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DEFENCE AND TRADE

TRADE SUBCOMMITTEE

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Latin America**

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

Trade Subcommittee

Wednesday, 11 March 2009

Members: Senator Forshaw (*Chair*), Mr Hawker (*Deputy Chair*), Senators Arbib, Mark Bishop, Ferguson, Fifield, Hanson-Young, 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 Markus, 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*), Senators Ferguson, Forshaw (*ex officio*) and O'Brien and Mr Gibbons, Mr Hale, Mr Hawker (*ex officio*), Mr Ian Macfarlane, Mrs Markus, Mr Ripoll and Ms Vamvakinou

Members in attendance: Senators Ferguson, Forshaw and O'Brien and Mr Hale, Mr Hawker, Mr Macfarlane and Mr 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.

WITNESSES

ORTIZ de ROSAS, Ambassador Martha, Mexico..... 1

Subcommittee met at 11.07 am**ORTIZ de ROSAS, Ambassador Martha, Mexico**

ACTING CHAIR (Mr Bruce Scott)—I declare open this public hearing for the inquiry into trade and investment relations with 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 second public hearing for this inquiry. Today the subcommittee will be taking evidence from the Ambassador for Mexico. Ambassador, I welcome you here today.

Mexico's submission to the inquiry has highlighted the fact that there are many opportunities and challenges facing us in seeking ways to widen and improve our trade and investment relations, particularly in the very difficult financial circumstances facing the world today. However, it also shows that the prospects for a deeper and more comprehensive trade and economic relationship between our two countries are very good. The subcommittee is delighted to welcome the ambassador this morning, and we anticipate an extremely interesting discussion of the trade and investment issues under consideration.

The trade and investment links with the countries covered by this inquiry are of growing importance. We will be examining ways to widen and to improve those links and to assist Australian companies to make the most of current and developing opportunities. I remind any members of the media who may be observing this public hearing of the need to report fairly and accurately the proceedings of the subcommittee, as required by the Senate order concerning the broadcasting of Senate and committee proceedings.

On behalf of the subcommittee, Ambassador, I welcome you and representatives from the Mexican embassy here in Canberra. 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. 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 we proceed to questions, do you wish to make a short opening statement to the subcommittee?

Ambassador Ortiz de Rosas—Thank you. Hon. Bruce Scott, Deputy Chair of the Trade Subcommittee, honourable members of parliament and of this subcommittee, friends, ladies and gentlemen, on behalf of the government of Mexico I thank you for this opportunity to meet you today to discuss how we can better manage our trading relations. When the Embassy of Mexico submitted its written report five months ago, the international financial crisis was beginning to grow and become not just a credit crunch but a full-fledged crisis affecting international financial, commercial and monetary institutions. Now there is proof that this crisis is not only hitting markets, banks and other credit bureaux, it has spilled over into international trade and commerce and is negatively affecting industrial output, manufacturing and jobs. For this reason, I believe that many of the issues that were pointed out in the embassy's submission are more relevant now than ever.

The federal governments of Mexico and Australia share the idea that healthy and growing trade translates into a healthy and growing economy. But we need the help of all other actors involved—congress in Mexico and parliament in Australia—to pass relevant laws and recommendations to help trade and to make it more open and transparent between our countries. Authorities involved with the sanitary and quarantine issues in both nations need to carefully analyse but quickly approve products that are safe and pose no threat. It would be truly beneficial to both countries if products could be examined in blocks or groups of products. This would make for more efficient market access and further expedite the trade relationship.

Business women and men in both countries should be encouraged to have the vision to realise that, through trade, no-one is stealing anyone's market share but simply offering the customer more choices and, where they did not exist before, new choices. Trade also means new technologies and competitiveness. The international credit institutions need to start lending again and to get trade related credit flows moving again. Doing this, Mexico and Australia will be able to realise their full trading potential and will reap the benefits that will spill over to producers, factory workers, manufacturers, miners, farmers and all sectors of society.

