Senate, Monday 4 September 2000

COMMITTEES: Foreign Affairs, Defence and Trade Committee: Joint: Report

Senator CALVERT (Tasmania) (3.53 p.m.) —On behalf of the Joint Standing Committee on Foreign Affairs, Defence and Trade, I present a report of the committee entitled *Building Australia's Trade and Investment Relationship with South America*, together with the Hansard record of the committee's proceedings and submissions received by the committee.
Ordered that the report be printed.
Senator CALVERT —I seek leave to move a motion in relation to the report.
Leave granted.
Senator CALVERT —I move:
That the Senate take note of the report.
I seek leave to have the tabling statement incorporated in Hansard.
Leave granted.
The statement read as follows—
This report of the Joint Standing Committee on Foreign Affairs, Defence and Trade - *Building Australia's Trade and Investment Relationship with South America* - is a report that is eagerly awaited by the countries of South America, Australian business chambers and businesses themselves.
There is little doubt that South America is dynamic and developing, leading to a multitude of business opportunities. This was reinforced when members of the Committee's Trade Sub-Committee visited eight South American countries in March-April this year. Members came away with the clear 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 are dispelled when this report is read. There are powerful reasons for the market to be looked at seriously by Australian exporting firms. With South America emerging as a region of considerable economic significance there is great scope for Australian companies to do business there.
The first focus on South America as a region of considerable potential for Australia was back in 1992. While Australia's trade and investment relationship has grown with South America, it has not been a high priority. Through the Government's annual Trade Outcomes and Objectives Statements, there is now a focus on Chile, the Mercosur countries and Peru as important emerging markets for Australia. The direct air links with South America, established nearly two years ago, provide both the means and the catalyst for developing and improving business links.
Time is of the essence! Australia's competitors, including New Zealand, are well and truly in the market. If Australia is serious about increasing its trade and investment relationship with South America then it must go beyond the promotional rhetoric and take positive action as its competitors are doing in the region.
The Committee's recommendations are focused towards putting legs under the relationship with the ultimate aim to improve Australia's export performance.
The CER-Mercosur dialogue, the central mechanism for progressing Australia's trade and economic relationship with Mercosur must be reinvigorated. It is necessary for the Australian Government to pursue, as a priority, the development of an Australia-Mercosur free trade agreement to allow Australia to tap into the Mercosur common market of some 215 million people. Australia's competitors are reaping the benefits of such trade agreements with Australia losing any competitive edge. Australia has to be in it to win it and energise trade initiatives and trade activities.

Australia has a critical link that is of significant value to South American countries - it is our Asia link. Australia, as a bridge to Asia, is a concept that is big enough for the Government to take seriously as an initiative and the Committee recommends that a strategy be developed to establish Australia as a bridge to Asia for the economies of South America.

The Committee, as did the Trade Sub-Committee on its visit to South America, found that awareness or more correctly a lack of awareness is the single biggest issue impacting on the relationship. In Australia there is little awareness of South America, including the nature and the size of the markets there, the scope of the opportunities, the complementarities with Australia and the move by the South American countries to be more competitive in the global economy.

To raise awareness and provide a long term focus on South America the Committee sees it is as vital for the Australian Government to establish a body that has the capacity to deliver initiatives and build the relationship. The Committee recommends that an Australia-South America Foundation be established to initiate and support activities that promote substantial and enduring collaboration between Australia and the countries of South America, and serve Australia's long term interests in the region.

The Committee found it an anomaly that within the Foreign Affairs and Trade department South America and Canada are put together. The size and dynamism of South America warrant that it has its own focus and priority and that Canada is moved and made part of North America.

In all, the Committee made thirty recommendations to build Australia's trade and investment relationship with South America. Other initiatives include the formation of a South American Working Group; high level visits to the region; additional resources for our mission in Caracas; an exchange program for young executives; the development of a program to capture the expertise and skills of Australia's retired workforce; an increase in the Australian Tourist Commission's effort; double taxation agreements with more South American countries; Australian membership of the Inter-American Development Bank; and the provision of a budget allocation by AusAID for development projects in South America in cooperation with the World Bank and the Inter-American Development Bank.

Madam President, it is important that there be a significant focus at government level on the South American region as this will encourage people to go to South America and trade in South America. This strategy has proved to be very successful in relation to Asia and the same commitment is required for Australia to reap the rewards in the markets of South America.

I commend the Report to the Senate.

Senator O'BRIEN (Tasmania) (3.55 p.m.) —In speaking to the Joint Standing Committee on Foreign Affairs, Defence and Trade report entitled *Building Australia's Trade and Investment Relationship with South America,* let me say that, having been part of the committee process to take evidence here in Australia and also having been one of a group of senators who took it upon themselves to arrange to travel to South America and visit a number of countries—together and in two groups, if I can put it that way—it is very pleasing to see the product of the work that has been done being presented so well by the committee secretariat. I thank Ms Jane Vincent, who has done so much organisation of the work of the committee: its hearings, our visit to South America and, of course, the preparation of the report and all her work performed on the document itself. I commend the report to honourable senators as a very worthwhile text which sets out contemporaneous material about the trade and investment opportunities which do in fact exist between this country and the various countries of South America.

