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

TRADE SUBCOMMITTEE

**Reference: Inquiry into Australia's Trade and Investment Relations with Asia, the
Pacific and Latin America**

FRIDAY, 28 NOVEMBER 2008

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

Trade Subcommittee

Friday, 28 November 2008

Members: Senator Forshaw (*Chair*), Mr Hawker (*Deputy Chair*), Senators Arbib, Mark Bishop, Ferguson, Fifield, Johnston, Ludlam, Moore, O'Brien, Payne and Trood and Mr Baldwin, Mr Bevis, Mr Danby, Ms Annette Ellis, Mr Gibbons, Ms Grierson, Mr Hale, Mr Ian Macfarlane, Mrs Mirabella, Ms Parke, Ms Rea, Mr Ripoll, Mr Robert, Mr Ruddock, Ms Saffin, Mr Bruce Scott, Mr Kelvin Thomson and Ms Vamvakinou

Trade Subcommittee members: Ms Saffin (*Chair*), Mr Bruce Scott (*Deputy Chair*), Senator Forshaw (*ex officio*) and Mr Gibbons, Mr Hale, Mr Hawker (*ex officio*), Mr Ian Macfarlane, Mrs Markus, Mr Ripoll and Ms Vamvakinou

Members in attendance: Senator Forshaw and Ms Saffin and Mr Bruce Scott

Terms of reference for the inquiry:

To inquire into and report on:

Opportunities for expanding Australia's trade and investment relations with the countries of Asia, the Pacific and Latin America, with particular attention to:

- the nature of existing trade and investment relations;
- likely future trends in those relations;
- the role that these countries might play in advancing the Doha round of multilateral trade negotiations in the WTO; and
- the role of the Government in identifying opportunities and assisting Australian companies, especially those in rural and regional areas, to maximise opportunities in these regions.

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Subcommittee met at 9.36 am

CHAIR (Ms Saffin)—I declare open this public hearing into Australia's trade and investment relations with the nations of Asia, the Pacific and Latin America which is being conducted by the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. This is the first public hearing for this inquiry.

Today the subcommittee will be taking evidence from the ambassadors for Peru and Columbia and the High Commissioner for Pakistan. The submissions to the inquiry from each of these countries have highlighted the opportunities and challenges facing us in seeking ways to widen and improve our trade and investment relations. The subcommittee is delighted to welcome all of the witnesses this morning and we anticipate a lively and interesting discussion of the trade issues under discussion. Trade and investment links with the countries covered by this inquiry are of growing importance and we will be examining ways to widen and improve those links and to assist Australian companies to make the most of current and developing opportunities.

Finally, I remind any members of the media who come to observe the public hearing of the need to report the proceedings of the subcommittee fairly and accurately, as required by the Senate order concerning the broadcasting of Senate and committee proceedings.

[9.38 am]

de la PUENTE, Ambassador Claudio, Head of Mission, Embassy of Peru in Australia

CHAIR—On behalf of the subcommittee I welcome His Excellency the Peruvian Ambassador to Australia and representatives from the embassy of Peru and also the counsellor from the embassy of Argentina. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give any evidence in private you may ask to do so and the committee will give consideration to your request. Although this committee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of chambers themselves. Before proceeding to questions, I invite you to make a short statement.

A PowerPoint presentation was then given—

Ambassador de la Puente—I would like to start by thanking the joint subcommittee for giving me the opportunity of sharing with its distinguished members some thoughts about Peruvian-Australian relations and their perspectives. Peru has presented a submission to this inquiry. We are convinced that bilateral trade and investment links with Australia have very good prospects to continue growing and diversifying, as it is the case with other important APEC partners. We are particularly pleased to see some of the proposals included in our submission already adopted as a result of the high-level bilateral meetings held at the APEC summit in Lima last week. Our expectations for even better forecasts are based on the outstanding economic performance of Peru over recent years. In fact, Peru has become the fastest growing, the best performing and a stable economy of Latin America—in short, a truly reliable partner to the Australian region.

In these initial remarks I would like to provide you with some details of this process. Peru is a country that offers a stable and open economy with sustained economic growth over 89 consecutive months in which exports and investment have grown sharply. It is a country rich in natural resources, with a world-leading position in mineral resources and output, and also natural gas, fish and forestry services. It is an idea climate for selected agribusiness products and huge hydro energy potential. It is a country with a strategic location in the central South American Pacific Coast bordering five countries with ongoing mega infrastructure projects to connect the giant Brazilian economy with the Peruvian Pacific Coast. It also has good ports and infrastructure facilities that, added to its strategic geographical position, may serve as a South American connection from and to the Asia-Pacific region.

It is an economy committed to global trade processes with a natural role through WTO and APEC, and also with a wide access to regional blocs and increasing participation in a global market through regional and bilateral free trade agreements. It is a stable and foreseeable climate and attractive legal framework for investments based on international principles. The country risk is well below the regional average. Regionally this was successfully proven during the APEC summit just concluded in Lima and the Latin American and European summit held also in Lima last May. Last, but not least, certainly the country has political stability and rule of law.

Peru's outstanding economic expansion has been driven mainly by trade and public and private investments. Investment has been growing by 20 per cent in recent years. Peru's economy shows solid and sustained growth, reaching a remarkable 8.9 per cent in 2007 and even jumping up to an estimated 9.2 per cent this year, along with a substantial growth in various economic sectors such as mining, manufacturing, housing, construction, agribusiness, fishing, tourism and a very strong increase in domestic demand.

Export value has multiplied over three or even four times in recent years. The estimates for 2008 are 20 per cent growth to approximately A\$53 billion. Proven and serious finances have allowed us to improve our fiscal position with a surplus of about three per cent this year, all this in a framework of macroeconomic stability, with the lowest inflation in the region and a very stable exchange rate.

This solid economic condition has been internationally acknowledged. Peru has received three investment ratings in the last year. Also, it is important to note that this year Peru joined the OECD investment committee. Our legal system on investments grants national treatment to foreign companies with freedom to invest in all economic activities with free transfer of investment capital, freedom to purchase stock and so on. On top of that, foreign companies are entitled to sign a 10-year stability agreement with the government.

Peru is part of a network of multilateral conventions on investment protection and has signed 32 bilateral agreements, including one with Australia back in 1995. As we can see in the chart, first-class companies are investing in Peru, including some leading Australians, while FDI has grown 55 per cent in 2008. Peru has shown a strong commitment to trade liberalisation at bilateral, regional and multilateral levels. We have worked side by side with Australia in our efforts to see the Doha round talks move ahead, supporting in Geneva the proposal presented last July by WTO Director-General, Pascal Lamy. Both countries share a common set of interests in the WTO.

It is also to be noted that last April Peru joined the Cairns group. Peru and Australia have been working very closely in APEC. No doubt Peru's having had the APEC hearing in 2008, following Australia, has significantly underpinned our collaboration and deepened our confidence. Peru is also a strong supporter of the ideals of free trade in the Asia-Pacific. Moreover, only a week ago during the APEC summit in Lima it was announced that Peru will join, along with Australia and the United States, the Trans-Pacific Strategic Economic Partnership, known as the P4.

Meanwhile, Peru has been very active in securing market access through regional and bilateral trade agreements with the most important trade partners in APEC and beyond. We have regional trade agreements with Latin American countries and free trade agreements already signed with the United States, Canada, Thailand, Singapore, Chile, the EFTA and European countries. Free trade negotiations have been successfully concluded with China, as was announced during President Hu Jintao's visit to Peru last week. Negotiations are to be started early next year with Korea and the European Union. Officials have already agreed with Japan, India and Central American partners, as well as the abovementioned negotiations with Australia, New Zealand and other Pacific partners within the peak framework.

In his final message at the conclusion of the APEC summit in Lima, Peruvian President Alan Garcia strongly advocated in favour of free trade as the most useful tool to overcome the serious international crisis. But moving forward on free trade and gaining market access is also crucial to Peru in its policy of fighting poverty. Despite such an outstanding economic performance already described, 39 per cent of Peruvians still live below poverty lines. We have to make sure that the benefits of this outstanding economic expansion reach most or all Peruvians. We are starting to succeed in this endeavour, having reduced poverty levels by five per cent in the last two years, and nearly nine per cent since 2005.

Free trade and connecting Peru's rich resources with world markets is a strategy for development and Peru intends to become a leading exporting country in Latin America. We are on the right track, having multiplied the value of our exports by over four times in the last five years and creating more employment opportunities. We have reduced import duties so that industry can have more access to new capital, goods, equipment and technology, creating a virtual circle by encouraging more exports. Australia can fit into this strategy and already is by supplying machinery and technology to the Peruvian mining industry. Our economies are very much complementary, but there are other areas in which Australia can expand trade and investments in Peru as in agribusiness, infrastructure, water, financial services and energy, just to cite some examples. That is why Peru proposes for Australia to enter into negotiations for a comprehensive WTO-plus bilateral free trade agreement, so the decision of both countries of joining the P4 is a remarkable outcome. Peru foresees the P4 as a foundation towards a most ambitious trade liberalisation scheme in a building-block process, leading to a free trade area in the Asia-Pacific.

