

**The Parliament of the Commonwealth of Australia**

**Australian Parliamentary Delegation**

**to the**

**Russian Federation**

**and the**

**Italian Republic**

**17 April – 1 May 2005**

**REPORT**

June 2005

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## MEMBERS OF THE DELEGATION

**Leader****Senator the Hon. Paul Calvert**

President of the Senate

Senator for Tasmania

Liberal Party of Australia

**Deputy Leader****Ms Jill Hall, MP**

Member for Shortland (NSW)

Australian Labor Party

**Members****Senator Jacinta Collins**

Senator for Victoria

Australian Labor Party

**Mrs Kay Elson, MP**

Member for Forde (QLD)

Liberal Party of Australia

**Senator Jeannie Ferris**

Senator for South Australia

Liberal Party of Australia

**The Hon. Jackie Kelly, MP**

Member for Lindsay (NSW)

Liberal Party of Australia

**Senator Ross Lightfoot**

Senator for Western Australia

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**Delegation secretary****Mr John Vander Wyk**

Department of the Senate

**Private Secretary to the  
President of the Senate****Mr Don Morris**



*The delegation with the Archimandrite of the Holy Trinity-St Sergius Lavra monastery at Sergiev Posad, Father Savva. From left, the Deputy Head of Mission and Counsellor at the Australian Embassy, Mr Alex Brooking, Senator Jacinta Collins, Mrs Kay Elson, MP, Senator the Hon. Paul Calvert (Delegation Leader), Father Savva, Senator Ross Lightfoot, Senator Jeannie Ferris, the Hon. Jackie Kelly, MP, and Mrs Jill Hall (Deputy Leader).*

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## PREFACE

The Russian Federation and the Republic of Italy are countries of significance to Australia for political and economic reasons and, particularly in the case of Italy, for the ties resulting from migration to Australia. Russia occupies an important geopolitical position and, like Australia, has strong interests in the Asia Pacific region, with its eastern border in Asia. Italy is a key member of the European Union. Both countries are prominent in the United Nations. Australia has significant bilateral relations with both.

Each, in its different way, is grappling with economic problems – Russia with the transition to a market economy, and Italy with a stalled economy and the need to reign in growing social security expenditure while at the same time meeting the challenge of increasing competition from lower cost countries. Each has political challenges – Russia in moving from a socialist system to a viable democratic system under the rule of law, and Italy in moving towards a basically two-party system in the quest for greater stability of government. Each country also has a problem with corruption and mafia-like activities. Russia needs to modernise its agricultural sector and provide alternative employment for many currently engaged in agriculture; Italy has an underdeveloped south also largely dependent on agriculture and with insufficient alternative employment.

Both countries have parliaments comprising two houses – the upper house in each representing regions, as the Australian Senate represents states and territories. In the case of Russia the upper house is partly appointed and partly indirectly elected; in the case of Italy it is elected. Russia is moving towards greater use of proportional representation in electing its lower house, while Italy is moving away from proportional representation. The experience of Australia, with its two-house parliament, strong two-party system and use of preferential and proportional representation electoral systems, is relevant to both countries.

The Australian parliamentary delegation which visited Russia and Italy from 17 April to 1 May did so as part of a program of bilateral visits with a range of countries. A Russian parliamentary delegation visited Australia last year, and an Italian delegation in 2003. An Australian delegation last visited Russia, then part of the Soviet Union, in 1990, and Italy in 1999. Such contacts are important in informing members of parliament of developments in other countries which might impact on Australia, in developing opportunities to increase trade, investment and cultural ties, and to renew and strengthen relations with other parliaments.

The delegation returned from its visit with the firm conclusion that relationships with both countries were strong but there was potential to make them stronger. It judged its visit to be highly successful in developing ties and fostering mutual understanding, as set out in its report.

I wish to thank the Deputy Delegation Leader, Ms Jill Hall, MP, and my other parliamentary colleagues on the delegation for their active involvement in all aspects of the program, and for their assistance in ensuring its success. I also thank the delegation secretary, Mr John Vander Wyk, for his excellent support of the delegation.

