

South America: Why Not?

Forget the stereotyped perceptions of a region beset by hyper-inflation, economic chaos and dictatorships. Focus instead on today's reality. Focus on a region with a substantial number of consumers, and ones with buying power at that.

Chairman, Australia-Latin America Business Council¹

Perceptions

- 2.1 Ask yourself what does the term *South America* portray to you. Is it a region that is backward, of countries where revolutions are a way of life, where there are major security problems, poor standards of living, poverty, isolation and very little sophistication? Certainly the Committee found in examining Australia's trade and investment relationship with South America that the above perceptions of the region are commonly held ones and do little to encourage Australian businesses to look to South America for business opportunities.
- 2.2 In Australia in the 1980s the dollar was floated precipitating a currency devaluation of almost 40 per cent. Businesses had to restructure and the economy required greater exports in an increasingly competitive global market. This major shift caused a significant amount of pain but Australia, through its businesses, has managed to win export opportunities around the world. Australian businesses have tended to look northwards, and while there have been good reasons for the particular focus on Asia, in so doing, businesses have overlooked the potential to the east.

1 Speech by José Blanco, Chairman, Australia-Latin America Business Council, at the inaugural conference of the Australian National Centre for Latin American Studies (ANCLAS), Australian National University, Canberra, 20 June 2000.

- 2.3 The financial volatility in East Asia, which began in the second half of 1997 and continued into 1998, was a rude awakening to commerce. It showed that markets could be wiped out and businesses forced to look at their traditional markets more critically. Australian businesses took the East Asian crisis in their stride due to the strong domestic economy with its strengthening domestic demand, and by looking to non-traditional markets for their products and services.
- 2.4 With the publication of the Government's first ***Trade Outcomes and Objectives Statement*** (TOOS'97) in February 1997, a more strategic approach to trade policy and performance was set in place with the aim to improve the Australian Government's efforts in strengthening Australia's trade and investment performance.
- 2.5 Chile and the Mercosur countries were identified in TOOS'97 as one of five emerging markets for Australian exports. Although only accounting for a small share of Australian exports the emerging markets are recognised as *having the potential to become more important*.²
- 2.6 In this year's TOOS³ Peru has been profiled as an emerging market of importance for Australian exporters in the medium term.
- 2.7 The Trade Sub-Committee's visit to eight South American countries reinforced the evidence it had received, both in submissions and at public hearings. The Committee is convinced that South America offers enormous trade and investment opportunities and that the pursuit of market share is an imperative.
- 2.8 The visit confirmed that there are as many business opportunities in South America as in Asia. In South America, the size of the market is some 338 million people, with around 13 million households enjoying middle class status with a buying power in excess of US\$20,000 per annum. Furthermore the level of education and the level of social development has the potential to allow the South American market to produce at least returns as attractive as Asia.
- 2.9 In examining South American markets an understanding of the characteristics is essential and from the assessment provided by Austrade through its SWOT⁴ analysis it is clear that the region deserves sophisticated exploration by Australian business.

2 TOOS'97, p. 143.

3 TOOS 2000.

4 SWOT – Strengths, Weaknesses, Opportunities and Threats.

Strengths, Weaknesses, Opportunities and Threats

- 2.10 In its submission to the inquiry, Austrade pointed out that in April 1999 its Trade Commissioners met to map out a three-year forward strategy for the development of trade and investment between Australia and South America:

To understand how various factors impact on Australia's competitiveness in South American markets, the Trade Commissioners looked at what new opportunities can be exploited successfully by Australian firms, and how best to assist Australian companies to succeed in South America.⁵

- 2.11 As part of this process a SWOT analysis was conducted and this analysis is examined under the respective headings.

Strengths

- 2.12 Australia has in place a number of strengths that facilitate increased trade and investment links with South America. These strengths are:⁶

Austrade network in South America.

- 2.13 The Austrade has a network of four posts in South America - Buenos Aires in Argentina; São Paulo in Brazil; Santiago in Chile and Lima in Peru.