Finally, in our submission we suggest the idea of promoting new business opportunities should go hand in hand with more political dialogue and reciprocal diplomatic representation. I want to highlight the announcement made by the Prime Minister of Australia, Hon. Kevin Rudd, in Lima that Australia will reopen its resident embassy in Peru in 2010. Our government, but also members of the business community, have praised this announcement, which certainly is a landmark in our recent bilateral relations.

I would like to share with you our satisfaction for the successful conclusion of bilateral consultations recently held in Lima which will result in a bilateral air services agreement. This will improve connectivity within both countries and will encourage new tourism flows, stronger people-to-people contacts and trade opportunities. I am convinced that the implementation of these three decisions will create new, strong links between our two countries. I am also confident that the Australian parliament will support such important steps in our bilateral relations. Thank you for your very kind attention. I remain open to any questions you may have.

CHAIR—Thank you. Is it the wish of the Trade Subcommittee that it receives as evidence and authorises the publication the supplementary submission of Peru to the inquiry into Australia's relationship with ASEAN? There being no objection, it is so resolved? Is it the wish of the Trade Subcommittee's that the document *Peru: A reliable partner for Australia in Latin America—trade and investments advantages and opportunities* be received as evidence? There being no objection, it is so resolved.

Mr BRUCE SCOTT—It is very good document, too.

CHAIR—It is. Your Excellency, that was a very welcoming statement and addition to the evidence that you have already submitted to the inquiry. It was pleasing that you noted that the embassy will reopen in 2010. I note that was in your submission, so that is one thing that can be ticked off. Are there any questions?

Senator FORSHAW—As far as I am concerned, the reopening of the embassy has been overdue for some time and is a welcome development. Thank you for your submission. This committee and my counterpart committee in the Senate have, over the years, looked at a range of issues to do with our relations with Latin America, the continent, and your country. I think there are certainly some developments that have occurred following reports of the committees. For instance, the development of the Australia-Latin America Business Council and COALAR grew out of recommendations, at least in part, of the previous committee hearings. Hopefully we will have a similar response to our report when it is finally tabled from our own government. What I wanted to ask you, just to start off with, was a matter that was mentioned in your submission but was not covered in the economic analysis. That is the situation with air links between Australia and Peru, because that is a very crucial issue and I know it has been a matter of concern and interest for some years. What are the current air links between Australia and Peru and what would you like to see develop in that regard?

Ambassador de la Puente—As I stated in the presentation we have successfully concluded a framework agreement on air services. It may be that the lack of contact in previous years between Australia and Latin America as a whole was due to the fact that there were very few connections. Geographic distance is an obstacle. Nevertheless, we have seen important steps adopted in recent years, particularly this month. We praised the initial flights from Sydney to Buenos Aires in a direct flight from Qantas and some other countries are doing the same. Peru is somehow becoming a favourite tourist destination in Latin America. It has been highlighted by international observers as one of the most attractive tourism destinations. Having more flight connections, and direct flight connections, with Peru would definitely help and assist to forge not only people-to-people links but also trade links.

There were about 23,000 Australians visiting Peru last year and the number of Australians visiting my country is growing at a pace of about 10 per cent. Having more direct flights, or having flights flying to Peru through other destinations eventually, will definitely increase the numbers. I would like to point out that it is vice versa; having more connections coming from Latin America to Australia will increase the flow of not only tourists, but businessmen and students. This is something I would like to develop a bit. The number of students coming from Latin America to Australia has grown steadily during recent years. In the case of Peru, it has been a remarkable jump. That is not necessarily so in numbers, which are still modest, but in percentage. From less than 300 students that we had about three years ago, we are now happy to have over 1,200 students from Peru. In Peru it is perceived that Australia is becoming a favourite international country to gain a privileged education. I think air services as a whole could be a very useful tool to link people to people, trade and tourism. It is even more dynamic from our country to Australia and the region as a whole.

Senator FORSHAW—I certainly agree with that. At the moment are there any direct flights from Lima to Australia?

Ambassador de la Puente—No.

Senator FORSHAW—I know that there are sort of direct flights from Sydney to Santiago in Chile, but they go via New Zealand.

Ambassador de la Puente—That is right.

Senator FORSHAW—That is really the only direct flight to the west coast of the continent. So there are no flights at the moment that are direct to Lima?

Ambassador de la Puente—You are right. There are no direct flights to Lima at this moment.

Senator FORSHAW—Or the other way?

Ambassador de la Puente—Or the other way. Probably the best way to get to Lima is to fly into Buenos Aires in a direct flight that Qantas just opened last week. There are frequent flights going from Buenos Aires to Lima. It is the same from Santiago, even with the stop in Auckland, or using the route through LA. There is a direct flight from Los Angeles to Lima.

Nevertheless, I would like to point out that, as I stated in my presentation, when taking a look at the map of South America we can see that Lima has a strategic position in the central South Pacific coast of South America, so it offers a centre for flight connections south, east and north for Australian airlines. I think this is a very important point that could be emphasised in the interests of developing new connections with Peru, not only serving the market of Peru, but from Peru serving connections to all the regions and even further to the United States, for example.

Senator FORSHAW—They are my thoughts, because it creates another option to enter onto the west coast of the continent. Travelling through LA, while there are obviously a lot of Australians who travel to LA or the US and reverse, it is a very long journey to go from Sydney to LA and then on to either Lima or one of the other Latin American capital cities.

Ambassador de la Puente—There is some logic in going straight to Latin America.

Senator FORSHAW—Yes. You are strategically placed in that regard. I have questions on other issues, but I think we might interchange here.

Mr BRUCE SCOTT—Thank you for your excellent presentation. One of the questions I had was on the air links to Peru. Excuse me for my ignorance for a moment. Is the principal language Spanish?

Ambassador de la Puente—Yes, that is so for most of Latin America, except for Brazil, which speaks Portuguese.

Mr BRUCE SCOTT—I should have been aware of that.

Ambassador de la Puente—If you are in the highlands, in the Andean region, Quechua and Aymara is also a native language that is widely spoken. Spanish is spoken countrywide as well.

Mr BRUCE SCOTT—Building on the question of students, that is an impressive growth. That was another question that I had, but you opened up the dialogue there. To universities in which capital city are they coming? Is it on the east or west coast of Australia?

Ambassador de la Puente—It is both. Most of them are concentrated in Sydney and Melbourne, but also an increasing number in Brisbane. They are at different universities. We also have students in Adelaide and Perth. Basically, the Peruvian students are concentrated on the east coast, in these three cities, in a wide range of universities. There is also an ongoing collaboration between Australian and Peruvian universities, which is to be highlighted. We are working on developing more institutional links, cooperation links, between the universities themselves and working closely in promoting the location opportunities from both sides as well; we would also like to see some Australians going to Peru.

Mr BRUCE SCOTT—Is there any particular field that dominates in terms of study, or is it a wide range? Also, are they on scholarships sponsored by the government or are they privately funded to come to Australia?

Ambassador de la Puente—Most of them are privately funded. I would say they have their own finance. Most of the students that come here are on their own. Having the opportunity of working 20 hours a week is very important and it gives the opportunity for these students to finance themselves for their studies here. Also, there are some, but not as many as we would like to see, scholarships from official or private sources here in Australia. This would be a field that could be developed in the future.

We would like to eventually see a mutual recognition of studies, titles and rates, which could be important after the stage of coming here to study. By the time the students go back to Peru it would be very important for them in developing their careers if they could have their titles and rates recognised over there. So a bilateral agreement on this could be interesting to examine.

Mr BRUCE SCOTT—That is interesting. We should take up that there is not a bilateral agreement for the recognition of Australian university degrees and graduate degrees back in Peru. You also mentioned that it was important for the students to be able to work 20 hours a week in order to help fund their studies here. I was very interested in that. Has there been any difficulty in achieving that, or is it just part of how they can fund their studies in Australia?

Ambassador de la Puente—In most cases that would be an important part of how they can manage to come here to study. We could also consider in the future—and this was already considered during the bilateral conversation during the APEC meetings in Lima—the possibility of a working holiday scheme, for example. A working holiday scheme is already in place with some other countries. We would be very much open to considering this possibility in the future with Australia. Also, having the embassy in Lima from 2010 onwards, and having the possibility of issuing visas in Lima instead of doing it in other capitals, I am sure that this will constitute another element to emphasise even more the flows of students and tourists from Peru to Australia.

Mr BRUCE SCOTT—I would like to run through that. Do I understand you correctly that it is also having visas for working holidays for people from Peru who come to Australia to work?

Ambassador de la Puente—Yes.

Mr BRUCE SCOTT—It is not just the students who can work 20 hours?

Ambassador de la Puente—Exactly. As a rule, the students are entitled to work for 20 hours here, but there are some other schemes for promoting some sort of temporary migration, which has been applied between Australia and other countries. It is not the case with Peru at this moment. This is the working holiday scheme which allows some professionals to come here to work on a temporary basis. We are very much interested in considering this possibility. This people-to-people contact, in general, we see as being very important to raise awareness between both countries and for forging deeper links.