**(Paul Calvert)**

**President of the Senate  
Delegation Leader**



## **INTRODUCTION**

This report details the activities and observations of a delegation from the Parliament of Australia which visited the Russian Federation and Italy in the period 17 April to 1 May 2005. The delegation was led by the President of the Senate, Senator the Hon. Paul Calvert, and comprised members of both Houses and the government and opposition.

### **Objectives**

The delegation agreed to the following aims and objectives:

#### **Russia**

- renew and strengthen relations with the Russian Parliament (Federation Council and the State Duma);
- gain an understanding of the key internal social, political and economic issues; acquire an appreciation of Russia's security and economic perspectives towards the United States, the expanded European Union, the Middle East region and the Asia-Pacific;
- explore opportunities to increase trade, investment and commercial ties;
- examine the possibilities of increasing cultural and other 'people to people' programs between the two countries.

#### **Italy**

- renew and strengthen relations with the Italian Parliament (Senate and Chamber of Deputies);
- gain an understanding of the key internal social, political and economic issues, including refugees and illegal migrants; acquire an appreciation of Italy's perspective of its role within the expanded European Union, the Middle East region and Northern Africa;
- explore opportunities to increase trade, investment and commercial ties;
- examine the possibilities of increasing the cultural and other 'people to people' programs between the two countries.

### **Acknowledgements**

#### **Australia**

Before departure, the delegation received detailed oral and written briefings from staff of the Department of Foreign Affairs and Trade, Austrade and the Parliamentary Library. The assistance provided by the officers who participated is acknowledged with thanks.

The delegation also records its appreciation of the briefings provided prior to its departure by the Russian Ambassador to Australia, HE Mr Leonid Moiseev, and the Italian Ambassador to Australia, HE Mr Dino Volpicelli, and accompanying staff. It notes with regret that, after four years, Mr Volpicelli returned to Italy on 14 June, and acknowledges the major contribution he has made to Italian-Australian relations during his posting.

The delegation thanks the staff of the Parliamentary Relations Office, in particular Paola Cerrato-D'Amico and Brenda Herd, for their administrative assistance, and TQ3Navigant and Qantas for flight arrangements.

## **Russia**

The delegation records its appreciation to the Parliament and Government of Russia for the hospitality and courtesy extended to it during its visit, in particular:

- Chairman, Federation Council, Federal Assembly of the Russian Federation, Mr Sergey M. Mironov, and members of the Federation Council who met with the delegation;
- Deputy Chairman, State Duma, Federal Assembly of the Russian Federation, Mr V. V. Zhirinovskiy (on behalf of the Speaker, Mr Boris Gryzlov);
- Deputy Prime Minister, Government of the Russian Federation, Mr Alexander D. Zhukov;
- Minister of Foreign Affairs, Government of the Russian Federation, Mr Sergei V. Lavrov.

The delegation thanks:

- Deputy Chair of the Government, Ryazan Region, Mr Sergey V. Salnikov;
- Vice-Speaker, Legislative Assembly of St Petersburg, Mr Yuri Gladkov;
- Deputy General Director, International and Special Projects, RUSAL, Mr Alexander Livshits;
- Head of the Representative Office, BHP Billiton, Mr Sergey Grebenkin,

who briefed the delegation on regional, economic and investment issues.

Excellent support was provided to the delegation by the Australian embassy in Russia throughout its visit. In particular the delegation thanks:

- Australian Ambassador, H.E. Mr Leslie Rowe; Counsellor and Deputy Head of Mission, Mr Alex Brooking; First Secretary (Political), Mr Bruce Jones; First Secretary (Economic), Mr Michael Chapel; Third Secretary (Political), Dr Alexandra Siddall; Public/Cultural Affairs Officer, Ms Natalia Komarova; translators, Mrs Victoria Ivanova and Ms Vita Nesterenko; and driver, Mr Victor Osipov;

- 
- Senior Trade Commissioner, Russia/CIS, Austrade, Mr Gregory Klumov;
  - Honorary Consul for Australia in St Petersburg, Mr Sebastian FitzLyon.

