

Bringing the markets together

Trade and investment strategy

- 6.1 Considering Australia's existing trade and investment with Central Europe comprises only a small portion of Australia's total trade and investment, Australia's strategy to improve trade and investment relationships with the region should be proportional.
- 6.2 Accordingly, radical changes to Australia's approach to the region should be avoided in favour of nuanced shifts in focus or allocations of resources.
- 6.3 Several of these ideas have emerged during this inquiry and in this report, in the form of specific recommendations through preceding chapters.
- 6.4 This chapter aims to build on those recommendations, and place them within a useful trade and investment promotion framework. Ideally this will be useful to government departments working to improve Australia-Central Europe economic relations.

Addressing the 'market failure' and enduring misperceptions

- 6.5 One key issue underlying all recommendations in this report is the notion of a 'market failure' between Australia and Central Europe. As discussed elsewhere in the report, natural opportunities and synergies between Australia and the region have failed to spark more substantial trade and investment because of misperceptions, on both sides, of each other and available opportunities.
- 6.6 The framework and recommendations following in this chapter aim primarily to address this issue.

Working with the multilateral banks

- 6.7 The EBRD was established in 1991 to support the transition of ex-Soviet bloc countries to market economies and democracy.²²⁴ In practical terms this has included institution building, public sector reform, industrial privatisation, deregulation of the energy sector and improvement of the region's investment climate.²²⁵
- 6.8 The overlap of these areas of activity with Australia's strengths, in terms of government services, is clear. Some Australian organizations have been exporting in these areas. Probably the most successful has been HIC, with three current health sector related projects in Central Europe, and numerous past ones – mostly funded by the World Bank but also national governments.²²⁶
- 6.9 Beyond HIC, Australian organizations have not been overly successful attracting multilateral funding. In Chapter 4 Austrade and Acumen Alliance outline one particular problem with attaining EBRD funding. They suggested using Australia's shareholding in the EBRD to fund small Technical Cooperation Program consultancies. Australian firms could then provide these consultancies and in so doing be well positioned to bid for larger EBRD consultancies, which are heavily weighted towards organizations with a history of EBRD work. This recommendation is made and discussed in Chapter 4.
- 6.10 This and other evidence²²⁷ suggest that such a strategic 'toe in the multilaterals door' approach may be useful in bidding for projects in other multilateral organizations such as UNDP, the World Bank, ILO and WHO.²²⁸
- 6.11 Although the details of tendering procedures are too particular to address in this inquiry, the Committee did feel it worthwhile to view potential opportunities for working with multilateral organizations as worthy of pursuit. Accordingly the committee believes Australian representation at relevant missions should reflect these opportunities, and the 'toe in the multilateral's door' approach for accessing World Bank project funding should be investigated further.

²²⁴ Austrade, Submission No 18, p 23.

²²⁵ DFAT, Submission No 16, 96.

²²⁶ HIC, Submission No 13.

²²⁷ Austrade, Submission No 18, p 23 & DFAT, Submission No 16, p 79.

²²⁸ Acumen Alliance, Submission No 12, p 2 & DFAT, Submission No 16, p 79.

Recommendation 8

The Committee recommends that Austrade and DFAT strengthen trade representation at the World Bank, to assist Australia organizations access development project funding.

Government action

- 6.12 This section is concerned primarily with recommendations on activities the Australian government can take to enhance Australia's trade and investment relations with Central Europe.
- 6.13 Several issues emerged from submissions and during the hearings which prompted the following recommendations on changes to the configuration of Australia's overseas representation.