Access to Export Market Development Grants (EMDGs).

- 2.14 The EMDG scheme provides financial assistance to encourage Australian small to medium sized businesses to seek and develop export markets. Under the scheme businesses are reimbursed for part of the export marketing costs they incur. Austrade manages the scheme.

The availability of the Export Finance and Insurance Corporation (EFIC).

- 2.15 The role of EFIC is to use its insurance and finance products to help increase Australian exports with a focus on those exports that banks and commercial insurers may have difficulty covering due to the size of the transaction or the level of risk.

5 Austrade, Submission, p. 201.

6 *ibid.* see pp. 201-204.

Australia's business environment.

- 2.16 Austrade points out that Australia is seen to have a good track record in regulation, fairness, transparency and the settling of disputes, and the sound and significant Australian economy is encouraging South American corporate leaders to initiate business with Australia.

Australia's economic and sectoral growth pattern.

- 2.17 Australia's economic and sectoral growth pattern makes it well matched to South American market needs.⁷ Moreover Australia's excellent capability in areas such as mining and infrastructure are increasingly relevant to South America.

Qantas direct flights to Buenos Aires, Argentina.

- 2.18 In November 1998 Qantas introduced direct flights to Buenos Aires and Austrade points out that this initiative is encouraging Australian businesses to look east to South America. There is the need for these flights to be promoted vigorously. The Committee sees the Australian Tourist Commission (ATC) as having a greater role to play in this regard.

Strength of Australia's services sector.

- 2.19 Austrade made three points in commenting on the strength of this sector, namely:
- [the services sector is] a large and growing part of the Australian economy comprising 20 percent of Australia's overall exports with expanding international experience.
 - Tourism and education are our most successful global service exporters, but also our exporters in construction, power generation, scientific research, services to mining, health-care, business administration and consulting, cultural, entertainment and recreation, environmental, transport and storage, all will find significant opportunities in South American markets.
 - Service exporters are highly regarded for their technical sophistication and flexibility.⁸

A corps of executives seasoned in the demands of international business.

- 2.20 While Austrade did not elaborate on this strength in its submission, the Committee notes that to underscore this strength there are now many Australian companies based in South America providing a strong corps of seasoned executives.

7 *ibid.* p. 203.

8 *ibid.*

Established beachhead of Australian firms with a presence in the market.

2.21 In elaborating on this strength Austrade noted that:

- Several of the major miners are established in the South American market and, at the time of the submission, existing Australian foreign investment in the South American mining sector was estimated to be over A\$3 billion;
- Construction and consulting;
- Entertainment industry (movie theatres);
- Insurance;
- Port management and distribution; and
- Catering / cold storage.⁹

Australians of South American descent and continued links with their homeland.

2.22 The last Australian census in 1996 showed there were some 83,000 Australian residents born in South America, Central America and the Caribbean. The Chileans are the largest group to have relocated to Australia, followed by the Uruguayans.

Perception in South America that Australian products and services are high quality and very competitive.

2.23 The Trade Sub-Committee on its visit to South America found that where there was knowledge of Australian products and services they were extremely well regarded.

Weaknesses

2.24 Austrade identified ten factors that hindered increased trade and investment with South America.¹⁰

Outdated perceptions of the market by the Australian business community.

2.25 Australians need to shed their outmoded perceptions about South America and the difficulties posed by the South American markets. The majority of Australians know very little about South America and this lack of familiarity is holding back strong prospects. Australian business needs to broaden its view to take in the merits of doing business with South America.

9 *ibid.* p. 204

10 *ibid.* p. 205.

Australian business community remains preoccupied with traditional markets.

- 2.26 Australia has a long history of looking northwards for markets. The long-term focus on Asia as the marketplace for Australian business received a blow with the Asian economic downturn in 1997. Australian business needs to widen its field of vision and look eastwards to South America for opportunities if they are serious about exporting.¹¹ Our competitors, the US, Canada, Europe and Asia are already in South America.