Mr BRUCE SCOTT—Being able to issue visas from Lima would obviously be a big step forward in helping to advance not only the visits but also, as these air services become more direct, in building the relationships. Where are your visas processed at the moment?

Ambassador de la Puente—They are processed in Santiago. We have a non-resident embassy representative for Peru that is from Santiago in Chile. The visas and the immigration service are incorporated at the embassy in Santiago, and it covers the Peruvian territory. All Peruvians seeking a visa to Australia have to send their passports to Santiago and request their visas over there. I am sure that this will be easier in the future.

CHAIR—That will change in 2010, which is the operative date. I have a few questions that we have prepared based on your submission. You proposed the negotiation of a free trade agreement. Would Peru seek a comprehensive FTA will few, if any, exceptions, and do you foresee any areas of particular difficulty?

Ambassador de la Puente—In general, I would say that most of the free trade agreements we are dealing with now are very comprehensive. Under the scheme known as WTO-plus it is going beyond what we agreed on with the WTO. As I understand, it is the intention for Australia as well to do comprehensive, high-quality agreements. They will not be reduced or limited to the trade liberalisation of goods but, on the contrary, go further into financial services and particularly investments. Investment and trade are very much related. We would like to see flows of trade and investments, which in the future could stimulate new investment and trade opportunities.

In the charts that I presented for your consideration you will note that Peru has gained solid market access to very important trade partners throughout the world. It is not only in the Asia-Pacific region, but we are now dealing with the European Union, the United States and have just finished negotiation with China. We have a wide range of market access. Having some investments oriented to export opportunities through these markets could be very important in the future. It could forge strong partnerships between companies of Australia and Peru.

CHAIR—I note that the figures in your submission were in the traditional areas of trade but did not cover the services sector. Given the exponential growth over the last few years, that bodes well for the services sector, doesn't it?

Mr de la Puente—Yes. In the submission we noted that the figures on trade do not consider services, but there are already some important components of services. I include in that tourism, educational and financial services. I think the area of services has plenty of room to grow.

CHAIR—Do you think that the negotiation of the free trade agreement would lessen the importance of achieving a WTO agreement in the Doha round? That is a general question, but one that the committee has to be mindful of.

Ambassador de la Puente—Peru has a very strong commitment in three dimensions. As is Australia, we are very much in favour of the successful, comprehensive and balanced outcome of the WTO Doha round. This is Doha development agenda. This is also very much in line with the developing countries, particularly, as well as the developed countries. This is not an obstacle. Because this is a long-term process, in the meantime we have to make sure that we get market access to different countries. We have been active in dealing with bilateral and regional free trade agreements. We do not see them as exclusive options. On the contrary, they are complementary and both of them have the more important goal of trade liberalisation at the end.

CHAIR—Thank you.

Mr BRUCE SCOTT—I wanted to touch on the issue of military cooperation. This would go further on education. In Canberra at Weston Creek we have the officer training school, which is highly regarded. We have military officers from 20-odd countries throughout the world coming here and I wondered whether there were any military officers coming here to further their knowledge at the Weston Creek facility or for any military training?

Ambassador de la Puente—We have had some precedent on military collaboration. We had a group of officials from the Peruvian navy participate in an exercise of rescue operations last year off the coast of Western Australia. I have no other records on bilateral military collaboration, but I would like to highlight that Peru, as well as Australia, has been very active in participating in peace missions under the umbrella of the United Nations. We have been very active in those operations since we commenced our participation in the United Nations. We are founding members from 1945. We have been very active and very much supportive of the multilateral system and the United Nations in general. We have the honour of having a very distinguished Peruvian as the Secretary-General of the United Nations, Javier Perez de Cuellar, for two periods, as well as a President of the General Assembly and a distinguished former foreign minister of Peru leading the international court at the Hague. We have a solid record of collaboration in the United Nations, as well as with Australia. We just left the security council as a non-permanent member. We look forward to seeing Australia doing the same in the near future.

Senator FORSHAW—Does the Peruvian navy have a tall training ship? I know that Chile and Argentina do.

Mr BRUCE SCOTT—For young people?

Ambassador de la Puente—Yes. We have a school that takes the Peruvian students aspiring to become officers through the world every year. They head to different regions. It could be a very good idea to propose our ship to come to Australia, as some of our partner countries of Latin America have done in the recent past.

Senator FORSHAW—That is why I asked, because I know they create a lot of interest here in the Australian community when they visit the cities. There is always a lot of goodwill. It is an opportunity to highlight your country to the Australian population, as well as the interchange with the two navies. Unfortunately, we do not have a tall ship, but we have the *Young Endeavour*.

Ambassador de la Puente—I agree with you. It would be a very important opportunity to promote the institutional links between our navies and armed forces, but also to have the opportunity for the over 8,000 Peruvians who live here in Australia to have contacts with the ships when they arrive in Perth, Sydney or other ports in Australia.

Senator FORSHAW—I know it is still about 12 years away, but in 2020 it will be the 250th anniversary year of Captain James Cook's exploration to not just Australia, but also through the Pacific. It is still quite a few years off, but people are looking at that as a bit like the Bicentenary when we had a lot of training ships from the navies visit Australia. That was in 1988.

Ambassador de la Puente—That would certainly be a landmark. I always want to refer to some historical references which show that our presence here in the Pacific does not go back only to the APEC times but, on the contrary, it goes back for centuries. Some of the first expeditions launched to the area of the Pacific from Latin America originated in Peru. In the 1560s Alvaro Mendana reached what is now the Solomon Islands, and something that is very important to Australia is that later on Torres and Quiros launched their expedition from Callao, the port of Lima, so we have historical links back in time which put Australia and Peru even closer.

Mr BRUCE SCOTT—I would like to ask you about the global financial crisis and how you are viewing that in relation to the effect on your domestic economy. I must say that you have got a very impressive, comprehensive and wide-ranging list of exports from basic agricultural goods to services and mining products. I am wondering how you see the global financial crisis. Are there any estimates coming out of your treasury or financial officials?

Ambassador de la Puente—What is important to note in the case of Peru is that we feel that we are better prepared than in any other circumstances to address this huge challenge. No country in the world will escape the effects of the world financial crisis. Nevertheless, some financial analysts in the region have pointed to Peru as a country which is better prepared to do it. We will probably not grow as we have been with eight or nine per cent next year, but estimates in this very serious crisis anticipate that our economic growth next year will be no less than six to six and a half per cent. Considering the international crisis, that is quite an important and remarkable figure. This shows the soundness of the booming economic process in Peru. It is an economic growth based not only on the prices of commodities or metals basically—we are very strong in mining—but also some other areas of our economy have been growing substantially such as agribusiness, fishing, tourism, construction and internal demand consumption. Peruvians have more resources to spend, not only in Lima but also in other cities throughout the country.—

I would say that our fiscal position, our economic position, and exchange rate are very solid, so our macroeconomic conditions are sound to resist the base of this financial crisis. I would not

be arrogant to say that we will not suffer to some extent the effects of the crisis. We will reduce our expectation of growth, but nevertheless it will be no less than six or six and a half per cent.

Mr BRUCE SCOTT—That would be considered spectacular growth for some countries. I must say that with 60 per cent of your total exports coming from the mineral sector, even in Australia we are all so aware that will be the sector that is going to be affected and roll back through our economies until we start to see a turnaround.

CHAIR—Excellency, it is time to conclude this part of the hearing. Thank you for your attendance here today. If there are any matters on which we might need additional information, the secretary of the committee will write to you to seek further and better particulars. The secretary will send you a copy of the transcript of your evidence to which you can make any necessary corrections to any errors if they arise in transcription. As Hansard may wish to check some details concerning your evidence this morning, I would appreciate it if you please remain for a short time so that the Hansard reporters can speak with you if necessary. Thank you for your submission, the additional PowerPoint presentation, your opening statement and for such an open discussion with us.

Ambassador de la Puente—Thank you. This process has been particularly helpful. I would like to reiterate our gratefulness for the opportunity to participate in this open inquiry. I am sure that this will be to the benefit of new, stronger and expanded relations between our two countries.

CHAIR—It is to our mutual benefit. I would like to welcome our diplomatic friend, the Deputy High Commissioner from the Malaysian embassy.

[10.27 am]

BETANCUR, Mr Diego, Ambassador, Embassy of Columbia

FORERO, Mr Carlos Arturo, Counsellor, Embassy of Colombia

CHAIR—I welcome His Excellency the Ambassador for Colombia, Mr Diego Betancur and also welcome the counsellor from the Colombian Embassy, Mr Carlos Forero. On behalf of the subcommittee I advise that we prefer that all evidence be given in public. Should you at any stage wish to give evidence in private, you may ask to do so and the subcommittee will give consideration to your request.

Although this committee does not require you to give evidence on oath you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chambers themselves. Before proceeding to questions, would you like to make a short opening statement to the subcommittee? I note that we have the copy of your written submission and would like to thank you for such a comprehensive submission.