Trade representation

- 6.14 Some members of the Committee were curious as to why the Czech Republic has no Australian embassy. Even in the early stages of the inquiry the Committee believed the Czech Republic was likely to be one of the more important economies in the region. Over the course of the inquiry and especially during the visit to Central Europe, this view was confirmed (reflected in Recommendation 11 in Chapter 5).
- 6.15 The Committee also believes that trade and investment relations with Hungary could be substantially improved with strengthened Australian trade representation in Budapest (reflected in Recommendation 10).
- 6.16 The Embassy of Romania made two important representations to the committee while giving evidence at the hearings. Firstly Ambassador Vulpe suggested that Australia should open an embassy in Bucharest to reflect Romania's emerging status as an important European country.²²⁹ Secondly, she suggested Romanian visitors would be more likely to visit Australia if there were an immigration representative in Bucharest or at least a Romanian speaking immigration official at the embassy in Belgrade. This would ease a substantial impediment to Romanians travelling to Australia.

²²⁹ Embassy of Romania, Transcript, p 134.

- 6.17 Ambassador Sladek of the Czech Republic made similar representations. Two issues were of concern to him. The first was to do with visa requirements surrounding the 48R visa application form. This issue is addressed in the following section. The second issue was that relating to the requirement for visa applicants to travel to Vienna. He believed this was 'quite difficult' for them and worthy of reconsideration in Australia. He stressed Australia's visa requirements for the EU will shortly apply to the Czech Republic, and that expediting the harmonization of visa requirements would be of mutual benefit.²³⁰
- 6.18 Cognizant of the importance of Australia's growing trade with the Czech Republic and independently of the recommendation on the establishment of an embassy in Prague (Recommendation 11), the Committee would like to suggest a measure to address these issues.
- 6.19 The Committee believes that DIMIA and DFAT should ensure each post in the region can provide immigration services in the languages of the countries for which they have coverage. Such a measure would ease the application process for those countries without a DIMIA/DFAT post.

Trade representation at the European Commission

- 6.20 The European Commission (EC) also presents some opportunities for promoting institutional linkages between Australia and Central Europe, and the export of Australian expertise to Central Europe.
- 6.21 Recommendation 9 in Chapter 4, suggests Australian research institutions pursue EC research funding under the Sixth Research and Technological Development Framework program (F6).
- 6.22 Recommendation 12 deals with accessing World Bank development project funding. Similar development funding is and will be provided by the EC for acceding members. Australia's export potential in relevant services applies equally to the EC.
- 6.23 Accordingly, to assist Australian organizations in the process of accessing F6 and other EU development project funding, the Committee believes trade representation to the EC in Brussels should be strengthened. The trade representative should assist both organizations seeking to sell goods and services to the EC, as well as support organizations seeking EC F6 funding.

²³⁰ Embassy of the Czech Republic, Transcript, p 128.

Recommendation 9

The Committee recommends that Austrade and DFAT in consultation with DEST, consider posting a trade commissioner in Brussels to assist Australian organizations access EU commission science research and development project funding.

Immigration

- 6.24 Several representations were made by Central European ambassadors during the inquiry process, about the difficulty with visa requirements. The Czech Embassy specifically requested that Czech visitors to Australia be required to fill in immigration form 48 rather than the more onerous 48R.²³¹ DIMIA detailed why this requirement was in place during the relevant hearing, explaining that the Czech Republic non-return rate had improved when the more onerous form requirement was instituted.²³²
- 6.25 The Committee felt DIMIA's concerns and actions were reasonable. However, in light of the improving trend in non-return rates²³³ and the high potential for education services exports, the Committee felt the visa requirements for students from Central European countries should be reassessed.
- 6.26 The changing conditions and opportunities in Central Europe may justify the adoption of the Electronic Travel Authority (ETA) visa system for the countries of Central Europe, especially the five countries acceding in mid 2004.

²³¹ Embassy of the Czech Republic, Transcript, p 128.

²³² DIMIA, Transcript, p 140.

²³³ See Appendix E.

Recommendation 10

The Committee recommends that visa requirements for students (especially) and citizens (generally) from the five Central European countries acceding to the EU in 2004, should be reassessed. The reassessment should include consideration of the applicability of the Electronic Travel Authority visa system for those countries.