The delegation also thanks the staff of the International Department, Council of Federation, in particular Mr Yury V. Bavykin, for facilitating the visit and program of meetings.

## **Italy**

The delegation records its appreciation to the Parliament and Government of Italy for the hospitality and courtesy extended to it during its visit, in particular:

- President of the Senate, Senator the Hon. Marcello Pera, and members of the Senate who met with the delegation;
- Speaker, Chamber of Deputies, the Hon. Pier Ferdinando Casini, and members of the Chamber of Deputies;
- Chairman, Standing Committee for Foreign Affairs, Chamber of Deputies, the Hon. Gustavo Selva;
- Chairman, Anti-Mafia Commission, Senator Roberto Centaro;
- Chairman, Social Affairs and Health Standing Committee, Chamber of Deputies, the Hon. Giuseppe Palumbo;
- President, Italy-Australia Parliamentary Friendship Group, and Chairman of the Prosecution Procedures Committee, Chamber of Deputies, the Hon. Vincenzo Siniscalchi.

The delegation thanks:

- Deputy Mayor of Florence, Mr Giuseppe Matulli;
- President of the Campania Region, the Hon. Antonio Bassolino;
- Deputy Mayor of Naples, Mr Rocco Papa;
- Mayor of Capri, Mr Ciro Lembo; and Mayor of Anacapri, Mr Mario Staiano,

who briefed the delegation on regional issues and the particular problems facing cities which are regional centres and centres of tourism.

Excellent support was provided to the delegation by the Australian embassy in Italy throughout its visit. In particular the delegation thanks:

- Australian Ambassador, H.E. Mr Peter Woolcott; Counsellor and Deputy Head of Mission, Mr Angus Mackenzie; Second Secretary, Dr Ross Eddington; Research/Public Affairs Officer, Ms Sabrina Albanese, and other supporting staff.

The delegation also thanks the staff of the Protocol Office and Inter-Parliamentary Union, Chamber of Deputies, including Counsellor Pietro Sebastiani (Diplomatic Counsellor of the Speaker of the Chamber of Deputies), Mr Roberto Sorbello (Head of the Protocol Office and Secretary-General of the IPU), protocol staff including Mr Giampaolo Grazian, Ms Daniela Delfino and Ms Susanna Radoni, and interpreters including Ms Paola Borrelli and Ms Cristina Di Pietro, for facilitating the visit and program of meetings.

# RUSSIAN FEDERATION <sup>1</sup>



## Statistical comparison – Russia and Australia

	<b>Russia</b>	<b>Australia</b>
Population	143 million (80% ethnic Russians)	20 million
Composition	89 autonomous regions	6 states, 2 territories
Area	17,075,000 sq km (largest country in world)	7,683,000 sq km (sixth largest in world)
Capital	Moscow (pop.8.3 m; 14 m in Moscow region)	Canberra (pop. 330,000)
Parliament	2 houses (Federation Council; State Duma)	2 houses (Senate; House of Representatives)
Trade	Exports to Australia - merchandise trade A\$59m - services A\$66m (2004)	Exports to Russia - merchandise trade A\$185m - services A\$61m (2004)

<sup>1</sup> In this chapter, the commonly-used shorthand name, Russia, will be used in place of the official name, the Russian Federation, except in titles and formal usages. Information in this chapter is drawn from a number of sources, including briefings by the Department of Foreign Affairs and Trade, Austrade, and the Parliamentary Library.

## **Political overview**

1.1 The Russian Federation is the largest country in the world, covering more than 17 million square kilometres and stretching from the Baltic and Black seas in the west to the Pacific Ocean in the east. Russia's population was 145 million in the 2002 census.

1.2 Russia is a vast country with a wealth of natural resources, a well-educated population and a diverse industrial base. Since the break-up of the Soviet Union in late 1991 it has had to face two major structural tasks: the shift of the economy to a market system and the consolidation of a new state and social order based on the rule of law. Both have presented major challenges, and continue to do so.

