particularly non-motorised vessels outside authorised areas, are warned off rather than being apprehended. A buffer zone, it was stated, could create considerable operational and resource difficulties without necessarily changing the essential problem which is the number of incursions.³³

8.6.6 Ms Wilson and Mr Campbell recommend re-negotiation of the MOU, using the Torres Strait Treaty with Papua New Guinea as a model. This Treaty, they say, has, to some extent, addressed the concept of traditional commercial rights which are relevant to the Indonesian situation. The re-negotiated MOU would need to identify the groups of fishermen who qualified for access. They would be then given a traditional foreign fishing licence to enter areas designed to correspond as closely as possible with their traditional fishing areas within Australian waters.

8.6.7 They argue that such a re-negotiation, even allowing for the flaws they see in the Torres Strait model, would:

- . provide a conduit for Australian aid to Eastern Indonesia;
- . assist Indonesian fishermen to develop appropriate technology, together with increased understanding of conservation; and
- . add to recognition of Australia as a part of Asia.³⁴

8.6.8 The Hon E F Bridge MLA, together with Ms Wilson and Mr Campbell, suggested that solar powered radios should be permitted so that only material such as weather forecasts could be received. Because the presence of mechanical devices on traditional boats forfeits legal access to the MOU area, such safety aids are not carried and lives have been lost.³⁵

8.6.9 DPIE stated that longer term solutions to the problem of illegal Indonesian fishermen include the development of alternative income-generating

³³ *Transcript*, 3 February 1993, p. 1844

³⁴ *Submissions*, p. S1932; *Transcript*, 3 September 1992, pp. 1448-1449

³⁵ *Transcript*, 3 September 1992, pp. 1413-1414, 1454-1455

projects in their communities and steps to encourage greater control of fishermen by Indonesian authorities.³⁶

8.6.10 The Northern Territory University has a project for a joint research program on trochus. The University looks to have a common aquaculture research program with two Eastern Indonesian universities, as this area has been identified as the major aquaculture growth area in the world.

8.6.11 Dr C L Lee of the NT University has sought funding from the Australian Vice-Chancellor's Committee for a research project on trochus and turban shells; the latter are probably two or three times more valuable than the former. This project will look at the biology and aquaculture of these shells with universities at Kupang and Ambon. Phase one is to produce them in a hatchery, phase two is to grow them on coral reefs off Kupang and Ambon so that, it is hoped, local fishermen can grow the shells. If the process is effective, only basic technology would be required.³⁷

8.6.12 Ms Karina Magro, a researcher with the Bardi Aborigines Association, gave evidence that there were three ways to manage the trochus resource:

- . manage the natural stocks;
- . transplant adult shells which will re-populate reefs more quickly than juveniles reared in hatcheries; and
- . re-seed reefs with hatchery-reared juveniles, which might not be profitable because of the cost of such programs.

The Bardi community has begun the first stage of this regime.³⁸

8.6.13 DPIE advised that trochus culture proposals appear unlikely to resolve long term problems of over-exploitation, unless effective management

³⁶ *Submissions*, p. S932

³⁷ *Transcript*, 11 June 1992, pp. 1165-1167, 1171-1172

³⁸ *Transcript*, 12 June 1992, p. 1257

measures are developed and enforced to ensure the sustainable harvesting of stock in replenished areas.

8.6.14 The advantages of culture proposals are:

- . improved understanding of the trochus life cycle, biology and prospects for culture;
- . while of little immediate benefit to the recipient local communities, such proposals may offer longer term benefits (eg. broadening the economic base of local communities and providing greater stability of income);
- . increased opportunities for export; and
- . possible long term reductions of illegal trochus harvesting in the AFZ, with associated reductions in the need for costly surveillance and apprehension/detention operations.

8.6.15 Trochus culture proposals have the following disadvantages:

- . previous studies on juvenile trochus reseedling proposals have shown low survival rates, compared with adult trochus reseedling programs;
- . trochus reseedling and/or restocking programs will be ineffective unless over-exploitation is comprehensively addressed;
- . reseedling/restocking programs will not necessarily result in higher stock levels, as trochus will only populate reefs to the maximum level sustainable by the reef's ecosystem; and
- . existing reefs will naturally regenerate without the need for reseedling, so long as exploitation rates are strictly regulated.³⁹

³⁹ *Submissions*, pp. S2307

8.6.16 The Fisheries Cooperation Agreement with Indonesia does not make any changes to access but is designed to improve the relationship between the two fisheries authorities. Thus, it provides a framework for cooperation in research, management techniques and exchanges of personnel.⁴⁰

8.7 The Committee's Views

8.7.1 Illegal intrusions into the AFZ by fishermen from any nation must continue to be prohibited for a number of reasons, including:

- . national sovereignty;
- . protection of Australian fish stocks and the Australian industry;
- . quarantine issues;
- . protection of the rights of the Bardi people to harvest trochus; and
- . enforcement of Australia's migration laws.

8.7.2 Illegal Indonesian fishing, whether for trochus or shark, is clearly driven by two main factors:

- . monetary gain from a successful voyage which could amount to two or three months income for poor fishermen or others; and
- . resource depletion in Indonesian waters.

In addition, the general lack of development and a poor range of alternative occupations in Eastern Indonesia cannot be under-estimated as causes of illegal fishing. The MOU includes a provision that each side ensures its vessels do not fish

in the other's waters. However, it is unrealistic to hope that this will not occur, or to believe economic circumstances in Indonesia will not encourage it.⁴¹

8.7.3 The number of illegal intrusions for trochus shells by Indonesian fishing vessels have declined greatly, if they have not ceased altogether; incursions by non-traditional shark vessels in the Arafura Sea have not. Both situations are governed by the price for trochus and shark fin. As the WA Fisheries Department made clear, it was not until the price of trochus shells fell and after responses to illegal harvesting had been progressively stepped up, to the point where even gaol sentences were ineffective, that apprehensions dropped. With the high price of shark fin and over-fishing in Indonesian waters, measures currently being taken against shark fishermen are unlikely to be effective.⁴²

8.7.4 It must also be recognised that illegal fishermen are Indonesian nationals and there are limits to the actions the Australian Government can take. It is the Indonesian Government's responsibility to attempt to prevent nationals from fishing illegally in Australian waters. We were advised that, given the size of the problems, appropriate actions are being taken within Indonesia. This issue is of some interest in Australia and it is vital that our Embassy in Jakarta continues to monitor the Indonesian response to reiterate its importance to perceptions of Indonesia.

8.7.5 The MOU appears to have come into existence to deal with a particular situation and changes were made later in a piece-meal fashion to deal with other problems. It is not, therefore, surprising that shark fishermen from South East Sulawesi were not catered for, nor that there are now problems with the definition of traditional fishermen. If there are deficiencies in some aspects of Australia's handling of the problem of illegal fishing they were probably caused in part at least by a lack of knowledge about complex social and economic situations in eastern Indonesia.

8.7.6 Although some anomalies have been resolved, such as the payment of gratuities to prisoners in WA, other problems such as the potential for different

⁴¹ *Transcripts*: 3 February 1993, pp. 1834-1835; 14 April 1992, p. 496

⁴² *Transcript*, 2 September 1992, pp. 1309-1310

⁴⁰ *Transcript*, 12 March 1992, p. 376

treatment under different jurisdictions and arrangements for detention at Willie Creek near Broome remain.

8.7.7 Illegal fishermen are dealt with under powers conferred by Commonwealth legislation, various pieces of State/Territory legislation, and amplified by the Offshore Constitutional Settlement arrangements with the States and the Northern Territory.

8.7.8 In Section 8.5 above, the different ways illegal Indonesian fishermen are treated by WA, Queensland and the Northern Territory were outlined. While incursions seeking trochus are down, problems caused by shark fishermen remain and numbers of apprehensions are unlikely to decline, at least in the short term. Considerable effort has gone into making clear the Australian position on illegal fishing at all levels in Indonesia. When offenders are dealt with in such different ways, eg, by NT and Queensland courts, because of the position in which they were apprehended the credibility of the difference in response must be raised in some minds in Indonesia.

8.7.9 While not the most important issue for resolution, it is this question of consistency and national credibility which needs attention.

Recommendation 12: The Committee recommends that the Attorney-General convene a conference of Western Australian, Queensland and Northern Territory Attorneys-General to attempt to standardise the treatment of illegal Indonesian fishermen by different jurisdictions.

8.7.10 A contract has now been signed for the provision of services at Willie Creek. DPIE should keep these arrangements under review, should there be a need to detain illegal Indonesian fishermen in future.

Recommendation 13: The Committee recommends that the Department of Primary Industries and

Energy keep the arrangements for provision of services at Willie Creek under review.

8.7.11 More support should be given to aquaculture research projects which are likely to encourage the greater supply of trochus in Indonesian waters. Such projects could indirectly reduce the amount of illegal Indonesian fishing in Australian waters. The Fisheries Cooperation Agreement appears to be a suitable vehicle to ensure appropriate projects are supported in their different forums.

Recommendation 14: The Committee recommends that the Department of Primary Industries and Energy consider broadening the scope of the Fisheries Cooperation Agreement with Indonesia to consider the relevance of aquaculture research projects and the joint management of maritime resources.

8.7.12 The 1974 MOU does not adequately deal with all categories of Indonesian fishermen in waters of WA and that other arrangements in place off Northern Territory waters are not effective. With the passing of new Commonwealth legislation in 1992, the creation of the Australian Fisheries Management Authority, and at a time when the overall number of interceptions of illegal vessels is down, it is appropriate to reconsider all aspects of illegal fishing with the involvement of Indonesian authorities. The general approach and provisions of the Torres Strait Treaty, while dealing with another difficult situation, could be used as a guide to reach effective solutions. Such an examination should include:

- . the definition of 'traditional' fishermen to provide broader categories which take account of a wider range of nautical, cultural and historical factors;
- . examination of the feasibility of a re-negotiation of the MOU to ensure the allowed areas coincide as far as practicable with historical fishing patterns; and

. detailed examination with Indonesian authorities of the feasibility of a buffer zone in the Arafura Sea to ensure fishermen from both countries have lawful access to the stocks they seek.

8.7.13 The negotiation of the Timor Gap Treaty, dealt with in Chapter 11 below, is an example of a positive way to resolve a difficult problem with a neighbour. There is perhaps another example of even greater relevance: the Convention for Conservation of Southern Bluefin Tuna (SBT).

8.7.14 Since 1988, Japan, New Zealand and Australia have been working on development of an international regime of *treaty status to conserve and manage the SBT*. Progress until 1992 was slow, but pressure in various environmental forums and the establishment of the Indian Ocean Tuna Commission increased Japanese interest in concluding the agreement. It is expected that the Convention will be finally accepted by all parties early in 1994; Australia will ratify it when regulations providing for extra-territorial application of the *Fisheries Management Act 1991* are in place.

8.7.15 The Convention will formalise previous voluntary management arrangements and provide a legally binding framework for the setting of the global total allowable catch and national allocations. It also provides a mechanism to encourage participation by other countries so that the SBT can be managed on a sustainable basis. Under the Convention, Australia will accept obligation for control of Australian vessels and nationals operating anywhere in the SBT fishery which spans the Indian and Southern Oceans and the Tasman Sea.

8.7.16 A thorough examination of the range of complex issues by such processes which have resulted in the Torres Strait Treaty or the Timor Gap Treaty, and will produce the SBT Convention, should resolve existing inconsistencies in the regime applied to Indonesian fishermen in Australian waters. Involvement of Indonesia will ensure all feasible solutions are examined, increasing the likelihood of domestic enforcement and a successful outcome.

Recommendation 15: The Committee recommends that the Department of Primary Industries and

Energy approach Indonesian authorities to undertake jointly a thorough examination of all aspects of Indonesian fishing in Australian waters, using such models as the Torres Straits Treaty with Papua New Guinea, the Timor Gap Treaty with Indonesia and the forthcoming Convention for Conservation of Southern Bluefin Tuna, with the objects of:

- . renegotiating the 1974 Memorandum of Understanding;
- . defining 'traditional' fishermen in a more appropriate way; and
- . arriving at more effective arrangements for fishermen of both countries in the Arafura Sea.

8.7.17 It is clear a significant number of Indonesian fishermen have lost their lives, in the MOU area and elsewhere in Australian waters. It is inhumane for the definition of 'traditional' to exclude potentially life-saving aids such as solar powered radios if only to receive weather warnings. As the category of 'traditional' fishermen has serious deficiencies, we do not believe its effectiveness would be jeopardised by the temporary inclusion of simple radios designed only to receive potentially life-saving information. There would need to be involvement of Indonesian authorities in introducing and administering such an allowed extension. The question of the permanent extension of this right would need to be a part of the examination of 'traditional' fishermen.

Recommendation 16: The Committee recommends that action be taken urgently to permit carriage of solar powered radios which can receive weather warnings on vessels which would otherwise be classified as 'traditional', and that this matter be part of the examination of the definition of such fishermen in Recommendation 15.

Part Three: Culture, Science, Education and Resources

Chapter 9

Cultural Contacts and the Australia-Indonesia Institute

Since its inception in 1989, the Australia-Indonesia Institute has played a growing role in establishing contacts between the two countries. Its work must be seen against the background of increasing cultural contacts.

9.1 Cultural Contacts

9.1.1 The then Department of the Arts, Sport, the Environment and Territories (DASET) provided the inquiry with a large amount of material on the cultural relationship with Indonesia. Responsibility for these activities has now been taken over by the Department of the Arts and Administrative Services.

9.1.2 The Department works in close contact with the Department of Foreign Affairs and Trade (DFAT), and the Australia-Indonesia Institute (AII), and responds to requests from the Australia Abroad Council. Under the Arts portfolio are a number of statutory authorities which work in particular areas:

- . the Australia Council;
- . the Australian Film Commission; and
- . the Australian Film, Television and Radio School.

These bodies work with the AII to arrange, for example, an Australian film festival in Jakarta or a visit to Australia by an Indonesian dance group.¹

¹ *Transcript*, 14 April 1992, pp. 588, 590, 593

9.1.3 The Australia Council's links with Indonesia are encouraged within the context of its overall Asia-Pacific Connections Policy. With the assistance of the Embassy in Jakarta, the Council has initiated important exchange programs. Funding responsibilities for these activities rest with the various Boards of the Council.

9.1.4 The Performing Arts Board's activities included:

- . the Aboriginal Arts Committee provided assistance in 1991 to the Bangarra Dance Theatre to appear at the Bali Arts Festival and tour remote Java;
- . an exchange of six weavers in November 1991;
- . the Literature Board supported a number of writers and projects in Australia and Indonesia;
- . the Performing Arts Board has an active exchange program with Indonesia, including a joint annual residence program for professional performing artists in Indonesia; and
- . Musica Viva Australia and the Australian Youth Orchestra organised tours to Indonesia.

9.1.5 Although the Visual Arts/Craft Board does not have a specific policy for Indonesia, it provides support for organisations promoting Australian arts and craft throughout Asia. Through its Asialink-Australian Art to Asia Project, the Board has an ongoing program to develop small and medium exhibitions to tour Asia, including Indonesia. The Australian Regional Artist Exchange project involved two Indonesian artists visiting Perth and Adelaide.

9.1.6 The Australian Film Commission (AFC) has been involved with a variety of Australian film programs in Indonesia over the past ten years or so. It has detailed market development plans for the Asia Pacific region and its strategy is based on the recognition that cultural and diplomatic values and effects flow from people who have watched movies. The bigger the audience, the more powerful and

widespread the effects. The AFC is involved with the Australia Today 1994 promotion.

9.1.7 The Australian Film, Television and Radio School has funded several short course training programs in Indonesia which have established a good relationship with the national film and broadcasting industry. The AII is not now able to support these courses. The School involves industry and training organisations and independent film makers in training programs. While Indonesian experience and expertise is vital, the School manages and monitors the program to provide a high standard of training.²

9.2 Territory/State Cultural Ties with Indonesia

9.2.1 The Northern Territory's strong ties with Indonesia were reflected in such activities as:

- . the visit by the Ambon Traditional and Folk Music Group to Darwin in September 1990, and
- . the visit by the Darwin Youth Jazz Big Band to Kupang, West Timor, in August 1991.

In each case, assistance was provided by the Australia-Indonesia Institute.³

9.2.2 The Territory's strong connections with Maluku Province are reflected in the Arafura Sports Festival, the Arafura Youth Games and the Darwin to Ambon Yacht Race.⁴

9.2.3 The Territory's Museum of Arts and Sciences pioneered Indonesia-NT relations in cultural exchanges, scientific cooperation and education, having begun research and collecting in the region in 1970. The Museum's charter incorporates recognition of the importance of the NT's relationship with Indonesia and it has

² *Submissions*, pp. S1946-1948; *Submission* No. 166, Attachment D

³ *Annual Report 1990-91*, p. 18; *Annual Report 1991-92*, p. 25

⁴ *Submissions*, pp. S903, 908

pursued collection-based scientific research and the organisation and staging of exhibitions. It has developed mutually beneficial relationships with Indonesian museum, art galleries and related institutions.

9.2.4 There are now some 1600 objects of Indonesian origin in the Fine Art and Material Culture collections of the NT Museum. Significant items have been donated by the Republic of Indonesia. In the past 20 years, there have been numerous exhibitions and meetings involving the Museum and equivalent Indonesian bodies.

9.2.5 The Museum is involved in researching Indonesian fishing in Australian waters, with a particular focus on fishing techniques and boat building. A fishing vessel, donated to the Museum in 1991, is the subject of a long term research project.⁵

9.2.6 Western Australia has cultural strategies to provide the groundwork for a long term improvement in relations with Indonesia by building up the understanding of each culture and environment by the other.

Possible strategies include:

- . supporting Western Australia's Indonesian community with a range of cultural activities, including performing arts groups;
- . cultural exchanges in the arts and sport, particularly among youth groups;
- . the promotion of language training programs;
- . exchange programs.⁶

⁵ Submissions, pp. S906-908

⁶ Submissions, p. S727

9.3 *Australia Today 1994*

9.3.1 The Australia Abroad Council (AAC), established in 1990, is a body whose chair is the Minister for Foreign Affairs. Its mission is to raise Australia's international profile and the strategies it uses are:

- . to identify and take specific initiatives to boost Australia's image;
- . to undertake promotions in selected countries of importance to Australia, particularly in Asia;
- . to emphasise Australia's commercial, industrial, cultural, scientific and technological activities and capabilities and its commitment to environmental protection;
- . to encourage information sharing between AAC members and communicate widely the objectives and programs of the AAC;
- . to involve the private sector in AAC activities; and
- . to fund Council initiatives rather than responding reactively to ad hoc requests for support.⁷

9.3.2 The AAC chose a consortium which has Price Waterhouse Urwick as lead consultants to devise and implement a cultural and trade promotion in Indonesia. Entitled *Australia Today 1994*, it will take place in Jakarta and elsewhere in June 1994.⁸

9.3.3 The promotion's mission is to show Australia's achievements to enhance appreciation of our culture and the political relationship with Indonesia and our role in the Asia-Pacific region. These are worthy objectives and should result in more information about Australia, culturally and politically, being made available to

⁷ Exhibit No. 104

⁸ Submissions, p. S1977; Transcripts: 18 November 1992 p. 1625; 29 June 1993, p. 2007

Indonesia's middle class. Trade aspects of the promotion are dealt with in Chapter 12.⁹

9.4 The Origins of the Australia-Indonesia Institute

9.4.1 The Committee received a specific reference to examine the AII's 1990/91 and 1991/92 Annual Reports. The AII was established in 1989 and its aims are:

- . to create within Australia a wider range of people with knowledge about Indonesia, especially current and future opinion makers,
- . to create in Indonesia a nucleus of people with expertise in Australian affairs, especially current and future opinion leaders, and
- . to promote in each country increased exposure to the other through various media outlets and by public exhibitions, performances and other activities.

9.4.2 The Institute seeks to portray Australia as culturally diverse, sensitive and sophisticated, educationally, scientifically and technologically advanced and economically enterprising. It seeks to improve access for Australians to the cultural diversity of Indonesian society and the opportunities offered by its developing economy.¹⁰ The Institute operates from within the Cultural Affairs Branch of DFAT and is staffed from within its resources.

9.4.3 The Institute targets groups that seem likely to have an interest in a future relationship of substance with the other country and seeks to ensure that the contacts they make are likely to last. It encourages contacts to become institutionalized by funding (often only 'seed' funding) programs which themselves

⁹ *Submissions*, pp. S1978-1979
¹⁰ *Annual Report 1990-91* p. 7

become so important that the parties involved will find the funding to ensure that they keep going.¹¹

9.4.4 In its attempts to implement these aims, the Institute has made a conscious decision not to educate or to dictate to the Australian public how it should think about Indonesia, nor how the Indonesian public should think about Australia.¹²

9.4.5 The Indonesia-Australia Institute has not yet been set up by the Indonesian Government.¹³

9.5 Activities of the Australia-Indonesia Institute

9.5.1 The AII seeks to create openings and opportunities for development and knowledge between the two countries through activities which cover a wide variety of fields. These activities fall into the following categories:

- . Media;
- . Youth and Sport;
- . Performing and Visual Arts;
- . Professions Science and Technology;
- . Business and Trade;
- . Indonesian Language and Culture Studies in Australia; and
- . Australian Culture and English Language Studies in Indonesia.

¹¹ *Submissions*, p. S464

¹² *Transcript*, 14 April 1992, p. 547

¹³ *Transcripts*: 12 March 1992, p. 391; 29 June 1993, p. 2064

9.5.2 For the period 1990/91 to 1992/93, expenditure for AII programs is set out below:¹⁴

Table 9.1 AII Expenditure 1990/91 to 1992/93

| | Expenditure % 1990/91 | Expenditure % 1991/92 | Expenditure % 1992/93 |
|---|--------------------------|--------------------------|--------------------------|
| Indonesian Studies in Australia | 11 | 17 | 12 |
| Australian Studies in Indonesia | 7 | 10 | 7 |
| Performing Arts | 17 | 15 | 11 |
| Visual Arts | 6 | 4 | 4 |
| Business and Trade | 9 | 7 | 6 |
| Professions Science and Technology | 12 | 11 | 10 |
| Sport | 8 | 7 | 14 |
| Media | 10 | 12 | 10 |
| Australia-Indonesia Youth Exchange Program | 11 | 9 | 10 |
| Discretionary | 9 | 8 | 16 |

9.5.3 The Institute currently has a budget of \$1 million which is funded through the Department of Foreign Affairs and Trade.