Government to government relations

- 6.27 To facilitate trade and investment and to complement efforts to be made in other areas discussed above, the Australian government should move quickly to ensure an appropriate bilateral legal framework is in place between Australia and the countries of Central Europe. It should include necessary agreements on investment protection and promotion, double taxation agreements etc.
- 6.28 Although there are numerous bilateral agreements in place between some of the Central European countries and Australia, others countries have less substantive sets of agreements. The Committee believes this situation should be rectified, and key agreements negotiated and signed as soon as practicable.
- 6.29 Appendix 10 of Submission 16 (DFAT) details bilateral arrangements in place between Australia and the Central European countries. Full lists of the agreements can be found in the DFAT treaties database.²³⁴

Recommendation 11

The Committee recommends the Australian government complete a full set of basic government to government agreements with all Central European countries.

Awareness and market information

- 6.30 This report and some submissions, including Austrade's,²³⁵ discuss how Australia's trade with Central Europe had not grown dramatically due to 'market failure'. Our export and investment capacity matched closely

²³⁴ <http://www.info.dfat.gov.au/treaties/>

²³⁵ Austrade, Submission No 18, p 5.

their needs but knowledge of mutual opportunities had failed to bridge the distance between the two countries.

- 6.31 As mentioned earlier in the report, one of the main objectives of this inquiry and report is to address this ‘market failure’, and equip the Australian and Central European economies to respond to the substantial market opportunities.
- 6.32 Therefore the Committee believes the government should undertake a range of activities which strategically alert Australian and Central European organizations to trade and investment opportunities existing between them. The activities should address both sides of the ‘market failure’, in Australia and Central Europe, and should work to dispel lingering misperceptions on both sides.
- 6.33 On the Australian side, the Committee believes Austrade should organize a range of awareness raising activities, to inform Australian organizations of the current and emerging opportunities in Central Europe. WADIR strongly supports this view, as conveyed in the recommendations of their submission.²³⁶

Recommendation 12

The Committee recommends Austrade organize a range of awareness raising activities in Australia focusing on Central Europe, highlighting emerging market opportunities and the particular requirements for operating in the region. This should include establishing a website focusing on trade and investment opportunities in Central Europe.

Trade missions

- 6.34 To complement all awareness raising efforts by lifting the profile of the relationship on both sides, the Committee feels that a trade mission led by the Minister for Trade would provide great impetus to the trade and investment relationship.
- 6.35 Although smaller sectoral trade missions are relatively frequent, such as the Austrade IT mission to Poland due later this year,²³⁷ the Committee felt that such a major gesture by the Australian government would substantially lift awareness of the potential of the relationship.

²³⁶ WADIR, Submission No 20, p 49.

²³⁷ Chair, Transcript, p 81.

Recommendation 13

The Committee recommends the trade minister lead a trade mission to the region to support Austrade's awareness raising activities in Australia and Central Europe.

E-government mission

- 6.36 The Committee also feels that Australia's particular experience exporting government services, its strengths in e-government and the potential for growth in these areas exhorts that special effort be made to capitalize on such major opportunities.
- 6.37 Accordingly the Committee believes the Minister for Communications, Information Technology and the Arts should lead an e-government/e-commerce trade mission to Central Europe.

Recommendation 14

The Committee recommends the Minister for Communications, Information Technology and the Arts gives priority to leading a trade mission to Central Europe focused on e-government and e-commerce services exports.

Trade fairs and related activities

- 6.38 The Committee is aware of the special role of trade fairs in the conduct of business in Europe, a view confirmed by evidence received through the inquiry.²³⁸ Accordingly, the Committee believes Austrade should utilize trade fairs to promote knowledge of Australia exporters in Europe and Central Europe as much as possible.
- 6.39 Several trade fairs were mentioned through the course of the inquiry – among others, the World Polonia Economic Conference,²³⁹ Cebit²⁴⁰ and the Central European Fair Alliance.²⁴¹ The Committee believes trade fairs should be more fully utilized to promote Australian exports in Central Europe.