One of the other things I should say is that, on the visit by members of the committee to South America, we were accompanied by an officer of the Department of Foreign Affairs, Defence and Trade, Ms Sharyn Minehan—or I should say Her Excellency, because she has become the

Ambassador to Argentina since that time. I express the committee's gratitude to the department and to Her Excellency for the assistance that she provided to the committee, which made the work of the committee as productive as it was, and particularly for her knowledge of Spanish and Portuguese, which assisted us so much in South America.

Appendix D to the report sets out on pages 233 to 258 the itinerary of the South American visit—quite an extensive itinerary. One can see that we spent a great deal of time in meetings, talking to government and business representatives, both Australian and Argentinian business people, assessing the opportunities for investment and trade in both directions. One of the things that the committee did discover is that there is an unfortunate lack of awareness, both here in Australia and in South America, of the trade and investment opportunities across the Pacific Ocean. As we look to our north, to Asia, for all of our opportunities and to Europe and the North Americas, it is likewise with the South Americans looking to the United States and the European Union, with neither of us looking at opportunities for investment and trade that do exist—opportunities that the committee believes will be welcomed between the businesses of this country and the businesses of South America.

In relation to the environment in which we trade, it is important to note that there are opportunities which need to be freed up by the action of the government—and several of those are recommended by the committee. This is obviously a bipartisan report—which, I think, lends it great weight. One of the things the committee is at pains to draw the attention of the government to is the need to negotiate further with countries of South America, particularly on double taxation agreements, which are serious impediments to business dealings. In terms of particular countries, the absence of the negotiation of double tax agreements will see existing trade dry up because of our lack of competitiveness arising from that circumstance with countries like Canada.

Having mentioned Canada, I should say that the Canadians are quite proactive in developing their trade links with South America. Tables in the report show honourable senators the sorts of investments that the Canadians—and, indeed, those in other countries—have made in seeking to access the markets of South America. Canada, being a country of similar economic capacity to Australia, outdoes us significantly in terms of exploring the opportunities for business. That is a matter which obviously lies in the hands of the government to address.

There are significant criticisms in this report, particularly of the Department of Immigration and Multicultural Affairs, which I think should attract the attention of the government as quickly as possible. My colleague Senator Carr has an interest in education, and here there are opportunities for bona fide students to access our great educational system. However, the barriers placed in the way of those students from South America who are seeking to access our educational facilities are enormous when compared with the lack of barriers that exists if those same students seek, as an alternative, to access the United States or Canada for similar educational opportunities.

The fact of the matter is that, in an educational sense, we have a lot to offer South America. Unfortunately, when it costs some students up to $US500 to have Australian visa applications processed compared with the negligible amounts it costs to have United States or Canadian visa applications processed, that is a trade barrier of our own making. The criticisms of the department do not simply go to the issue of the cost to students but go to the way in which the department approached the inquiry—and I commend to senators the passage of the report which deals with that. They are some of the most strident criticisms of a department that I have seen in a report, particularly a report which is bipartisan, as I stressed earlier. That is, the terms of this report in criticising the department are signed up to by both the government and the opposition members of the committee.

Having said that, I think this is a report which I will take some pride in distributing to members of the business community and others in my state—and I hope that other senators, whether they were involved or not, take the same opportunity. It is important that we do play a part in extending the awareness that is lacking at the moment—the awareness of trade and investment opportunities—because we are talking about a continent with in excess of 300 million people, a great many of whom would be prepared to buy our goods and trade with us if they knew the opportunity existed. Indeed, that is the position for Australians as well. I commend the report to the Senate.

Senator COOK (Western Australia—Deputy Leader of the Opposition in the Senate) (4.04 p.m.) —I too rise to speak to this report, entitled *Building Australia's Trade and Investment Relationship with South America.* As Senator O'Brien has said, this is a significant report. It is a report of the Joint Committee on Foreign Affairs, Defence and Trade, and I am a member of that committee. I did not participate in the hearing of evidence and the writing of this report but, as a member of the committee, I do want to congratulate those who did. Senator O'Brien has named the particular staff member concerned. I join my remarks with his in acknowledging the fine work that she has done in connection with this report.

With those remarks, perhaps I can just say a couple of words about the subject. For historic reasons, the biggest ocean in the world, the Pacific Ocean, at its widest point has for so long separated South America from Australia. As well as that tangible separation by one of the world's most outstanding geographical features, there has been a cultural separation as well. Those on the South American continent speak Portuguese or Spanish, and we speak English. It is part of the non-English speaking world, and our news and information of what is happening in that area of the world containing 300 million people is sparse indeed. It is conveyed by caricature more often than understanding. Indeed, the historical link is quite significant. Many of the earlier explorers who made their way around Cape Horn called at Rio de Janeiro and other ports along the South American coast before moving into the Pacific. Indeed, that is where Captain Cook had his vessel the Endeavour careened before it moved into the Pacific and he discovered the east coast of Australia.