9.6 Australia-Indonesia Media Relations

9.6.1 The Institute sees the media as a particularly important means for projecting positive and well-informed pictures of each country in the other. The AII recognises the need, therefore, to build up the number of reporters with a depth and breadth of knowledge in each country and the desirability of having a steady stream of journalists travelling both ways.¹⁵

9.6.2 The AII has attempted to strengthen the media relationship through programs which cover scholarships for journalists, fostering links between

¹⁴ AII material, 9 August 1993, p. 2
¹⁵ Submissions, p. S461

newspapers, TV and radio, increasing the content and quality of Australian documentary and feature productions on Television Republic Indonesia (TVRI), and promoting knowledge of media personnel about the other country.¹⁶

9.6.3 One barrier to the further development of the media relationship between Indonesia and Australia is the shortage of Australian journalists fluent in Bahasa Indonesia. This problem was commented upon by the former Chairman of the Institute, Mr Bruce Grant: 'It is impossible to operate in Indonesia as a journalist without a good knowledge of the language. Not many Australian journalists of a senior political kind ... have a knowledge of Indonesian.'¹⁷

9.6.4 As indicated in both the 1990/91 and the 1991/92 Annual Reports, the Institute has attempted to address this problem by offering scholarships for journalists to undertake intensive language courses. During the period 1990-92, three Australian journalists from the Australian Broadcasting Commission, the Special Broadcasting Service and from *The West Australian* newspaper studied in Central Java and familiarised themselves with Indonesian culture.¹⁸ More recently, the AII advertised scholarships for Australian journalists to study in Indonesia in the June - August 1993 edition of *The Alliance*.

9.6.5 In both Annual Reports, mention is made of several of the Institute's scholarships for journalists of both countries for study and work programs:

- . In August 1990, the Institute arranged for Mr Peter Butler, Head of Television, Arts and Entertainment at the Australian Broadcasting Commission to work with TVRI in making a broadcast quality video of the performance of the Tasmanian Symphony Orchestra in Jakarta.
- . In November 1990, the Institute co-sponsored the travel of Indonesian journalist Ms Sri Pudyastuti, of the Indonesian weekly *Tempo*, to report on the visit of the then Minister of

¹⁶ *Annual Report 1990-91*, p. 13
¹⁷ *Transcript*, 14 April 1992, p. 552
¹⁸ *Annual Report 1991-92*, p. 19

Education and Culture, Professor Dr Fuad Hassan, to Australia.

Ms Usi Karundeng, a journalist with the TVRI, travelled to Australia to begin a program of study organised by the QLD University of Technology.¹⁹

9.7 Performing Arts

9.7.1 The Institute aims to promote work of the highest quality and representative of the diversity of cultures in both countries. Priority is given to programs likely to reach large audiences, and to smaller activities necessary to build interest and an audience for what Australia has to offer.²⁰

9.7.2 Throughout 1990 to 1992, activities in the performing arts field increased in number and variety and more funds were committed to bringing Indonesian arts to Australia:

- . In September 1990, the Institute sponsored the visit of two performing. The Deddy Dance Group from Sumatra appeared at the Melbourne International Festival of the Arts and the Ambon Traditional and Folk Music Group performed in Darwin.
- . The Institute sponsored the visit of Dr Sal Murgianto, Deputy Rector of the Jakarta Institute for the Arts (IKJ) and Consultant to Taman Ismail Marzuki (TIM), to the Perth and Adelaide Festivals and to Sydney and Canberra, to develop contacts in the performing world.
- . In 1992, the Institute funded visits to NSW, QLD and Victoria by a Balinese gamelan band and puppet performances.²¹

9.7.3 Australian culture continued to be widely promoted in Indonesia throughout 1990-92 and much interest and publicity was generated from various events and performances:

- . In July 1990, the Institute supported the visit by 48 members of the Tasmanian Symphony Orchestra to Jakarta to perform in the first Jakarta International Festival. The tour involved performances with Indonesian soloists and an Indonesian musical composition.
- . The Institute sponsored the visit to Indonesia of the Entr'acte Theatre Ltd from 27 October to 23 November 1992. The company toured extensively in areas outside both Java and Sumatra.²²
- . In May and June 1991, the Bangarra Aboriginal Dance Theatre visited Jakarta, Yogyakarta, Bandung and Bali and included performances at both the Jakarta and Bali Festivals. The tour generated extensive media coverage, both on television and in Indonesian newspapers, and Aboriginal and Islander dances were introduced to an audience of millions.²³

9.7.4 The interest and publicity generated by such Aboriginal projects were commented on by the former Chairman of the AII: 'We have had great success with Aboriginal projects in Indonesia. The most fulsome reviews of any activity that we have undertaken have been of some of our Aboriginal activities. The interest of Indonesians in the Aboriginal world has increased enormously because of the publicity given to them. We find people [Indonesians] coming here [Australia] ... interested in the Aboriginal culture.'²⁴

9.7.5 The Institute's aim has been to support programs in both directions so that, in 1992, there was a dance group exchange. The Gamelan music group came

¹⁹ *Annual Report 1990-91*, p. 13; *Annual Report 1991-92*, p. 19

²⁰ *Annual Report 1990-91*, p. 18

²¹ *Annual Report 1990-91*, p.18; *Annual Report 1991-92*, p. 24

²² *Transcript*, 29 June 1993, p. 2063

²³ *Annual Report 1990-91*, p. 18

²⁴ *Transcript*, 14 April 1992, p. 560

to Australia and the Green Mill dance project in Melbourne involved participation by an Indonesian choreographer.²⁵

9.8 Australia-Indonesia Youth Exchange Program

9.8.1 The Australia-Indonesia Youth Exchange Program (AIYEP) was established in 1981, under a Memorandum of Understanding between the Australian and Indonesian Governments. The Institute has been funding and organising the program since 1989. Each year a group of 16 young Indonesians spend two months in Australia undertaking social, cultural and work experience activities. Sixteen young Australians aged between 17 and 30 undertake a similar experience for two months in Indonesia during the December-January period. In order to involve a wide-ranging number of areas, the program is hosted in a different State or Territory in Australia each year.²⁶ The cost of the program to the Institute per year is approximately \$100,000.²⁷

9.8.2 In the past, there has been criticism of the expense and value of this program, given the small number of young people involved.²⁸ However, the Institute argues that it is precisely this type of people-to-people contact which will develop into relationships of substance. Therefore, the Institute has continued to give priority to what it calls the 'young and influential'.²⁹

9.9 Indonesian Studies

9.9.1 The Institute aims to promote excellence in the teaching of Indonesian language and culture in Australian educational institutions.³⁰ In achieving this aim, the Institute recognises that the training of teachers is an effective way of strengthening the overall provision of Indonesian studies within

²⁵ *Transcript*, 29 June 1993, p. 2064

²⁶ *Annual Report 1990-91*, p. 15

²⁷ *Transcript*, 29 June 1993, p. 2060

²⁸ *Transcript*, 29 June 1993, p. 2060

²⁹ *Submissions*, p. S464

³⁰ *Annual Report 1990-91*, p. 10

educational services around Australia.³¹ During the period 1990 to 1992, the Institute provided support for the following projects:

- . The Institute offered scholarships to 27 teachers to undertake intensive language courses in Indonesia. These courses, at Satya Wacana Christian University at Salatiga and Gadjah Mada University, have been especially developed to meet Australian needs.
- . Several student teacher groups (not language specialists) undertook work-experience and study programs in Indonesia, with credit being granted towards their professional qualifications. These groups included the School of Teacher Education, Charles Sturt University, Bathurst, NSW and the Asia Pacific Education Centre, Monash University, Victoria.³²

9.9.2 Dr Susan Blackburn, from the Indonesian Studies Group at Monash University, stated that: '... there should be the production of many more teaching materials that are suitable for students at school level.'³³ Similarly, the Institute has recognised that there is a noticeable lack of materials for the teaching of Indonesian in schools. In attempting to address this problem, the Institute embarked on the following programs:

- . In 1990, a major grant was awarded to sponsor the full-colour publication of *AYO!*, a new Indonesian language textbook by Ms Victoria Taylor, particularly suitable for Australian junior secondary students.
- . During 1990/91, the Institute commissioned a major review of resources which were, at that time, available for teaching about Indonesia.

³¹ *Transcript*, 29 June 1993, p. 2060

³² *Annual Report 1990-91*, p. 11; *Annual Report 1991-92*, p. 17

³³ *Transcript*, 4 February 1992, p. 118

The Institute subsidised Ms Lindy Norris at Murdoch University to write texts for teaching about Indonesia in secondary school social studies classes.³⁴

9.10 Australian Studies

9.10.1 The Institute believes it is important to foster and provide facilities for the education of a group of Indonesians who can, in the future, interpret Australian policies and society to their compatriots.³⁵

9.10.2 In 1990, the Institute took over some areas of funding of the Australian Studies Program at the University of Indonesia from the International Development Program of Australian Universities and Colleges Ltd (IDP). Table 9.2 sets out funding for the program for the Financial Years 1992/93 and 1993/94.

9.10.3 Dr David Reeve taught in the Australian Studies Program from 1984 to 1987. He was later sponsored by the Institute for another visit to Indonesia to lecture in the Program. Dr Reeve welcomed the Institute's funding of certain areas of the Australian Studies Program. However, he expressed concern that: 'AII funding... is reconsidered annually [which] brings in a dimension of uncertainty towards the Program.' He maintained that the Institute's support of the Program should be on a longer-term basis.³⁶

9.11 Business and Trade

9.11.1 One area in which the policy of 'seeding' has particular relevance is business and trade between Australia and Indonesia. Indeed, the AII is required by its establishing Order-in-Council to promote activities in this field, and currently commits six per cent of its budget to this activity.³⁷

³⁴ *Annual Report 1990-91*, pp. 10,11; *Annual Report 1991-92*, p. 17

³⁵ *Annual Report 1990-91*, p. 11

³⁶ *Transcript*, 20 May 1992, p. 887; *Submissions*, p. S1613

³⁷ *Submissions*, p. S462

9.11.2 One major project which was undertaken during the period 1990-92 was the preparation of a report titled *Australia-Indonesia: The Business Relationship*, launched in July 1991, which looked at the prospects for increased business between the two countries. In commissioning this report, the Institute recognised that growth in this area is crucial to the development of a more stable relationship.³⁸

Table 9.2 AII Australian Studies Expenditure 1992/93 and Estimates for 1993/94

| | Expenditure 1992/93 | Estimates 1993/94 |
|--|------------------------|----------------------|
| Australian Studies Centre (ASC) | 8,600 | 8,600 |
| Australian Studies Consultant | 9,000 | 10,000 |
| University of Indonesia Library (UI) and other libraries | 11,089 | 9,400 |
| Visits by UI staff | 17,867 | 9,000 |
| Visits by Australian lecturers | 4,437 | 8,000 |
| Scholarship for ASC staff | 15,642 | - |
| AII Fellowship | - | 10,000 |
| The Australian Lecture | - | 5,000 |
| Translation Subsidy | 5,230 | 20,000 |
| Writer in residence | - | 5,000 |
| ATSI/Multicultural program | - | 5,000 |
| Australian Studies Scholarships (for study by Indonesians) | - | 10,000 |
| TOTAL | 71,865 | 100,000 |

9.11.3 The report concluded that substantial opportunities exist for increased business ties between the two countries, but warned that if Australian business did not take the initiative it would become increasingly difficult to find a place in a potentially lucrative market.³⁹

³⁸ *Submissions*, p. S435

³⁹ *Annual Report 1990-91*, p. 24

9.11.4 The launch of the report took the form of a business conference in Sydney which was linked by satellite to Jakarta where a panel of Indonesian business people and the Director-General of Telecommunications and Tourism was chaired by the then Australian Ambassador, Mr Philip Flood. The event attracted great interest in the Australian business community and resulted in over 1000 copies of the report being distributed.⁴⁰

9.11.5 As a result, the Institute has promoted greater knowledge in Australia of specific industries or markets through further programs in Indonesia. One such program was the visit to Indonesia during 1991/92 by Ms Florence Chong, the Business Editor of *The Australian*, who reported on Java and the Free Trade and Development Zone at Batam Island.

9.11.6 To encourage a balanced understanding and knowledge of each country's business practices, the Institute has also established programs which give Indonesians the opportunity to undertake courses and training in Australia:

- . during 1991/92, the Institute funded the visit to Perth of Mr Oscar Belo from the Department of Local Economic Planning in East Timor, to investigate Western Australia's provision of training and other support for people wishing to set up small businesses;
- . Mr Moetaryanto, Managing Director of the conglomerate Tirtalina, was funded to participate in a workshop on Comparative Business Ethics, sponsored by the Academy of the Social Sciences, and to meet with other people in business and government.⁴¹

9.12 The Committee's Views

9.12.1 Concentration on the AII's work does not in any way detract from the quantity and quality of the range of other activities undertaken in the wider cultural field. They provide an important depth to the relationship which would be greatly

⁴⁰ *Annual Report 1991-92*, p. 21

⁴¹ *Annual Report 1991-92*, p. 22

diminished without them. They inform each country about the other's heritage and give pleasure and fulfilment to those who participate in them.

9.12.2 It is important that the Indonesia-Australia Institute be established. The existence of such a body would enable the Australian body more adequately to focus its work, and make for more effective liaison about cultural programs in both countries. If the Indonesian body existed, it is possible that more Indonesians, in a variety of fields, would be able to visit Australia more easily, leading to wider and deeper cultural exchanges and benefits.

Recommendation 17: The Committee recommends that the Department of Foreign Affairs and Trade continue to encourage the Indonesian Government to establish an Indonesia-Australia Institute.

9.12.3 The cultural ties between the Northern Territory and Indonesia, and in particular, the links forged by the NT Museum of Arts and Sciences, are significant and have made a notable contribution to the overall relationship.

9.12.4 The *Australia Today 1994* promotion is an important demonstration of a range of cultural and other activities. The Committee urges support in every possible way to ensure it achieves its objectives.

9.12.5 Dr Susan Blackburn stated that: 'We support the use of the Australia-Indonesia Institute in bringing about a better understanding and co-operation between Australia and Indonesia...' She maintained, however, that there would always be some sensitivity about what the Institute did because of its close links to governments.⁴²

9.12.6 The Institute, however, does not perceive itself as limited to government agendas. The former Chairman of the Institute pointed out that it was attempting to foster contacts in areas which were not being dealt with by the Australian Government.⁴³

⁴² *Transcript*, 4 February 1992, p. 118

⁴³ *Transcript*, 14 April 1992, p. 558

9.12.7 The Committee received wide-ranging and favourable views on the work of the AII throughout the inquiry. It commends the work of the Institute in support of its aims and believes its activities are of sufficient importance as to warrant continued support.

9.12.8 It is a matter of concern, however, that its funding for the 1993/94 Financial Year has not been increased beyond the \$1 million per year it has received since it was established. This allocation is now absorbing administrative costs such as the expenses incurred by its Board and printing of its Annual Reports. The funds available for allocation to projects are therefore being reduced, hampering the AII in its role. Such reductions should not continue.

9.12.9 The position of Director of the Institute has been vacant since late February 1993. As part of a reorganisation of the Cultural Relations Branch of DFAT, it has been proposed to reduce staff working solely for the AII from four to two. The Director position would remain but would be downgraded in status. It is likely some work would be done by contract. These changes are also matters of concern. If work is done under contract, AII staff will spend time on liaison about these projects. In such a situation, it is unlikely any staff time will be saved, nor will there be any increases in efficiency. The Institute and its work will undoubtedly be the losers.

Recommendation 18: The Committee recommends that the Department of Foreign Affairs and Trade strongly reaffirm its support for the Australia-Indonesia Institute, its staff and programs, and that the Institute's annual funding allocation be increased to offset the additional costs which it now has to absorb.

Chapter 10

Scientific, Environmental, Educational and Related Issues

The relationship with Indonesia is greatly strengthened by broadly defined scientific, environmental and educational contacts. The National Library of Australia is a crucial source of material on a wide range of contacts in these areas between the two countries.

10.1 Scientific and Environmental Issues

10.1.1 In the Indonesian Cabinet appointed by the President in March 1993, it appeared that the position of State Minister for Research and Technology Professor Dr B J Habibie had been reinforced. He and his associates have been proponents of government-created and protected high technology industries. This policy has the longer term view of placing Indonesia at the forefront of modern technology. Such an ambition opens many opportunities for Australia.¹

10.1.2 *Cooperative Arrangements.* The objective of the International Program within the then Department of Industry, Technology and Commerce (DITAC) was to integrate Australian industries in world markets, especially in areas of investment, industrial scientific and technological collaboration. The Program promotes access to, and involvement with, advances in industry, science and technology as the basis for economic growth and social prosperity. Emphasis is placed on developing linkages where significant benefits can be achieved. This work is being carried on by the Department of Industry, Technology and Regional Development (DITARD).²

10.1.3 Australia has the scientific and technological background which is relevant to Indonesia's comprehensive catch-up program in these areas. The Indonesian Agency for Assessment and Application of Technology (BPPT) has an

¹ *The Sydney Morning Herald*, 22 March 1993, p. 10; *Time Magazine*, 29 March 1993, p. 43
² *Submissions*, p. S1506

important role in a program of close cooperation with the science policy and research areas of the Department. Agreements have been reached on an outline for collaboration, and on the establishment of steering committees to oversee the program. Proposed collaborative activities include secondments of BPPT staff and exchanges of personnel.³

10.1.4 In 1985, a Memorandum of Understanding on Science and Technology Cooperation was signed. At the November 1992 Ministerial Forum, it was agreed this umbrella agreement should be re-negotiated. The Department signed the Cooperation on Science and Technology Australia-Indonesia (COSTAI) agreement in April 1992. Project proposals were developed for exploration at the Visions Workshop 1993, involving senior policy officials from both countries to identify and develop collaborative strategies for scientific and technological cooperation. There was a COSTAI meeting in Jakarta in June 1993 and, of the 21 joint projects, 13 are now under way.⁴

10.1.5 The Department has established a position of Industry, Science and Technology Counsellor in Jakarta. This position will be occupied in early November 1993.⁵

10.1.6 *Meteorology.* Both Australia and Indonesia are members of the World Meteorological Organisations (WMO). The Bureau of Meteorology's cooperation with Indonesia's Meteorological and Geophysical Agency is carried out primarily within the WMO, involving routine exchanges of information. Exchange visits for specific projects are often arranged under WMO auspices. Cooperation has been focussed on:

- . improvement of the Melbourne-Jakarta Global Telecommunications System;
- . climate monitoring and research;
- . baseline atmospheric monitoring; and

³ *Submissions*, p. S1512

⁴ *Submissions*, pp. S2105, 2156

⁵ *Submissions*, p. S2105

. the Airways Volcanic Watch.

10.1.7 The TOGA COARE experiment, in particular, investigates the waters around Indonesia because of their significant impact on the world's climate. Such projects enhance Indonesia's observational network, not only for forecasting of tropical cyclones, but also for the purpose of more general climatic studies. Australia routinely provides its national climate centre's seasonal outlooks to Indonesia, as well as a tropical diagnostic statement.⁶

10.1.8 While the Bureau provides the Airways Volcanic Watch, established during 1982 and using satellite imagery, it consults its counterparts in Jakarta because any alerts issued are for Indonesian airspace.⁷

10.2 Environmental Issues

10.2.1 Australia shares its immediate environment with Indonesia, as well as its other Pacific neighbours. Indonesia in the past lacked the resources and expertise to conserve and protect vegetation and wildlife and provide clean water, although this is now changing. Perhaps in its progress towards industrialisation, some controls did not exist, or were not applied.⁸

10.2.2 There is now an environmental approval process and Conzinc Riotinto Australia (CRA), for example, operates under regulations and must give certain notifications about its mines in East Kalimantan. Their representatives briefed Committee members in October 1992 about the high environmental standards under which they operate.⁹

10.2.3 In November 1990, a Ministerial Statement of Intent was signed between the two countries on environmental matters. A Government-to-Government meeting in November 1991 focussed largely on such issues. It was pointed out that there were no mechanisms for considering marine environmental management and issues between Australia, Papua New Guinea and Indonesia. The Torres Strait

⁶ *Transcript*, 14 April 1992, pp. 601-603

⁷ *Submissions*, p. S1021; *Transcript*, 14 April 1992, pp. 604-605

⁸ *Transcript*, 15 April 1992, p. 596

⁹ *Transcripts*: 20 May 1992, p. 971; 18 November 1992, p. 1613

Environmental Management Committee (EMC) invited an Indonesian expert to a seminar to increase professional links with that country. The Torres Strait Baseline Study invites Indonesian experts to its meetings to build up expert contacts from the three countries.