Ambassador Betancur—I would like to thank you for this opportunity. I do not want to spend too much time with an opening statement because we would prefer to answer any questions that may have arisen during the past few weeks since we handed the document to this committee.

I would like to point out a few new developments that we have had in the commercial and diplomatic relations between our two countries that might be of interest to this committee. Since then we have had a very interesting situation which has occurred in the visit that we have had from Mr Peter Beattie over the last couple of months as the new Queensland Trade Commissioner to America based in LA. Mr Beattie has been in Colombia a couple of times in the last few months and during his visit, which was his first ever visit to Colombia, he had conversations with our Minister of Trade, the Minister of Transport, Colombian businesspeople and the universities. On his way back to Brisbane he delivered a speech to the Queensland exporters week just a few weeks ago in which he highlighted his visit to Latin America—to Peru, Chile and especially to Colombia, which is our country of interest. He supported quite a few good infrastructure projects that Colombia wants to develop in the future. These projects include railway construction projects to deliver coal. We have a huge quantity of coal and are the fifth largest exporters of coal in the world. He spoke in Colombia about the clean coal technology that Australia has. Colombia needs this clean coal technology; we are looking for that technology, which is very well developed in the state of Queensland and in Brisbane, especially. I handed over to you a few notes that he made in his speech to the business and exporters' community in Queensland.

CHAIR—Did you say that we have a copy?

Ambassador Betancur—Yes.

CHAIR—Is it your wish that we take it as an exhibit within the hearing?

Ambassador Betancur—Yes.

CHAIR—Is it the wish of the Trade Subcommittee that the document be received as evidence to the inquiry. There being no objection, it is so resolved.

Ambassador Betancur—Mr Beattie supported these projects and at this time he is organising a business-like entrepreneurial delegation of Queensland businessmen to Colombia in March of next year. We are expecting the Minister of Trade for Colombia to come over on his first visit to Australia to find out and go into detail on these new projects, including railway ports that we need to export the coal and, as I mentioned, a new port on the Pacific coast. We will speak about APEC a bit later. We hope that with the visit of our Minister of Trade in March or April that we can develop an agenda for our common future.

I would like to highlight that during the APEC summit meeting in Lima last week the President of Colombia, Mr Alvaro Uribe, addressed the CEO summit on the Saturday and he highlighted a few points. He told the summit that Colombia is building trust and safety and that the capital, Bogota, and the other main cities are safe and terrorism is being defeated in all the territories. Social responsibility and sound environmental practices are important for investors. The poverty line has been reduced significantly, from 58 per cent in 1999 to 38 per cent last year, but there is still a lot to do.

The government fully backs investment and, as a result, foreign direct investment totalled over \$9 billion American last year. As we already mentioned, the priorities are infrastructure, education and training, including virtual education programs and software widely used and available in Australia, as well as a focus on English. We have had some scholarships between Australian universities and Colombian universities in recent years, but some of them have failed because those scholarships have to work on the basis of reciprocity, which means that if we send two Colombians to the Box Hill Institute in Melbourne, then Australia has to send two Australians to Colombia. We find it a difficult situation because we cannot easily find Spanish speaking Australians. Even though there are 16 departments of Spanish in 16 Australian universities, we have met with them and there is some interest in Spanish, so I think you could help us work further in that area. Of course, if the Australian companies are going over to Colombia, as they have done in the past few years, including BHP, Orica, Nufarm and so on, as well as some smaller ones, then they will need to have Spanish. It is very important. As everybody knows that there are 500 million Spanish speaking people around the world, including our fellow Peruvians, and there is also Portuguese, of course.

In the meeting in Lima our President was able to meet for the first time with Prime Minister Rudd. They spoke for a while and they revised the three or four main topics we mentioned before. Of course, the visit of our President to Lima was to stress the need that Colombia has to be a member of APEC. As you know, we have 1,600 kilometres of Pacific coast that we share with Panama in the north, Ecuador in the south and the rest of the Latin American countries. We feel like the Pacific for us is a natural scenario, because we have to develop the deep sea fisheries in the future that we have not developed yet. It is a region of Colombia that needs a lot of social investment. Even though we have a port there, APEC for us is a way to diversify our foreign relations. We have, of course, many free trade agreements with all Latin American countries. We are probably signing a free trade agreement with Peru next year and with the European Union. We signed a free trade agreement with Canada in Lima just this last Saturday.

We have received a very warm welcome for membership of APEC in 2010 on which we are working very hard and hope to arrive to that Pacific port in the near future.

Finally, our President, Mr Uribe and our Minister of Trade, Mr Plata, spoke about the first step to establish more commercial links. Next year he will bring a draft of a mutual agreement on investment to protect investment between the two countries and an agreement to avoid double taxation for Australian companies in Colombia. That is all I have to say at the moment, but I am open to any questions.

CHAIR—We will have some questions. Feel free to have an open dialogue with us. Your additional comments were most helpful and welcome. I did note in your submission the issue about the double taxation, but it is also pleasing to hear that the trade minister will visit next year. As you said, it will be to Queensland, in particular, because of the involvement of Mr Beattie, the trade representative for Queensland, but equally we hope to see the trade minister in Canberra.

Ambassador Betancur—Yes, he will come here.

Mr BRUCE SCOTT—Thank you for your excellent presentation. You have a very comprehensive list of exports which augers well for the growth and prosperity in the future. Of course, we want to be part of that prosperity as you grow and I think our bilateral relations are going to be terribly important. You mentioned the issue of scholarships and students studying at our universities. Was it the issue of Spanish speaking or was it that we are not getting students going to Colombia in exchange? Is that how the scheme works?

Ambassador Betancur—I will ask Mr Forero to help us on this point.

Mr Forero—In respect of the scholarship program, in the past we have had several agreements between the institutions in Australia and Colombia providing for students from both countries to take courses like masters or short courses in both countries. These agreements have been negotiated through the Colombian government institution in charge of the issue of the scholarships, which is called ICETEX. However, we have noticed that most of the opportunities available for Australians have been missed because of the fact that instruction in Colombia is mostly delivered in Spanish. We contacted our Australian counterparts and they said that most of the students were a little bit scared of going there and doing a course without the language. For that we are encouraging the Australian institutions that have Spanish departments to take advantage of these programs. The only problem we are facing is, as the ambassador mentioned initially, these programs are based on reciprocity. It means that the institutions in Colombia have these programs available to, in this case, Australian students as long as the Australian institutions are ready to grant the same conditions to Colombian students. There are two issues that we consider could be worked on and solved. First of all we need to focus on Australian institutions with Spanish departments and, secondly, to be ready to grant the same conditions that the Colombian government offers.

Mr BRUCE SCOTT—I would like to ask about students studying here privately at university. We have that situation with Peru where there are students who come here privately to study at university. Do we have any students coming from Colombia to study at our universities?

Mr Forero—Outside the scholarship programs?

Mr BRUCE SCOTT—Yes.

Mr Forero—Yes. After Brazil, Colombia is the first consumer of education services in Australia. There are about 6,000 Colombian students in Australia at this moment, so there is a big market.

Mr BRUCE SCOTT—Are they also allowed to work? Do they come here on the same principles as those from Peru where they can work 20 hours per week?

Mr Forero—It is the same principle, 20 hours per week.

Mr BRUCE SCOTT—I would like to discuss military cooperation. We have common borders and interests in the Pacific, of course the Antarctic, and particularly deep sea fishing. Do we have any military officers from the Colombian services that come to our Defence Academy here in Canberra?

Ambassador Betancur—Your Federal Police have four members of their police based in Bogota in the Canadian embassy. They work there. They have their premises there. They have very strong relations with the Colombian police on detection of trafficking and illegals. It is not very much, but we do have this cooperation. We do not have military cooperation in which our country might be helpful because of the situation that our military forces have had to deal with in the past 20 years, this scourge we have suffered, but fortunately we are overcoming this and see a bright future. We have developed many skills in the terrorism theme that could be useful in the future and, of course, we are committed, along with Australia, to the international fight against terrorism.

Mr BRUCE SCOTT—Have you any insight into the global financial crisis on Colombia? Do you feel that it is going to slow the economy of Colombia? What impact do you anticipate?

Ambassador Betancur—Medium term, like many of our economies that export prime materials, minerals, like we do the consumption—perhaps it is the same here also—will suffer from the slide in demand over the next few years as the global economy is slowing down. But directly in respect to the funds, we did not have close ties with the American funding system that went into meltdown. Of course, we will not be expecting the economy to grow as much as we thought next year, but we hope to have a soft landing.

Mr BRUCE SCOTT—Very good.

CHAIR—Your submission indicates that the two-way trade suffered a decline in 2005 but started to recover in 2006-07. Can you outline the prospects for 2008 and expectations for 2009?

Ambassador Betancur—The commerce is not a huge amount. We have been steady in the last few years and I think we can keep it. In the way that the interest and the visits of your Australian businessmen and the visit of our Colombian businessmen to Australia would foster in the future, we see it is happening very fast. I mentioned the visit of Mr Beattie, but there was also a representative of your Australian Trade Commission to America. He pointed out to us the

other day their priorities for Colombia in the coming years. I think if we could start working, as we are doing, on investigating which sectors of the economy can be of mutual interest, commerce could grow in the near future.