Perception in South America that Australian manufacturers do not have the capacity and experience needed to participate in the South American markets.

- 2.27 While in South America the Trade Sub-Committee was able to profile the capacity and expertise that Australia has in a range of fields to government officials and semi-government agencies. The opportunity to promote Australian capability and experience has raised awareness and should assist in putting Australia on the map for consideration as a destination for future roadshows.

Australian firms have been late entrants to the market.

- 2.28 Unfortunately this is the case especially in a number of South American markets. Australia has a sizeable presence in Chile with some 42 Australian or Australian-affiliated companies based in Santiago. However in Brazil, where major steps have been taken towards modernisation since the early 1990s, Australian business has been slow to take advantage of the opportunities in infrastructure development. There is little time left.

Distance.

- 2.29 What is very apparent to the Committee is that the lack of knowledge about the South American region or any of the countries provides its own set of inertias and the tyranny of distance is one of them. The more knowledge gained about, or even to undertake a visit to a particular South American country, will lessen the perceptions of distance and other physical disincentives clouding an examination of business opportunities. The perceived problem of distance is more of a myth than a reality as Australia deals and trades with other areas happily and successfully that are further away than South America.

11 Nu-Lec Pty Ltd, a wholly owned Australian company exports to 52 countries and its South American business is its second strongest market after the UK. Nu-Lec's first contact with South America was at a conference in Los Angeles and they developed the relationship from this contact. See Nu-Lec, Transcript, 24 February 2000, p. 520.

Time zones.

- 2.30 The issue of time differences, where for instance Buenos Aires is 13 hours behind Australian Eastern Standard Time, is one that not only confronts business with South America but it also applies to doing business in Canada, the US, the UK and Europe. It is a fact of life in undertaking business offshore.

Australian financial institutions have limited experience of these markets.

- 2.31 The only Australian bank that operated in South America was the ANZ bank. It recently pulled out of the market. Banco Santander Central Hispano SA (BSCH) has a representative office in Sydney which it established in 1990. BSCH is Spain's largest commercial bank with total assets of US\$350 billion. It controls one of the largest banking networks in Latin America with subsidiary banks in Venezuela, Colombia, Peru, Bolivia, Chile, Paraguay, Brazil, Uruguay and Argentina. The bank 'has been at the forefront of promoting Latin American markets in Australia and is actively involved in providing banking services to a large number of the Australian companies that have operations in the region.'¹²

Double taxation agreements are not in place.

- 2.32 Double taxation treaties promote trade and investment in three ways:
- They increase certainty in the application of taxation rules;
 - They limit source country taxation on interest, dividends and royalties; and
 - They limit the tax on enterprises that trade with the other country, without establishing a base in the country.¹³
- 2.33 Australia and Argentina signed a double taxation agreement in August 1999 that came into force on 30 December 1999 and negotiations are a high priority with Chile given Australia's substantial level of investment there.

Australia is not part of South American regional or sub-regional free trade agreements.

- 2.34 Regional and sub-regional free trade agreements are a significant factor in regional development in South America. As DFAT points out South American governments argue that regional free trade agreements play a role in reinforcing the trend toward trade liberalisation in the region.¹⁴ Australia has promoted a multi-lateral approach to trade liberalisation

12 Banco Santander, Submission, p. 95.

13 DFAT, Submission, p. 331.

14 *ibid.* p. 310.

through the WTO.¹⁵ However, in April this year Australia signalled an interest in considering bilateral trade agreements as part of its trade policy.

- 2.35 Australia must look to developing better trade agreements with the countries of South America if business is to be fully competitive in the region.

Unlike comparable American and European organisations, the Australian chambers of commerce, put few resources into generating new business.