10.2.4 The Great Barrier Reef Marine Park Authority is involved with the International Development Program of Australian Universities and Colleges Ltd (IDP), Marine Sciences Education Project and the Torres Strait Baseline Study. IDP and a Canadian university are managing a five year project to assist six Indonesian institutions to upgrade their marine science education programs.¹⁰

10.2.5 In 1992, money was made available to the University of Queensland and the Queensland National Parks and Wildlife Service to undertake a survey of the genetic relationships of regional populations of marine turtles, principally in eastern Indonesia.¹¹

10.2.6 In November 1991, a Presidential decree set up the Indonesian Environment Protection Agency (BAPEDAL) in Surabaya. Australia is assisting in establishing this organisation, in a five year project costing about \$A23 million. While it remains to be seen how effective this organisation will be, reports of increased environmental emphasis in decisions relating to the national economy are certainly encouraging. Current laws penalising firms polluting the environment are rarely implemented. The Minister for the Environment will be talking to banks with a view to the inclusion of an environmental clause in credit policies. Whether an appeal to the banks' self interest to make funds available for environmentally friendly projects is successful is another issue.¹²

10.3 CSIRO Involvement

10.3.1 In the late 1950s and early 1960s, the CSIRO Division of Entomology worked on the management of rice fields. In the late 1960s and early 1970s, Indonesia produced about ten million tonnes of rice per year and was the world's

¹⁰ *Submissions*, p. S1022

¹¹ *Transcript*, 15 April 1992, pp. 595-596

¹² *Transcripts*: 12 March 1992, p. 452; 29 June 1992, p. 1953; *The Australian*, 8 September 1993, p. 29

largest importer, sometimes having to use scarce resources to fund its purchases. CSIRO's work led to the banning of pesticide use and, over a single season, to a policy of integrated pest management. Rice production has now doubled, to over 30 million tonnes.¹³

10.3.2 CSIRO has also attempted to put together a cooperative research centre on tropical horticulture in Northern Australia. This would involve the Northern Territory Government, the Northern Territory University, as well as the Western Australian and Queensland governments and universities in Queensland. CSIRO has been involved in research into fisheries resources in tropical areas, as well as investigation of the production of wool-mixed fabrics and the design of textiles.¹⁴

10.4 Educational Issues

10.4.1 Mr Lambert Kelabora, President of the Indonesian Cultural and Educational Institute (ICEI) observed that education is central to the Australian-Indonesian relationship, and that respective images need to be improved by education. There were many similar comments relating to education, including notably:

- . that language is fundamental to understanding another culture;
- . a mutually beneficial educational relationship complements other relationships; and
- . the overall educational relationship with Indonesia is fragmented.¹⁵

10.4.2 The Department of Employment, Education and Training (DEET) believes that a healthy, mutually beneficial educational relationship with Indonesia complements foreign policy and trade initiatives. There are, of course, direct

¹³ *Transcript*, 15 April 1992, pp. 735-736

¹⁴ *Transcripts*: 10 June 1992, pp. 1035, 1045; 2 September 1992, p. 1283

¹⁵ *Transcripts*: 5 February 1992 pp. 184, 209, 290; 15 April 1992, pp. 653, 654

educational benefits to individual students from a close educational relationship. DEET saw the need for a more strategic national approach which requires a coordinated role to be taken by Commonwealth agencies, in consultation with the States and others with an interest in the field. Approximately three thousand Indonesians are studying, at varying levels, in Australia at any time.¹⁶

10.4.3 *The Memorandum of Understanding (MOU)*. During the Joint Ministerial Forum in Jakarta in November 1992, a Memorandum of Understanding on Cooperation in Education and Training was signed by the Australian and Indonesian Ministers for Education. This MOU sets out a broad range of education interaction with Indonesia, going beyond the previous aid-dominated relationship.

10.4.4 In April 1993, a Joint Working Group (JWG) of officials met to establish a framework for the relationship in education and training for the next three years. The JWG identified three areas for collaboration in higher education for the next three years:

- . exchanges of students and staff;
- . increased research and development in water quality and forestry; and
- . systems development in the university sectors.

Both the Indonesian Director-General of Higher Education and the standing committee on research of the Australian Vice-Chancellors' Committee (AVCC) have been informed of the JWG's initiatives.¹⁷

10.4.5 During preparation for this meeting, discussions were held with the State school, TAFE and university sectors.¹⁸

10.4.6 DEET has decided to appoint a Counsellor (Education) at the Jakarta Embassy to deal with the range of activities from traditional elements, such as

¹⁶ *Transcripts*: 15 April 1992, p. 653; 23 September 1992, p. 1471
¹⁷ *Submissions*, pp. S2108, 2116; *Transcript*, 28 June 1993, pp. 1926-1927
¹⁸ *Transcript*, 28 June 1993, p. 1911

student exchange programs and promotion of education exports, to interaction with Indonesian universities.¹⁹

10.4.7 In keeping with the emphasis on the development of technology in Indonesia, one of the examples of interaction has been DEET's involvement in a feasibility study for the development of a heavy marine engineering training college at Surabaya.²⁰

10.4.8 Indonesian officials have a keen interest in curriculum development and, in particular, in the way the geography and politics of our region are taught in Australia. Evidently, Ministry officials believe the Indonesian curriculum, with particular reference to developments in the region, is out-dated. There is interest in setting up a joint committee to examine what could be done in geography and social studies.²¹

10.4.9 *Study of Bahasa Indonesia*. While the study of Bahasa Indonesia was a very popular course for Australian language students in the 1960s, it is now the seventh most popular language in schools and the fifth most popular in higher education. It lags considerably behind French, German and Japanese, and it is Japanese which is the fastest growing language at all educational levels in Australia.²²

10.4.10 In the 1992 White Paper on Language and Literacy, a massive drop was noted in the interest for languages other than English by Year 11 students. A priority languages program was established with a set of 14 priority languages, including Bahasa. The States were asked to identify eight languages and, for each Year 12 student examined in one of these, the State system will be funded \$300 by the Commonwealth. Bahasa is one of the eight core languages in every State, and a national Indonesian curriculum has been developed and published. Another study, carried out, more recently, by the National Languages and Literacy Institute of Australia on Indonesian/Malay in Australian schools, indicated there is an upward

¹⁹ *Transcript*, 28 June 1993, pp. 1908-1909
²⁰ *Transcript*, 28 June 1993, p. 1909
²¹ *Transcript*, 28 June 1993, p. 1910
²² *Transcript*, 15 April 1992, pp. 655-656

trend in the study of Bahasa at schools. As are other languages, it is under-represented in Years 11 and 12.²³

10.4.11 While a number of witnesses stressed the ease with which Bahasa could be learnt, Mr Pat Walsh of the Australian Council for Overseas Aid drew on his own experience of a largely historical, boring program. Dr Reeve's description of available material as 'unbelievably boring and outdated' suggests this problem has not altogether been resolved. It was also noted by a witness from the Overseas Service Bureau, Mr Peter Britton, that the period in which the teaching of Bahasa was most forcefully promoted was the time when Indonesia was seen as a threat to Australia.²⁴

10.4.12 In April 1991, a report was prepared by Dr Colin Brown and Ms Elaine McKay for the Asian Studies Council. Its findings recommended, among 30 other points:

- . that all tertiary institutions training teachers of Bahasa ensure that their programs include an accurate and contemporary picture of Indonesia;
- . that the Council collect and disseminate information on inter-institution links; and
- . that the Council and the Australia-Indonesia Institute devise a program aimed at raising teacher competence and confidence.

10.4.13 These researchers uncovered three causes for the relative lack of popularity of Bahasa:

- . no perceived career reward following study;
- . the problem of maintaining an adequate reliable supply of appropriately trained teachers; and

²³ *Transcripts*: 15 April 1992, pp. 656-657, 660; 28 June 1993, pp. 1912-1913

²⁴ *Transcripts*: 23 September 1992, p. 1525; 20 May 1992, p. 900; 4 February 1992, p. 88

. public disapproval of what happened, from time to time, to minority groups in Indonesia.²⁵

10.4.14 The Asian Studies Council was abolished, and replaced by the Asia Education Foundation, because there was seen to be a need for greater industry involvement in the process of becoming more literate about Asia. The Australian Language and Literacy Council of the National Board of Employment, Education and Training was established to advise the Government on languages other than English. DEET believes these bodies have a more appropriate focus than the previous special purpose bodies.²⁶

10.4.15 The contribution made by State Government Education Departments to the relationship with Indonesia is significant.

10.4.16 *Northern Territory's Involvement* The Northern Territory's relationship with Indonesia especially the eastern provinces, is as close in the educational area as it is in others. Working relationships have been built up with a variety of institutions: schools, TAFEs and universities. Distance education through such television programs as *Jalan Kita* (or *Our Street*) is of particular interest to NT officials because of its potential via satellite.²⁷ The NT Government has a policy that Bahasa is the principal foreign language taught in schools. Funding was provided by the Asian Studies Council for the NT Department of Education to complete the provision of material for use in schools throughout Australia. The Territory has a Teacher and Student Exchange Program which began in 1985 and involves three Eastern Indonesian provinces. It involves the annual exchange of four NT and Indonesian teachers for a year, and the exchange of ten students for a semester. Each year, groups of students from NT secondary and primary schools go to Indonesia on excursions; there are also some reciprocal visits between NT and Indonesian schools.

10.4.17 Funding was made available by the Asian Studies Council to assist NT teachers to attend short, intensive Bahasa courses at Indonesian universities. By

²⁵ *Transcript*, 15 April 1992, pp. 660-661

²⁶ *Transcript*, 15 April 1992, pp. 670-671

²⁷ *Transcript*, 10 June 1992, pp. 1051, 1053, 1057

means such as this, and encouragement of bureaucrats to learn Bahasa, the Territory reinforces its Indonesian links.²⁸

10.4.18 *Western Australia's Involvement.* While Western Australia has good links with Indonesia for TAFE courses, for specified university courses and English education at pre-tertiary level, the teaching of Bahasa within schools has not been given priority in the past. This has been remedied, perhaps because growing employment opportunities can now be seen. Encouragement of skills in Bahasa within the public sector is consistent with the Government's strategy, as are student, employee and media staff exchanges.²⁹

10.4.19 *Queensland's Involvement.* The Queensland Education Department promotes Indonesian language and culture within schools. Forty one primary schools and 11 secondary schools teach Bahasa. There is an exchange program for five teachers at a time from each side. Other innovations, such as 'twinning' of schools and the promotion of fee-paying schemes for tuition at secondary schools are under way. Consistent with its Sister State relationship with Central Java, in September 1992 Queensland signed a Technical Agreement on Education with that province. This Agreement effectively establishes a framework for sister-school relationships; the Government believes educational and cultural relations are necessary complements to its expanding economic and commercial ties with Indonesia, and Central Java in particular.³⁰

10.4.20 *Tertiary Involvement.* Australian universities have been involved in educating Indonesians for many years. As discussed in Chapter 14, AIDAB provides scholarships for post-graduate study by Indonesian officials. Australia is a popular place for Indonesian tertiary students. In June 1991, there were 1485 Indonesians in higher education, 867 in other post-secondary as well as 725 in secondary and 471 in English language training. The share of formal higher education Australia provides Indonesia has increased.³¹

10.4.21 Many Australian universities have long had Indonesian components in Asian or South East Asian studies centres; a number of such centres have been

established in the last few years. The Australian National University's Indonesia Project is one example of a significant and ongoing interest in that country. The influence of these centres at universities around Australia in providing knowledge and understanding of Asian cultures, and Indonesian culture in particular, is incalculable. The number of such centres ensures this knowledge can spread through the community.

10.4.22 Individual Australian institutions have joint projects with various Indonesian bodies. Thus the Northern Territory University in consultation with Griffith, South Australian and Western Australian universities, is involved in a joint project on the teaching of Bahasa as a foreign language. Melbourne and Monash universities have research projects in computerisation, banking, finance and information technology. Latrobe University and the Northern Territory University have had projects funded by DEET.³²

10.4.23 James Cook University at Townsville has strengths in marine sciences. The Northern Territory University received a grant in 1991 to build a joint aquaculture-horticulture complex which is used for research and joint projects with eastern Indonesian universities. The University of New England was the implementing agency for an AIDAB program at Bogor Agricultural University, just outside Jakarta.

10.4.24 DEET has provided a grant to the AVCC to develop a pilot University Mobility in Asia and the Pacific Scheme (UMAPS) with Indonesia. UMAPS seeks to achieve international student flows, particularly at the undergraduate level, through enhanced cooperation between institutions, including recognition of courses towards home institution degrees. Some institutions already participate in such arrangements as part of their formal links. The exchange of staff and students was one of the areas of possible collaboration agreed by the JWG in April 1993. It was suggested that to increase the number of student exchanges that Austudy should continue to be payable to Australians studying in Indonesia.³³

²⁸ *Submissions*, pp. S902, 904-905; *Transcript*, 15 April 1992, p. 670
²⁹ *Transcript*, 2 September 1992, pp. 1297-1298; *Submissions*, p. S727
³⁰ *Submissions*, pp. S2002-2003
³¹ *Transcript*, 23 September 1992, pp. 1472, 1481

³² *Transcripts*: 15 April 1992, p. 659; 18 November 1992, p. 1632; 11 June 1992, p. 1166; 23 September 1992, p. 1482
³³ *Submissions*, p. S2110; *Transcripts*: 12 March 1992, p. 396; 20 May 1992, p. 901

10.4.25 The study of Australia in Indonesia has been recognised by the setting up of an Australian Studies Program at the University of Indonesia. Australian lecturers were in that program from 1984 to 1992. The International Development Program of Australian Universities and Colleges Ltd (IDP) withdrew its support in 1991. The Australian Indonesia Institute (AII) has taken over some funding. Concerns have been expressed about the credibility of such a program without direct, continuing Australian participation.³⁴

10.4.26 Dr David Reeve characterised this Australian Studies Program at the University of Jakarta as 'small but vigorous' and drew attention to the need to maintain the only such program in Indonesia. He stressed the importance of the presence in Indonesian society of people who know about and understand Australia so that our attitude and behaviour can be explained. There are not many programs in Indonesia which are producing such people, although there are other universities which have, unassisted, tried to promote Australia in small ways.³⁵

10.4.27 Dr Reeve and his colleagues recommended continuation of the position of lecturer in this Program, but also the creation of a series of visiting fellowships. Their suggestion was modelled on the Fulbright system and seeks to add to the stature of the program. They envisaged the visiting fellow spending a year in each of three major Indonesian universities. The proposal was estimated to cost about \$A130,000 per year.

10.4.28 In addition, they suggested preparation of four high quality video programs on Australia in Bahasa, suitable for use by students and by the Embassy throughout the archipelago. The cost of such a project was estimated at between \$A240,000 to \$A320,000. They also drew attention to the need for translation of a core of books on Australia, in history, society and culture, into Bahasa. These would benefit students and should also be available for sale to the public. Each book would be the focus of a six-month project, involving the secondment of an Australian or an Indonesian scholar to an appropriate Australian university. An initial five year commitment was estimated at \$A300,000.

³⁴ *Submissions*, p. S1614; *Transcript*, 20 May 1992, pp. 887, 901

³⁵ *Transcript*, 20 May 1993, pp. 886, 898, 893; *Submissions*, p. S1614

10.4.29 The suggestion from Dr Reeve and his colleagues with greatest relevance to the existing Australian Studies Program at the University of Indonesia was the provision of a Masters Degree Program. To make such a program effective, three intakes each of 15 scholarships for 30 months would be required. Additional funds would be required to provide a research base. The total cost was estimated at \$A102,000 per intake or about \$A306,000 for the Program.³⁶

10.4.30 While the contact between Indonesian and Australian universities is significant and likely to grow as a result of the JWG's activities, there are also considerable opportunities for TAFE involvement. In 1992, AIDAB's Sir John Crawford scholarships included the TAFE area for the first time. There were about 8,000 foreign students in TAFE in 1992 and, as in other areas of education, numbers from Indonesia are likely to grow. Ambassador Siagian observed that, especially in its human resources development and programs, there are cooperative projects which TAFE institutions can offer Indonesia. This, of course, raises the possibility of linkages between Indonesian and Australian technical colleges/TAFE institutions.³⁷

10.4.31 Australia, through its Official Development Assistance (ODA) program, is making a positive contribution to education in Indonesia. While members were in Ambon and Jayapura in October 1992, they visited schools and technical colleges funded under the Indonesia-Australia Technical and Vocational Education Project (Part A)(IATVEP). Members were impressed by the knowledge, dedication and integration into their communities shown by the IATVEP advisors in these cities.

10.4.32 There are many other non-government schools in Indonesia, and in the eastern provinces in particular, which do not have a full range of resources. Australia would be making a valuable contribution to the overall relationship if additional resources could be made available to such schools.

10.4.33 When Committee members visited Brawijaya University at Malang in East Java in October 1992, discussions were held with graduates of Australian universities who were on the staff of the University. One of the topics which was

³⁶ *Submissions*, pp. S2314-2316

³⁷ *Transcripts*: 23 September 1992, pp. 1483, 1499; 3 February 1993, p. 1829; 29 June 1993, p. 1958

raised by a number of those present was the length of time taken to advise results, particularly of theses for postgraduate degrees.

10.4.34 A study, *Degrees of Success: A Tracer Study of Australian Government sponsored Indonesian Fellowships 1970-1989*, sponsored by AIDAB and IDP, was published in 1992. It stated that ten per cent of its sample had completed work for a degree but had not received it. Many had waited for well over a year, or had not received replies to requests for information on their results.³⁸

10.4.35 This study came to the conclusion that an examination of past experiences could shed light on current policy issues. It referred to the investment Australia had put into foreign students. A list of Indonesian graduates of Australian universities who studied here for at least a year was prepared and 150 people were interviewed. Resulting analysis showed that many graduates worked outside their area of study but, more importantly, that Australian companies were not using these graduates effectively. The study therefore recommended that DEET keep track of these graduates and keep Austrade informed.³⁹

10.5 Involvement of the National Library of Australia

10.5.1 The National Library of Australia (NLA) has long-standing links with Indonesia and its interests include:

- . collection building;
- . provision of information and document supply services;
- . regional assistance programs; and
- . participation in the activities of international bodies.

10.5.2 The Library has been collecting Indonesian material since the middle 1950's and its holdings are world-class, so that it has more current publications than

³⁸ Exhibit No. 105, p. 62

³⁹ Exhibit No. 105, p. 1; *The Canberra Times*, 11 August 1993, p. 5

any other agency including the US Library of Congress. The collections are used by a wide range of people and consist of some 120,000 monographs, 5000 serial titles, 250 newspaper titles and several thousand reels of microfilm and sheets of microfiche. Material has been acquired on a cooperative basis from several other Australian research libraries. Since 1971, the NLA has had an office in the Australian Embassy in Jakarta.

10.5.3 Participation in international activities is vital for both the Library and Australia. The NLA is the largest and most technologically advanced national library and is regarded, by Australian agencies and overseas countries, as a dependable source of advice and assistance.

10.5.4 The NLA has a close working relationship with the Department of Foreign Affairs and Trade and the AII. The AII assisted the Library with funding for the attachment in Canberra of a member of the Indonesian National Library for one year.⁴⁰

10.5.5 While the Library has extensive holdings of Indonesian material, technological advances and access to other libraries means that extensive duplication is not necessary.⁴¹

10.5.6 The AVCC set up an international academic database called AARNET which itself forms part of an international data base called INTERNET. Some South East Asian countries are connected to INTERNET and the Library believes its ability to deliver material and services of all kinds to Indonesian institutions would be improved if that country could be linked into AARNET.⁴²

10.6 The Committee's Views

10.6.1 The Australian scientific, environmental, educational, and library connections with Indonesia are very numerous and some are significant. Although

⁴⁰ *Submissions*, pp. S301-303

⁴¹ *Transcript*, 23 September 1992, pp. 1542-1543

⁴² *Transcript*, 23 September 1992, p. 1547; *Exhibit No. 81*

these areas are often overlooked in the larger relationship, their longer term importance demands they be supported.

10.6.2 In the scientific area, a network of agreements exists and, under COSTAI in particular, joint projects are making progress. The position of Counsellor at the Embassy, when filled, should be a valuable conduit for the passage of information in both directions.

10.6.3 The significance of the establishment of an Environmental Protection Agency in Indonesia should not be underestimated. The Committee believes the support being given, even if there are questions about the powers and efficacy of this body, is of paramount importance to Indonesia's future. Similar, if less obvious, cooperation is evident in CSIRO's work and cooperation in meteorological matters.

10.6.4 The NLA's work on its Indonesian collection gives it an important place among the world's national libraries. The Committee supports the Library's view that its collection is important for Australia, Indonesia and other countries supplied with material. Its policy of extending linkage of Indonesian institutions to international databases is also supported because of the ease of transmission of material conferred at reasonable cost. Its program of visits to and exchanges with the Indonesian National Library is a practical commitment which should continue.

10.6.5 If the educational position with Indonesia is fragmented, there are many pieces which, if coordinated, will make an even more substantial contribution to the overall relationship. Without the varied programs in the States the relationship with Indonesia could not have developed as it has. In particular, the Northern Territory's proximity to the archipelago, especially to the eastern provinces, has given it in this field, as in others, an impetus to cooperate and assist. Western Australia and Queensland seem to have worked out satisfactory programs for their own needs.⁴³

10.6.6 The MOU provides a framework for consulting Indonesia about increasing the resources available to schools which do not have the full range to assist in the education of students. Queensland's 'twinning' arrangement could

provide an example of a mechanism to support these schools. This is an area where the non-government schools in Australia may be able to play a role.

Recommendation 19: The Committee recommends that, under the provisions of the Memorandum of Understanding on Cooperation in Education and Training, the Schools Council of the National Board of Employment, Education and Training consult the Indonesian Ministry of Education and Culture about ways of providing additional resources to schools, especially those in the eastern provinces. The Committee also recommends that the Department of Employment, Education and Training consult with the Australian International Development Assistance Bureau about the allocation of additional resources for schools in the eastern provinces.

10.6.7 Dr Brown's and Ms McKay's report into the teaching of Bahasa Indonesia has both analysed the causes of the decline in student numbers and suggested the remedy. Measures have been taken to encourage more students to study the language and these seem to be working. The establishment of the Asia Education Foundation, with its emphasis on the needs of industry, should ensure to a greater extent than in the past that students' command of the language will improve their employment prospects. Apart from this practical motive, more Australians should know and understand more of the language and culture of our neighbour.

10.6.8 The range of contacts between Australian and Indonesian tertiary institutions is large, impressive and important. The appointment of the Counsellor position to the Jakarta Embassy should assist in broadening and deepening these contacts. Australia is a centre for Indonesian studies; many Indonesians who are already important in their country were educated here. Some studying now will excel in their chosen professions and have influence on aspects of the relationship with Australia.