In our submission we stated that the administration of President Felipe Calderon is focusing on further strengthening Mexico's economy and on taking necessary measures to ensure that the appropriate framework is put in place through reforms and incentives. Most of the structural reforms that the President set out to approve at the beginning of his administration have now been passed by congress and set in motion. The most recent one—and an important one for investment—is the reform of the energy sector. PEMEX, Mexico's national oil company, has not been privatised, but the reforms have begun the process of modernisation and of strengthening the company in order to make it a more competitive and efficient international player which also promotes renewable sources of energy. For this, investments from home and abroad are now welcome, in exploration, extraction and refining of petrol and other energy resources. This could be very attractive, for example, to Australian companies that specialise in services, exploration and the equipment that this field requires.

Many of you might perhaps wonder how Mexico is facing the current international economic crisis. What measures are being taken and how can these be positively or negatively affecting Australian practices? Obviously, the crisis has affected every country on the globe and Mexico has been no exception. President Calderon has taken measures to counter this situation since March 2008, when he proposed his economic assistance program which is described in the introduction to our submission. In October 2008 the president proposed a growth and employment stimulus program which consisted of diverse measures to lower government expenses and direct resources towards investment in infrastructure. In January 2009 the President of Mexico gathered together all levels of government—federal, state and municipal—and representatives from business, labour and the social sectors. They all convened on a national agreement in favour of family, economy and employment. This will basically entail a very large stimulus program to assist workers and employees—to avoid lay-offs—low-income families, small and medium companies and assist more investment in infrastructure.

We expressed in the conclusion of our written submission that Mexico and Australia have enjoyed years of 'positive trade relations' from which both countries have profited. I believe we can do better. Both countries have, in the last decade, undertaken deep structural reforms that have better positioned them and their companies to become competitive and to be able to trade

with each other in a more transparent way. Both countries have been affected by the current international economic crisis. But also both countries are taking all-encompassing measures to combat the effects of this crisis. The reforms of the international financial structures that have failed us all will come out of this with strengthened and renewed energy. If I were to submit a recommendation to parliament regarding trade with Mexico, I would state that the groundwork has been laid and it is now time to harvest the fruits of our labour by vigorously promoting our trading advantages to our business communities and advancing our commercial relationship to its full potential. Thank you.

ACTING CHAIR—Your Excellency, thank you very much for that. I will now open the hearing to questions.

Mr IAN MACFARLANE—Ambassador, in terms of the reform of PEMEX and the ability of companies to invest, would you expand on that a little? Is it still a partnership arrangement in terms of exploiting oil and gas resources in Mexico and Mexico's territorial waters?

Ambassador Ortiz de Rosas—Yes, that is right. The reform allowed PEMEX to make contracts with companies, domestic or foreign, to provide different kinds of services including exploration and refining. The program for the structure of these contracts will be placed very soon in, I think, the second semester of this year. They will be through bids so that different companies in the world could present their bids to PEMEX.

Mr IAN MACFARLANE—So that will be on a bid and tender basis?

Ambassador Ortiz de Rosas—Yes.

Mr IAN MACFARLANE—This is something completely different. Going to the industry side of my old portfolio, I visited the VW plant in—and you will have to help me here—Mexico.

Ambassador Ortiz de Rosas—They are very close to Mexico City. I think they are in Cholula. We have a map.

Mr IAN MACFARLANE—Anyway it was a very modern plant and I was just wondering how your car industry was faring in terms of both domestic sales and export sales.

Ambassador Ortiz de Rosas—This is a very good question. Our car industry has been working very well. We were exporting 1.6 million cars per year in 2007. We are the ninth producer of cars in the world. But now of course with the downturn in the economy the car industry of Mexico is also suffering. But I think this is a source of opportunity for countries like Mexico and Australia because we are producing different kinds of components for the car industry. As for our trade balance, we are exporting engines to Australia and you are exporting all sorts of parts for the car industry to Mexico. I think there is a great opportunity now to create joint ventures for strategic alliances with these companies to export, not just to our big market, which is the United States, but to all the markets in the world. Mexico has 12 free trade agreements with the world. They encompass 44 countries, plus there are 24 or 22 agreements on the promotion of reciprocal protection of investment. So we have a total of 52 countries.

Mr IAN MACFARLANE—I think we have one of those with you.