- 2.36 Business forums, such as chambers of commerce and business councils are important in any trade and investment relationship. However there are factors that work against business forums in Australia generating new business to the level of overseas counterparts; a lack of resources, both financial and human, and long term commitment by SMEs in supporting the work of business forums. The Committee learnt recently that the Argentina-Australia Chamber of Commerce based in Melbourne has been wound up. The issue was whether the Chamber had a role in the face of a lack of progress in exciting the interest of Australian SMEs in the potentialities of the South American market. This inertia of Australian business is a difficult one to address and the upshot is that Australian business misses out on export opportunities.

Opportunities

- 2.37 Austrade identified 18 characteristics in its SWOT analysis that are conducive to Australia increasing trade and investment links with South America. **There is little doubt that South America is dynamic and developing, leading to a multitude of business opportunities.** The Trade Sub-Committee on its visit to eight South American countries came away with the view that Australian business is really well placed to move into the market and capture market share. One's perceptions of South America being a place that would not be attractive to Australian business is dispelled when the characteristics discussed throughout the report are read together. They present a powerful reason for the market to be looked at seriously by Australian exporting firms.
- 2.38 There may be another element on the horizon that will make firms take a serious look – there is comment by economists that the Asian recovery may not be a lasting one. Although there has been positive growth in Asia, the structural problems in the financial system are still there.

An improving macroeconomic environment.

2.39 In the 1980s and early 1990s the economies of South America experienced very high inflation. When we examine each of the eight countries further on in the report it can be seen that they have moved to address the pressures on their respective economies. Table 2.1 below provides a snapshot of the movement of the CPI over the period 1990 to 1998 and should be read in conjunction with the country chapters for explanation.

Table 2.1 CPI Movements, 1990-1998 (Annual % change)

Country	1990	1993	1996	1998
Argentina	2,313.7	10.6	0.2	1.0
Brazil	2,937.9	2,146.7	15.8	3.2
Chile	26.0	12.7	7.0	5.3
Colombia	29.1	22.6	20.2	20.7
Ecuador	48.5	45.0	24.4	36.1
Peru	7,481.5	73.3	11.6	7.3
Uruguay	112.5	68.5	28.3	10.8
Venezuela	40.8	31.4	99.9	35.8

Source *Australia's Trade with the Americas, 1993-94 & 1998, Department of Foreign Affairs and Trade, Canberra.*

South American economies have grown strongly throughout the 1990s.

2.40 The table above reflects the growth in the economies. Throughout the 1990s there has been an opening up of the economies in South America with governments making structural changes to improve economic performance. Table 2.2 below shows the real GDP growth for the period 1990 to 1998.

Table 2.2 Real GDP Growth, 1990-1998 (Annual % change)

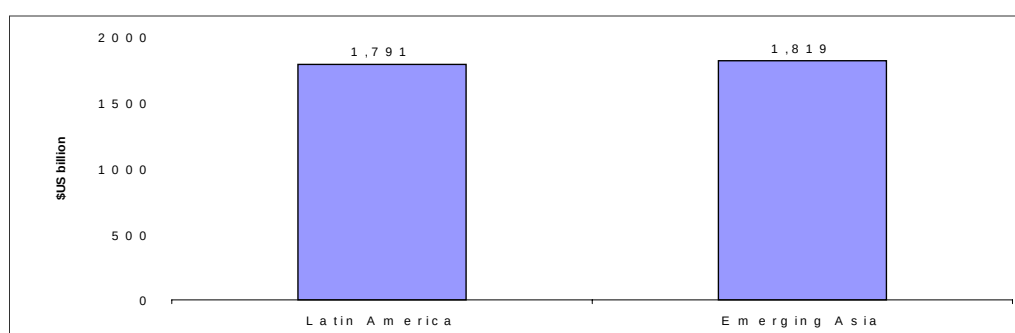
Country	1990	1993	1996	1998
Argentina	0.1	6.0	4.8	4.3
Brazil	-4.1	4.1	3.0	0.2
Chile	3.0	6.0	7.4	3.4
Colombia	4.3	5.2	2.1	0.2
Ecuador	3.0	2.0	2.9	0.4
Peru	-4.3	6.4	2.4	0.3
Uruguay	0.9	1.5	5.5	4.6
Venezuela	6.9	-1.0	-0.2	-0.7