10.6.9 It was disturbing to hear, from some of the staff at Brawijaya University, of delays in receiving the results of theses and the awarding of degrees. Indonesians generally find Australian universities attractive places at which to

⁴³ Transcript, 15 April 1992, p. 653

study, but the international competition for students is such that action must be taken to improve our image or, as in this case, rectify the problems which do exist.⁴⁴

Recommendation 20: The Committee recommends that the Department of Employment, Education and Training, with the Australian Vice-Chancellors' Committee, examine the assessment and notification processes for higher degrees to ensure that the time taken is as short as practicable and that the results be conveyed to the Joint Committee within six months.

10.6.10 There already exists an organisation called IKAMA which comprises Indonesian graduates of Australian universities and colleges with which IDP has been trying to improve its contacts. IDP believes the alumni can be a considerable benefit to Australia, as most of them have positive attitudes to this country. The Australia-Indonesia Business Council believes IKAMA is a body which has not been used properly.⁴⁵

Recommendation 21: The Committee recommends that the report *Degrees of Success* be examined by the Department of Employment, Education and Training and the Australian Trade Commission to establish ways and means by which Indonesian graduates of Australian universities and colleges can continue their association with Australia to the benefit of those graduates and the Australia-Indonesia relationship.

10.6.11 The most effective way of increasing the overall relationship is by person-to-person contact. A large number of visits, excursions and exchanges already take place, with obvious benefits to both sides. It remains to be established whether such programs could be extended. Dr Ron Witton suggested a comprehensive

⁴⁴ Transcript, 23 September 1992, pp. 1481, 1499

⁴⁵ Transcripts: 23 September 1992, pp. 1474-1475; 18 November 1992, p. 1643

program of short term and visiting teaching appointments of Indonesian social scientists to Australian universities. Changes to funding arrangements have already meant that the position of lecturer in the Australian Studies Program at the University of Indonesia is not filled. Funding problems should not be allowed unduly to influence these important interchanges.⁴⁶

10.6.12 The proposal to pay students their Austudy entitlements for that part of a course they may undertake in Indonesia deserves further consideration. While it may have been examined and rejected, in the context of broadening our relationship with Indonesia, and the re-awakened interest in the language and culture of that country, this matter should be re-examined.

Recommendation 22: The Committee recommends that the Department of Employment, Education and Training examine the feasibility of paying Austudy benefits to students pursuing part of their courses in Indonesia.

10.6.13 The MOU signed in 1992 and the JWG now provide a forum which can coordinate Australia's educational contribution to Indonesia. IDP, the AII, DEET and many other government agencies, Commonwealth and from some States and Territories, have funds to devote to various aspects of the Indonesian relationship. The JWG set up under the MOU has agreed on activities within the areas of higher education, vocational education and training and in schools. The framework now exists for progress to be made and the success of IATVEP in the eastern provinces shows how valuable Australia's contribution can be. Much of the success of IATVEP can be attributed to the various advisors.

10.6.14 The Department of Employment, Education and Training can and does provide a most useful coordinating role in the provision of educational services to Indonesia.

⁴⁶ Submissions, p. S1880

Recommendation 23: The Committee recommends that the framework provided by the Memorandum of Understanding on Cooperation in Education and Training and the Joint Working Group it set up be used to the maximum practical extent to focus and channel Australia's educational contribution to Indonesia.

10.6.15 There has been significant support in the past for the Australian Studies Centre at the University of Indonesia and this matter will be further considered in Chapter 14. There are many more centres at Australian universities to study Asian and Indonesian languages, history and culture than there are Australian studies centres in Indonesia. If it is vital, as Dr David Reeve suggested, to have a group able to explain Australia and Australians to other Indonesians, and if much of Australia's assistance is given to the eastern provinces, then it is surely important that there be such a centre in those provinces. This would require the agreement of a university and it would be wise to ensure the feasibility of the proposal and its funding were established before approaches were made to any Indonesian university.

Recommendation 24: The Committee recommends that the Department of Employment, Education and Training:

- . examine, with such bodies as the International Development Program of Australian Universities and Colleges Ltd, the Australian International Development Assistance Bureau and the Australia-Indonesia Institute, the feasibility, cost and funding of an Australian Studies Centre in the eastern provinces of Indonesia;
- . report back to the Joint Committee with its findings within twelve months; and
- . subject to a favourable outcome, give consideration to a formal approach to an appropriate university in the eastern provinces of Indonesia to assist in the establishment and maintenance of such a centre.

10.6.16 Suggestions by Dr Reeve and his colleagues present an opportunity to broaden the educational relationship with Indonesia, to do things which have not been tried and which, if implemented, could have a significant impact on that relationship. The measures they suggest would inform many Indonesians about Australia in their own language and provide others with the opportunity to study Australia in new programs.

10.6.17 These academics have all taught in Indonesia and are aware of what is required to teach about Australia. Their ideas are worthwhile but they need financial support. Such ideas are well worth considering for their practicality, for the results they could achieve and that, therefore, room should be found in programs for them.

Recommendation 25: The Committee recommends that the Department of Employment, Education and Training and the Australian International Development Assistance Bureau examine the suggestions put forward by Dr Reeve and his colleagues:

- . preparation of a video series on Australia for use in Indonesia;
 - . creation of a system of visiting fellows;
 - . creation of a Masters Degree Program at the Australian Studies Centre at the University of Indonesia; and
 - . translation of a core of Australian books into Bahasa Indonesia,
- with a view to funding them as soon as practicable.

10.6.18 The work being done by so many Australians in the scientific, environmental and educational areas of contact with Indonesia should be supported. Much of this contribution is being made through ODA channels, so that it is being targeted after consultation with Indonesian authorities. Positive contributions are therefore being made to the overall relationship and this chapter contains references to a few of many examples of the joint and research projects which benefit both

nations. Indonesia's requirements will continue to grow, especially in environmental and educational areas. With consultation, Australia should continue to make an effective contribution.

Chapter 11

Resources and Energy Issues

While Indonesia has significant reserves of oil, they are not inexhaustible; it also has huge reserves of coal and gas but these are not always located for easy use. Nuclear power is seen as the solution.

11.1 Coordination of Resources and Energy Issues

11.1.1 Indonesia has a strong interest in bilateral cooperation in the resources area, including staff training, and in expanding its petroleum and minerals industry through geo-scientific studies and exploration.¹

11.1.2 In 1989, the Indonesian-Australian High Level Group (HLG) on Energy and Minerals was established under a Memorandum of Understanding. The HLG focuses on:

- . facilitating the exchange of information on relevant world commodity market trends, and national policies and programs;
- . ways of improving understanding and cooperation between the two countries in energy and minerals development, investment and trade;
- . developing closer links on specific resource projects and activities; and
- . developing understanding of issues of regional and global concern.

11.1.3 Through this link, Australia has gained a greater understanding of current Indonesian resource issues, the outlook for their energy and foreign

¹ *Submissions*, p. S924

investment guidelines for their domestic and export energy sectors. HLG meetings have highlighted Indonesia's interest and regard for Australia's expertise in the energy and minerals sectors, particularly minerals processing, power generation, and the potential for developing further commercial and cooperative links.²

11.1.4 At the Inaugural Meeting of the Ministerial Forum in 1992, Ministers noted that the HLG had resulted in an enhanced understanding of bilateral issues in the resources area. They agreed to expand the Group's mandate to facilitate discussions between the respective industry sectors. Working groups on specific areas will be established and report to the next HLG meeting. Ministers agreed to examine cooperation in geological mapping and to consider short term courses relevant to Indonesia's needs in the energy and minerals sectors. The provision of such training could commence in 1994. The growing importance of clean coal technologies to both countries was stressed. As Australia is the 'shepherd' of APEC's energy working group, and has expertise in the use of this technology, there could be long-term benefits for both countries through the HLG process. The potential exists for joint ventures involving stand-alone renewable energy technologies.³

11.1.5 Consideration of energy issues in Indonesia always involves comparison of resources in various categories and the demands of industrialisation. While some reserves appear large, the demand for energy is great and growing. In addition, as Mr R M Touzel of the State Electricity Commission of Victoria (SECV) pointed out, another important factor can be the distance of resources such as coal from power stations. Power shortages are already critical in Indonesia, as Committee members found out during their stay in Jayapura in October 1992.⁴

11.1.6 Indonesia's needs for power raise very serious economic and environmental questions to which there are no easy answers. When Committee members were in East Java they were told that, by the turn of the century, 6000 additional megawatts of power would be required to meet the needs of its industry, and the needs of the villages. Present production in East Java is under 2000 megawatts. There has been a 300 per cent increase in demand over the last decade and per capita consumption has risen about ten times in 20 years or so. Growth in

² *Submissions*, p. S923-924

³ *Insight*, 13 September 1993, p. 9; *Submissions*, p. S2155

⁴ *Transcript*, 5 February 1992, pp. 303, 307; *Submissions*, p. S1096

demand for energy in Asian countries is estimated at 7.9 per cent per year compared with a world consumption increase estimated at 3.6 per cent per year. Indonesian Government predictions indicate an increasing demand of about 17 per cent per year.⁵

11.2 Oil and Petroleum

11.2.1 At the beginning of the 1980s, about two-thirds of Indonesia's exports were oil and gas, and about 70 per cent of revenue came from oil and gas. When oil prices began to decline in the middle 1980s, the Government diversified so that oil and gas now only account for about half the share of exports and revenue as they did a decade ago. The budget brought down earlier this year aimed to reduce Indonesia's reliance on oil and gas revenues. President Soeharto's 1993 Independence Day Speech was reported to include the statement that the key to continued economic success was to increase non-oil and gas earnings.⁶

11.2.2 Indonesia's current reserves of oil are estimated at 89 billion barrels. There are, however, forecasts that by the end of the decade Indonesia will become the first member of the Organisation of Petroleum Exporting Countries (OPEC) to import more oil than it exports. It is also accepted that for Indonesia to continue its economic growth, there has to be a corresponding growth in its supply of energy.⁷

11.2.3 There is significant exploration for oil in Indonesia with American, Japanese, Taiwanese, Korean and German companies involved but reserves are limited. The Japanese, the largest force in the Indonesian economy, have invested in petrochemical plants.⁸

11.2.4 The export of crude and refined petroleum and oils from bituminous minerals from Australia to Indonesia was worth \$A310.8 million in 1992. Imports of the same products from Indonesia were worth \$A646.3 million. Most of the crude

⁵ *Transcript*, 11 December 1992, pp. 1708, 1710-1711; *Submissions*, p. S1648

⁶ *Transcript*, 1 December 1992, p. 1689; *The Canberra Times*, 17 August 1993, p. 7; *The Sydney Morning Herald*, 8 January 1993, p. 5

⁷ *The Australian Financial Review*, 26 March 1993, p. 13; *Transcript*, 1 December 1992, p. 1688; *Submissions*, p. S1648

⁸ *Transcripts*: 18 November 1992, pp. 1605, 1608; 15 April 1992, p. 682

oil being exported comes from the Jabiru field in the Bonaparte Basin, off the Northern Territory, operated by BHP. The principal reason for the growth in the petroleum trade was the deregulation of the Australian oil market, in January 1988, which left refiners free to choose their sources of oil and producers free to sell their product on the world market.⁹

11.2.5 The Bureau of Resource Sciences (BRS), formerly the Bureau of Mineral Resources, is involved in a seismic framework study in eastern Indonesian frontier areas. The Bureau has developed several geo-scientific proposals to assist the Indonesian government to develop its expertise and petrol/mineral resources. It has also published preliminary geological maps of Kalimantan.¹⁰

11.2.6 Exploration in the Timor Gap will be considered in Section 11.7 below.

11.3 Coal and Electrification

11.3.1 The export coal trade to Indonesia was worth just over \$A10 million in 1992 in spot sales and short term contracts of thermal coal to the cement industry. The Indonesian industry is expanding rapidly, with policies to encourage both foreign and local companies to mine. Vast amounts of power are required for industrialisation, especially in Java and for a village electrification program. Several Australian companies, notably CRA in East Kalimantan, are major investors. The country has enormous reserves, estimated at 31.9 billion metric tonnes, mainly on Sumatra and Kalimantan. Coal found in Indonesia varies from large, poor quality deposits in South Sumatra to the higher quality deposits suitable for export, found in East Kalimantan. Production of export coal is estimated to rise to at least 20 million tonnes per year by 2000; current exports are about six million tonnes per year. Some estimates of likely exports are much higher which suggests there could be an impact upon Australia's exports, even though most of the latter are of low grade coking coal.¹¹

⁹ *Submissions*, pp. S2209-2210; S924-925

¹⁰ *Submissions*, p. S924

¹¹ *Submissions*, pp. S2209, S926, S1648; *Transcripts*, 5 February 1992, pp. 307, 315-316; 14 April 1992, pp. 501-502

11.3.2 Indonesia's coal is primarily thermal and most of it has a high moisture content which demands special boiler facilities. The high moisture content reduces calorific values and reduces prices on the international market. The increased demand for thermal coal from North Asia, perhaps five times if all the present plans succeed, probably means there will be an export market for both Australian and Indonesian coal.¹²

11.3.3 There is at least one source of coal in Indonesia which is promising environmentally. Envirocoal comes from PT Adaro's mine in South Kalimantan. It contains less than 0.1 per cent sulphur by weight compared with 0.6 to 1.2 per cent which is standard for low sulphur coal on the world market. It is also low in ash content: about one per cent compared with eight to ten per cent. Benefits from the use of this coal in power stations would be:

- . lower levels of carbon dioxide emission, responsible for global warming;
- . lower emissions of sulphur, the main cause of acid rain;
- . reduced amounts of ash in the atmosphere;
- . reduced storage needs; and
- . less wear on power plant boilers.

11.3.4 PT Adaro only began test shipments in late 1991 and current output levels have reached the commercially viable level of two million tonnes per year. They should double by the end of 1993 and double again by the end of 1994, according to current plans. If it meets production projections of 20 million tonnes by 2000, it could become Indonesia's largest coal mine. By comparison, CRA's open cut Kaltim Prima mine in East Kalimantan was commissioned in July 1991 and plans to sell seven million tonnes in 1993.¹³

¹² *Transcript*, 5 February 1992, pp. 306-307

¹³ *Far Eastern Economic Review*, 28 January 1993, p. 38; *Submissions*, p. S1822

11.3.5 The PT Adaro site is remote and its coal is transported by barge to a loading point on the Java Sea. The main seam runs for some 25 kilometres along a spine of hills and is from 30 to 55 metres thick, compared with two or three metres for most seams. It is also unusually close to the surface so that it is easy to mine. Like much other Indonesian coal it has a high moisture content.¹⁴

11.3.6 Indonesia has been attempting for the last decade to move away from the use of oil and gas to use more coal, with ambitious build-own-and-operate or build-own-and-transfer programs for power stations. Such privatised facilities represent a move away from the past practices of PLN, the State Energy Authority. If consumption of coal by these stations does not reach expectations, Indonesia's exports could provide strong competition for some of Australia's lower quality coal, especially if domestic demand does not increase.¹⁵

11.3.7 The SECV considers this power station program to be a major opportunity for Australian equipment suppliers. Our expertise is significant whether the power stations are located with the mines, as is the case in the Latrobe Valley, or the coal is transported to the power station, the solution adopted by PLN. Because of the locations of the mines and the needs of industry either the power generated or the coal required must be transported within Indonesia, sometimes over 500 kilometres.¹⁶

11.3.8 Dr Hal Hill argued that it was fallacious to say it was not in Australia's interests to promote the development of the Indonesian coal industry. This development would have occurred in any case and Australian firms would have been unable to benefit. Mr Touzel believed Australia's involvement was responsible if it ensured state of the art technology was used. Without this technology, the industry would probably have used out-dated equipment, causing more environmental damage.¹⁷

¹⁴ *Far Eastern Economic Review*, 28 January 1993, p. 38

¹⁵ *Transcripts*: 1 December 1992, p. 1712; 14 April 1992, pp. 502-503

¹⁶ *Transcript*, 5 February 1992, pp. 306-307

¹⁷ *Transcripts*: 1 December 1992, p. 1689; 5 February 1992, p. 316

11.4 Gas

11.4.1 Indonesia has about 2.2 per cent of world natural gas reserves which should be available until well into the next century. There is already a gas grid which virtually covers Java. Gas has been exported since 1977, with current levels of about 21 million tonnes per year. About 85 per cent is for the Japanese market.¹⁸

11.4.2 While these exports have generated revenue estimated at \$US3,500 million, it cost a large amount to build two modern liquefied natural gas facilities. Gas cannot solve Indonesia's energy problems, as most of it is not found where power is required. Greenpeace Australia recommended that Indonesia use gas as a transitional fuel, in spite of the consequential greenhouse gas problems, to give the country the necessary time to develop renewable and alternative energy technologies.¹⁹

11.5 Renewable and Alternative Energy

11.5.1 Indonesia has geo-thermal reserves sufficient to provide 16,000 megawatts of electricity: only a small amount has been tapped and the cost of the energy it produces is still high. The cost of building a geo-thermal plant is estimated to be considerably cheaper than either coal or nuclear plants. The hydro-power potential is estimated at 75,000 megawatts but most of this potential source is in remote locations. Such projects are not now popular, if only because of the removal of many villages in the large area required for dams. The possibility of micro-hydro projects, serving a village, does not seem to have been fully investigated.²⁰

11.5.2 Greenpeace suggested that diversified, small-scale energy technology is the most appropriate way to meet many of rural Indonesia's energy needs. If they are cheap and efficient, they will be successful. A solar panel suitable for running two small lights and a black and white television set costs close to the average annual income. Greenpeace provided figures on the costs of electricity generated

¹⁸ *Submissions*, p. S926; *Transcript*, 1 December 1992, pp. 1711-1712

¹⁹ *Submissions*, pp. S926, S1651; *Transcripts*: 19 May 1992, p. 754; 18 November 1992, p. 1608

²⁰ *Submissions*, pp. S1702-1703, S1632-1633

from the wind and from biomass: 5.3 cents per kilowatt hour and five cents and likely to decrease per kilowatt hour respectively. Research continues on various forms of alternative energy, in Australia and elsewhere, and it may provide widely available, cost-effective solutions in the future.²¹

11.6 Nuclear Power

11.6.1 Indonesia currently has three nuclear reactors and a fuel fabrication facility in Java for research purposes. These are used for research projects and for applications of the isotopes produced. The Government is considering the use of nuclear energy for electricity generation in Java, principally because of the shortage of power. By 2000 an additional 10,700 megawatts will be required and by 2015, 26,000 megawatts. By 2015, it has been estimated that Java may require an additional 7000 megawatts of power.

11.6.2 Other reasons for preferring nuclear power, according to the Indonesian Nuclear Authority (BATAN), are:

- . environmental and ecological benefits. Because of the bi-products, fossil-fuelled power plants are more harmful to the environment than nuclear power plants;
- . safety. Considering the whole fuel cycle, the health risks of fossil-fuelled plants are greater than nuclear; and
- . economic aspects. Nuclear power is less costly per unit of production than conventional electricity.

With coal, nuclear energy is seen as the long-term resource with most potential to diversify electricity generation.²²

11.6.3 Indonesia's government has announced it intends to build 12 nuclear reactors, from 600 megawatts to 1000 megawatts capacity, to come on-line between

²¹ *Submissions*, p. S1633, 1634

²² *Submissions*, pp. S1647-1649

2003 and 2015. In the 1980s, agreements were signed for major research facility projects with companies from a number of countries. These agreements have included training for Indonesian staff. The most recently completed research facility, at Serpong in West Java, was opened in 1989. Built at an estimated cost of \$US150 million, it has a capacity of 30 megawatts.²³

11.6.4 As a 1000 megawatt reactor would cost at least \$US2 billion and a 600 megawatt plant at least \$US1 billion, exclusive of costs such as decommissioning and nuclear waste disposal, the program of 12 reactors could cost from \$US12 billion to \$US24 billion.²⁴

11.6.5 A Japanese company has been chosen to conduct a feasibility study, to be completed by 1995/96, for the first nuclear power plant on a site on Cape Muria, near Ujung Watu on the north coast of Central Java. Research stations, to test for meteorological information and seismic activity, are already operating on Cape Muria. This study will cost \$US15 million. In September 1993, it was reported that the construction of the first nuclear power plant would be put to international tender by early 1995. A decision has also reportedly now been made about the type of reactor that is to be used in Indonesia's nuclear program.²⁵

11.6.6 Australia and Indonesia have been engaged in nuclear science and technology co-operation for a number of years, in the context of commitments under the Nuclear Non-Proliferation Treaty (NPT) and membership of the International Atomic Energy Agency (IAEA). This cooperation relates not just to energy uses, but to medical science, building technology uses and any other relevant use of nuclear technology.²⁶

11.6.7 There have been discussions between the Indonesian and Australian governments about a Nuclear Science and Technology Agreement. That agreement was close to signature at the time of the Ministerial Forum in November 1992, but it was decided that the framework should be elevated to a broader science and technology agreement at ministerial level. Once that is in place, specific subsidiary

²³ *Submissions*, pp. S1645-1646; *Transcript*, 29 June 1993, pp. 2042-2043

²⁴ *Submissions*, pp. S1659, 1649

²⁵ *Submissions*, pp. S1657-1658, S1660; *The Australian Financial Review*, 1 September 1993, p. 14; *Senate, Hansard, Estimates Committee A*, 31 August 1993, p. A22

²⁶ *Senate, Hansard, Estimates Committee A*, 31 August 1993, p. A22

agreements would be negotiated in such areas as nuclear science and standards and interaction between CSIRO and Indonesia's equivalent body. The proposed agreement would not provide for commercial transfers of Australian uranium to Indonesia.²⁷

11.6.8 Greenpeace has expressed concerns that the agreement would not be debated by Parliament before it was signed. On 17 August 1993, previous advice was confirmed that the agreement would be tabled in both Houses. There is no constitutional requirement for such agreements to be approved by Parliament.²⁸

11.6.9 Concerns about the Indonesian nuclear program were also expressed by Greenpeace and the Australian Council for Overseas Aid (ACFOA). They saw the following major problems:

- . the cost of the power it generates is greater than that from other processes. According to a 1988 World Bank estimate, 5.1 cents per hour per unit produced compared with 2.7 cents per hour from coal and 2.2 cents per hour from gas;
- . the cost of building nuclear plants, referred to in paragraph 11.6.4 above;
- . the disposal of radioactive waste from the process;
- . the threat of seismic and volcanic activity in the area intended for the first plant in the program; and
- . the impact of an accident at one of the plants on neighbouring countries.