Ambassador Ortiz de Rosas—We have one of those with Australia. It has been in place since 2007. We could easily take advantage of this kind of agreement to promote more engagement between our different companies that specialise in some of the components of the car industry to be more competitive with Third World countries.

Mr IAN MACFARLANE—By way of interest, we have seen exports by GMH into the United Arab Emirates collapse by 90 per cent. They are 10 per cent of what they were last year, so it is really hurting. So I think the opportunity for strategic alliances is good.

Ambassador Ortiz de Rosas—I think it is.

Senator FERGUSON—Your Excellency, this is not the first inquiry that we have had into trade and investment opportunities with Mexico. If you are looking for Australian investment into Mexico there has to be some benefit for the companies that are going to invest overseas in your country. What benefits do see? What is the attraction of Mexico for any Australian company which wishes to invest outside of Australia? Why would they choose Mexico?

Ambassador Ortiz de Rosas—I think we have a lot of comparative advantages that we can offer to international companies. Mainly we have a stable economic and financial establishment in Mexico. Our macroeconomic financial strength is there. We have an investment grade granted by institutions such as Standard & Poor's and Moody's that shows we are in very good shape. We have been qualified as BBB+ by them.

As I have mentioned, Mexico is one of the most open economies in the world. We have a network of trade and investment agreements with 52 countries. We have a strategic geographical location as well. We are close to major markets. We border the world's largest economy. We have shores on two oceans. We connect well within Latin America, not just with North America. We have the ability to form clusters around different factories to provide input to the big companies as well. We have a highly qualified and competitive labour force that has been trained since our NAFTA agreement has been in place for 15 years. We have an investment friendly environment and we are politically stable. All these factors give Mexico an advantage compared with other countries in the world.

Senator FERGUSON—Thank you, Ambassador.

Senator O'BRIEN—Ambassador, the issue you raised about import risk assessments interests me. How many products await an import risk assessment process by Australia's biosecurity agencies?

Ambassador Ortiz de Rosas—This is an issue that we have been dealing with for several years. There are several products. One of them is avocado, which is very important for the bilateral relationship. We requested a risk analysis for avocados by them several years ago and we are still on the waiting list.

We also have other problems. Citrus fruits are very important for our bilateral agenda, and they are pending to be analysed. We have some analysis done for other products—such as grapes, plums, melons, broccoli et cetera—but they are not being included in the protocols yet. We have all these different products that could be included in the protocol list and we are

wondering why we could not negotiate them as a package. We need to negotiate product by product. We have been trying to do this for several years, and I think one of the solutions could be to have a phytosanitary agreement in place between Mexico and Australia. We also provide opportunities for products from Australia, such as livestock, meat, dairy products, or wines, which are an important sector in this country.

Senator O'BRIEN—There is no barrier at the moment for trade in those areas, is there?

Ambassador Ortiz de Rosas—Yes, there is a barrier.

Senator O'BRIEN—Quarantine is an acceptable process under WTO rules, as I understand them. But I meant other more trade-oriented barriers, if I can put it that way—more conventional or recognised—

Ambassador Ortiz de Rosas—Not really. For those products I mean the non-barrier is the quarantine. We are exporting avocados to the 50 states in the United States, to Japan and to Europe. So, we are certified. We cannot export those to Australia, which is very inconvenient, not just for consumers. You could have avocados here, when you do not produce avocados here, because our seasons are different.

ACTING CHAIR—So if only our quarantine could be done—completed—and these protocols could be in place; that is really the only barrier. So it is really a quarantine issue in Australia? Well, it is not a quarantine issue; it is to do with the assessment—

Senator O'BRIEN—The evidence was that the import risk assessment process has not commenced. I think that is what the ambassador is saying, isn't it?

Ambassador Ortiz de Rosas—Yes, I think that our entity in Mexico—which is called SENASICA, which is part of our agricultural ministry—has been working, since long ago, with AQIS here. But no results have been in place.

Senator O'BRIEN—The question in my mind is that there has been a discussion about how well equipped our business sector is with language skills. How important is the development of Spanish-speaking language skills for our trade relationship with your country, and indeed others in Latin America?