The presence of the Australian mining companies with their IT equipment and clean coal technology would be very important, as is the tourism industry in Queensland, which is very well developed. We need that for our Atlantic coast, where we need to develop the tourism industry. There is some interest in the cattle industry in Rockhampton and there is already some interchange of genetic embryos, or buying embryos and semen, from Rockhampton to Colombia and going back.

In the sugarcane industry we have strong ties with your sugarcane association from many years ago. Colombia is a big exporter of white sugar. We export one million tonnes a year and the industry has close ties with the sugarcane industry here in Mackay and they have been working in technical interchange of agronomists and technicians to develop new varieties. There are quite a few things we can work on in the near future.

CHAIR—They are good prospects. I have some follow-on questions from your answer. I understand that your Minister for Commerce, Industry and Tourism is visiting next month. Is that correct?

Ambassador Betancur—No. He was supposed to come in the first week of December, but he had to postpone the visit until March. We were expecting the sitting days of parliament, which I think is 7 February, to reschedule his agenda for late February or the first week of March because the delegation of Queensland businessmen is going on 20 March to Mexico, Colombia and some other countries.

CHAIR—That is good to know that it will be next March and it is still going ahead. Have you had any discussions with Australian Foreign Affairs and Trade about improving visa access for business travellers and investors, because I note that was mentioned in your submission?

Ambassador Betancur—Yes. We have had many different meetings with officials from DFAT. We have met with Minister Crean a few months ago. We met with the Austrade people, who are very active in Colombia. They have one person in Bogota. It is on the side but I would like to point out that the decision of your Prime Minister to open an embassy in Lima, Peru, for us is good news because we have to do all the red tape and visas for 1,000 students coming a year through Santiago in Chile. We think that the opening in Lima will be a step ahead in the opening of a general consul, but an embassy in Colombia is badly needed because the commerce is growing very fast and the student community is interchanging a lot with Australia. Your very good ambassador to Chile, Mr Crispin Conroy, has a huge task attending Peru, Ecuador, Bolivia and Colombia. If your government decides in the future to open up a consulate and an embassy in Colombia, it would help to strengthen these ties.

Mr Forero—I can make a comment on the business visa issue. We have always wanted and have mentioned our interest to facilitate the movement of people, as the ambassador mentioned, that is students and businesspeople given that the contacts and the commercial links are increasing. In the case of Colombia, every time an Australian businessman plans to travel to Colombia the business has to pay the Colombian government something like \$300 for a business

visa for a short period of time. The procedure is very straightforward, so it is not a real hassle. The problem for the Australian businessperson would be that they have to pay every time. If the Australian government could mention the interest of signing an agreement of visa waiver, for instance, for businesspeople then that would be very good for the Australian businesspeople in terms of economy and for the Colombian businesspeople in terms of the process and the red tape procedures the ambassador mentioned. We have the problem of having to send passports and all documentation to Santiago, and maybe later to Lima, but it is still a very lengthy procedure. The government of Colombia and particularly the Ministry of Foreign Affairs is very keen and very open to that type of proposal.

CHAIR—Senator Forshaw.

Senator FORSHAW—You have answered a couple of questions that I was going to ask. One of them was about the diplomatic representation. You mentioned that currently our ambassador in Santiago, Mr Conroy, who I have met and who is an excellent representative, is also our representative for your country as well as Peru. It is a big area. I appreciate very much the view that it would be ideal to have a separate embassy. These are matters for government, but we certainly appreciate your position on that. You said we have a representative for Austrade in Bogota. Is it just one person?

Ambassador Betancur—One.

Senator FORSHAW—Is that a permanent office we have there with one person?

Ambassador Betancur—Yes.

Senator FORSHAW—One person is better than none, but that is a very heavy load. I notice in your submission that you stated ways to improve the opportunities and you mentioned promoting the increase of strength in the contacts between chambers of commerce, industry groups and so on. I was wondering what role Austrade played. You made a comment that you felt it was good, but do many Colombian businesses seek out Austrade—

Ambassador Betancur—Yes.

Senator FORSHAW—in Colombia and maybe also your embassy here in Canberra?

Ambassador Betancur—Yes. Politically speaking and strategically for us it would be very important for you to have a general consulate embassy there because Colombia is a huge country. It has a population of 45 million. From the market in Colombia you can export to Latin America, Central America and so on. The person in charge of trade in Colombia is very smart and very well connected, but he is too alone there. Perhaps the person with Austrade in Lima, who represents Austrade and at the same time is the general consul of Australia there, could assist. The Austrade effort that he makes needs to be supported because it will start running like a ball of snow in the next few months with the situation.

Senator FORSHAW—As a first step you would obviously like to see an increase in the staffing and the representation of Austrade in Bogota. I appreciate that.

Ambassador Betancur—Yes.

Senator FORSHAW—You also mentioned the possibility of entering into negotiations for a free trade agreement. We asked the previous witness, His Excellency from Peru, the question about getting the right balance between negotiating a free trade agreement on a bilateral basis. Your country and other Latin American countries have had a fair amount of experience in that regard in endeavouring to promote the Doha round through the WTO. Have there been official approaches made to start FTA negotiations between Colombia and Australia and, if so, does your government have a time frame in mind as to how this might proceed?

Ambassador Betancur—Last May we had a visit of our president of the sellers group, the main businessmen body of Colombia. We met with Mr David Spencer. The idea of the FTA was mentioned briefly in this one hour meeting with Mr Spencer. It will take us some time, but a good way to start—the foundation stone—these proceedings of the FTA in the future would be to have a mutual agreement of protecting investment between our two countries and to avoid double taxation. The Prime Minister spoke about that with our President in Lima last Saturday, that is to begin with the mutual protection agreement and to avoid double taxation as a way to start the process of the FTA.

Senator FORSHAW—I understand; that seems appropriate. Would you envisage any major sectors of your industry where there might be difficulties in negotiating a free trade agreement? From what I can see there is a fair amount of complementarity within our trade arrangement and it is unlikely that there would be any significant blockages. You are active in promoting agricultural liberalisation.

Ambassador Betancur—We share with your country the global alliance of the Cairns group and the liberalisation of sugar commerce. No, I would not; besides at this time any blockades create difficulties for that, but our economies could be complementary.

Senator FORSHAW—Trade with Colombia, as indeed it is with a number of the other Latin American countries, of course is heavily focused. At least exports from Australia to your countries are focused upon mining, construction and agriculture. That includes some of the service industries, particularly mining and construction. Do you see a scope for increasing trade in services in other areas? We have talked about education with students, but I am thinking of finance, the health industry and things like that.

Ambassador Betancur—There could be an opportunity with finance. The Colombian banking system is very solid. We have Spanish and American banks. Call centres would be a good idea because our Colombian Spanish is a very neutral Spanish. The companies have been interested in placing the contact centres in Colombia because the Colombian Spanish is very well understood in Mexico and Buenos Aires. They can comprehend it very easily. The Australian companies could sell from Colombia and call to the Mexicans and Argentineans or whatever. They get these ladies who are very well understood because of the neutrality of our Spanish. Call centres could be an opportunity and they could be established in the free trade zones, because we have a policy of free trade zones. We have 50 free trade zones. There are 15 on the Atlantic coast near the main ports of exports, Cartagena, Santa Marta and Barranquilla. Near the ports we have the free trade zones, so companies can come over with their products. They do not pay taxes for that. They can add value and local labour to this product and we

export it to another market with tax exemptions. We have some free trade zones on the Pacific also and in the big capitals; they are a very interesting opportunity to place investments.

CHAIR—The deputy chair has a final question. He is a Queenslander, so he is acutely interested.

Mr BRUCE SCOTT—I am interested in Mr Beattie who was there last week on 19 November. He was at a major mining congress. Your submission mentions clean coal technology, which raises the issue that the whole globe is dealing with climate change. Is there a position that Colombia might be taking, particularly as we lead into Copenhagen next year? That is emissions trading, carbon emissions, carbon reduction, and the carbon pollution reduction scheme here in Australia.

Ambassador Betancur—Colombia has an advantageous situation. It is very well positioned for the coming discussions on carbon emission trade and carbon emission schemes. You would be very pleased to hear that at the present time different Colombian companies and groups have fired over 100 projects before the United Nations dealing with carbon trade. These are projects that have been fired there to the United Nations, looking for foreign support and foreign partners. There are agreements signed currently. The most recent was with the Netherlands. They are involved in reforestation operations in Colombia and the Colombian company has agreed to give certificates. There are over 100 projects, which Australia might find interesting.

Mr BRUCE SCOTT—We would find that very interesting. Is there any way the committee can get a list of those?

Ambassador Betancur—We can certainly work on that and make sure that we get more complete information on that field.

Mr BRUCE SCOTT—It opens up the issue of the technologies that will be used as we go forward with reducing carbon emissions into the atmosphere, as well as reforestation and clean coal technology, whatever that ultimately will mean. I think it means disposing of the carbon dioxide emissions.