Source *Australia's Trade with the Americas, 1993-94 & 1998, Department of Foreign Affairs and Trade, Canberra.*

Latin America's six largest economies are almost as big as the 6 largest economies in emerging Asia.¹⁶

2.41 The economies of Chile, Venezuela, Argentina, Mexico, Brazil and Colombia are nearly as big in size as their top six emerging Asian counterparts namely, China, South Korea, Taiwan, Indonesia, Thailand and Malaysia. Figure 2.1 below clearly shows the relative size of the two.

Figure 2.1 Relative Size of Six Biggest Economies in Latin America and Emerging Asia



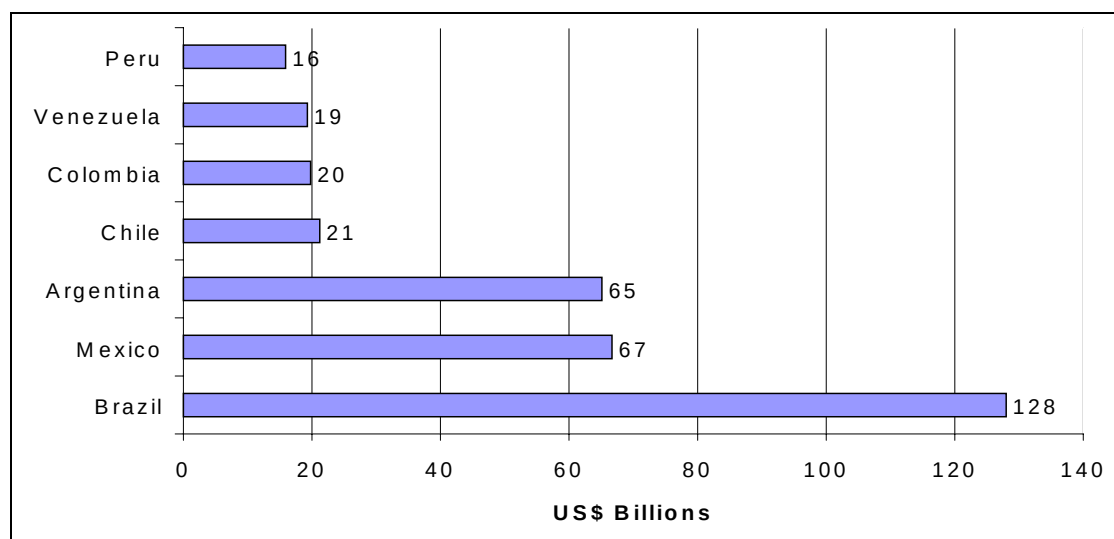
Source Austrade, Submission, p. 208.

2.42 What is even more interesting is that the combined economy of the Mercosur partners, Brazil and Argentina, is two-thirds the size of China, Hong Kong and South Korea combined.

Overall Latin America's 480 million people have an average household buying power of US\$11,000 per annum.

2.43 As Austrade points out in its submission Latin America has 480 million people with an average household buying power of US\$11,000 per annum. Moreover the middle class has significant buying power with, for instance, Brazil's middle class having a total purchasing power of US\$128 billion, see Figure 2.2.

16 China, South Korea, Taiwan, Indonesia, Thailand and Malaysia. See Austrade, Submission, p. 207. Austrade's assessment is based on Economist Intelligence Unit estimates for 1998.

Figure 2.2 Total National Purchasing Power of the Emerging Middle Class, 1997

Source Austrade, Submission, p. 209.

Risks are perceived to be lower in Latin America than in Asia.

2.44 Austrade in commenting on this opportunity notes that:

While Asia is still perceived to be two to five years from economic recovery, there is a greater focus on these markets.¹⁷

2.45 However the lower risks in Latin America are real. For the first time in a decade Latin America, according to the World Bank, received more FDI¹⁸ than did East Asia in 1998.¹⁹

South American economic priorities are changing.