11.6.10 Greenpeace also expressed concerns about human rights violations against Indonesians opposed to the country's nuclear program. These concerns must

²⁷ *Transcript*, 29 June 1993, pp. 1994-1995; Senate, *Hansard*, Estimates Committee A, 31 August 1993, pp. A22, A23

²⁸ *Senate, Hansard*, 17 August 1993, pp. 87-88

be seen in the context of significant international and Australian interest in human rights in Indonesia which have already been considered in Chapter 7 above.²⁹

11.6.11 The Australian Government must ensure that the Indonesian Government is fully aware of these legitimate concerns.

11.7 Timor Gap Treaty

11.7.1 The Timor Gap Zone of Cooperation Treaty came into force on 9 February 1991, as the result of 12 years of negotiations between Australia and Indonesia, and established a sea-bed boundary between the area of northern Australia parallel to East Timor. The Treaty is an unusual and constructive resolution of a boundary issue and is seen as a milestone in improving the bilateral relationship. It is a world first in international relations, whereby two countries have actually shared a resource rather than simply dividing it.³⁰ While it is an important example of cooperative negotiation, bringing benefits to both Australia and Indonesia, other issues of the maritime boundary between the two nations are not yet resolved. The Treaty only deals with the allocation and sharing of resources in the Timor Gap Zone, as it is expected that the area contains petroleum and gas reserves. The Australian legislation associated with the Treaty is administered mainly by the Department of Primary Industries and Energy.

11.7.2 Located between the Northern Territory and East Timor, the Zone of Cooperation covers nearly 61,000 square kilometres and is divided into three areas for administrative purposes: Areas A, B and C. These areas operate so that, in Area A, a joint development regime applies. Australia and Indonesia will share equally in the benefits flowing from exploitation of petroleum resources in Area A. In Area B, the relevant Australian legal regime applies but Australia must pay to Indonesia 10 per cent of gross Resource Rent Tax collected from corporations producing petroleum. In Area C, the relevant Indonesian legal regime applies but Indonesia must pay Australia ten percent of its contractors' income tax collections from petroleum production in that area.³¹

²⁹ *Submissions*, pp. S1685-1691, 1433-1436

³⁰ 'Australia-Indonesia Ties: Timor Gap Zone of Cooperation', *Monthly Record*, February 1991

³¹ *Submissions*, p. S1208

11.7.3 Zone of Cooperation Area A covers an area of 34,970 square kilometres and is supervised and coordinated by representatives from Australia and Indonesia through a Ministerial Council and a Joint Authority. The Joint Authority has a head office in Indonesia, an office in Darwin, and operates under the authority of the Ministerial Council. The Joint Authority is 'required by the Treaty to issue regulations and give directions to control petroleum operations including on health, safety, environmental protection and assessments, and work practices.'³²

11.7.4 In December 1991, the Ministerial Council approved 11 production sharing contracts to be awarded in Area A of the Zone. These production sharing contracts are valid for up to thirty years but can be cancelled after six years if no commercial quantities of petroleum are discovered.³³ The extent of resource deposits in the Zone of Cooperation is as yet unclear as exploration is at an early stage. It is hoped and expected that the area is 'highly prospective . . . being adjacent to two of Australia's established petroleum production areas in the Timor Sea and the North West Shelf.'³⁴

11.7.5 The Zone of Cooperation Treaty is the subject of a case before the International Court of Justice, known as 'Case Concerning East Timor' (Portugal v. Australia). As a judgement has not yet been given, it is premature to comment on the case. Activities in the zone continue under the terms of the Treaty.³⁵ Australia is bound to honour the decisions of the International Court of Justice. The Australian Government is confident of its legal position and has made a firm commitment to investors and to Indonesia.

11.7.6 The Australian Customs Service (ACS) stated that legislation relating to the Zone of Cooperation had weakened Customs' control over the movement of persons and goods. The legislation is the *Petroleum (Australia-Indonesia Zone of Cooperation) (Consequential Provisions) Act 1990*, which permits craft coming from places other than Australia or Indonesia to travel to installations in Area A of the Zone of Cooperation after they have reported to Customs in Australia or Indonesia. Australian craft going to and from the installations do not come under Customs' control because the installations in Area A are not regarded as a 'place outside

³² *Submissions*, p. S925

³³ *Transcript*, 14 April 1992, p. 470

³⁴ *Submissions*, p. S1209

³⁵ *Transcript*, 4 February 1992, p. 7

Australia' in terms of Customs legislation. Craft leaving Area A of the Zone may not report to a proclaimed Customs port.

11.7.7 ACS said that it is following contingency measures to counter this possibility, by informing all vessel operators in the Timor Gap area that they are required to return to a proclaimed port. ACS is considering preparing further legislative amendments to prevent the risk of illegal entry through the Timor Gap Zone by clarifying that installations in Area A are places "outside Australia" for the purposes of the Customs Act.³⁶

11.7.8 A number of witnesses were critical of the Timor Gap Treaty. Ms Shirley Shackleton called the Treaty 'illegal', stating that it has made Australia a party to the expropriation of ocean resources critically important to the East Timorese economy. She had reason to believe the Treaty had given rise to a perception among Australians of deep shame and loss of self respect, preventing the establishment of sound relations with Indonesia at the most fundamental level. This is a serious situation because it prevents a stable basis for a mature and honest relationship between close neighbours. It is a direct result, Ms Shackleton said, of what appears to be Australia's appeasement of Indonesia. Our tie with that country has discredited us in the eyes of the international community. That Portugal has taken Australia to the International Court of Justice over this issue is a continuing humiliation.³⁷

11.7.9 Ms Judy Conway said the Treaty should not have been negotiated and Australia should withdraw from it. Citizen Limbo also suggested rescinding the Treaty, or at least ordering a stay of activity until the Court makes a decision. Mr Robert Domm interviewed the East Timorese resistance leader Mr Xanana Gusmao in September 1990. According to Mr Domm, Mr Gusmao was very critical of the Treaty and it was a 'sore point' with many Timorese.³⁸

³⁶ *Transcript*, 14 April 1992, p. 531-532

³⁷ *Submissions*, p. S1057

³⁸ *Transcripts*: 11 June 1992, p. 1228; 4 February 1992, pp. 7, 40; 20 May 1992, pp. 944-945

11.8 The Committee's Views

11.8.1 Indonesia's energy problems are real and, if they are not resolved, they will have an impact on the lives of its citizens and on the pace of industrialisation on which future progress hinges. The HLG is an appropriate forum for cooperative work in the energy area to continue. Australia has expertise in such alternative technology fields as solar passive and raw energy, which could provide valuable assistance to Indonesia. When the forthcoming Ministerial Agreement on science and technology is signed, it may be necessary to look at the workings of the HLG to ensure there is not duplication or overlap of processes, and that Australian expertise in alternative energies is not overlooked.

11.8.2 The HLG provides the means for close cooperation between the two governments on energy matters. It is an appropriate forum in which Indonesia's energy needs and problems can be discussed. Its charter is broad enough to ensure that all practicable solutions, including the use of alternative technologies, are considered.

Recommendation 26: The Committee recommends that maximum use be made of the Indonesian-Australian High Level Group on Energy and Minerals to ensure:

- . consultations continue with Indonesia to resolve problems of energy demand and supply; and
- . Australian expertise and technology, including all areas of alternate technology, are employed to the maximum extent practicable in the solutions to these problems.

11.8.3 While Indonesia currently has large coal, gas and oil reserves, this situation will not last forever. This has been recognised and Government measures have wisely sought to diversify energy usage, especially to reduce dependence on oil.

11.8.4 Use of coal for the widespread electrification program has undesirable environmental consequences. The use of enviroccal on a widespread basis would

reduce these but its deposits are in a remote location which reduce its usefulness. While reserves of gas are large, they are principally for export and do not seem to be widely used in industry in spite of the grid in Java.

11.8.5 While the issues raised by Greenpeace and ACFOA about Indonesia's plans for a nuclear industry are serious, with the exception of the issue of the location of the first plant, they are consistent with many questions raised around the world about that industry. The problem of finding enough energy for its future development is one Indonesia must solve. It is not appropriate for outsiders to dictate solutions. Indonesia should also be aware of a range of legitimate concerns and do all in its power to resolve them.

Recommendation 27: The Committee recommends that:

- . the Australian Government take every opportunity to impress on the Indonesian Government the serious consequences a nuclear accident would have for the region, and for north and north western Australia in particular; and
- . any assistance and advice which can be provided in connection with Indonesia's nuclear plans is made available.

11.8.6 There are concerns in the Australian community about the Indonesian nuclear program which have implications for the forthcoming Ministerial Agreement on Science and Technology. While it may not be necessary to present this Agreement to the Parliament, it would be an effective way of ensuring that all its aspects, and the scope of the subsidiary agreements, are known and understood. Simply to say it is not necessary to discuss such an Agreement, or that such a process has never been used before, does not deal with the valid issues which may be raised by the Agreement and its subsidiary parts.

Recommendation 28: The Committee recommends that the Ministerial Agreement on Science and Technology be debated in both Houses of Parliament after it is signed, and that detailed information be given at that time about the scope of the subsidiary agreements.

11.8.7 While there have been concerns raised about the signing of the Timor Gap Treaty, it represents a cooperative solution to part of the boundary and resource problems between Australia and Indonesia. Pending the result of the case in the International Court of Justice, there would seem to be little purpose in abandoning the Treaty. Should Australia lose this case, further negotiations with Indonesia would be required. In any event, the Treaty will remain as an example of a solution of a difficult problem between neighbours.

Part Four: Economic and Development Assistance Issues

Chapter 12

Bilateral Trade

Trade between Australia and Indonesia has expanded rapidly since the late 1980s, reflecting in part the restructuring of both economies. The Working Group on Trade, Industry and Investment, established by the 1992 Ministerial Forum, has made progress.

12.1 Working Group on Trade, Industry and Investment

12.1.1 At the inaugural meeting of the Australia-Indonesia Ministerial Forum in Jakarta in November 1992, a Working Group on Trade, Industry and Investment was established at the officials' level. This Working Group is to produce a 'substantive outcome' for consideration at the next Ministerial Forum in 1994.

12.1.2 The Working Group met in April-May 1993 and made good progress towards expanding the bilateral trade and economic relationship. It agreed:

- . on a plan to make progress on bilateral cooperation in trade (including services), intellectual property, and investment and industry collaboration;
- . on the establishment of sub-groups covering these areas, with the Department of Industry, Technology and Regional Development taking the leading role in industrial collaboration.

12.1.3 Another major outcome was agreement that Australia would mount a major Business Mission to Indonesia prior to the next Working Group meeting in Darwin. The Working Group is scheduled to report to the Forum at its next meeting, in late 1994.¹

¹ *Submissions*, p. S2147, 2104

12.1.4 While some aspects of investment are considered in this chapter with larger trade issues, other related matters are dealt with in Chapter 13.

12.2 Doing Business in Indonesia

12.2.1 This inquiry received a range of evidence about doing business in Indonesia. Mr A R Cane, the Director of Asia Link Consulting, described the process of selling a knock-down water treatment plant in that country. He stressed the need, under law, for an Indonesian company to be involved as a joint venturer, the importance of meeting the decision makers personally, of establishing credentials and attending social functions. In particular, he emphasised that business should not be discussed, nor agreement sought, until rapport had already been established at earlier meetings or gatherings. He also observed that certain Indonesian characteristics, such as politeness and humility, are misunderstood by many Australians who do not understand the cultural differences which have an impact on the way business is done there.²

12.2.2 Referring to the difficulties Australian business people have had in Indonesia, Ms Barbara Higgs, Senior Australian Trade Commissioner, Jakarta, mentioned insensitivity in dealing with Indonesian bureaucracy and its procedures. She said that some firms have taken from 18 months to two years to select a joint partner. As much as \$A1 million, or more, could also be required. In this context, Professor J A C Mackie noted the importance of board chairs being willing to spend time in Indonesia, three or four days per year or several times per year, to do business the Indonesian way.³

12.2.3 WA Government witnesses drew attention to the way the sister State/Province relationship with East Java has helped business dealings there. Mistakes have been made in the past with such things as the structuring of contracts and the handling of disputes within contracts. Employment of people who speak Bahasa and who have commercial experience would assist in avoiding these and other problems. The Australia-Indonesia Business Council (AIBC) has a potential role to play in this area. Mr Martin O'Hare of Indonesia and Southwest Pacific Consultants said that Australian business people needed help in Indonesia but did

not realise how much assistance was available, nor how much could be done in the English language in Indonesia.⁴

12.2.4 *Austrade's Business Guide to Indonesia* was published in October 1993. It is a guide to all aspects of doing business in Indonesia. In addition to this publication, Austrade provides a telephone advisory service and market research service to people interested in doing business in Indonesia.

12.2.5 Mr John Bell of Realoak Pty Ltd confirmed the importance of picking the right partner. The R & I Bank also confirmed the necessity of conducting business carefully and over a long period. Credentials of potential joint venture partners must be checked or heavy financial losses can result.⁵

12.2.6 Mr Rob Hogarth of the AIBC said the challenge in the business relationship was to inform the bulk of Australian businesses about the opportunities in Indonesia. He referred specifically to opportunities created by the increasing numbers of middle class Indonesians. He also believed more facilities should be available for Australian business people, in both Indonesia and Australia, so they would not automatically veer away from a country they perceived to have another language, and a different legal system and culture.⁶

12.2.7 Referring to the way business is done, Mr Cane of Asia Link Consulting said it was very clear that the overall price for his product included amounts to be distributed as rewards for the assistance provided in getting the contract. Professor Mackie agreed that Australian business people were not altogether used to including commissions in their prices. Mr David Bouchier drew attention to the strength of a group in Indonesia which is not well connected and seems to want to do business in an atmosphere of greater certainty, without the need to have links with powerful officials or the need to bribe.⁷

12.2.8 Dr H W Dick stated that Indonesian commercial law was a relic of the colonial past, and was not simple or codified although more modern elements had been added since 1949. When Committee members met the Attorney General,

⁴ *Transcripts*: 2 September 1992, pp. 1291-1292; 23 September 1992, p. 1557

⁵ *Transcript*, 2 September 1992, pp. 1365, 1375-1376

⁶ *Transcript*, 18 November 1992, pp. 1637, 1643

⁷ *Transcripts*: 5 February 1992, pp. 251-252; 1 December 1992, p. 1713; 18 November 1992, p. 1660

² *Transcript*, 5 February 1992, pp. 250-252, 268

³ *Transcripts*: 15 April 1992, pp. 690-691, 692, 696; 1 December 1992, p. 1714

H E Singgih, this matter was discussed and he made it clear he would be pleased to receive assistance in reviewing and codifying Indonesian commercial law.⁸

12.3 Improving Knowledge of Indonesia

12.3.1 Mr Martin O'Hare listed some of the Australian and Indonesian organisations which could assist with inquiries about trade and investment in Indonesia. Nevertheless, many Australian companies are unaware of these sources of information. He recommended that the Australian Government, the Australia-Indonesia Institute (AII) or Austrade, fund or look at funding, a booklet which demystifies the cultural and other considerations about doing business in Indonesia. He suggested 20,000 copies should be produced and distributed through the chambers of commerce and industry in the States and Territories. Austrade's recently published guide to doing business in Indonesia, on sale at its State offices, will probably meet this need.⁹

12.3.2 Professor Richard Robison said there are extensive resources available in Australia which, if tapped and coordinated systematically, would provide a sophisticated, wide-ranging base for policy making. These resources are in universities, business, non-government and government organisations but there is at present no attempt to provide a framework in which they can be used or mobilised coherently.

12.3.3 He suggested the creation of a central database with macro- and micro-data on political and business aspects of contemporary Indonesia. It should include text and statistics, be built from existing databases and be accessible to all users through a computer network. This body would have a management board with representation from government, business and universities, and appropriate staff. Although it would need specific funding to be set up, income from membership subscriptions and from special projects would be expected to provide recurrent funds.

12.3.4 This concept could be developed with a coordination and policy role, to ensure adequate funds are allocated to post-graduate research related to contemporary Indonesia, primarily for use by business. If this was done, the recommended body would focus on analysing a wide range of strategic aspects of

⁸ *Transcript*, 20 May 1992, pp. 967-968

⁹ *Submissions*, pp. S1952-1953; *Transcript*, 23 September 1992, p. 1557

Indonesia. It would have policy, educational and coordinating functions as well as data collection and management, and would require a more complex structure. Such a body would need autonomy from but access to a wide range of organisations and institutions in Canberra and outside it. It was likely, Professor Robison said, that DFAT would have to be involved, with the probability of an inter-departmental arrangement.¹⁰

12.3.5 Mr O'Hare agreed with Professor Robison's concept, but not with the proposition that the need would best be achieved by the formation of an institute and creation of a database. He listed a number of organisations which collect, collate and disseminate data in the commercial, economic, educational and political fields. He observed it may be possible to upgrade and build on the work of some of these organisations. Using such bodies such as Austrade or the Australian Bureau of Statistics as repositories or disseminators of data does not, he stated, address the issues of centralisation, coordination and networking raised by Professor Robison.¹¹

12.4 Australia's Exports to Indonesia

12.4.1 Australia's exports to Indonesia have grown from \$A427 million in 1983 to \$A1.728 billion in 1992 so that it is now our tenth largest export market. As it is growing rapidly, Indonesia is attractive for a range of Australian goods services.¹²

12.4.2 Although exports continue to be dominated by mining, primary products and some processed or semi-processed goods, the nature of the trade has diversified. The figures shown in Table 12.1 demonstrate growth and changes in selected exports for the years 1990 to 1992.

12.4.3 In addition to petrol, cotton has been driving much of the recent export growth, suggesting that the industry has been linking itself with Indonesia's rapidly developing textile and dyes industry. The export of elaborately transformed manufactures in iron, steel and aluminium has been the fastest growing sector of trade; these involve a wide range of supplies to the mining industry for building and construction, engineering plant and equipment and electrical equipment.¹³

¹⁰ *Submissions*, pp. S1906-1908; *Transcript*, 3 September 1992, p. 1459

¹¹ *Submissions*, pp. S1970-1972

¹² *Exhibit No. 102*, p. 6; *Submissions*, p. S1950

¹³ *Submissions*, p. S1207; *Transcripts*: 15 April 1992, p. 702; 28 June 1993, p. 1944

12.4.4 It is in the manufacturing and service industries where Australia can add value to exports.

Table 12.1 Selected Australian Exports to Indonesia

| PRODUCT | \$AMILLION | | |
|-----------------------------------|------------|-------|-------|
| | 1990 | 1991 | 1992 |
| Crude petroleum and oils | 233.6 | 216.2 | 300.8 |
| Refined petroleum and oils | 36.9 | 25.8 | 22.6 |
| Iron, steel, aluminium structures | 36.1 | 95.7 | 116.0 |
| Cotton | 127.7 | 186.6 | 225.8 |
| Alumina | 47.3 | 75.7 | 66.1 |
| Zinc and zinc products | 51.5 | 59.1 | 94.6 |

Source: *Submissions*, pp. S1206, 2209-2210

12.4.5 The Department of Foreign Affairs and Trade (DFAT) provided a great deal of information which emphasised the growth which has taken place, and the increased variety in that trade.¹⁴

12.5 Imports from Indonesia

12.5.1 Imports from Indonesia have grown so that it is now Australia's twelfth highest supplier. From \$A521.8 million in 1990, they grew to \$A1.243 billion in 1992.¹⁵ Some indication of the range and value of imports from Indonesia is conveyed in Table 12.2.

12.5.2 There has been substantial growth in imports of textiles, clothing and footwear from Indonesia. Such increases in imports have led to the decrease in the trade imbalance to \$A484.5 million in 1992 from \$A833.3 million in 1990.¹⁶

¹⁴ *Submissions*, pp. S1276-1291; *Exhibit No 102*

¹⁵ *Submissions*, pp. S2209-2211

¹⁶ *Submissions*, pp. S2209-2211

12.6 Trade in Services

12.6.1 This imbalance in trade with Indonesia is affected by such things as tourism, and the supply of services from Australia.

Table 12.2 Selected Imports to Australia from Indonesia

| PRODUCT | \$AMILLION | | |
|-----------------------------|------------|-------|-------|
| | 1990 | 1991 | 1992 |
| Crude petroleum and oils | 218.1 | 412.3 | 385.7 |
| Refined petroleum and oils | 34.4 | 163.1 | 260.6 |
| Textile yarn | 15.7 | 31.2 | 45.1 |
| Other textile yarn, fabrics | 12.5 | 14.6 | 18.2 |
| Footwear | 10.0 | 22.0 | 32.2 |
| Wood manufactures | 5.8 | 6.6 | 11.4 |

Source: *Submissions*, pp. S1207, 2219-2211

12.6.2 Figures provided by DFAT indicate 163,327 Australians visited Indonesia in 1989 and 179,483 in 1990, and these numbers have since increased significantly.¹⁷

12.6.3 Because of the numbers of Australian firms entering joint venture arrangements with Indonesian partners, particularly in construction and mining, there is now a growing market for legal, accounting and banking knowledge for use in both nations. There is also a considerable supply of services from Australia in education, dealt with in Chapter 10, and information technology.¹⁸

12.7 Measures Taken to Improve Trade

12.7.1 A Trade and Commercial Development Program (TCDP) for Australia in Indonesia was launched at a meeting of the Indonesia-Australia Business Council in June 1990. It contained a number of measures aimed to expand the commercial relationship:

¹⁷ *Transcript*, 28 June 1993, p. 2065

¹⁸ *Submissions*, p. S1567

- . public information activities
- . ministerial visits
- . a double tax agreement proposal, since signed
- . increased government-private sector contacts
- . wider circulation of Indonesian publications
- . changes to AIDAB's Trade Investment and Promotion Program.¹⁹

12.7.2 The TCDP provides guidance to DFAT in its work in Indonesia. Austrade regards Indonesia as one of its priority markets; in April 1992, it opened an office in Surabaya.²⁰ In addition to the specifics of the TCDP, there is the range of export enhancement programs which apply to Indonesia.