Ambassador Ortiz de Rosas—I think this is a very important question. One of the findings of the report that we are expecting will be presented soon—the joint expert group report—is probably that they have found that one of the barriers to the trade is language. But in the case of Mexico, I think this is not a barrier, because most of the business people in Mexico speak English. Probably in other countries of Latin America it could be different. We are promoting more exchanges of students between our two countries, and I think we are achieving some good results. Mexico is now sending 1,600 students to Australia—at least, that is what we sent last year. We received 220 Australians in Mexico, mainly to study Spanish. And also, we—the ambassadors here that speak Spanish, the Spanish-speaking ambassadors—have been promoting around Australia the study of Spanish. Here in Canberra we have now two main universities, the ANU and the Canberra University, teaching Spanish with great success—more than 200 students in each university. We are requesting that not just the federal government but also the state

governments include—as compulsory—the Spanish language in all levels of education. We know that now it is the seventh most-studied language in Australia, but we would like it to be in the first place. But they need to invest a little bit more in this area—there is a lot of interest here.

One simple reason is that there are 400 million people in the world speaking Spanish. Mexico, with 106 million, is the largest country speaking this language. I read recently that now there are 45 million in the United States, and these are the first minority. If you want to do business with them you probably need to speak Spanish.

Mr HAWKER—I want to follow up that last question from Senator O'Brien on the issue of agricultural products and the scope for complementary trade. You have talked in your submission about you being in the Northern Hemisphere and we being in the Southern Hemisphere. You have also mentioned some of the problems and barriers at the moment that have got to be overcome—but what is the potential for developing in that area? Related to that, you talk about animal products and live animals—what is the scope for increasing trade there as well?

Ambassador Ortiz de Rosas—I think there is a lot of scope to increase both ways. Mainly, we are buying cattle and dairy products from Australia, but we are also selling some dairy products to you as well. So it is a two-way trade now. What we want to increase more is cooperation—technical and scientific cooperation in the field of agribusiness.

I think that processed foods are also very important in our trade balance and there is a lot of scope to advance this relationship. You probably know that Mexico is exporting Corona beer to Australia and it is very popular here. We would like to export more tequila, for example, and processed food—in cans, mainly. But there are plenty of opportunities in many different areas, for example: in engines, as I mentioned; in telecommunications; in software; in media games and medicaments. All of these areas are part of our trade balance with Australia.

Mexico is one of the largest trading partners of Australia in Latin America, with US\$1.5 billion in trade. I think what we need to do is to create and promote more awareness of each country—what we have and how we can complement each other in all the different areas that we were talking about before with Mr Macfarlane.

ACTING CHAIR—I just want to ask a question about tourism and direct air links. Do we have any direct air services with Mexico?

Ambassador Ortiz de Rosas—Unfortunately, we do not. I think this is a very important point. We would need to have more lobbying and more support between our two countries to have these direct flights.

It would change our lives, really, because we would have more tourism and more business people. We are working hard. We have in place an MOU on air services that established a co-share flight between Qantas and Mexicana that started working in 2006. Now we have almost finished the negotiation of an air transport agreement that will allow more exchanges between different airlines from Mexico and from Australia—because now you have Virgin airlines in place.

We need to convince them, to lobby them, to have these direct flights. They could be in place very easily—to start with, say, twice a week. It would change, very rapidly, the nature of our bilateral relationship. We would be very grateful if the parliament could help us, or if the trade subcommittee could help us, to lobby Qantas, Virgin or other airlines to engage in this negotiation—probably with Aeromexico or Mexicana.

Senator FORSHAW—Can I follow up on that? I remember that some years ago, when I first arrived in the parliament, the Senate Standing Committee on Foreign Affairs, Defence and Trade did an inquiry into air links with Latin America, including—I am sure—Mexico as well. Do you see that the direct flights would be Australia to Mexico City or do you see that it could include an ongoing flight to another country? If so, how would that best work? Would it be for it to go to Peru or somewhere like LA? I am just trying to work it out.

Ambassador Ortiz de Rosas—From Mexico we have a lot of connections to Central and South America and the Caribbean as well, so if they could fly from here to Mexico City or another city in Mexico—Guadalajara, Acapulco or Cancun—they could connect with flights that come from the United States as well. This should be a point of negotiation between the airlines.