2.46 The countries in South America have been restructuring and progressively integrating into the global marketplace over the last decade. As the Chairman of ALABC told the inaugural conference of ANCLAS:

The sectors that have been involved in this process cover almost all areas of business activity, as companies, both local and foreign, have fought to acquire undervalued assets and market share.²⁰

17 Austrade, Submission, p. 209.

18 FDI – foreign direct investment.

19 *The Australian*, 'Asian crisis slows foreign investment to a trickle', 14 July 2000.

20 Speech by José Blanco, Chairman, Australia-Latin America Business Council, at the inaugural conference of the Australian National Centre for Latin American Studies (ANCLAS), Australian National University, Canberra, 20 June 2000.

South America has a favourable foreign investment environment.

- 2.47 Hand in hand with this restructuring of the economies has gone the recognition that foreign direct investment is essential to economic development and integration into the world marketplace. Investors are now able to acquire controlling stakes in South American firms.

There is more undisclosed potential in economic terms in South America at present than in any other region in the world.

- 2.48 Australian executives in South America maintain this, as do Australia's competitors, evidenced by the level of their activity in the region. The Trade Sub-Committee had this point reinforced on numerous occasions during their visit.

Once markets are penetrated Australians find South America a more conducive business environment than Asia.

- 2.49 In relation to this opportunity there are three factors that Austrade says make the business environment in South America a particularly positive one in comparison to Asia:
- There is a 'western' culture in which it is easy for Australians to do business;
 - English is fairly widely spoken in business in South America, though less so in Brazil;²¹ and
 - Gaining a foothold in one South American market makes it much easier to gain access in neighbouring markets.²²

The present low value of the Australian dollar is having a positive effect.

- 2.50 The South American currencies are generally 'tied' to the US dollar. In Argentina the peso and the US dollar are interchangeable. Ecuador is implementing a system of dollarisation whereby the local currency, the sucre, is being replaced by the US dollar. The value of the Australian dollar against the US dollar makes Australian exports competitively priced.

21 Spanish is spoken in South America, except in Brazil where Portuguese is spoken. The Trade Sub-Committee found that English is spoken less at the small to medium size enterprise level and it is therefore important for Australian firms to get a local partner who has excellent language skills.

22 Austrade, Submission, p. 209.

Major privatisations will give Australian firms major opportunities.

- 2.51 Austrade anticipates that over the next five years there will be major opportunities as South American countries continue to undertake major privatisation programs. Table 2.3 shows areas of major privatisations.

Table 2.3 Major Privatisations

Transportation	Environmental sector
50+ projects	Total project costs US\$3.58 billion
Total project costs US\$22.78 billion	Estimated export potential US\$959 million
Estimated export potential US\$5.58 billion	
Energy	Industrial
30+ energy projects	Total project costs US\$1.72 billion
Total project costs US\$17.66 billion	Estimated export potential US\$618 million
Estimated export potential US\$6.35 billion	

Source Austrade, *Submission*, p. 210.

The Cairns Group.

- 2.52 The Cairns Group of 15 agricultural exporting countries has provided the forum for coalition building in South America. Six South American countries are members of the Cairns Group – Argentina, Brazil, Chile, Colombia, Paraguay and Uruguay. The Cairns Group of agricultural fair traders has been most successful and it was ‘largely as a result of the group’s efforts that a framework for reform of trade in agricultural products was established in the Uruguay Round.’²³

South American tariffs and non-tariff barriers against imports have fallen.

- 2.53 Over the last decade, with the move to open up the economies, there has been a fall in the tariffs and non-tariff barriers applied against imports.

The regulatory environment is being simplified.

- 2.54 The rules and regulations for doing business in the region are increasingly predictable and in some cases Australian firms are helping governments establish international best practice with rules and regulations.²⁴

²³ DFAT, *Submission*, p. 339.