12.8 Northern Territory's Trade with Indonesia

12.8.1 The Northern Territory's links with Indonesia, particularly Eastern Indonesia are close. The Memorandum of Understanding signed between the NT Government and Indonesia in January 1992 calls for, among other things, the development of manufacturing and processing industries. Such activities parallel the close relationship on educational matters dealt with in Chapter 10 above. The AIBC has a Northern Territory chapter.²¹

12.8.2 The Territory has a Trade Development Zone Authority (TDZA) and has signed a trade zone partnership with the Makassar Industrial Estate in Ujung Pandang in South Sulawesi have signed a trade zone partnership agreement. This partnership is a special complementary manufacturing agreement which provides a number of benefits to companies operating under it, especially improved raw

material and market access.²² A Joint Policy Committee (JPC) and a Working Party has been set up to develop partnership arrangements.²³

12.8.3 While the NT has a small labour force, it is highly skilled and able to provide significant levels of automation, instrumentation and quality control activities. The JPC identified a number of business opportunities needing commercial evaluation: cashew nut processing and marketing, leather garment manufacturing, activated carbon processing and manufacturing and, to a lesser extent, alternative energy industries. The JPC has also devised performance criteria for the relationship which include increased and diversified trade.²⁴

12.8.4 Live cattle from the Territory have been given to participants in transmigration programs within Indonesia but the number of beasts exported has fluctuated. They have largely been feeder steers going into feedlots and about 80,000 animals are now exported each year.²⁵

12.8.5 When Committee members were in Ujung Pandang in October 1992, they visited the Makassar Industrial Estate and inspected a number of factories. These included a firm producing rattan furniture which will be imported by a Darwin company for value-adding.²⁶

12.9 Western Australia's Trade with Indonesia

12.9.1 In 1989, Western Australia released a strategy which outlined the opportunities its Government saw in Indonesia and the strategies to optimise trade benefits for both participants. Specific sectors of opportunity have been identified. They include mining, building and construction and information technology.²⁷

12.9.2 WA established a bipartisan Overseas Relations Committee to advise the government on overseas matters; it was effective in developing the relationship with Indonesia. This body has been replaced by the Asia Business Council.

²² *Transcript*, 10 June 1992, pp. 1024-1025

²³ *Submissions*, p. S893

²⁴ *Transcript*, 10 June 1992, pp. 1025-1026, 1028

²⁵ *Transcripts*: 10 June 1992, p. 1037; 28 June 1993, p. 1939

²⁶ *The Sydney Morning Herald*, 2 February 1993, p. 29

²⁷ *Submissions*, p. S709

¹⁹ *Submissions*, pp. S1211-1215

²⁰ *Submissions*, p. S1215

²¹ *Submissions*, p. S890

12.9.3 In the late 1980s, about half of Australia's exports of agricultural origin came from WA. The State is in a position to consider increased exports of animal feed-stuffs, fruit and vegetables, live cattle, beef and sheepmeats. There are no regulatory barriers to exporting animal feedstuffs. Development of the market, however, demands evidence that lupins and cereal grains can be effective substitutes for such products as maize and soybean, which the local market produces in quantity.²⁸

12.9.4 The WA Government has been active in such areas as trade shows, conferences and seminars. In April 1992, it established the East Java/Western Australian office in Surabaya primarily to provide market intelligence. Projects, especially those funded by the East Java provincial government, can be identified. It assists with trade promotions and seeks Indonesian investment in WA.²⁹

12.9.5 Mr John Bell of Realoak Pty Ltd told the Committee of the impact of deregulation in Indonesia. He drew attention to problems with Australian quarantine requirements for fruit being exported to Indonesia and provided information on Perth-Jakarta flights by Garuda airlines. This allowed the Committee a useful perspective on smaller-scale activities.³⁰

12.9.6 The WA Government wants to see increased state and national programs involving the private sector. Details were given of a trade inquiry service, based on the Chamber of Commerce and shared by Austrade and the Department of State Development, to act as a first point of inquiry within the state for trade with Asia.

12.9.7 Because of the balance of trade situation with Indonesia, regular shipping services cannot return to Australian ports fully loaded. Thus, as many of our exports have little or no value added, Australia may have to consider boosting imports from Indonesia to be able to sell more there.³¹

12.9.8 A number of WA firms have joint venture arrangements in Indonesia; Committee members were briefed by one such firm, Clough Engineering, during the visit to Surabaya in October 1992.

²⁸ Submissions, p. S715
²⁹ Transcript, 2 September 1992, pp. 1270-1271
³⁰ Transcript, 2 September 1992, pp. 1363-1369
³¹ Transcript, 2 September 1992, p. 1282

12.10 Queensland's Trade with Indonesia

12.10.1 In 1991/92, Queensland's exports to Indonesia were worth \$A173.7 million, representing 10.6 per cent of total Australian exports to that country. Major exports from Queensland to Indonesia in 1991/92 are shown at Table 12.3.

12.10.2 The Queensland Government believes there is considerable scope to improve its business relationship with Indonesia, particularly because of economic development and the geographic closeness of Queensland and Indonesia. Several Queensland firms are in joint ventures in Indonesia.

Table 12.3 Queensland's Exports to Indonesia 1991/92

| | EXPORTS | % OF TOTAL |
|---|---------|------------|
| Textile fibres cotton | \$82.4m | 47.4 |
| Non-ferrous metals | \$24.5m | 14.1 |
| Machinery and transport equipment | \$17.9m | 10.3 |
| Metal manufactures | \$11.3m | 6.5 |
| Confidential items of trade usually alumina | \$8.4m | 4.8 |
| Coal and coke | \$2.4m | 1.3 |

These products and commodities represented approximately 85 per cent of Queensland's exports to Indonesia in 1991/92.³²

12.11 The Australia-Indonesia Business Council

12.11.1 The AIBC is a private sector organisation which was formed in 1989 by the amalgamation of the Australia-Indonesia Business Cooperation Committee and the Australia Indonesia Chamber of Commerce. The Council's objectives are:

- to promote trade, investment, technical exchange, economic cooperation and tourism between the two countries;

³² Submissions pp. S2001, 2004

- . to foster friendship and cultural understanding between the business communities and people of Australia and Indonesia; and
- . to represent the interests of members in commercial and trade matters concerned with bi-national business and endeavour.

12.11.2 The principal activities of the AIBC are:

- . annual joint meetings with its Indonesian counterpart, the IABC, alternately in Australia and Indonesia;
- . consultations with government;
- . State branch functions; and
- . advice and assistance by members to businesses seeking trade or investment with Indonesia for the first time.

12.11.3 The AIBC has about 470 members and represents a significant proportion of Australian business interests in Indonesia; membership is open to organisations with an interest in Indonesia. There is a chapter in each Australian State/Territory.³³

12.11.4 The Council drew attention to the increasing diversity of business linkages providing a platform for a rapid increase in two-way business. The Council noted that increasing diversity in business opportunities was critical to the growth which will bind the two nations as neighbours and business partners. It also commented that the business communities in both countries remain unaware of the increasingly complementary economic and business structures and policies. Because of such outdated perceptions, many commercial opportunities - such as joint ventures exporting high quality goods to a world market - are being missed.

12.11.5 The AIBC suggested:

- . increased measures to expand the awareness of opportunities for small to medium Australian businesses;

³³ Exhibit No. 103

- . the use of joint ventures in Indonesia to participate in ASEAN countries and gain maximum advantage from that body's free trade area;
- . ensuring that development assistance and defence programs complement Australian commercial objectives, particularly in the provision of skill-based programs; and
- . opening a consulate in Surabaya.³⁴

12.11.6 While its membership has increased dramatically, the AIBC believes that the great bulk of Australian companies are ignorant of the changes and opportunities in Indonesia. The organisation sees that its challenge is to develop the business relationship and inform the great bulk of Australian companies and business people about the possibilities there.

12.11.7 The AIBC would like to offer more services to members, particularly in Jakarta, but funding and, more importantly, the weakness of the Indonesia-Australia Business Council prevent this. When members attended the IABC/AIBC 1992 Annual Meeting at Surabaya, the limited participation by Indonesian companies was noticeable. There was a strong WA presence, particularly from the private sector.³⁵

12.11.8 The AIBC expressed particular concern about the lack of coordination between the many Commonwealth and State government missions to Indonesia. The number of these missions causes confusion and could mean that all groups do not get the welcome and attention they want. The Council said it would be delighted to coordinate missions coming from Indonesia, but it is not clear how much can be done about the range of government missions to Indonesia. The AIBC is certainly a body which, given the spread of its membership, would be in a good position to ensure information about trade missions to Australia is passed between members.³⁶

12.11.9 The WA Government has been working hard with the AIBC to make the local chapter effective. Professor J A C Mackie suggested that there is more interest in the Council in Brisbane or Perth than there is in Melbourne or Sydney,

³⁴ Submissions, pp. S1993-1994

³⁵ Transcript, 18 November 1992, pp. 1637, 1639

³⁶ Submissions, p. S1994; Transcript, 18 November 1992, pp.1639-1640

and the former cities seem to be providing high technology exports. The Research Institute for Asia and the Pacific at the University of Sydney runs a series of training programs for business people about operating internationally. It draws on the AIBC and, in 1993, is running these programs jointly.³⁷

12.11.10 Mr Rob Hogarth of the AIBC drew attention to the size of the Indonesian middle class and to the potential offered by IKAMA, the alumni organisation of Indonesian graduates of Australian tertiary institutions. The Committee has already recommended that the Department of Employment, Education and Training examine ways these graduates can continue their Australian associations.³⁸

12.11.11 The AIBC's Handbook clearly demonstrates the growing business connection between the two countries. Many Australian companies in joint ventures are significant employers in Indonesia and appear to be providing good conditions for their workers. Working conditions and the enforcement of labour laws there have attracted some international attention on human rights grounds.³⁹

12.12 *Australia Today 1994*

12.12.1 The *Australia Today 1994* trade and cultural promotion to be held in Jakarta and elsewhere in Indonesia was outlined in Chapter 9 above. The Committee was particularly impressed by the emphasis on the economic opportunities for Australia in the promotion's detailed business plan. Its objective of presenting Australia as a culturally and technologically sophisticated society, by showing the Indonesian middle class a wide range of achievements, should demonstrate what Australia has to offer, particularly in trade, technology and services.

12.13 The Committee's Views

12.13.1 The growth in bilateral trade demonstrates the range of current opportunities in Indonesia. It is easy to under-estimate the importance of the

³⁷ *Transcripts*: 2 September 1992, p. 1292; 1 December 1992, p. 1717; 18 January 1992, p. 1632

³⁸ *Transcript*, 18 November 1992, p. 1643

³⁹ *Exhibit No. 103*

Australian-Indonesian Ministerial Forum, and its Working Group structure, in the development of bilateral trade. Considerable progress seems to have been made and this structure should continue to be used to develop this vital area of contact between the two countries.

Recommendation 29: The Committee recommends that maximum possible use be made of the Australian-Indonesian Ministerial Forum and its Working Group structure to develop bilateral trade.

12.13.2 In particular, the Trade and Investment Sub-Group of the Trade, Industry and Investment Working Group would be in a position to quantify the amount of work needed to review and re-codify the Indonesian commercial law system, with a view to establishing whether Australia could provide assistance, of what sort and over what period.

Recommendation 30: The Committee recommends that the Trade and Investment Sub-Group of the Working Group on Trade, Industry and Investment examine the feasibility of Australian assistance in a review and possible re-codification of Indonesian commercial law.

12.13.3 Evidence given by witnesses from Austrade, the AIBC and Asia Link Consulting made it clear there are difficulties, especially in the exploratory and early phases, in setting up businesses in Indonesia. Mr O'Hare and Professor Mackie demonstrated that there is an amount of information available, but they also showed that quantity alone does not make this material accessible to those who could make use of it.

12.13.4 Austrade's recently published guide to conducting business in Indonesia is timely and comprehensive. It will fill a need and the organisation is to be commended for producing it. It supplements the other, more direct assistance given to people interested in possible business opportunities in Indonesia. Restricting its availability to Austrade's State offices may reduce its usefulness. The AIBC and the various Chambers of Commerce and Industry should be involved in publicising and distributing it.

Recommendation 31: The Committee recommends that the Australian Trade Commission investigate ways of ensuring the widest possible distribution of its publication *Business Guide to Indonesia*, with the object of including the Australia-Indonesia Business Council and the State and Territory Chambers of Commerce and Industry in its distribution.

12.13.5 Setting up, financing and managing a data base would be a complex task and would need a thorough study, involving the range of bodies which might want to use it or might be asked to provide information. Only after the concept and its possible administration have been examined could it be assessed for its usefulness.

Recommendation 32: The Committee recommends that the Department of Foreign Affairs and Trade lead a study of the feasibility, likely costs both capital and recurring, structure and management of a comprehensive data base on Indonesia, including appropriate representation from government, academic and business organisations, and report its findings to the Committee within twelve months.

12.13.6 The AIBC's involvement in diverse activities appears to be fulfilling an important role in the relationship with Indonesia. It is the appropriate body to coordinate the activities of Indonesian trade missions to Australia, but ways of resolving problems caused by numbers of Australian missions to Indonesia are more complex. Only the increased involvement of individual AIBC members in the planning of these missions will reduce unnecessary duplication and effort.

12.13.7 While many of the suggestions made by the AIBC are for the private sector to take up, it did recommend the establishment of a consulate in Surabaya.

12.13.8 There is a significant Australian presence in Surabaya and Eastern Java is a very important part of Indonesia. To set up a consulate, even when resources are limited, would be a potent statement about Australia's commitment to our neighbour.

Recommendation 33: The Committee recommends that an Australian Consulate be opened in Surabaya as a matter of urgency.

12.13.9 The AIBC needs to encourage its Indonesian counterpart to make greater efforts to take advantage of the range of business opportunities which exist. While not making a recommendation on this matter, the Committee also urges the AIBC to adopt a code of work conditions and practices for the operations of its members in Indonesia. Such a code would demonstrate that Australia's concerns about human rights issues are not limited to the government.

12.13.10 While the *Australia Today 1994* promotion in Indonesia in June 1994 has a number of other aspects than stimulating bilateral trade, this is a significant component. There were concerns that funding of this promotion would be a problem, but adequate Commonwealth and State contributions have since been provided to make it viable and to encourage the private sector to participate. Although the results of the promotion may be long term rather than immediate, planning to date suggests lessons have been learnt from earlier, similar promotions. We wish *Australia Today 1994* every success in its praiseworthy aims.

12.13.11 The ties forged with different parts of Indonesia by the Northern Territory, Western Australia and Queensland include valuable trade relationships which have also led to benefits for the overall relationship.

Chapter 13

Bilateral Investment

Investment between Australia and Indonesia, while comparatively small, is growing and diversifying. The setting up of a Working Group by the 1992 Ministerial Forum should improve this position further.

13.1 Australian Investment in Indonesia

13.1.1 Between 1967 and the end of April 1993, Indonesia approved a total of \$US1.6 billion in investment from Australia, representing about 2.3 per cent of approved foreign investment. Australia is one of the top ten investors, in terms of both value and the number of approved projects. In 1991/92, this investment was \$A201 million. A significant number of joint ventures are being put in place.

13.1.2 Australia's presence is concentrated in mining, particularly coal and gold, with some tin. It is showing signs of diversification with encouraging growth in manufacturing investment, particularly food processing and in the building and construction industries.¹

13.1.3 Conzinc Riotinto Australia (CRA) is the largest Australian investor in Indonesia. It commenced exploration in Indonesia in 1969 and two projects have been developed as a result. The Kelian gold mine in the province of East Kalimantan, on the island of Borneo, is operated by PT Kelian Equatorial Mining (KEM), an Indonesian incorporated company 90 per cent owned by CRA and 10 per cent by PT Harita Jayaraya. It represents a total investment of \$US230 million and was constructed by Minenco, CRA's project management and engineering company, in joint ventures with other Australian and Indonesian companies. The mine commenced production on 1 January 1992, and it is planned to process 6 million tonnes of ore per year to produce an average of 8.2 tonnes of gold until 2000.²

¹ *Submissions*, pp. S1206, 1208, 1993; *Exhibit No. 102*

² *Submissions*, p. S1817

13.1.4 The largest Indonesian coal project is PT Kaltim Prima Coal (KPC), a company owned 50 per cent each by CRA and British Petroleum. Construction was completed in September 1991, as scheduled, with investment totalling about \$US550 million. It is planned to produce 7 million tonnes of coal in 1993.³

13.1.5 While Committee members were in Indonesia in October 1992, they were briefed on the operations of Kelian Gold and visited the KPC site. The strict environmental standards under which these companies work were stressed as were their concerns to employ and train local people. The range of facilities constructed at the KPC site was particularly impressive by Indonesian standards.

13.2 Role of Australian Banks in Investment in Indonesia

13.2.1 As part of the inquiry, letters were sent to Australian banks seeking information on their involvement in trade between Australia and Indonesia. Most banks advised that they only operated within Australia and therefore did not have any contact with Indonesia.

13.2.2 The Australia and New Zealand Banking Group (ANZ) advised it does not have a banking licence in Indonesia, but has a Representative Office which was established in 1973. It can provide commercial services to Australian companies seeking to do business, or invest, in Indonesia. These services include:

- . introductions to domestic banks;
- . arrangement of foreign currency transactions, letters of credit and project guarantees through domestic banks;
- . introductions to major Indonesian businesses;
- . advice on local regulations and practices;
- . advice on the structure and price of foreign supplier credit; and

³ *Submissions*, pp. S1820, 1822

. sources of export credit from third countries.

13.2.3 ANZ estimated it has about 15 to 20 per cent of the two-way trade between Australia and Indonesia. Its world-wide network also provides services to businesses in both countries.⁴

13.2.4 While wishing to cooperate with the Committee, the ANZ Banking Group was unable to give evidence at a public hearing.

13.2.5 The Commonwealth Bank of Australia (CBA) does not have representation in Indonesia but the General Manager from Singapore visits Jakarta regularly. The bank's activities are primarily directed towards the facilitation of two-way trade, including the provision of trade finance, payments and document services. It maintains correspondent banking relationships with Indonesia's government and private banks, enabling the CBA on behalf of its clients to assist in a wide range of trade transactions in Indonesia. This involvement in trade generally takes the form of 'confirming' documentary credits issued by Indonesian government and private banks.⁵

13.2.6 The R & I Bank of Western Australia drew attention to the development of cultural and trade links with Indonesia which it said represents an important component in the internationalisation of the Australian economy. The Manager of the R & I's Singapore Representative Office visits Jakarta on average every six to eight months. Because of restrictions on the transfer of funds from Indonesia, many Indonesians invest through Singapore.

13.2.7 The R & I's foreign exchange transactions represent a small portion of the Western Australia/Indonesia trade: about 70 import/export transactions in the period 1 January 1991 to 30 April 1992 with a combined value of just under \$A1.2 million.⁶

13.2.8 A letter was sent to the Westpac Banking Corporation seeking a submission on the Terms of Reference. No reply was received, in spite of later

⁴ *Submissions*, p. S1718

⁵ *Submissions*, p. S1721

⁶ *Submissions*, pp. S1724-1725

contacts with the bank. As a result of media reports about Westpac withdrawing from its operations in Indonesia, a further letter was sent seeking the bank's comments. Again, no reply was received.

13.2.9 The National Australia Bank did not reply to the letter requesting a submission.

13.3 Indonesian Investment in Australia

13.3.1 The operation of the Northern Territory-Makassar Industrial Estate Trade Development Zone Authority could be seen as an example of Indonesian investment in Australia, as rattan furniture is imported for value-adding.

13.3.2 Professor J A C Mackie observed that investment links are improving faster than ever before, and there were the first signs of significant Indonesian investment in Australia which could lead to a more symmetrical basis to the bilateral relationship.⁷ The Australia-Indonesia Business Council said there were good prospects for increasing this investment.⁸

13.3.3 There is not much data available on Indonesian investment in Australia. DFAT stated there is only a small amount, largely limited to property. The most significant item of Indonesian investment in Australia which came to our attention was the Christmas Island resort/casino.⁹

13.3.4 The developer is an Australian registered company whose principal shareholders include an Australian business person (ten per cent), a Singapore-based company (27 per cent) and Indonesian Mr Robby Sumampouw (63 per cent). While the project has been funded principally with Indonesian money, an Australian-licensed operator is required for the casino and the WA Gaming Commission is being used to oversight both the license and the operation of the casino. The building has been constructed to Australian (WA) standards.¹⁰

⁷ *Submissions*, pp. S1484-1485

⁸ *Submissions*, p. S1993

⁹ *Submissions*, p. S1208

¹⁰ *Submissions*, p. S2326; *Far Eastern Economic Review*, 8 July 1993, p. 51

13.3.5 The then Department of the Arts, Sport, the Environment and Territories (DASET) estimated the total construction and fit-out cost for the project at \$A42 million. In addition to the casino/resort, the developer bought the leases of a residence, four blocks of flats and another property.¹¹

13.3.6 This project is a significant example of the interest of Indonesian developers in Australia. The R & I Bank stated that recent dealings with Indonesian investors have involved finance for both residential and commercial properties, including hotels and golf courses.¹²

13.4 Indonesian Banks

13.4.1 In 1988, the Indonesian Government deregulated the country's banks. This led to a large increase in the number of approvals for bank licences. Minimum capital requirements were set too low, at five million rupiahs, and reserve requirements were reduced to two per cent of deposits from fifteen per cent. In this atmosphere, outstanding loans grew by 50 per cent in two years; within three years, the number of private commercial banks grew from 64 to 135. Staff were poached from Bank Indonesia with a severe impact on its post-deregulation responsibilities.¹³

13.4.2 Indonesia therefore found itself with a large number of under-funded banks which also had many bad debts and poor management structures. This was seen as a weakness in an economy which otherwise had made impressive gains in recent years. In December 1992, the Bank Summa collapsed, followed by a government statement that there would be no public rescue of the bank, or any other private bank, which had difficulties because of mismanagement.¹⁴

13.4.3 There were immediate consequences of that collapse:

small runs on several banks in January and early February 1993;

¹¹ *Submissions*, p. S2326

¹² *Submissions*, p. S1724

¹³ *Far Eastern Economic Review*, 1 April 1993, p. 76

¹⁴ *ibid*, pp. 73, 77; *The Australian Financial Review*, 10 December 1992, p. 24

- . foreign banks, especially the Japanese who provide about 75 per cent of Indonesia's offshore borrowings, have reduced lending and prices on letters of credit have risen; and
- . foreign and domestic investment fell in 1992, in part at least reflecting a slowdown in economic activity in Indonesia.¹⁵

13.4.4 It is possible that other banks could collapse. It has been reported that the Government and private banks in Indonesia were owed 'billions of dollars' in bad debts, the extent of which means the country's banking industry is technically nearly bankrupt. The Government has pledged to correct the problems, and has banned those who owe banks and companies more than \$US120,000 (about \$A178,000) from travelling overseas. Bank Indonesia has also set up a high level team to deal with the situation.¹⁶

13.5 The Committee's Views

13.5.1 The amount of bilateral trade and investment between Australia and Indonesia discussed in this and the previous chapter was not large. This indicates that much remains to be done to stimulate or reinforce commercial contacts between the two countries.