Senator FORSHAW—I appreciate that. I was trying to think of what the different options are. Let us say Qantas flew from Sydney to Mexico City. Would the plane then just turn around and come back or would it go on to somewhere else?

Ambassador Ortiz de Rosas—It could come back to Fiji or New Zealand, for example, and maybe the other way around.

Senator FORSHAW—I am sure the company itself would look at those options.

Ambassador Ortiz de Rosas—There are plenty of opportunities. Do you know that many of the people I talk to want to go to Mexico but they do not want to go through the United States because they need a transit visa to go there? Mexico is now one of the largest tourist destinations in the world. It ranks as the eighth most popular tourist destination in the world. We had 21 million visitors in 2007. It is a big industry in Mexico but of those tourists only 33,000 were Australians, so we would like to have more. I am sure that some of them are travelling to the United States and crossing the border, but we would like to have more tourism in the wonderful parts of Mexico.

It would be good for us to engage in a common promotional activity. You have COALAR in place. COALAR is the Council on Australia Latin American Relations that was established by the Department of Foreign Affairs and Trade in 2001. They are working hard and one of the areas they are working hard on is tourism. We can promote more between our two cultures. Our council on tourism has expressed its willingness to make a contract with Flight Centre to promote Mexico all over Australia. Some people have told me that we are the best kept secret in this country because we have wonderful things. Some of you have visited Mexico. We have 27 World Heritage sites in my country. Many of them are archaeological sites but we also have colonial cities and natural reserves. For example, the Tequila region in the state of Jalisco is one of the latest areas in Mexico to be declared a World Heritage site.

ACTING CHAIR—I think we will have to pursue this.

Senator FORSHAW—To move to another area of questioning, do you see opportunities or the possibility of more contact or relations in defence or security areas as well—maybe in terms of Australian companies that are suppliers to the defence or security industries? I wonder if that is a potential market. We have a lot of these sorts of activities with our neighbouring countries in Asia, New Zealand and the US but it is not really an area that has ever been a point of contact—to my knowledge—between Australia, the Latin American countries and Mexico yet clearly your country—the same as Chile or others—has important interests in security and defence. I mean this question in terms of the trade opportunities and the building of contacts, particularly given that we are facing a lot of issues in the world today that relate to security, anti-terrorism and so on.

Ambassador Ortiz de Rosas—You are right. We do not have a strong relationship in this area. Mexico now has a good manufacturing aerospace industry. It could also be good for you to invest in some areas of manufacturing because you could export from there to the big market that you are a very good partner with, and that is the United States. The aerospace industry in Mexico employs about 20,000 workers. We have 150 companies in manufacturing, design, engineering, maintenance and repair. I think this is an area that we could explore more in our trade relationship. We are exporting \$500 million. We are considered the tenth largest supplier of aerospace products to the United States. That is probably not exactly what you are asking, but this is a related area that we can focus on in our bilateral relationship.

Senator FORSHAW—You have answered my question. I suppose I was thinking that we have close relations and have had for many years with a range of European countries. We are having more to do with NATO because of our involvement in Afghanistan. We purchased ships from Spain, who won a contract. What I am canvassing is that there are always lots of opportunities that can spin off contact between military forces and defence industries.

Mr HALE—Thank you, Ambassador, for your presentation. Is there a conscious effort within government to start to focus more on those electronics and aerospace type industries? While you do have a great diversity in your country, is there a conscious effort to get to that top end of the market in export? A very large percentage of your trade is with the United States. Are there any ideas yet what impact the recession that they have gone into is going to have in a financial way on Mexico?

Ambassador Ortiz de Rosas—Mainly, President Calderon is strengthening the activities of Mexico in IT, software, electronics, the aerospace industry and manufactures, which includes the car industry. Up to now that industry has been healthy in Mexico. Production is coming down of course but numbers have not been affected as much as in this country or in the United States. That could be a source of opportunity again because probably some of the companies will increase their production in Mexico now. We are optimists in that way.

Of course, as you mentioned, we have our big neighbour. We share 3,000 kilometres of border with them. They are our first partner in trade. The recession there is affecting the manufacturing sector in Mexico. We do not know yet what the estimated percentage will be, but that is why the President established a stimulus package. A main part is the infrastructure package that will provide jobs to Mexicans. We have a strong commitment. Joint investment will come from public and private sources to invest \$226 billion over five or six years in roads, railroads, ports,

water resources and different infrastructure that the country needs to continue growing and to export to different countries in the world.