²⁴ DFAT, *Transcript*, 13 August 1999, p. 7.

Development of South American economies is generating further demand for services.

- 2.55 Service exports offer enormous scope for Australian business. There is increasing demand for services in insurance, education, IT & T, environmental and water management, urban planning and construction, wine production services and technology, agribusiness consulting and services, mining services, tourism, health, hospitality and finance.

Many South American importers want to broaden their sources of supply.

- 2.56 South American importers have tended to look north, to the US in particular, as a source of supplies. With the movement to bilateral trading relationships over the last decade, South America is looking further afield and sourcing product from the EU and Asia. South American businesses 'are willing to consider alternative suppliers where quality requirements are met and a price advantage is offered.'²⁵

There is room in the market for new entrants.

- 2.57 The issue is how long is the window of opportunity going to be open. The problem is that Australia has dawdled to date on opportunities while competitors have been racing. There are still a number of countries where Australian firms could be **early entrants** in the market. Colombia is one such country that the Committee considers is a *greenfield* market. When the country solves its internal security problem there will be very good opportunities for business.

A joint venture in one Mercosur nation gives advantageous access to other Mercosur markets.

- 2.58 Mercosur is one of the fastest growing economic regions in the world. As Nu-Lec Pty Ltd pointed out:

There are absolutely no taxes whatsoever associated with trade in that zone. So again, for us to set up local manufacturing in Argentina or Brazil, immediately we are 30 per cent to 40 per cent more competitive in those other countries.²⁶

Threats

- 2.59 In carrying out its SWOT analysis Austrade identified 7 characteristics of the South American market that can constrain trade and investment for

²⁵ Austrade, Submission, p. 211.

²⁶ Nu-Lec, Transcript, 24 February 2000, p. 514.

Australian business. These characteristics focus on the mechanisms that South American countries have formulated to develop their trade links and the resulting trade competitors for Australia. Unfortunately Australia has not been part of this process, focusing on working through a global system, the WTO, to gain access to markets rather than engaging countries directly. As a result many of these preferential arrangements discriminate against Australia. Following the disastrous WTO meeting in Seattle in November 1999, the Prime Minister has now indicated a preparedness to shift ground and explore free trade agreements. This shift in policy approach will work to dissipate a number of the following threats to Australian trade and investment in South America.

Regional trade blocks.

- 2.60 The countries of South America have been active in establishing a number of regional and preferential trade agreements amongst themselves over the last ten years with the aim to move towards more trade liberalisation in the region. These RTAs²⁷ are discussed more fully in Chapter 3. The United States and Canada have been very aggressive in South America as has the European Union more recently.
- 2.61 Mercosur has pursued the expansion of its preferential trade ties in recent years with an arrangement with the Andean Community. The EU and Mercosur are holding discussions on a free trade agreement, although the issue of the inclusion of agriculture is one that needs to be worked through.²⁸
- 2.62 In April 1998 formal negotiations began on the formation of the Free Trade Area of the Americas (FTAA) that would include all Western Hemisphere countries except Cuba. It is proposed this hemisphere-wide free trade zone be negotiated by 2005. The establishment of the FTAA would have serious implications for Australia's trade interests.

Bilateral trade agreements between South America and competitors.

- 2.63 On the bilateral front, the South American countries, especially Chile, have in place a range of bilateral free trade agreements with each other. Furthermore Argentina and Uruguay have bilateral agreements with Mexico along with Chile, who also a bilateral with Canada. Brazil has indicated its intention to negotiate an agreement with Mexico. The exporters of Mexico and Canada enjoy an advantage over competitors like Australia in the South American market place.

27 RTA – Regional trade agreement. Mercosur, Latin American Integration Association (ALADI), the Group of Three and the Andean Community.

28 DFAT, Submission, p. 310.

An early resurgence in key Asian markets could result in Australian business refocussing all their attention on those markets.