13.5.2 Professor J A C Mackie, however, stated that investors from Taiwan, South Korea, Japan, European countries and the United States are all establishing footholds in Indonesia to a greater extent than is Australia. Their interest is primarily in oil exploration and mining, but these are also areas of some Australian involvement and expertise. He linked these missed opportunities with the likelihood of isolation and exclusion from South East Asian organisations, and with the difficulty of expanding participation in ASEAN, if our overall relationship with Indonesia is allowed to deteriorate.¹⁷

13.5.3 The response to the requests for information from the National Australia Bank and Westpac Banking Corporation was very disappointing. It was regrettable that the ANZ Banking Group was unable to attend a public hearing. There was no intent to be intrusive, nor to publish sensitive commercial information. These requests were framed to assist with judgements about trade between and investment in Indonesia and Australia. The inquiry would have benefited from information which these banks could have provided.

13.5.4 Bilateral trade and investment have increased and are likely to grow further. Concerns have been expressed about the state of the Indonesian banking industry, but the changes made since the middle 1980s convey reasonable expectations that their problems will be resolved.

¹⁵ *Far Eastern Economic Review*, 1 April 1993, p. 73

¹⁶ *The Australian Financial Review*, 15 July 1993, p. 28

¹⁷ *Submissions*, p. S1483

Chapter 14

Australia's Official Development Assistance to Indonesia

Australia's official development assistance or aid program to Indonesia is significant and includes a variety of activities. It has made a worthwhile contribution to Indonesia's progress. The Development Import Finance Facility is an important element in this program.

14.1 Delivery of Development Assistance to Indonesia

14.1.1 In 1967, the Government of the Netherlands convened a meeting of donors to discuss a possible assistance package to Indonesia. Australia was a founder member of this group, the Inter-Government Group on Indonesia (IGGI) which consisted of 16 countries. It was supported by five international organisations.

14.1.2 As each donor has its own development policy and assistance program, IGGI's main role was to adapt and coordinate these to meet Indonesia's broader economic needs. Since 1969, Indonesia's development expenditure has largely been funded through project aid. Proposals for projects suitable for foreign aid financing were assembled in annual lists and submitted to the IGGI meeting held in June. Commitments were only accepted for projects so listed and the composition of the list followed priorities set in the current Repelita, or Five Year Plan. Australia and some other countries wanted to have their total Official Development Assistance (ODA) both programmable and non-programmable aid, count against their pledges to 1991, but Indonesia did not agree to this. Only about half of Australia's ODA to Indonesia, that which was programmed, was so counted.

14.1.3 In late March 1992, Indonesia rejected all future aid from the Netherlands and disbanded IGGI. This represented Indonesia's strongest statement against attempts by some Western donors to link human rights and other concerns to aid. Particular exception had been taken to language used by the Netherlands after the November 1991 killings in Dili. With Denmark and Canada, the Netherlands had suspended aid to Indonesia after that incident.

14.1.4 On 25 April 1992, it was announced that the ban included aid to Indonesia via Dutch Non-Government Organisations. The shortfall in Dutch aid was not expected to create economic difficulties for the Indonesian Government because of the formation of the Consultative Group for Indonesia, chaired by the World Bank. It was a real concern, however, for Indonesian NGOs (or LSMs). The \$US15 million from the Netherlands to the LSMs was crucial to their operation. They are seen as forming an essential part of the popular opposition to some aspects of the government's policy, so that the ban on Dutch aid was viewed as much directed against the LSMs as against the Dutch.¹ In practical terms, it is not clear how much the LSMs' activities will be affected, but, in the case of the Legal Aid Institute (LBH), it has been estimated that up to 80 per cent of its funding came from Dutch sources. Those Committee members who met with the LBH executive in Jakarta in October 1992 were told that the likely impact of the ban would involve significant difficulties in providing representation. There seemed to be problems in finding the alternative sources of funds.

14.1.5 In July 1992, the Consultative Group for Indonesia met for the first time. For the 1992/93 year, \$US4.9 billion was promised to Indonesia. In June 1993, the Consultative Group pledged \$US5.1 billion for 1993/94 to support sustained growth, poverty reduction and environmental protection.²

14.1.6 Australia is a member of the Consultative Group, and also holds its own annual bilateral High Level Consultation on Development Cooperation with the Indonesian Government at which the structure, thrust and focus of the development cooperation program are discussed. Through this means, the interests of both countries are served and both formal and informal relationships strengthened.

14.2 Objectives of Australian Development Assistance to Indonesia

14.2.1 The objective of Australia's ODA program with Indonesia is related to the general policy of promoting 'the economic and social advancement of the

¹ *Inside Indonesia*, June 1992, p. 31
² *Exhibit No. 101*

peoples of developing countries in response to Australia's humanitarian concerns, as well as Australia's foreign policy and commercial interests.³

14.2.2 The criteria by which the effectiveness of the Australian development cooperation program in Indonesia is assessed are:

- . development: does the program assist the promotion of sustainable economic and social development in Indonesia?
- . foreign policy: does the program assist Australia's strategic interests?
- . commercial: does the program promote commercial links (including trade between Australia and Indonesia)?

14.2.3 It is in this country's national interest to have as a neighbour an Indonesia which is economically developed, politically stable, internationally peaceful and well disposed towards Australia. AIDAB believes that our development cooperation program with Indonesia serves these interests. It is a practical demonstration of full support for, and willingness to assist with, the achievement of economically sustainable growth, equitable distribution of development benefits and the stability this should provide to Indonesia and the region.

14.2.4 Some of these national interests are more effectively met than others by the development cooperation program. As this report is not primarily about the program, we do not believe it appropriate to attempt an in-depth assessment of all aspects of that program. Figures used were provided by AIDAB, and if not current, indicate relative sizes of allocation.

14.3 Australia's Development Cooperation Program in Indonesia

14.3.1 Australia continues to be a modest but steady donor to Indonesia. The latest Organisation for Economic Cooperation and Development (OECD) figures (1991) rank Australia fourth, providing about 4.5 per cent of total net official

³ *Exhibit No. 99*, p. 5

transfers. All Australia's contributions are in grant form. Table 14.1 sets out Australia's ODA program to Indonesia since 1987/88.

Table 14.1 Australia's Development Co-operation with Indonesia (\$A 000s)

| | 1987/88 | 1988/89 | 1989/90 | 1990/91 | 1991/92 | 1992/93 |
|-----------------------|---------------|---------------|---------------|----------------|----------------|----------------|
| Bilateral Program | 43,126 | 45,442 | 50,336 | 52,725 | 57,651 | 59,300 |
| DIFF | 29,266 | 24,180 | 27,869 | 34,276 | 41,920 | 49,700 |
| Regional Programs | 1,272 | 616 | 857 | 1,256 | 1,895 | 1,600 |
| Cross-Region Programs | 13,478 | 12,455 | 10,889 | 8,024 | 8,589 | 9,100 |
| Global Programs | 1,043 | 2,735 | 5,831 | 10,990 | 6,276 | 8,000 |
| Total AIDAB | 88,185 | 85,428 | 95,782 | 107,271 | 116,331 | 127,700 |
| Other Departments | 995 | 2,663 | 2,229 | 643 | - | 500 |
| TOTAL* | 89,180 | 88,091 | 98,011 | 107,914 | 116,331 | 128,200 |

Source: *Submissions*, p. S2216

* 1992/93 Figures are estimates only

14.3.2 Table 14.2 sets out, from OECD figures, Australia's 1991 assistance to Indonesia compared with that of other selected countries.

14.3.3 The ODA program is likely to remain an important part of the bilateral relationship. It aims to assist Indonesia in practical ways in areas of shared interest, particularly in sectors where Australia has relevant expertise. It also seeks to promote commercial links consistent with sustainable development and conducive to the long-term partnership between the two countries.

Table 14.2 Indonesia: Official Development Assistance (ODA) and Other Official Flows (OOF) in 1991 - US \$ Millions

| SELECTED COUNTRIES 1991 | 1 ODA Grants | 2 ODA Loans (Gross) | 3 Total OOF (Gross) | 4 Total Official (Gross) | 5 Total Official (Net) |
|-------------------------|--------------|---------------------|---------------------|--------------------------|------------------------|
| Australia | 72.9 | 0.0 | 113.4 | 186.2 | 180.4 |
| Canada | 45.4 | 0.0 | 37.7 | 83.2 | 68.2 |
| France | 12.1 | 129.4 | 0.0 | 141.6 | 126.5 |
| Germany | 52.5 | 201.3 | 124.5 | 378.2 | 165.9 |
| Japan | 212.8 | 1169.7 | 777.7 | 2160.3 | 1701.0 |
| Netherlands | 91.3 | 89.0 | 8.8 | 189.3 | 139.4 |
| United Kingdom | 42.8 | 0.1 | 18.0 | 60.9 | 52.1 |
| United States | 60.0 | 23.0 | 116.0 | 199.0 | 50.0 |
| Multilaterals | 85.0 | 35.2 | 1974.9 | 2095.2 | 1354.5 |
| EEC & Members | 228.7 | 463.3 | 154.2 | 846.1 | 552.9 |

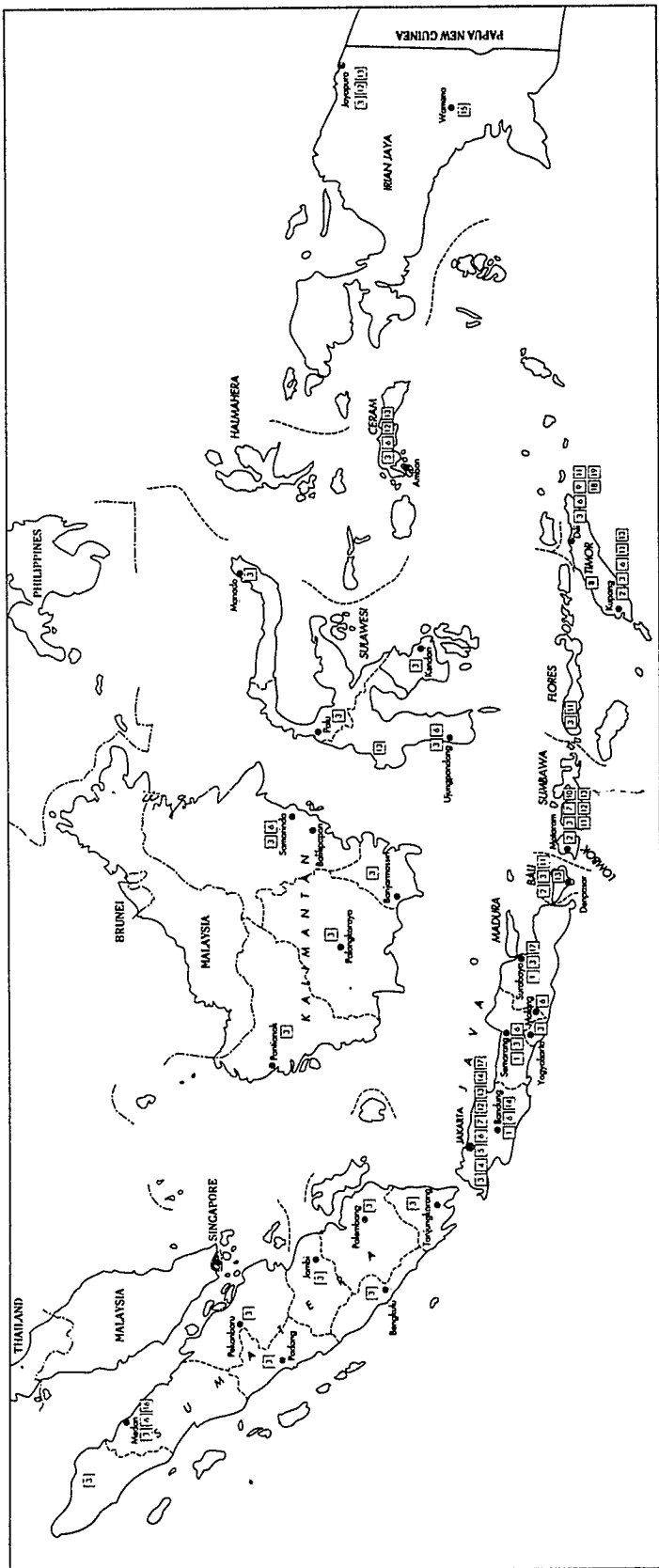
Source: *Submissions*, p. S2226

NOTES:

- . Total Official (Net) takes into account repayment flows from Indonesia. Gross figures do not.
- . OOF relates to official finance which is not sufficiently concessional to qualify as ODA (in Australia's case, this includes official export credits from EFIC). The grant part of DIFF (funded by AIDAB) is included under ODA Grants.
- . Columns 1 + 2 + 3 = 4. Totals may not add exactly due to rounding.

14.3.4 In 1992, AIDAB presented a draft program strategy for 1992/93 to 1996/97 to Indonesia's national development planning agency BAPPENAS for discussion. This strategy seeks to address more effectively Indonesian development needs and promote mutual benefits. It emphasises development cooperation, rather than aid, and reflects Indonesia's achievements and its position as a rapidly growing manufacturing economy. The strategy also aims:

AUSTRALIAN DEVELOPMENT COOPERATION PROJECTS IN INDONESIA



[1] Personnel Movement
 [2] Estate Undertakes
 [3] Bridge Management
 [4] Training

[5] Sponsored Training
 [6] Social Indonesia Australia
 [7] Agriculture Project
 [8] Improving Reproductive
 Health Knowledge Project
 [9] NFI Women's Management
 and Training

[10] East Timor Water Supply
 [11] NRE Environmental
 Sanitation and Water Supply
 [12] Eastern Islands
 Veterinary Services
 [13] Population
 Research

[14] Indonesia Australia Technical and
 Vocational Education Project (part A)
 [15] Indonesia Australia Technical and
 Vocational Education Project (part B)
 [16] PROMPT WATCH (Women and
 New Children's Health)
 [17] Risk Reduction Project

[18] Indonesia Australia
 Pollution Control Project
 [19] Agricultural and Regional
 Planning Project
 [20] Balokono Rural Development
 Project

Source: AIDAB

⁴ Submissions, pp. S2214-2215

- to continue to focus on grant projects in Eastern Indonesia (including East Timor) with an emphasis on the alleviation of poverty and on infrastructure development;
- to maintain the focus on human resource development, especially in natural resource development and environmental management;
- to contribute to poverty alleviation through local community development activities;
- to promote closer economic and commercial linkages through the private sectors in each country and productive enterprises through specific purpose programs, aimed at accelerating economic growth and long term job creation; and
- to maintain at least the real value of funding each year.⁴

14.3.5 The five provinces in Eastern Indonesia on which Australia's program focuses are Irian Jaya, East Timor, East and West Nusa Tenggara and South Sulawesi.

14.4 Australian Projects in Indonesia

14.4.1 The major components of Australia's ODA program to Indonesia are:

- human resource development;
- country program project assistance; and
- the Development Import Finance Facility (DIFF).

14.4.2 The different types of Australian projects and their locations within Indonesia are illustrated in Map 3.

14.4.3 The Budget estimate for ODA to Indonesia for 1993/94 is \$A60.3 million. It will concentrate on education and training, agriculture and rural development, provision of infrastructure, environmental management and health programs. The country program for Indonesia focuses on eastern Indonesia and includes a water and sewage reconstruction program on the island of Flores which was devastated by an earthquake in 1992.

14.4.4 Three projects are under way in East Timor:

- . a water supply and sanitation project;
- . a veterinary services activity; and
- . an agricultural and regional planning project.

A rural and community project is being planned. Expenditure in the province in 1992/93 was about \$A2.5 million.⁵

14.4.5 In 1991, AIDAB reviewed 21 of its major activities in the above components within Indonesia to assess their effectiveness against the development, foreign policy and commercial criteria. Individual activities were given a summary rating, using the following development criteria:

- . development impact;
- . sustainability; and
- . environmental, women in development and poverty impact aspects.

14.4.6 Because the review concentrated on development issues, the ratings given did not assess the overall effectiveness of an activity against broad Australia objectives. Highly effective activities were rated from 8 to 10, effective from 5 to 7 and ineffective projects were rated from 0 to 4.

⁵ *Australia's Overseas Development Cooperation Program for 1993/94*, p. 25; *Submissions*, p. S2215

14.4.7 *Human Resource Development.* Australia allocates about 20 per cent of its Indonesian ODA to education and training. In 1990/91, Australian assistance amounted to \$A39.3 million, or 37 per cent of our total program, excluding training elements of country program projects; of this sum, \$A27.3 million was allocated to assisting Indonesians to study in Australia. The remaining \$A12 million was devoted to projects in Indonesia and assistance through the International Development Program of Australian Universities and Colleges Ltd (IDP) core program.

14.4.8 Assistance for study within Australia has had the following components:

- . Sponsored Training Program;
- . Equity and Merit Scholarship Scheme (EMSS);
- . IDP Fellowships; and
- . Student Subsidy.

The EMSS has now been replaced by the Sir John Crawford Scholarship Scheme.

14.4.9 The Sponsored Training Program (STP) provides Indonesian Government officials with scholarships for postgraduate study in Australia. About 200 such scholarships are provided each year, so that at any time more than 600 officials are studying in Australia.

14.4.10 The Equity and Merit Scholarship Scheme, replaced from 1993 by the Sir John Crawford Scholarship Scheme (JCSS), awarded scholarships to equal numbers of women and men for undergraduate and postgraduate study. Equity scholarships were reserved for people from Eastern Indonesia. About 250 Indonesians are studying under this scheme.

14.4.11 JCSS scholarships will also be available for about 100 officials in equal numbers for women and men for full time study. About 300 will be studying

in Australia at any one time. For equity reasons, about half the recipients will be selected from Eastern Indonesia.⁶

14.4.12 The IDP Fellowships are similar to the scholarships provided under the STP but are targeted at 11 tertiary institutions. Funding is from AIDAB. IDP also looks after students under various contracts with AIDAB on a wider basis than the 11 identified universities. Currently about 250 students are covered by these arrangements.

14.4.13 The Student Subsidy, now phased out, gave indirect support to private students from Indonesia who had gained admission to courses prior to the introduction of the payment of full fees for courses at Australian institutions.

14.4.14 A significant amount of training assistance is included in the budgets of individual projects. In addition, AIDAB has specific programs for:

- . the Indonesia Australia Eastern Universities Project;
- . the Indonesia Australia Polytechnic Projects;
- . the Indonesia Australia Technical and Vocational Project (IATVEP), Parts A and B;
- . the Instrument Technician Training Project; and
- . the Provincial Universities Development Project.

14.4.15 When Committee members went to Ambon and Irian Jaya in October 1992, they visited projects funded under IATVEP, Part A.

14.4.16 *Country Program.* The AIDAB review found that all the Indonesian Country Program activities it had examined were effective; the STP and the Polytechnic Project were rated as highly effective, while the Bogor Agricultural University Project and Instrument Technician Training Project were seen to be developmentally effective.

⁶ Transcript, 29 June 1993, p. 1965

14.4.17 *Project Assistance.* The range of AIDAB's work in Indonesia is illustrated by the list of current or completed projects as shown in Table 14.3.

Table 14.3 AIDAB Projects in Indonesia

| AGRICULTURE | BRIDGES | WATER SUPPLY AND RELATED | MINING |
|---|----------------------------|--|--------------------|
| Eastern Islands Veterinary Services | Steel Bridges (phase 2) | Bima Water Supply | Geological Mapping |
| Nusa Tenggara Timur Integrated Area Development | Concrete Bridges (phase 2) | Lombok Rural Water Supply & Sanitation | |
| Bah Bolon Flood Control & Irrigation | Bridge Management System | Irian Jaya Integrated Urban Infrastructure Development | |
| Assistance to BALITVET (Research Institute of Veterinary Science) | | Advisory Team to Cipta Karya (Department of Human Settlements) | |
| Nusa Tenggara Agricultural Support Project | | | |

Source: AIDAB

14.4.18 These projects represented expenditure of \$A232.2 million and most were assessed as developmentally effective and three as highly effective. The emphasis is on projects in Eastern Indonesia, where six projects have objectives involving poverty alleviation.

14.4.19 The AIDAB Review drew attention to the increased emphasis being given to Women in Development issues in projects. It also observed that these issues are addressed project-by-project and sometimes not early enough in a project's cycle.⁷

14.4.20 A new AIDAB initiative in the 1992/93 bilateral program was the Private Sector Linkages Program (PSLP) which aims to promote sustainable

⁷ Exhibit No. 99 has been used extensively in this Section

development through activities linking private sector firms in Australia and developing countries. It funds activities such as pre-investment and pre-feasibility studies, consultancies and short term training. PSLP activities in Indonesia have been approved in the education and infrastructure sectors.