### **System of government**

1.3 The Constitution of the Russian Federation was adopted in 1993 after a popular referendum. Currently, the office of President sits at the head of the political system. The President is directly elected every four years. President Vladimir Putin was first elected in 2000 and re-elected with a commanding majority in 2004. Under the Constitution as it stands, he cannot serve more than two consecutive terms. The President has strong powers under the Constitution, including the appointment of the Prime Minister (currently Mikhail Fradkov) who, in turn, appoints the Cabinet. During his term, President Putin has assumed more powers, including the appointment of governors, and has created positions of super-regional presidential representatives.

1.4 The parliament of the Russian Federation is the Federal Assembly. Its upper house is the Federation Council, and the lower house is the State Duma.

#### ***Federation Council***

1.5 The first 'Federation Council' was formed in July 1990, within the office of the Chairman of the Supreme Soviet of the RSFSR. The Federation Council as the upper house of parliament was created by a presidential decree issued by Boris Yeltsin on 21 September 1993. The decree provided for two representatives from each region, directly elected for a two-year transitional period. The elections were held on 12 December 1993. The Constitution, adopted in a referendum also on 12 December 1993, provided for a Federation Council to consist of two representatives from each of the 89 administrative regions. A law adopted in 1995 provided that the two representatives would be, *ex officio*, the leader of the legislative (representative) branch of government and the head of the executive branch in each region. Bicameral local legislatures were to select their representative by a joint decision of both chambers.

1.6 In 2000, on the initiative of newly-elected President Putin, the law on the formation of the Federation Council was varied to provide that each of the 89 administrative regions would be represented by two full-time deputies representing the

executive and legislative branches: a representative of the executive in each region appointed by the head of that region, and a representative of the regional legislative body to be elected by that body. Terms of office were determined by the terms of the bodies that appointed or elected them, and those bodies had the authority to depose a deputy from his or her office before the official end of the term. The current 178-member Federation Council commenced in January 2002. In practice, the regions consult with the Kremlin on nominees. The Federation Council sits on a permanent basis, with the term of each member being up to four years. The current Chairman of the Federation Council is Sergey Mironov, who represents the Legislative Assembly of St Petersburg.



*Meeting with the Chairman of the Federation Council, Mr Sergey M. Mironov (third from left).*

1.7 The Federation Council can approve or reject federal laws approved by the State Duma (by simple majority) and approve or reject federal constitutional laws and constitutional amendments (by three-quarters majority). It has the power to change borders between the administrative regions, approve presidential edicts introducing a state of emergency or martial law, make decisions on using Russia's armed forces abroad, dismiss the President (by two-thirds majority, with provisos), appoint the judges of the Constitutional, Supreme and High Arbitral courts and appoint and dismiss the General Prosecutor.

1.8 Russia is a federation, but the precise distribution of powers between the central government and the regional governments is still evolving. The Russian Federation consists of 89 administrative regions of various types, with considerable differences. There are 49 oblasts (regions), 21 autonomous republics, 10 autonomous

okrugs, 2 federal cities (Moscow and St Petersburg), 6 krais (territories) and 1 autonomous oblast. Each region has a governor, president or prime minister at its head, and each has a legislative body. President Putin is seeking to change these arrangements through unification of regions, and to create some 20 to 30 regional units in the longer term. While the delegation was in Moscow newspapers announced that residents of three Western Siberian regions had voted heavily in favour of unification in a referendum. The new region, the Krasnoyarsk territory, is home to Russia's second largest aluminium smelter, owned by Rusal. As a result of another initiative from President Putin, a law enacted in December 2004 provides that regional leaders, instead of being directly elected, will now be nominated by the President and subject to confirmation by regional legislatures. This will help consolidate central control over the regions. It has led to some unrest in regions where local opponents of the move claim that they now have no avenue to remove an incumbent governor who may be corrupt or not serving the interests of that region.<sup>2</sup>

### *State Duma*

1.9 The lower house, or State Duma, is a 450-seat representative chamber, whose deputies are currently elected for a four-year term - half through local seats (single mandate constituencies) and half from national party lists (there is a 5% threshold). The Duma is currently dominated by the United Russia party, which has 302 seats and is closely linked with President Putin's government. The Chairman, or Speaker, of the Duma, is Boris Gryzlov, who is head of the largest faction in the United Russia party and who was Russia's former Minister for the Interior. While there is some talk of a split in the United Russia party, at present it just has the two-thirds majority required to make constitutional change possible, particularly as it also has the support of some unaligned members.