- 2.64 There has been some recent comment that although Asia has shown signs of recovery after the downturn in 1997, this recovery may not be long term as there has not necessarily been fundamental structural readjustment that would address the problems. As the President of the Korea Exchange Bank is reported, none of the vulnerabilities that brought about the Asian financial crisis have gone away and there are two legacies that have been left – heavy debt and greater household insecurity.²⁹ Furthermore it has left the region more vulnerable to external shocks.

Mercosur preferential duties.

- 2.65 Mercosur preferential duties place Australian exporters at a competitive disadvantage when competing against exporters from other Mercosur countries. A tiered Common External Tariff (CET) ranging from zero to 23 per cent applies to about 85 per cent of tariff lines. In November 1997 ‘Mercosur decided to increase all the Common External Tariffs by 3 per cent. While this measure ran counter to the general trend to trade liberalisation in Mercosur, it is supposed to be a temporary measure that will be phased-out by 2000.’³⁰

Established competitors give higher priority to capturing market share in South America rather than Asia.

- 2.66 Austrade makes the point that our competitors in the US, Canada and Europe go out of their way to ensure that their companies and agencies are at the cutting edge of winning business in South America and will provide significant financing to do so.³¹

Emerging competitors.

- 2.67 Asian tigers are emerging as significant competitors in the South American market. They now supply over 19 per cent of South America’s imports while Australia supplies less than half a per cent. Moreover the:

... nexus between Asia and Latin America is building. President Estrada, of the Philippines visited Santiago and Buenos Aires recently. Mahathir Mohamad has been across to Buenos Aires. Goh Chok Tong of Singapore was recently in Buenos Aires. There

29 *The Australian Financial Review*, ‘Asia’s recovery looking fragile’, 19 June 2000.

30 TOOS’99, p. 188.

31 See Austrade, Submission, p. 213.

is a lot of presidential or prime ministerial contact taking place at the present time between Latin America and Asia.³²

Austrade's competitors are aggressively strengthening their networks.

2.68 Austrade provided examples, as shown in Table 2.4, where marketing arms of competitors are strengthening their marketing staff in key markets to optimise market share takings.

Table 2.4 Staffing Levels of Trade Marketing Arms in South America

Country	Argentina – Buenos Aires	Brazil – São Paulo	Chile – Santiago	Peru - Lima
Australia	1 Australian 5 local	1 Australian 5 local	1 Australian 4 local	1 Australian 2 local
Canada	2 Canadian 6 local	4 Canadian 9 local	3 Canadian 3 local	2 Canadian 4 local
USA	5 US 15 local	4 US 29 local	2 US 12 local	1 US 5 local
Britain	3 British 12 local	5 British 18 local	2 British 6 local	1 British 4 local

Source Austrade, Submission, p. 214.

Areas of Opportunity

2.69 There are many Australian companies doing business successfully in South America. By outlining the opportunities at this point in the report, the Committee hopes to open the eyes of more Australian businesses to the possibilities. In terms of the overall opportunities available in the marketplace Australia is only taking a very small share. The factors of the traditional north-south links and the aggressive marketing by competitors such as the US, Canada and the EU, have tended to provide South American governments and business with a defined focus on where expertise is available. This of course leaves Australia out of their field of focus, a situation that was confirmed on numerous occasions when the Trade Sub-Committee met with government officials and business leaders in South America.

2.70 Austrade's Americas team, in the publication *Doing Business in Latin America: An Introductory Guide*, outlined business opportunities in sectors that offered the most immediate potential for Australian suppliers of products and services. The sectors are:

32 KPMG, Transcript, 17 November 1999, p. 383.

- Mining;
- Oil and gas;
- Agribusiness;
- Information technology and communications;
- Marine industry;
- Services industries and consumer goods;
- Education services;
- Environmental technology and services;
- Infrastructure and transport;
- Urban planning and construction technology;
- Wine production services and technology;
- Processed foods and beverages to supermarkets; and
- Automotive after-market.

2.71 The full details of these sectors can be read at Appendix E.