²³⁸ Austrade, Transcript, p 37.

²³⁹ Australia Poland Business Council, Transcript, p 76.

²⁴⁰ Austrade, Submission No 18, Appendix B. Cebit Australia can be found at <http://www.cebit.com.au/html/default.cfm>

²⁴¹ DFAT, Submission No 16, p 81.

- 6.40 The Committee was also aware of the Australian Trade Commission's (ATC) Australian Tourist Exchange Program through which Australia brings a number of foreign tourism operators to Australia each year to familiarize them with Australia's tourism industry. The Committee felt that Australia would benefit from the ATC including Central European countries in the program.

Recommendation 15

The Committee recommends that:

- **Austrade and DFAT undertake greater promotion of Australian business through encouraging Australian participation in Western European trade shows.**
- **Austrade and DFAT encourage Central European business delegations to attend those trade shows.**
- **The Australian Tourist Commission ensure Central European countries are included in the Australian Tourist Exchange Program.**

Focus in trade strategy

- 6.41 The Committee acknowledges Austrade's past strategy papers for the region, but feels that Austrade and DFAT should produce an updated Central Europe strategy document on which to base a renewed effort to overcome the market failure between Australia and the region.
- 6.42 The activities which follow the recommendations of this inquiry could provide a platform to launch a new strategy and build upon the work of this Committee.
- 6.43 The Committee notes that Central Europe's services imports are growing dramatically as their economies liberalize and become more sophisticated (see Appendix E). Mindful of Australia's strengths in a range of service sectors discussed in this report, the Committee feels that special attention should be given to the potential trade in services in the region.
- 6.44 The Committee did also, through the course of the enquiry, find that several specific areas seemed to offer the most promise. And while the Committee wants to avoid discouraging any efforts at improving trade and investment relations between Australia and Central Europe, it does judge several areas to provide greater opportunity than others. This

assessment, as with all others in the inquiry, is based on all evidence taken - submissions, hearings and the Committee's experience throughout the visit to the countries.

- 6.45 The Committee stresses these are suggestions of *optimal* opportunities, rather than an exhaustive list.

Recommendation 16

The Committee recommends Austrade produce a business strategy paper to promote trade and investment with the countries of Central Europe taking into consideration sectors in which Australia has a comparative advantage, including:

- **Services:**
 - ⇒ **e-commerce and related services;**
 - ⇒ **e-government technology and services;**
 - ⇒ **government services, higher education and VET, health related technology and related services;**
 - ⇒ **tourism training;**
 - ⇒ **land titling;**
 - ⇒ **agricultural services;**
 - ⇒ **environment related-services.**
- **Agribusiness:**
 - ⇒ **wool (including a targeted trade mission); leather and related products; wine products.**
- **Manufacturing:**
 - ⇒ **automotive equipment; smart card technology; building materials; environmental equipment.**

Industry specific trade missions

- 6.46 Based on the comparative advantage Australia holds in several industries discussed through the report, the Committee felt that Austrade could complement other awareness raising activities by facilitating industry-specific trade missions.
- 6.47 WADIR made several recommendations based on the value it saw in approaching awareness raising challenges through cooperative activities within an industry or sector. Although it does not refer specifically to

industry specific trade missions, several of the recommendations allude to cooperation within industries to promote trade.²⁴²

- 6.48 While supporting strongly a trade mission to the region led by the Minister for Trade, the Committee also felt that Australia's lead in several sectors, discussed through this report, merited supplementary targeted trade missions. The Committee believed that industry-specific trade missions, especially in areas of comparative advantage, were likely to be fruitful for trade and investment.

Recommendation 17

The Committee recommends that Austrade facilitate industry-specific trade missions to Central Europe to encourage trade and investment in high opportunity areas.

Senator Alan Ferguson

Chairman

²⁴² WADIR, Submission No 20, p 49.