1.10 At the time of the delegation's visit, the second biggest party in the State Duma was the KPRF (Communist Party of the Russian Federation) with 50 seats, followed by the Rodina (Motherland) party with 40 seats, and the LDPR (Liberal Democratic Party of Russia) with 35 seats. There were 23 independents. The LDPR is led by the nationalist politician Vladimir Zhirinovskiy, who met with the delegation as a Deputy Chairman of the State Duma, representing Speaker Gryzlov. The LDPR frequently supports government legislation in the Duma. Parties of the liberal right failed to gain seats in the 2003 Duma election, partly because a number were tainted by association with oligarchs, and partly because of the 5% election threshold. The next parliamentary elections are due in December 2007.

1.11 The lower house of the Russian parliament is named after the pre-revolutionary State Duma that was established in October 1905 by Czar Nicolas II, and met for the first time in May 1906. Speaker Gryzlov has proposed that the jubilee

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<sup>2</sup> See, for example, article in International Herald Tribune, 26 April 2005.



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of the first Duma be celebrated by an event such as an inter-parliamentary forum involving CIS member countries.

1.12 During the Soviet era and the first years of post-Soviet Russia, the legislative power was represented by the Supreme Council and sessions of people's deputies. In a presidential decree issued on 21 September 1993 President Boris Yeltsin ordered the dissolution of those bodies and the formation of the State Duma by national elections. This edict was followed by an armed conflict with supporters of the Supreme Council leaders. The conflict ended on 4 October with troops loyal to Boris Yeltsin storming the Supreme Council building – after shelling it from tanks. The first elections to the new State Duma were held on 12 December 1993. In these elections, the LDPR, led by Vladimir Zhirinovskiy, gained nearly 25% of the vote nationwide and became the second-largest party in the Duma, after Russia's Choice. The 1993 State Duma was a transitional body, like the first Federation Council, and functioned for two years only until the December 1995 elections. These were won by the Communist party, which opposed President Yeltsin and his policies. The December 1999 elections were again won by the Communists, with the Yedinstvo (Unity) party that supported future President Putin coming second. In December 2003, the United Russia party won a majority.

1.13 The State Duma passes federal laws (by simple majority), constitutional laws and constitutional amendments (by two-thirds majority), and can override a Federation Council or President's veto (by two-thirds majority, with provisos). It has the power to impeach the President (by two-thirds majority), can approve or reject the candidature of the Prime Minister, can hold a vote of no-confidence in the Cabinet, and appoint or displace the head of the Central Bank.

1.14 As this report was being drafted, the State Duma, in line with reforms proposed by President Putin, passed a new draft election law which requires that all 450 deputies in the State Duma be elected on a party list basis from 2007. At present only half are elected from party lists. Under the proposed law parties will be banned from joining forces during an election campaign and the minimum vote required to win seats will be increased from 5% to 7%, further disadvantaging small parties.

## **Economic overview**

1.15 The Russian economy underwent major stress as it moved from a centrally planned to a market economy. Difficulties in implementing reforms led to the financial crisis of 1998. However, Russia recovered and since then the gross domestic product has increased each year, the rouble has stabilised, inflation is moderate and investment has increased. Russia's foreign debt has shrunk due to its ability to repay loans out of high oil and gas revenues.

