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Honourable Janelle Saffin,

Thank you for your letter dated 21 October 2008 regarding the initiative of the Trade Sub Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade to undertake an inquiry into ways of expanding Australia's trade and investment relations with Asia, the Pacific and Latin America.

2. The Sub Committee may wish to give consideration to my following submissions while formulating its recommendations.

3. Pakistan is an important country in the Asia Pacific region. Located at the hub of South, Central and West Asia, Pakistan provides shortest access to the sea for land-locked Central Asia States and Western China. It has immense potential for multiple corridors of intra regional cooperation involving energy, trade, communication and tourism.

PAKISTAN-AUSTRALIA TRADE

4. Australia's major exports to Pakistan include oil seeds, cotton, coal, fertilisers, Iron Ore and animal oils and fats. Australia imports from Pakistan mainly linen, clothing and woven cotton fabrics. Over the last five years, Australia's exports to Pakistan have averaged \$550m and have found a niche in commodities, food and services.

5. With extensive energy resources, including oil, natural gas and coal reserves, Pakistan offers opportunities for the Australian mining industry. BHP Billiton operates one of Pakistan's largest gas fields. The company was awarded exploration rights to an oil reserve in a joint venture, and the first well was drilled in year 2005. Another Australian Company Tethyan is involved in Gold and Copper mining in the Balochistan Province. Another key growth area for Australian companies is the services sector, particularly education and training, multilateral projects, project management and consultancies.

6. While around a dozen major Australian companies are based in Pakistan, more than 127 Australian Companies are doing business in Pakistan directly or indirectly including a number of Australian Universities.

Australian Companies in Pakistan:

- BHP Billiton
- Snowy Mountains Engineering Corporation (SMEC)
- Interscan Navigation Systems
- Clough Limited
- Bournedrill Pty Ltd
- Pacific Noise and Vibration (PNV)
- Tethyan

Suggestion for improving Bilateral Trade:

7. Despite a 1990 Bilateral Trade Agreement between Pakistan and Australia, the level of trade between the two countries remains low. The bilateral trade and investment can be encouraged by initiating the following steps:

- i) Free Trade Agreement
- ii) Market Access
- iii) Removal of barriers
- iv) Trade facilitation
- v) Easing visa restrictions for the members of the business community.

Free Trade Agreement:

8. It is imperative that Pakistan and Australia may initiate discussions for a Free Trade Agreement (FTA) between the two countries. This issue was discussed during the first Australia-Pakistan Joint Trade Committee meeting held in September 2006 in Cairns. A significant growth in bilateral trade and investment can take place in case the two countries sign an FTA. The second meeting of the Australia-Pakistan Joint Trade Committee meeting is likely to take place in March 2009. A consideration of this suggestion by the Sub Committee would certainly help in a positive outcome of the meeting of the Joint Study Group in March next year.

Providing Market Access:

9. Australia provides better Market access to the Least Developed Countries (LDCs) in its GSP Scheme. However, due to peculiar circumstances whereby Pakistan is faced with terrorism as a result of the deteriorating situation in Afghanistan, Pakistan's economy has badly suffered. Terrorism has resulted in reduced level of investments, decline in industrial production and reduced level of exports. The situation is compounded because of the global financial crisis. Peace and stability in Pakistan is vital for peace and stability in

the region for which economic development is of paramount importance. The new Government in Pakistan is committed to fight terrorism but at the same time seeks international cooperation to overcome the strains on our economy. Pakistan has, accordingly, requested Australia for WTO compatible GSP benefits. Such benefits would augur well for our industry, would provide more jobs and improve the balance of payment situation for Pakistan. Australia, in the Joint Trade Committee meeting held in 2006, had agreed to consider this request and had asked for specific proposals in this regard. The specific proposals were also handed over in 2006 but no response has yet been received.

Being a part of the Friends of Pakistan Group, we would request the Committee to consider this request as it would benefit Pakistan in its fight against international terrorism, would help women and unemployed youth including those from Federally Administered Tribal Areas (FATA).

Removal of barriers:

10. Genuine SPS and quarantine concerns of Australia are recognized and supported by Pakistan. However, the exports of fruits/vegetables and seafood from Pakistan continue to be prohibited, not because there are any quarantine related issues or problems but simply because import risk assessment has still not been carried out. It may be pointed out that Pakistan exports seafood to Japan, USA, EU etc and export mangoes to many EU member states as well. Thus Pakistan is confident that once import risk analysis is carried out, we will be able to export fruit/vegetables etc to Australia.

It is accordingly requested that Australia may kindly include mangoes, oranges and seafood [particularly shrimp/prawn and specified fishes] for carrying out import risk assessment from Pakistan on fast track and carry it out in 2009.

Trade Facilitation:

11. Under Trade Facilitation, it is important to establish cooperation on SPS. Pakistan is of the view that the SPS Agreement can lead to equivalence and Pakistan can upgrade SPS standards due to Australian expertise and high standards.

12. Similarly, Pakistan and Australia can hold Single Country Exhibitions in each other's country. Pakistan is a large market of 165 million people. Pakistan would welcome Australian exhibition in Pakistan and could offer its Expo Centers, publicity and other marketing efforts to attract relevant businessmen and investors to the Show. Australia could also assist Pakistan in Single Country Exhibition in Australia.

Easing of visa Restrictions:

13. Many of the business executives from Pakistan face difficulties in obtaining visas to Australia. Even the office bearers of the Federation of Pakistan Chambers of Commerce and Industry have to wait for weeks for visa clearance before they are able to travel to Australia to attend seminar, conferences or bilateral interactions with the Australian Chambers. This needs to be rationalized.

Investments:

14. Australia and Pakistan have a bilateral agreement on the Promotion and Protection of Investments (IPPA) which entered into force in 1998. There are good prospects for Australian companies to invest in Pakistan. There are huge opportunities for investment in Pakistan including:

- Education (tertiary, vocational and corporate training)
- Agribusiness (dairy, crop production, quality issues, storage and handling)
- Airports (design and construction)
- Mining (oil and gas exploration and development)
- Processed Foods
- IT and Communications Products and Services.

15. Similarly, there is a need to sign an Agreement on Avoidance of Double Taxation. Pakistan has such an agreement with 52 countries including US, China, Japan and most EU member states. The Pakistan-Australia Agreement on Avoidance of Double Taxation would send a very positive signal to the business community.

16. I hope that the Sub Committee would earnestly consider our proposals to enhance bilateral trade and investment which would be beneficial to both Pakistan and Australia.

Yours sincerely,

(Jalil Abbas Jilani)
High Commissioner

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