14.4.21 The upper limit of funding is \$A250,000 and AIDAB funds up to half a project's value, so that funding can be provided for activities of up to \$A500,000. The program operates on reimbursement of eligible costs; to the end of the 1992/93 Financial Year, no eligible activities had been completed.⁸

14.4.22 Dr David Reeve and Professor David Walker, in addition to other recommendations, drew attention to the funding of the Australian Studies Program at the University of Indonesia. From 1984 to 1991, this program received assistance from IDP; since then, the Australia-Indonesia Institute has funded some aspects consisting of library assistance, visits and a scholarship. In December 1991, AIDAB made a commitment to consider two applications for post graduate scholarships for staff of the University through the STP. Provided the University puts forward suitable candidates, they recommended two such scholarships be reserved for the Australian Studies Program.⁹

14.4.23 They suggested that eligibility should be targeted to those people who would not be successful if scholarships were not explicitly reserved for the Australian Studies Program. They also argued it was 'enormously important' to maintain the most successful Australian Studies Program in Asia. Dr Reeve and Professor Walker believed AIDAB had resisted any reservation of STP scholarships.¹⁰

14.4.24 Within Eastern Indonesia, there are significant differences in the resources which are available to schools. In Ambon in October 1992, Committee members visited a school which receives funds under the IAVTEP Part A program. They found a well-equipped school providing a wide range of courses. A similar school in Jayapura was less well endowed with equipment. Other members have

⁸ *Submissions*, p. S2217; *Transcript*, 29 June 1993, pp. 1980-1981

⁹ *Submissions*, p. S1613

¹⁰ *Transcript*, 20 May 1992, pp. 896-898

visited schools in East Timor where the written material available was very dated.¹¹

14.5 Development Import Finance Facility

14.5.1 DIFF is not an Indonesia-specific program. As official development assistance, DIFF must conform to criteria for export credits set by the Development Assistance Committee of the OECD in the Arrangement on Officially Supported Export Credits (the OECD Arrangement). It is a market-driven program which has two broad objectives:

- . to assist developing countries to reduce the cost of financing capital equipment and related services from Australia for priority, developmentally worthy projects; and
- . to assist Australian exporters to secure (Indonesian) government contracts when confronted with competition from other countries.

There are at present 12 'soft' loans totalling \$A685 million, including DIFF components of \$A242 million, to Indonesia for the provision of Australian goods and services. These loans are listed at Appendix 8.¹²

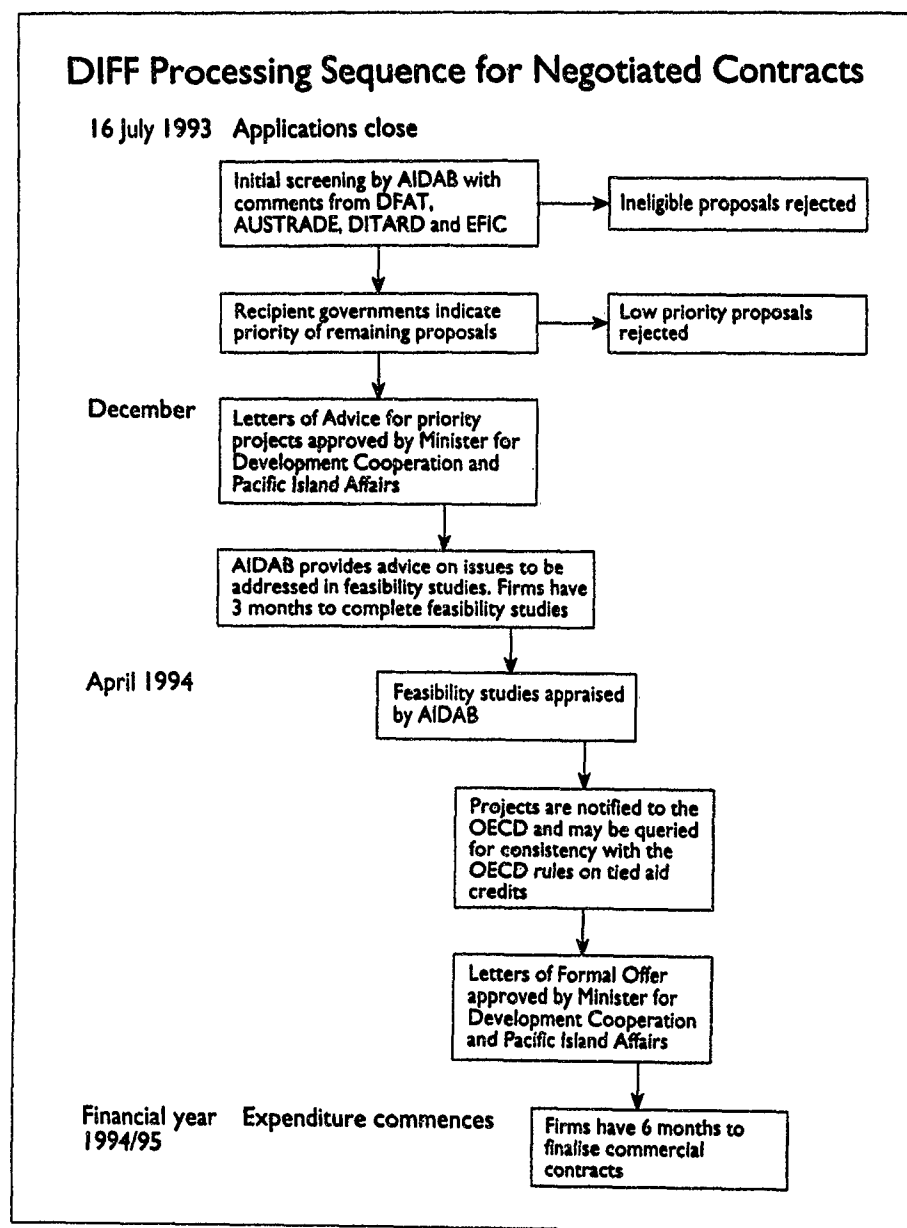
14.5.2 AIDAB is the principal administrator of the scheme and is responsible for managing the budgetary appropriation. It advertises the scheme and arranges consultations with other interested organisations to screen proposals and put them in some order of priority. Table 14.4 sets out the steps involved in the processing of applications for DIFF. In 1992, because of Government funding restrictions, there were requests for funding of approximately 12 times the amount of available funds.¹³

¹¹ *Transcript*, 29 June 1993, p. 1958

¹² *Transcript*, 29 June 1993, pp. 1980, 1979

¹³ *Transcript*, 29 June 1993, pp. 1976-1977

TABLE 14.4



Source: AIDAB

14.5.3 The Export Finance and Insurance Corporation (EFIC) is the delivery vehicle for DIFF, blending the DIFF grant with commercial funds to produce a package. EFIC also takes the funding risk involved in loans. In Indonesia, loans are over 25 years at 3.5 per cent with no payment by the Indonesian Government for seven years. The Corporation is also responsible for ensuring the terms and the delivery of a package are consistent with Australia's obligations under the OECD Arrangement. EFIC monitors the disbursements from the DIFF loan to the Indonesian Government so it can fulfil its contractual obligations to the Australian companies providing goods and services in Indonesia.

14.5.4 EFIC also covers loans outside DIFF, so that only about half of the loans it signs include a DIFF component. In Indonesia, most of EFIC's lending has been for DIFF loans.¹⁴

14.5.5 Because EFIC is part of its portfolio, the Department of Industry, Technology and Regional Development (DITARD) has policy responsibility for export financing and a direct involvement in the assessment of applications for DIFF. DITARD is also involved in seeking Ministerial approval for loans of over \$A50 million and for the application of national interest provisions of the EFIC Act. Finally, DITARD has responsibility for negotiating Australia's position regarding export credits within the OECD, and for the examination of projects against the OECD Arrangement.¹⁵

14.5.6 Austrade does not itself use DIFF but has been very supportive of the scheme, directing potential users towards it. It regards a continued commitment to DIFF funding of paramount importance.¹⁶

14.5.7 Australia's bilateral activity does not include much in the way of equipment; even large projects mainly involve technical assistance. DIFF is the only mechanism for funding large-scale infrastructure activities which require a significant equipment content. It is seen as a way of balancing the heavy emphasis, in the rest of the program, on technical assistance.¹⁷

¹⁴ Transcript, 29 June 1993, p. 1978

¹⁵ Transcript, 28 June 1993, p. 1983

¹⁶ Submissions, p. S1106; Transcript, 28 June 1993, p. 1941

¹⁷ Transcript, 29 June 1993, p. 1986

14.5.8 There are two significant restrictions on the use of DIFF funds in Indonesia:

- . as the result of an Australian Government decision, only 40 per cent of the total DIFF allocation can be spent in any one country; and
- . the OECD Arrangement specifies a limit of 35 per cent per project by way of grant.¹⁸

14.5.9 DIFF has been the largest non-programmed Australian development cooperation activity in Indonesia since the mid 1980s. The State Electricity Commission of Victoria stated that the only way to win projects overseas was with DIFF funds.¹⁹ Transfield Corporate drew attention to the benefits to Australia from DIFF, suggesting a return of two or three times the value of expenditure in export earnings. Without DIFF, its representative said, the market for Australian steel bridges in Indonesia would stop.²⁰

14.5.10 According to Austrade, any increase in the amount of DIFF made available for projects in Indonesia would have an enormously beneficial impact on Australia's exports, compared with other markets. Even doubling the amount available would not dent potential projects in Indonesia.²¹

14.5.11 Dr Susan Blackburn expressed concerns about the DIFF scheme because of the confusion between Australia's development cooperation program and a desire to encourage exports to Indonesia. She regards the objectives as separate and believes they should be distinct.²² Some attention has been given to the separation of 'aid' and trade; the 35 per cent concessional level was introduced for that purpose and so was the more recently introduced commercial viability test. The new OECD Arrangement is expected to have an effect on the number and types of applications for DIFF funding. Some activities previously funded by DIFF will not

¹⁸ *Submissions*, p. S754; *Transcript*, 19 May 1992, pp. 840, 844

¹⁹ *Transcript*, 4 May 1992, pp. 317-318

²⁰ *Transcript*, 19 May 1992, pp. 858, 865

²¹ *Submissions*, p. S1106

²² *Transcript*, 4 February 1992, p. 132

be eligible under the new rules, but others which were excluded such as waste water treatment projects, could attract funding.²³

14.5.12 AIDAB is undertaking a major commercial review of its Indonesian program to establish what benefits have been generated for Australia and the flow-on results. Transfield began to provide steel bridges to Indonesia as a fully grant-funded activity and it had a succession of contracts for additional bridges through concessional finance. In its most recent package, Transfield was able to combine a DIFF package with a fully funded commercial package.²⁴

14.5.13 For the 1993/94 Financial Year, the Budget allocation for DIFF in Indonesia was \$A48 million.²⁵

14.6 The Committee's Views

14.6.1 Australia's ODA program in Indonesia is clearly a mixture of the nation's humanitarian, foreign policy and commercial concerns. The Committee reviewed the operations of AIDAB in its 1989 Report on the development cooperation program and stated that, while the humanitarian motive must be paramount, development effectiveness could be compatible with the pursuit of Australian self-interest.²⁶

14.6.2 The ODA program to Indonesia reflects this mixture of concerns. The emphasis on Eastern Indonesia in Australia's program, as Dr Susan Blackburn said, has to some extent gone against strictly commercial aims. ACFOA also supports AIDAB's focus on water supply, sanitation and health in the eastern provinces. Indonesia does seem to have benefited from substantial and long term assistance; the GNP is increasing and poverty has decreased.²⁷ Australia can rightly claim credit for some of these advances but, without carping, there are matters which need attention.

²³ *Transcript*, 29 June 1993, pp. 1970, 1992

²⁴ *Transcript*, 29 June 1993, pp.1989, 1982, 1970, 1992

²⁵ *Exhibit No. 106*, pp. 3-4

²⁶ *A Review of the Australian International Development Assistance Bureau and Australia's Overseas Aid Program*, paragraph 10.5, p. 129

²⁷ *Transcripts*: 4 February 1992, p. 132; 23 September 1992, p. 1529; 12 March 1992, p. 447

14.6.3 As Tables 14.1 and 14.2 made clear, Australia has given Indonesia a significant amount of ODA. Where practical and appropriate, there should be a plaque or other means of identifying the fact that a project was funded by Australia.

Recommendation 34: The Committee recommends that, wherever practicable, the Australian International Development Assistance Bureau ensure that plaques or other means are used to identify projects provided by Australia.

14.6.4 In Chapter 7, the Committee recommended that a course on the philosophy and practice of human rights be compulsory for all DFAT and AIDAB officers before they take up overseas postings. The structure and content of that course should equip those officers with a sound knowledge of human rights issues. We also recommended assessment of progress towards the achievement of the rights in the Universal Declaration of Human Rights in recipient countries in the criteria used to evaluate the feasibility and success of ODA projects.

14.6.5 AIDAB provides about 200 STP scholarships per year and the view expressed by Dr Reeve and Professor Walker, that two scholarships per year be reserved for the Australian Studies Program at the University of Indonesia, is supported. Reservation of this number of scholarships would not affect the overall program but could make a significant long term impact on the Australian Studies Program in Indonesia.

Recommendation 35: The Committee recommends that the Australian International Development Assistance Bureau reserve two Sponsored Training Program Scholarships per year for the Australian Studies Program at the University of Indonesia.

14.6.6 It seems that the PSLP scheme is focused towards smaller firms early in their involvement in business in Indonesia. This is consistent with the emphasis in the DIFF scheme on the medium range projects of small to middle-sized firms. Although DIFF was strongly defended as a development assistance program which has been very effective in Indonesia for about the last ten years, it is also a major source of industry assistance.

14.6.7 In its 1991 report, *Australia's Current Account Deficit and Overseas Debt*, the Committee recommended the continuation of DIFF for the remainder of the 1990s, doubling the available funding to encourage rapid expansion of exports to developing countries, and the continuation and enhancement of the operation of EFIC.²⁸

14.6.8 Many other countries have soft loan schemes to assist their industries to win contracts in the ODA field; some do not abide by the terms of the OECD Arrangement. There is no doubt that the overall DIFF scheme has provided significant direct Australian exports: benefits estimated at four to one in follow-on trade. Transfield's experience in Indonesia, already cited, is an example of benefits from the DIFF scheme.²⁹

14.6.9 There is also the question of classification of the funds. If it is overseas development assistance, AIDAB's view is that it is the appropriate administrator of the scheme. However, the scheme is made more complex by the involvement of such agencies as DITARD, EFIC and Austrade.

14.6.10 Finance via EFIC is competitive but the non-DIFF area in Indonesia is very difficult for Australian investment, partly because of restrictive banking regulations and credit limitations. DIFF is clearly benefiting a few organisations but it is not clear that Australian industry as a whole is gaining greatly from DIFF funding. There are a range of other schemes to assist exporters, but it seems that those who wish to use DIFF are beneficiaries of a scheme which seems to have similarities with other export enhancement schemes.

14.6.11 While Australia's DIFF scheme is modest, at a total of only \$A120 million, it generally appeals to small to middle-sized firms. Given there is also a minimum limit of \$A500,000 on DIFF financing, to give a minimum project cost of about \$A1.5 million, it is not surprising that little effort is put into small projects when Indonesia's need is for large infrastructure projects. Because the Australian program is relatively small, our companies have not generally been successful in obtaining large scale projects from the World Bank or Asian Development Bank.³⁰

²⁸ *Recommendation 5*, pp.xxvii-xxix

²⁹ *Transcript*, 29 June 1993, p.1989

³⁰ *Transcript*, 29 June 1993, pp. 1991, 1982, 1988-1989

14.6.12 DIFF is the only way of funding large scale infrastructure activities with significant equipment components. Many Indonesian departments and agencies seek concessional funding for infrastructure projects with high equipment contents. Opportunities exist in Indonesia and Australia should be able to take advantage of them, but is usually limited to the provision of technical advice.³¹

14.6.13 Criticisms of DIFF centre on charges that:

- . it is a subsidy for Australian companies to win contracts in less-developed countries, and
- . it is a part of the ODA budget which is trade-related, rather than directed towards traditional ODA targets such as the alleviation of poverty.

14.6.14 While much can be said against 'soft' loans in principle, Australia abides by and supports the OECD Arrangement. As such loans exist, Australia needs to provide them to ensure its firms have access to ODA contracts.

14.6.15 There have also been statements that DIFF is increasing as a proportion of the total ODA program to Indonesia. The operation of the DIFF scheme is complicated. Not all nations adhere to the OECD Arrangement and the demand for concessional funding is great. The stricter disciplines implied by the commercial viability test should allow AIDAB to defend itself adequately against the export subsidy argument.

14.6.16 AIDAB's programs in Eastern Indonesia, in particular, suggest that the accusation that it is not involved in traditional ODA projects cannot be sustained.

14.6.17 Funds provided under the DIFF scheme are classified as official development assistance according to the OECD Arrangement. It would be consistent for the grant fund contribution to be related to the development objectives which, it has been recommended, should now include an assessment of progress towards the

achievement and protection of the rights in the Universal Declaration of Human Rights in recipient countries.

14.6.18 AIDAB is reviewing DIFF in Indonesia to establish what commercial benefits have flowed from the program. The credibility of this investigation would be increased if it was expanded to review of the operations of the DIFF scheme.

Recommendation 36: The Committee recommends that there be a full, independent and public review of the theory and practice of the Development Import Finance Facility to ensure its performance is consistent with Australia's development assistance objectives, including progress towards the achievement and protection of human rights in recipient countries.

³¹ Transcript, 29 June 1993, p. 1986

CONCLUSIONS: OPPORTUNITIES AND CHALLENGE

1. This inquiry brought together a breadth and depth of material on Indonesia, and on both Australia and Indonesia. It has been used to describe the relationship with Australia's largest neighbour.
2. There have been some difficult periods in this relationship, but at present it is probably as sound as it has been since before *The Sydney Morning Herald* article in 1986. Even then, some elements in the relationship, Defence for example, were less troubled than others. Many people were deeply and justifiably distressed about the killings in Dili in November 1991, but the relationship endures.
3. In fact, following the inaugural meeting of the Ministerial Forum in Jakarta in November 1992, the future appears to be very promising for our two countries to work together in a harmonious way.
4. While there are many strong connections, such as in Defence, cooperation in UN and other international forums and in cultural matters, one of the strands running through the material received during this inquiry was the number of opportunities which were not being used.
5. Australian investment in and trade with Indonesia is growing, but not in proportion with the pace of growth and change in that country. This may be due to ignorance of the opportunities there, or it may be due to unjustified fears about doing business in Indonesia at all. The Committee has recommended ways in which the material which is available in Australia about Indonesia might be made more accessible.
6. The Committee has also recommended establishment of a consulate in Surabaya in Eastern Java where there is already a strong Australian presence.
7. The *Australia Today 1994* promotion will be an opportunity to display a wide range of information about Australia to many Indonesians who may not be aware

of what their neighbour has to offer. Australia is, in fact, particularly well placed to assist Indonesia in many areas, such as education, banking, technology and reform of the legal system.

8. The Committee has made recommendations to deepen and strengthen the educational relationship. Measures have already been taken to encourage the study of Bahasa Indonesia within schools, although this was hardly necessary in the Northern Territory where the language is already fully integrated into the educational system. The work of the Australia-Indonesia Institute, with its emphasis on 'seeding' and people-to-people contact, makes exchanges of all sorts possible. The Committee has recommended that the Institute receive reaffirmation of its funding and an increase in its funding to cover costs it is being asked to meet.
9. In the areas which attracted most interest and evidence, we have made a number of recommendations. To deal with problems caused by illegal fishing in Australian waters, there is a need for standardised treatment of offenders by all jurisdictions, and a need for a new definition of 'traditional' fishermen which more accurately reflects the situation of that group of Indonesians.
10. In the area of human rights, recommendations have been made suggesting a positive response by the Australian Government to any request by the Indonesian Government for assistance in the reform of the legal system, about the nature and content of a course for staff being posted overseas, and about training for Indonesian military personnel on international standards of human rights behaviour. It has also been recommended that human rights be included in the criteria by which development assistance objectives are assessed.
11. These recommendations have not been made lightly, nor have they been made to be offensive. They come from an attempt to convey Australia's values about democratic societies based on the rule of law.
12. There are, of course, many areas in which no recommendations have been made, either because it was inappropriate to do so, or because they were not needed.
13. While there are almost unlimited opportunities in the relationship, what has been achieved should not be forgotten. Australian development assistance has made

some contribution to Indonesia's quite spectacular recent progress, especially in the eastern provinces. In addition to grants of assistance, technology and expertise have been provided. All this has been provided in consultation with Indonesians at all levels and the discussion process for projects will continue.

14. Some of the recommendations in this report would be costly to implement, especially in addition to existing programs. The suggestions made by Dr David Reeve and his colleagues are an example of the results of knowledge of ways the relationship could be broadened. It would be unfortunate if such innovative ideas were not implemented simply because of a perceived lack of funds.
15. If implemented, the recommendations in this report will provide the means to an end: a better and deeper relationship with Indonesia. This is the important, long term goal and opportunities exist to achieve it. We have sought to find practical and achievable ways of exploiting these opportunities.
16. The challenge in the relationship is that, for it to prosper and grow, Australians and Indonesians must work together, concentrate on the positive elements and accept that there is good will on the other side. There will occasionally be differences of opinion about some things which will have to be accommodated for the good of the whole. Different attitudes to human rights, for example, important as they are, must not therefore dominate the relationship.
17. With an awareness of both the opportunities and the challenge as guides in future, and the implementation of our recommendations, we believe that the Australian-Indonesian relationship will develop in accordance with the hopes and aspirations of both countries.

Senator Stephen Loosley
Chair