1.16 In 2004 Russian GDP grew by 7.1% - the fifth consecutive year of strong growth – to reach US\$582.4 billion. Russia was the fastest growing economy in Europe. High international oil prices have been the major driver for this growth. Russia is now the world's number one energy exporter, a role which is growing. It is

the world's largest exporter of natural gas and is on track to eventually rival Saudi Arabia as the leading oil producer. Russian exports were valued at US\$182 billion in 2004, US\$46 billion more than in the previous year. Energy comprised 60% of exports, metals and minerals a further 17%. Russia has 13% of global oil and gas reserves, valued at US\$15 trillion. Russia, however, is not a member of OPEC. Russia supplies 25% of Western Europe's gas needs and much of the energy of Eastern Europe. It is now looking to develop its enormous reserves in the east of Russia to supply the Asia-Pacific region, and is likely to be a strong competitor for Australia in the supply of natural gas.

1.17 Russia achieved a current account surplus in 2004 of US\$58.2 billion, and a budget surplus of US\$27.2 billion, or 4.6% of GDP. Russia's Stabilisation Fund – its financial buffer against falling oil prices – grew to US\$26.4 billion at the end of January 2005. Fund assets have been used as well to retire IMF debt of US\$3.3 billion and to top-up compensation payments for social security benefits for pensioners and military personnel.

1.18 Inflation has been reduced from the 100% prevailing during the 1998 crisis to about 11.7% in 2004.

1.19 Unemployment dropped 4.4% in the year ending April 2005 compared to the previous year, and stood at 5.762 million, or 7.9% of the economically-active population of 73.4 million people. Real disposable incomes increased 12.8% in the year ending April 2005.

1.20 Since 1999 economic growth has averaged 6.8% a year, the economy has expanded by almost 50%, GDP per capita is up from US\$560 in 1992 to US\$4000 in 2004, and the share of private consumption in GDP increased from 32% in 1992 to just over 50% in 2004. In 1990 there were only 59 cars per 1000 Russians; now there are 148. More than half the Russian population now owns a mobile phone.<sup>3</sup>

1.21 An indication of the extent of the changes which have occurred include that prices for goods and services, previously completely state-controlled, are now determined by the free market; the largest privatisation programme in history has been conducted; foreign trade, once 100% monopolised by the state, is now free; private enterprise, not a central plan, is now the driving force behind economic development; the rouble can now be freely bought and sold, and there are plans to make it fully convertible in 2007 - in Soviet times foreign exchange transactions were classed as a crime.<sup>4</sup>

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<sup>3</sup> Stephen Jennings, CEO of Renaissance Capital, *Russia: Transforming the Face of the Country*, a presentation at a delegation lunch meeting with Australian and foreign business leaders in Moscow on 20 April.

<sup>4</sup> Jennings

1.22 Russia's macro-economic position will remain strong while oil prices remain high, but questions remain on the ability of the non-energy sectors to sustain the high growth levels if and when oil prices recede.

1.23 Agriculture has potentially much to contribute. Seventy years of communism suppressed the entrepreneurial instinct of Russian farmers and, in the provinces, the agrarian-communist bureaucratic nexus remains: inefficient collective farms still work four-fifths of agricultural land. President Putin has declared that he wants Russia to again become a major agricultural exporter. Russian big business is now investing more in food production and productivity is steadily increasing. Though the sector contributes only 7% to GDP, it is a politically sensitive one as it employs 13% of the workforce. Poverty is still rising in rural areas while falling elsewhere, and the government is wary of too rapid de-collectivisation. However, market reforms in other areas are expected to steadily erode the vestiges of communism in the countryside and push Russian produce into new overseas markets. Some products, such as cereals, will compete with Australian exports: Russia has already become a major grain exporter, with total grain output in 2004 of 77.6 million tonnes, up 10.4 million tonnes from 2003, and with about 10% of the total being exported.

1.24 Despite the progress, and the strong growth in the Russian economy since 1998, business conditions are still seen by many as difficult. Corruption, a weak regulatory environment and a weak banking sector serve to constrain foreign business involvement. The absence of relevant legislation, and/or effective enforcement, the unpredictability of taxation and other business regulation, and leftover attitudes from the Soviet period on the part of local officials, including interference in business and decisions which can be arbitrary and inconsistent, are all brakes on economic activity and investment. On the other hand, the system of law is developing, and Russian businesses are beginning to turn to the courts to resolve disputes – an encouraging trend.