I think the response from the financial institutions has been good in Mexico, including the Macquarie Group. They are bidding for some of these road projects that are very important in Mexico. For example, the stimulus packages will invest \$11 billion in business and industry and \$36 billion in infrastructure investment. It will represent 1.8 per cent of the GDP of Mexico in the years 2008-2009.

ACTING CHAIR—In your submission, on page 11, you say that the memorandum of understanding on mining cooperation expired in 2007 and has not been renewed. Could you tell us what stage the discussions are at, if there are discussions on an MOU to do with our mining cooperation?

Ambassador Ortiz de Rosas—This is a very important issue in the bilateral relationship. We both are producers of different kinds of minerals. That is why in the time of the Hon. Ian Macfarlane he signed this MOU on mining. He went to Mexico several times and he understood the importance of this sector for our two countries. Unfortunately the MOU expired in 2006 and we expressed our strong interest to renew this MOU. Last year I went to see the Minister for Resources and Energy and the Minister for Tourism and he told me that the new government is going to review all the MOUs that the government has in place. I do not know what is going to happen. I hope that it will be renewed soon, because last year my vice-minister for mining came to Australia and we went to see the secretary of the department as well and we expressed our desire and our strong commitment on this issue. So we would like very much if possible for the subcommittee to make a recommendation for this to be in place as soon as possible. We need investment in exploration from Australian companies but we also need services and equipment. It will be a win-win situation for both. Also in the transfer of technology we would need a lot of information regarding management and security in mines. So there are a lot of issues in the mining sector that could be resolved or advanced through this MOU.

ACTING CHAIR—Thank you for that. I can feel some recommendations coming on, if not a few speeches before the recommendation. It has been in place, but it sounds like it is in discussion but just bogged down somewhere.

Mr IAN MACFARLANE—On that issue of the MOU and mining, obviously there is also quite significant Australian interest in actually investing in Mexico. Just getting back to the economic situation, Mexico had quite strong energy consumption increases of around eight per cent per annum and I was wondering if that was continuing and in the current economic climate the expansion of LNG receival terminals and how that was all going. Could I have an update on that?

Ambassador Ortiz de Rosas—You are right. The consumption is increasing mainly in the northern part of Mexico. We need a lot of resources. We need more resources. I think the terminal that has been built in Baja, California, is almost finished. We are already buying LNG from differential countries around the world. The project is to buy LNG from the Gorgon project through Shell and Chevron. They have the concession there. I am not sure of what the situation is now, because I heard that this project is selling all its resources to other countries for the

moment. We would very much like to buy LNG from Australia. I think the negotiations are already in place, and we are waiting to see whether the resources will be available.

Mr IAN MACFARLANE—While I am on energy, the Mexican government was moving some legislation through its parliament in relation to the safeguard agreement on uranium. I am just wondering where that is up to. I am happy to take that on notice.

Ambassador Ortiz de Rosas—This is a good question. I think it is still pending, but I cannot assure you of that so I will find out and send you a small note to confirm this information. What I know is that the new law that passed in congress recently has a big focus on renewable energy. In that area, we can work very closely with Australia in different fields. Mexico is also concerned about climate change. The government is working very hard in different areas of climate change to change our industry from electricity—

Mr IAN MACFARLANE—So you are moving away from oils, from coal.

Ambassador Ortiz de Rosas—Yes. From coal to gas and from gas to renewables. So this is a very good opportunity for both of our countries to work together.

Mr IAN MACFARLANE—It was Pueblo where I saw the VW plant.

Ambassador Ortiz de Rosas—BMW?

Mr IAN MACFARLANE—No, VW, not BMW. Volkswagen.

ACTING CHAIR—You still make the beetle.

Mr IAN MACFARLANE—That has actually stopped, I think. All the taxis used to be beetles.

Ambassador Ortiz de Rosas—The beetles are still coming to Australia. We are selling them.

Mr IAN MACFARLANE—That is the new beetle.