But in modern times we have been separated by the LOTE, the Pacific and the cultural differences between our two countries. This report removes the mists of that separation. It is not the first step to do so that has been taken. I think a significant advance was when the airlines in Australia, together with the Latin American airlines, opened, at first, a regular weekly service to Buenos Aires—a service which has now grown to be a daily service with increasing demand. Our two peoples are being brought together by the speed of air travel and the frequency of the interchange. As well, Australian businesspeople have been travelling to Latin America and finding worthwhile investments. This report follows in their wake in an effort to try to comprehensively assess the likely opportunities in that market and commend those opportunities to Australian businesses.

Before going into any detail about that, I would like to acknowledge and congratulate the ambassadors from the Latin American countries. In the diplomatic corps in Canberra, they form quite an enthusiastic and cooperative group. They are very energetic in promoting the interests of their region, and they have been a catalyst in stimulating the activities of this committee to at last give in and examine the virtues of and the opportunities offered by their countries, which they kept rightly and in reasonable tones preaching to us about. The Latin American ambassadors need to be acknowledged.

Australia's diplomatic ties with South America became stronger with the launch of the Uruguay Round of world trade negotiations in 1984 and with the formation of the Cairns Group at the same time. The Cairns Group is a group of countries which negotiate jointly, of which Australia is the chair. They are all agricultural exporting nations. In the main, the Cairns Group consists of Australia, New Zealand and Canada, all of the ASEAN countries and just about all of the Latin American countries. I think the fact that we work as a unit, as a group of nations, provides substantial countervailing influence in world trade negotiations so that, as well as the super-economies—the economies of the United States, Japan and Europe—we have a union of smaller economies able to unite around the common goal of liberalising agricultural trade and opening market opportunities for all of us as exporters. Without the presence of the Cairns Group, our ability to negotiate just outcomes in international trade would be considerably less but, because we have worked together on the diplomatic front, arguing real issues and cooperating with each other, we have found a way at that level of being drawn closer together by a common cause that affects the livelihoods of people in all of our countries. That too has served to break down some of the barriers between the South American nations and Australia. The Cairns Group has been quite important.

Just a month or so ago, a retired trade minister from Argentina visited Australia in order to have informal discussions with the government, with me as the shadow spokesman on trade and, I am sure, with Australian industry. The informal discussions were about whether it is possible to create a trade treaty involving South America, South Africa, Australia and New Zealand, the major economies of the Southern Hemisphere, in such a way that, by cooperating together, we can grow all of our economies mutually. It is at this stage an embryonic idea. It is an ambitious idea. It is an idea worth following through. I believe the government gave the former minister a warm and positive reception, as did I.

The significance of trade in South America cannot be underestimated. I cast my mind back to the 1960s, when there was a high level of antipathy between the major countries of Argentina and Brazil and it was suspected that this traditional rivalry had taken the form of an underground nuclear arms race in which large portions of the national budgets of both those countries were being invested in the development of nuclear weapons. It is significant to note that, when that underground arms race reached a critical point and both of those countries renounced their bids to obtain nuclear weapons status, they embraced each other in a common trade agreement, which is now the Mercosur agreement, and began to unite their economies and advantage each other with the mutual growth and bigger market that a trade zone creates. If there is an object lesson in the world about trading with people rather than finding a basis for conflict with people, it is the example of what has occurred between Argentina and Brazil. We now have not only a peaceful border but also a cooperative economic relationship, which brings people in those countries together and which means that market opportunity in one nation creates jobs in the other nation. It is an example that could be commended to border conflicts in other parts of the world, such as that of Pakistan and India.

There are different levels of economic development in Latin America and different levels, therefore, of opportunity. For Latin American companies, there are opportunities as well in developing trade links with Australia. As many Latin American economies come out of Third World status and are now better classified by the IMF and other international institutions as economies in transition—moving to First World status or emerging economies moving up the economic ladder—their growth rates present greater opportunities for growth in Australian industry. There is a compatibility between our economy and theirs. It serves to make this fundamental point about trade, particularly trade with developing countries: the more we contribute to their economic growth, the more people are lifted out of poverty or straitened economic circumstances and the bigger the market for our exports. It is an object lesson in improving the lot of humanity as well as economic circumstances. I think this report will play a significant role in broadening the horizons of Australian industry, awakening them to the opportunities in South America and setting in place a series of constructive steps to ensure ongoing application and success on both sides of the Pacific. This report will also be a bit of an object lesson to other parts of the world where, if studied in the same detail with the same diplomatic backup, they could create the same results. (Time expired)

Question resolved in the affirmative.