Ambassador Betancur—The other advantage that Colombia poses is that, despite being a coal producer, over 80 per cent of the energy we consume comes from hydroelectric. We have a lot of potential to sell our share of emissions because we do not produce thermal electric energy. That is another field of application.

Mr BRUCE SCOTT—As a Queenslander I could not end the questions without mentioning your reference to beef genetics. You probably have the information on Beef Australia 2009 at Rockhampton. I am sure Mr Beattie will ensure that there are some beef industry people visiting Rockhampton, which I will be visiting as well. I imagine we would see someone from the embassy up there as well.

Ambassador Betancur—Yes, of course. Mr Beattie met with the president of the National Cattle Association in Colombia and they spoke at length on Rockhampton for March or April next year.

CHAIR—Excellency and Counsellor, I would like to thank you for the provision of your submission and your opening remarks today, which gave us additional information. Also, in our discussion we were able to find out some things that we were not aware of, so it was all very useful information. I thank you for your attendance. If there are any matters on which we might need additional information, and I note you said you would provide more on the carbon credit situation, the secretary will write to you. The secretary will send you a copy of the transcript of your evidence, to which you can make any necessary corrections to errors of transcription. As Hansard may wish to check some details concerning your evidence, please remain for a short time so that Hansard reporters can speak with you if necessary.

Ambassador Betancur—Thank you.

Senator FORSHAW—I would like to thank His Excellency and your government. You hosted a delegation from this parliament a few months ago. I was not on that committee, but I have spoken to all the members of it and they had a very exciting, enjoyable and informative time, including Senator Hutchins who managed to be seen by about 40 million people on TV. Thank you once again for that.

[11.24 am]

JILANI, Mr Jalil Abbas, High Commissioner, Ministry of Foreign Affairs, Government of Pakistan

CHAIR—On behalf of the subcommittee I welcome the High Commissioner for Pakistan and also the Deputy High Commissioner to the hearing today. Although the subcommittee prefers that all evidence be given in public, should you at any stage wish to give any evidence in private, you may ask to do so and the subcommittee will give consideration to your request.

High Commissioner Jilani—I feel honoured to be invited to give our point of view on a number of issues that you are interested in. I have been here for almost a year and a half and I am absolutely loving my stay in Australia. It is a great country to be in.

CHAIR—I would like to note that although the committee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of chambers themselves. Please proceed.

High Commissioner Jilani—Once again, my gratitude to the subcommittee for affording me this opportunity to speak on ways of expanding Australia's trade and investment relations with the countries of the Asia-Pacific region. We are interested that Pakistan should also be included in this review.

Before I get into the trade issues, I would like to express our profound gratitude on behalf of the government and the people of Pakistan to the people and the government of Australia for the support that Pakistan has received in regards to the many challenges that we have been facing in the past couple of years. We are delighted that the Pakistan-Australia relations are on an upward trajectory. Our trade relations are improving. Our defence ties are growing. We have established a defence strategic dialogue between Pakistan and Australia. The second meeting of that dialogue took place recently in Islamabad when Air Chief Marshall Angus Houston visited Islamabad.

Our trade and defence ties are growing. Australia and Pakistan are partners in our joint fight against international terrorism. At the political level we are cooperating on various forums. Australia is also a member of the recently formed Friends of Pakistan group. This group is a recent initiative to help Pakistan overcome its economic problems in the face of current global and economic crisis and terrorism. While we are coping well with the support of our partners in overcoming our economic problems, terrorism and extremism constitute the biggest challenge being faced by Pakistan at the moment. Pakistan is playing a pivotal role in the fight against these global forces of extremism and terrorism and we see your support in the Friends of Pakistan group as an acknowledgement of the role Pakistan is playing in rooting out terrorism and extremism.

Pakistan is a very important country in the Asia-Pacific region. We are located at the hub of south and central west Asia. We provide the shortest access to sea for landlocked central Asian

states and western China. Pakistan has immense potential for multiple corridors of interaction and cooperation involving energy, trade, communication and tourism. Due to the strategic location of Pakistan, it is also becoming the trade, energy and transport corridor for countries of the region. We are a nation of 165 million people, with a growing middle class. As we speak today our per capita income is US\$1,085. There are 20 million to 30 million Pakistanis who constitute the middle class, earning something between \$10,000 to \$15,000 on BPB terms, and they constitute a large and solid market for the purchase of goods and services. Apart from the strategic location of Pakistan, it has a trained a workforce of English speaking manpower. We have a large pool of doctors, engineers, accountants, managers and IT professionals.

For the last five consecutive years, despite all the problems that we face on account of terrorism and the deteriorating security situation in Afghanistan, we were able to achieve a growth rate of 7.5 per cent.

I now come to Pakistan-Australia bilateral trade. The volume of trade between Pakistan and Australia is currently around US\$700 million. Balance of trade during the last eight years has remained in favour of Australia. It is almost a ratio of 80 per cent to 20 per cent out of the \$700 million that we are talking about. The 80 per cent share is Australia's share and the 20 per cent share is that of Pakistan. Australia's exports to Pakistan jumped from US\$226 million in 2001 to \$523 million in 2007-08. Exports from Pakistan increased from \$113 million to \$138 million during the same period that we are talking about. We are Australia's 28th largest market for merchandise export with major exports including wheat, animal oil and fat, cotton, coal and iron ore, fertiliser, steam machinery and parts and chemical materials and products. Major items of exports to Australia from Pakistan include made-up articles of textile materials, cotton fabrics, petroleum, apparel and clothing material of textile, rice, sports goods, carpets and rugs, synthetic fabrics, furniture, medical and surgical instruments, hosiery and spices.

More than a dozen Australian companies are based in Pakistan. The major one is BHP. ANZ Lend Lease has one of the largest banking operations in Pakistan. BHP operates the second largest gas fields in Pakistan. It has also discovered oil in areas that has been allocated to it in the last couple of years. Tethyan is another Australian company that is involved in gold and copper mining in the province of Baluchistan. They are in partnership with a Chilean firm and also a consortium of Chilean, Australian and Canadian firms who are working on that mine in Pakistan.

In addition to the major Australian companies which are actually based in Pakistan, 127 other Australian business entities are regularly doing business with Pakistan in terms of importing or exporting various items. These 127 businesses include the universities in Australia, because they are also luring a large number of very bright students from Pakistan to study in Australian universities.

Before I come to recommendations I will briefly mention the kind of challenges we are faced with and why we need the support of the committee and the parliament in order to help us economically. We have a new government in Pakistan. It is a political, democratically elected government, which came as a result of the elections which were held in February of this year. The extremely good thing that has happened as a result of those elections in Pakistan is that all those parties which were in one way or the other affiliated or perceived to be sympathisers of extremist elements have been completely defeated in the elections. This relates in particular to the two provinces of North Baluchistan and North-West Frontier province which, according to

many analysts, were drifting towards extremism and intolerance because these two provinces are on the border of Pakistan and everybody thought that there was a significant influence of Taliban and elements in these two provinces. The very fact that all the religious parties were completely defeated and moderate, secular political parties were voted into power, even in these two provinces, shows the kind of trend that the country is moving towards and also shows the kind of anger that the people of Pakistan have developed against the forces of extremism and intolerance.

We still have to grapple with many challenges. I mentioned at the beginning of the hearing that the biggest challenge that we are faced with today is extremism and terrorism, together with the economic challenge. As I mentioned, we were doing extremely well economically during the last five to six years, but all of a sudden during the last year a number of factors contributed to an economic slowdown. Firstly, there are the incidents of terrorism. Our decision to participate in the war against terror has created a lot of difficulties for us at the same time. It is certainly unnerved Al-Qaeda and Taliban elements operating in the tribal areas of Pakistan and they have reacted violently to actions taken by Pakistani forces on the Pakistan-Afghanistan border. They have hit back and triggered suicide bombings at several places.

On the one hand our economy has become a victim of these terrorist incidents because any terrorist incident taking place in any city drives foreign investors away. Last year we had a foreign direct investment of almost \$7.5 billion. In this year's figure there is a 20 per cent drop in that foreign direct investment because of these terrorist incidents that took place in Pakistan. The bombing of the Marriott Hotel in Islamabad in which 60 to 70 people were killed was enough to deter most of these investors away from investing in the country. We have achieved significant successes against Taliban and Al-Qaeda elements in the tribal areas, but these suicide bombings have created a negative perception.

The other problem we have faced is the rising oil prices that we witnessed recently. Luckily there has been a drop in the prices, which is extremely good for us, but that particular year in which the oil prices went up from \$60 to \$150 disturbed our balance of payment situation to a great extent. This has been coupled with the rising food prices. In Australia you had a drought and there was very little surplus of wheat to be exported. Pakistan, which is not only a wheat producing country but also a wheat importing country, ended up feeding not only the 165 million people in Pakistan, but also Afghanistan because Afghanistan depends on Pakistan for many food products, including wheat. Iran is also dependent on our wheat. Our wheat at this time was smuggled to most of the countries, including the central Asian republics. These were basically the factors that had a very negative effect on the economy of the country.