ACTING CHAIR—They are made in Mexico?

Ambassador Ortiz de Rosas—Yes, they are made in Mexico.

Mr IAN MACFARLANE—The VW Bora comes from Mexico as well.

Ambassador Ortiz de Rosas—Yes. We are selling light cars to Australia. This is our principal export to Australia. Passenger vehicles amount for 5.8 per cent of our trade balance.

Mr IAN MACFARLANE—More than beer.

Ambassador Ortiz de Rosas—No, beer is 9.29 per cent.

Mr IAN MACFARLANE—I am doing my bit on the beer.

Ambassador Ortiz de Rosas—But the first is combustion engines—14.16 per cent. We will send all these graphics to the committee, because they are updated now.

Mr IAN MACFARLANE—I would be interested to know what engine you are sending here, or is it components for the V6 Holden engine?

Ambassador Ortiz de Rosas—Yes, this is the one that has been exported to the Middle East. I have visited the plant in Adelaide once, and I was shown the vehicles that were using the Mexican engines. I was told that they were being exported to the Middle East.

Mr IAN MACFARLANE—That is the market that I just said had dropped by 90 per cent.

Ambassador Ortiz de Rosas—So you see how the exchange is going.

Mr IAN MACFARLANE—Yes.

ACTING CHAIR—And the elastic in your and my RM Williams boots comes from Mexico.

Mr IAN MACFARLANE—Well, there's a useful piece of information.

ACTING CHAIR—Yes. An icon in Australia puts elastic in the sides of boots from Mexico. It is a very important import.

Ambassador Ortiz de Rosas—This is an important partnership. They are the most wonderful boots that you have here.

ACTING CHAIR—Do we export them to Mexico?

Ambassador Ortiz de Rosas—No. We have very good boots as well.

Mr IAN MACFARLANE—But you do not have RM Williams.

Ambassador Ortiz de Rosas—No.

Mr IAN MACFARLANE—We need to send more wine to Mexico.

Ambassador Ortiz de Rosas—We are receiving wine from Australia but not in the huge quantities that we would like, because you have wonderful wines here. But I think if we engage more in a trade relationship we could have more wine from Australia.

Mr IAN MACFARLANE—A free trade agreement will certainly help the wine trade. You have arrangements with places like Chile which make their wine cheaper.

Ambassador Ortiz de Rosas—With Chile, and Spain and France, because we have the economic partnership with Europe.

Mr IAN MACFARLANE—Of course.

Ambassador Ortiz de Rosas—And, of course, with the United States, so Californian wines are popular in Mexico as well. But also we have a good wine industry in Mexico which is now producing very good boutique wines.

Mr IAN MACFARLANE—I have a bottle of Mexican wine in my cellar which I am still waiting to drink.

Ambassador Ortiz de Rosas—For a special occasion.

Mr IAN MACFARLANE—Yes. It is from Baja, so I will be interested to see what it is like.

Ambassador Ortiz de Rosas—Baja produces some wonderful wines.

ACTING CHAIR—There are no further questions. As you can see, Your Excellency, the members often have to go to other meetings, but there is a great interest in this topic and I think a great interest in Mexico. Is there anything further you would like to say to the committee?

Ambassador Ortiz de Rosas—Only to thank you for giving us the opportunity to present the opportunities that we could have in our relationship and to ask you to help us through good recommendations that encourage not just good policies but also the business community and all sectors of Australian society to see the potential in the relationship with Mexico.

ACTING CHAIR—I am sure there is a lot of potential.

Mr IAN MACFARLANE—It is a beautiful country.

ACTING CHAIR—I think there are many aspects of our trade relations that we would like to pursue. Thank you for your attendance here today. If there are matters on which we might need additional information the secretariat will write to you. I think you were going to give us some information for one of the questions from Mr Macfarlane.

Ambassador Ortiz de Rosas—Yes.

ACTING CHAIR—The secretariat will also send you a copy of the transcript of your evidence to which you can make any necessary corrections to errors of transcription. Again, thank you very much for your attendance today. Thank you, also, to Hansard.

Resolved (on motion by **Mr Hale**, seconded by **Mr Macfarlane**):

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

Subcommittee adjourned at 11.58 am