We are cognisant of the fact that improving economic conditions of the people, particularly in the poor regions of the country, is of paramount importance because we have to create jobs to give them a better standard of living, otherwise they will become the recruiting ground for extremist elements, including Taliban and Al-Qaeda. This is what we have witnessed in the last couple of years. They act like predators. They go to the areas where there is poverty. These people have the drug money and all sorts of resources and they can lure this poor section of the society into committing all sorts of heinous crimes, including terrorism.

We also want to replace the madressas in Pakistan. I am sorry for a slight drift from the economic issues to some of the security and educational issues, but there is a very important

linkage between the security and economic situation of the country. Unless you improve the economic conditions, the security situation will not improve significantly. We want to replace the village madressas and militant madressas which were established in the tribal areas of Pakistan along the Pakistan-Afghanistan border during the Soviet invasion of Pakistan with quality educational institutions. We want to provide them with jobs. We have embarked upon a program of developing the two provinces in the federally administered tribal areas of Pakistan bordering Afghanistan with the help of our friends such as Australia, the United States of America, the UK and the European community.

As a matter of fact, there is already a comprehensive program of economic development that is being negotiated by us with America. The American Congress has a bill which has been presented for the provision of almost \$850 million for the development of the tribal regions of Pakistan. What will happen with this seed money that will be provided by them is that we will establish industries, develop infrastructure, establish vocational institutions and quality schools in the tribal areas so that the product that emerges out of the younger generation should also become an active part of the economic development in the country. The products from the industries set up in the tribal areas of Pakistan would enjoy duty free access to the American market and also in the European market. This is the broad plan of action that we have at the moment.

We have very limited resources. We cannot bring about all these changes on our own. That is why we have to rely on our friends abroad. We are not asking for any financial assistance. The main thrust of our argument is to request that you give us concessions in trade. Do not give us aid because aid is something which is not going to take us anywhere; it will make us lazy and stop us from doing constructive things. The trade will help us to build more industries and create more jobs in meeting the challenges of terrorism that we are faced with at the moment.

With this background I would like to make some recommendations that I would submit before you for your consideration, with the request that these must be included in the final report that your committee comes up with. Again, I would like to reiterate that we would like to overcome and meet our economic problems. We want to meet our challenges through trade, not with aid. That is the first point. As I mentioned earlier, the balance of trade has always remained in Australia's favour. We need some help in that area. In order to help Pakistan economically we need to expand our exports. More exports will attract more investment in industry and will provide more jobs for the people, including in the tribal areas of Pakistan. We request market access to Australia, which we feel is of paramount importance for the growth of exports from Pakistan.

The textile and garment sectors constitute about 50 per cent of Pakistan's global exports. This is a labour intensive sector and can create more jobs with every dollar invested. Presently no tariff concession is available to Pakistan under Australia's GSP scheme. Due to the specific conditions in Pakistan, the economic losses that we are suffering on account of terrorism and the deteriorating security situation in Afghanistan, we urge you to allow us tariff concessions and a generalised system of preferences which are available to LDCs. You may argue that Pakistan is not an LDC country. I would agree with you, but then there are countries, apart from LDCs, which receive concessions due to special circumstances. At the moment we are facing those special circumstances. The European Union has such a clause and we really do not see why this same clause cannot be inserted in your regulations.

Secondly, our request would be that Australia could agree to our proposals mooted during the Cairns group meeting in 2006. During that meeting Australia and Pakistan had agreed to establish a joint study group on trade. In that joint study group we made certain proposals, including the extension of the GSP concessions to Pakistan and also a proposal to initiate FTA negotiations with Pakistan. We were told to give specific proposals in this regard. We also submitted these specific proposals to the Department of Foreign Affairs and Trade. A push forward from your side will certainly help us in getting those proposals to materialise earlier. We are a part of the Cairns group and we have played a significantly important role in the proceedings of the group.

We are grateful to Australia for the establishment of the Agriculture Linkages Program, which was established two years ago with an allocation of about A\$6.5 million and has achieved great results. It has certainly helped our agriculturalists learn the best practices from Australia. It has increased productivity. It has done some wonderful things. This program is likely to come to an end by June next year. Our request would be that the Agriculture Linkages Program should continue with more allocation towards this program. Rather than \$6.5 million which was earlier allocated to this program, the amount could be increased to \$10 million for the simple reason that we have recently learnt that the Pakistan development assistance from Australia is going to be increased from the current level of \$35 million to \$50 million. That should justify the increase in the Agriculture Linkages Program that we are talking about.

We could also establish cooperation on phytosanitary standards. That is something that is an area that we would be interested in. For the last two years negotiations have been going on between the trade officials of the two countries for the import of mangoes and citrus from Pakistan. I can assure you that we produce the best mangoes anywhere in the world.

CHAIR—Better than Bowen mangoes?

High Commissioner Jilani—They are better than any mango, and those who have visited Pakistan can testify to that fact. You can ask my counterpart in Islamabad, Ms McCarthy, and they are one of the best. We have 150 varieties of mangoes. We export mangoes to everywhere in the world except Australia because of the very tough standards that are applied to the import of mangoes and citrus. Again, we claim that we produce the best citrus fruit. It has the best aroma and taste, and it sells at a premium in the European, American and Japanese markets. Negotiations are going on. There were certain requirements that the Australian government wanted us to fulfil before the import of mangoes and citrus was allowed into Australia. Many of those steps have already been taken regarding quarantine requirement, the quality of the fruit and the other standards that they asked us to meet. We would request that process should also be fast tracked.

We also need to sign an agreement on the avoidance of double taxation. This is something of paramount importance for the business communities of the two countries. It would certainly send positive signals to the business communities of the two countries. The issue is currently under consideration by the Assistant Treasurer, Hon. Chris Bowen MP, as part of a broader review of Australia's treaty programs. The committee could form a recommendation for the early finalisation of that request.

Establishment of an Australia-Pakistan business council is extremely important. Given the size of our trade and Australia's investments in Pakistan, the establishment of an Australia-Pakistan business council would be a step in the right direction.

I mentioned the FTA negotiations. We have benefited all those countries. The honourable members of this committee would know better than anyone that FTA does help both ways; all the countries benefit. We have signed an FTA with China and most of the Asia-Pacific countries, including Malaysia and Singapore. Negotiations are at an advanced stage with Indonesia. We have initiated negotiations with Korea. It is of paramount importance, given the importance that the people of Pakistan attach to Australia. We also need to begin those negotiations at an early stage.

An MOU between the investment promotion entities of Australia and Pakistan is also of great importance. We need to have this kind of MOU in order to promote investments in the two countries.

Exchange of business delegations is another issue. While I am cognisant of the fact that it is the business community itself which has to take the initiative in visiting each other in order to establish contacts and that government can only act as a facilitator, but we can certainly do some things. We can encourage the chambers, the business community, Austrade and Australian investment to establish these linkages which are of great importance.

One very serious problem that our businessmen face is getting visas. I receive queries from our business delegations desiring to come to Australia because the visa process takes quite a while. This is affecting us in many ways. Every year before every education term I receive telephone calls from concerned parents and students who cannot get visas to start the semester because the visa clearance is something that takes ages. This problem is also being faced by members of the business community. To give you one example, last year the delegation of the Federation of Pakistan Chambers of Commerce and Industry visited Australia. They arrived and I was not informed about it. When I spoke to them I said, 'You could have told me and I could have made some better arrangements for your meetings.' They said, 'At the last minute we didn't know whether we would be able to visit Australia or not.' They were coming here on the invitation of the Australian chambers because of the Asia-Pacific countries chambers meeting that were taking place in Perth and they were to attend that meeting. They said that it took them at least four weeks to get clearance, after making regular calls to the High Commissioner, Ms Zorica McCarthy. Ms McCarthy is a wonderful person and extremely popular High Commission representative of Australia in Pakistan doing wonderful things to expand the relations between the two countries, but even she was helpless because every case has to come here for clearance and the high commission perhaps does not enjoy the flexibility to issue visas on its own.

We have a bilateral agreement on promotion and protection of investments. We feel that there are tremendous opportunities for Australian companies to invest in Pakistan in the oil and gas, mining, coal, manganite, marble, gold, copper, uranium and power generation. We have the largest coal reserves. We can become a good competitor in the world. We need hydrothermal coal, solar, wind and biogas energy in Pakistan. Australian companies can invest in Pakistan. Agriculture, dairy development, IT and telecom, shipping, fisheries and the auto sector are some of the sectors that are open.

We have a liberal investment policy whereby we treat foreign investors and local investors on a par. All economic sectors are open to foreign direct investment. Foreign equity up to 100 per cent is allowed. There is no government permission required. We have a network of export processing zones and industrial zones with repatriation of 100 per cent capital. We have an attractive incentive package with zero to five per cent duty on imported machinery and no sales tax or withholding tax on imported machinery. We have also introduced a number of reforms and because of these reforms the World Bank has termed Pakistan as a model country which has introduced some of the best economic reforms in the financial, trade and taxation sectors.

These are some of the submissions I had to make and I will now take any questions that the honourable members may have.

CHAIR—Thank you. That was a comprehensive account in addition to the submission you had already put before the committee. You have addressed a lot of the questions that the committee members wanted to ask. Senator Forshaw, do you have any questions?

Senator FORSHAW—Thank you for your extremely comprehensive comments. I know that they have all been recorded in *Hansard* and will be of great assistance when we come to write our report. We appreciate the fact that you have put forward some suggested recommendations. We will consider those and reflect them in our report. I will also indicate, as we have spoken privately, that we understand the substantial challenges that Pakistan faces in the security and terrorism area. I know we are going to have an opportunity very early in the parliament next year for you to come along again to the full committee where we can discuss those foreign policy issues, but we are focusing on trade and investment today. You have covered such a wide range of things.

I wanted to focus on the prospects for increasing our trade in the services sector. As you know, Australia is a major exporter of minerals and agricultural products but we are also increasing our export and our trade in services such as education, health and so forth. It seems to me that Pakistan may also be a country that has great opportunities, like other countries in your region, to expand its sectors there in finance, as you said, and in IT and so on. I am wondering if you could just maybe comment a bit further about whether you think there are opportunities to build on that sector because whilst we can continue to trade in the sort of products that we have—and you are such a big exporter of textile and clothing—it is also important to get into the value-added and the hi-tech areas if we can in the future where a lot of the jobs growth and world trade is; for example, in ideas as distinct from traditional products.

High Commissioner Jilani—You have made a very valid observation. For instance, in Pakistan we already have significant cooperation between Australia and Pakistan as far as the services sector is concerned. We have the Australian expertise benefiting in the agriculture sector. There are a number of agricultural experts who are working in Pakistan in the banking industry. In the health sector Australia has embarked upon a wonderful program in the last couple of years. The Fred Hollows Foundation is a well-known name even in the remote areas of Pakistan for the wonderful work that it has done. When we were struck with a massive earthquake Australia was one of the first countries to come to Pakistan's aid in October 2005. Many of these experts from Australia worked very closely with our people in the reconstruction process of Pakistan—in the IT industry, the education sector, the agricultural sector, the health sector, the banking industry and the mining industry.

The mining industry is one industry which complements because we require Australian expertise in the development of Pakistan's mining industry. We have huge reserves of gold and copper. We have gas reserves and coal reserves. For all of these untapped reserves we constantly require the assistance of Australia, but it can cut both ways. For instance, while we can benefit in the services sector from Australia, Australia can also benefit tremendously in the same sector from Pakistan. At the moment we have 5,000 Pakistani students studying in various universities and when I visit the universities I am told by the vice-chancellors of those universities that Pakistani students are one of the best students in the universities. They are in the higher category of students and they are in various fields such as medicine, geology, biology, business administration and IT.

So we also have a surplus pool—or reserve—of these people who can come to Australia and work in the developmental activities here. We have about 25,000 to 30,000 Pakistani professionals living in this country and they are contributing significantly to development in the mining and health sectors. The other day I went to the Gold Coast and we found that the Pakistani Australian doctors constitute about 250 to 300 of the medical practitioners there. There are also many IT experts working here in the financial sector, and chartered accountants as well. That is something that could also be investigated in case there is further cooperation that would be helpful to both countries.

Senator FORSHAW—That is what I was thinking about education, because as we know Australia is a popular country for overseas students to come to. I notice in your submission you refer to some Australian universities that have links with Pakistan and Pakistani institutions. Is it 5,000 students that you have here?

High Commissioner Jilani—That is right.

Senator FORSHAW—Are many of the Australian universities active in Pakistan in promoting the exchange?

High Commissioner Jilani—Almost all the Australian universities are extremely popular with Pakistani students. Many of the Australian universities hold exhibitions in Pakistan after the A-level examination in major cities such as Karachi, Islamabad, Lahore, Peshawar and so on. They are able to attract a lot of good students. While talking about students, one thing that I very proudly mention in every forum is that I have been informed by the immigration authorities that the assessment level for Pakistani students studying in Australia has been upgraded from assessment level four to assessment level three for the undergraduate students and from assessment level three to two for the postgraduate students. This is a wonderful thing as it speaks volumes about the performance of the Pakistani students because the assessment level is given on the basis of your academic background and on the basis of your overall conduct in the country that you are residing in, that you are being a law abiding person in the host country. There is a whole checklist on the basis of which this is done. The only problem I can see in this sector is that the number could increase from 5,000 to 10,000 in one year if only we are able to streamline the visa process. The visa process is becoming such a major issue because many of the students who have paid for their fees—and for overseas students the universities charge the full yearly fee. It is not the semester fee that they are charged; they are charged the full yearly fee. If a student has paid \$22,000 as his tuition fee to a university, he wants to join the university at the start of the semester; he does not want to waste his semester.

Senator FORSHAW—Yes. That is fully understandable. There is reference in your submission to the request that was made at the joint trade committee meeting in 2006 for the GST benefits and what those specific requests were. You did outline in your comments what they were and we have those on the record.

CHAIR—Yes, we have them on record.

Senator FORSHAW—Was that the list before this?

High Commissioner Jilani—Yes, that is right. Obviously textiles constitute the major export.

Senator FORSHAW—Yes. That is certainly one that I know the committee will want to follow up on as to what has happened to that request.

High Commissioner Jilani—Yes.

Senator FORSHAW—I will leave it at that for the moment. I may have some more questions.

CHAIR—The deputy chair has a final question. Then I will do the concluding remarks, conscious of the time.

Mr BRUCE SCOTT—Thank you for a very good presentation. One of the things that we are all grappling with is the issue of climate change. I wonder how Pakistan is engaging in Copenhagen and how it is dealing with it domestically. It is a global issue and we are all going to have to be engaged in it in one form or another, so have you got just a very small précis? As complex as the world is today, it is an issue that I think we are all going to become engaged in and are already in many small ways.

High Commissioner Jilani—It is. We are proud of the fact that you are also a member of the Pakistan-Australia friendship group and he has been a wonderful support to Pakistan in various forums. To answer your question with regard to climate change, we are basically part of this global initiative to do things in this direction. The only problem is that at the moment our position is aligned with the position of the G70 countries—which include India and China—because as a developing country obviously we still have certain reservations. We have a long way to go to meet the kind of standards that you have enforced here in Australia or, for that matter, other countries but let me assure you that Pakistan has taken steps in introducing reductions in greenhouse emissions.

As each industrial concern is established, it is obligatory for that industry to conform to certain norms and we have established a monitoring mechanism. There is greater awareness that is being created by the government in the masses about the whole issue. We have established a new ministry, the ministry of environment, to deal with this issue. We are moving in the direction but certainly, to be very candid and very honest, we still are a long way from the kind of norms that are being observed, for instance, by Australia or other countries which have taken great strides in this direction.

Mr BRUCE SCOTT—Thank you very much. We admire your cricketers, too.

CHAIR—I was about to say that we have not mentioned cricket once. The deputy chair brought it into the equation.

Senator FORSHAW—We have not beaten New Zealand yet.

Mr BRUCE SCOTT—I know we have to beat New Zealand.

CHAIR—But I was thinking about it. I would like to finish with some concluding remarks because the nature of your submission requires a response. At the outset in your oral submission you said that you wanted to talk about the security framework because you cannot just talk about just trade and economic development in isolation. I know I am speaking on behalf of the committee when I say that we understand that and accept that you needed to locate what you wanted to say about trade within that broader framework. May the day come when you do not have to do that, and we wish that for your people. You talked about the triangulated challenges—the economic, the terrorism and the extremism—and we note those. We also note with appreciation your comments vis-a-vis Australia and its participation in the Friends of Pakistan group. Thank you for that.

We also note your comment, ‘trade not aid’, and couching what you are recommending to the committee within that theme. There is also the issue that you are not an LDC country but what you are seeking is something similar to the LDC that, yes, the EU do have within their framework. We also note the issue about visas and mangoes. You said that you need support from the committee, the parliament and Australia. All of these issues are noted and we do—as the committee member and chair of the Joint Standing Committee on Foreign Affairs, Defence and Trade said—note that some of those other issues can be discussed in the committee, and we do. I just wanted to say that we do recognise why you needed to talk about the economic development trade within that national security framework.

Thank you very much for such a comprehensive and compelling account. In thanking you for your attendance here today, if there are any matters for which we might need additional information, the secretary will write to you. The secretary will send you a copy of the transcript of your evidence to which you can make any necessary corrections to errors of transcription. Thank you very much.

High Commissioner Jilani—Thank you very much. I enjoyed being here and I thank you, members of the committee, for the patient hearing that you have given to my submission.

CHAIR—I thank the Hansard staff and the witnesses for their assistance at the hearing. The hearing is now adjourned.

Resolved (on motion by **Mr Scott**):

That this committee authorises publication of the transcript of the evidence given before it at public hearing this day.

Subcommittee adjourned at 12.20 pm