## **Social overview**

1.25 Russia's population in April 2005 was 143.3 million. It has been declining at a rate of nearly 0.5% a year since the early 1990s as a result of low birth rates and high death rates. According to figures issued by the State Statistics Committee, the population dropped by 224,000 people in January-March this year. Birth rates declined in 71 of the 89 regions and, on average, the death rate was 1.7 times greater than the number of births. A natural increase in population was reported in just 14 regions. Additionally, as well as a declining population, Russia also has an ageing population – in common with many other Western countries, and is likely to face labour shortages and pressures on its taxation regime in years to come.

1.26 The health status of Russians is behind that of most other European countries, with life expectancy, particularly among males, being amongst the lowest in Europe. The two leading causes of death are cardiovascular disease (exacerbated by high levels of smoking and alcohol consumption) and injury – the former accounted for

55% of deaths in 2000 and the latter for nearly 15%. Rates of infectious disease, including TB and HIV, are also high relative to the rest of Europe.

1.27 The 1998 financial crisis exacerbated poverty levels, with the rate of poverty in 1999 estimated at 41.5%. The rebound in the economy since then meant that by 2002 the rate had been reduced to 19.6%. A study of poverty in Russia by the World Bank found that in 2002, two-thirds of those in poverty lived in families with children, and 58.5% of those in poverty lived in urban areas.<sup>5</sup> The study, while noting the positive trend, also commented that a lot of the improvement since 1998 resulted from the improved fiscal position of the government resulting from higher oil revenues, and that it was a risky strategy to continue to rely on those revenues in the longer term, given the price uncertainty.

## Foreign policy overview

1.28 Particularly since the 11 September 2001 terrorist attacks on the United States, President Putin has followed a broadly pro-Western foreign policy, the main element of which has been co-operation on the war against terrorism. Recently Russia has adopted a more assertive stance on several foreign policy issues, such as its defence of the supply of nuclear fuel to Iran. Russia's opposition to US-led military action in Iraq tested relations with the US, but more recently Russia has indicated its desire to work co-operatively on Iraq's reconstruction and development. Western criticism of the state of democracy in Russia, including centralisation of power during President Putin's second term, and on human rights issues, including in Chechnya, has also tested Russia's relations with the US and EU.

1.29 In Asia the Putin government has maintained its traditionally good relations with India and has developed close relations with China. Russia and China, for divergent reasons, have been the major drivers in establishing the Shanghai Co-operation Forum, which groups the two countries with Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan. Russia is also striving to improve relations with Japan, especially in the areas of trade and investment, although the Kurile Islands dispute remains an obstacle in their bilateral relationship. Russia participates in the six-party talks on the North Korea nuclear issue.

1.30 Russia's relations with eastern Europe CIS countries (Ukraine, Belarus, Moldova and Georgia) are dominated by Moscow's desire to retain political, economic and social influence in the face of strong attracting forces from the European Union and NATO. Russia's interests in those countries include close historical and linguistic ties, vital strategic interests, including major energy export routes to western Europe through Ukraine and Belarus, and major economic interests. The creation of a single

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<sup>5</sup> World Bank, *Russian Federation: Reducing Poverty through Growth and Social Policy Reform*, Poverty Reduction and Economic Management Unit, Europe and Central Asia Region, Report no. 28923-RU, 8 February 2005.

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or common economic space (SES) between Russia, Ukraine, Belarus and Kazakhstan is a major foreign policy priority for the Russian Government.

1.31 The Chechen conflict is a key concern to many in the international community. The Russian government describes its use of force in Chechnya as an anti-terrorist operation, pointing to linkages between Chechen fighters and the al Qaeda network. It also points to the spate of violence in 2004, including the downing of two Russian airliners, a bomb explosion at a Moscow metro station and the hostage-taking in Beslan, North Ossetia (the Australian government contributed A\$100,000 to the Russian Red Cross for medical aid immediately after the Beslan siege), and earlier attacks including the siege at the Dubrovka Theatre in Moscow in 2002. The Russian government is continuing to pursue its policy of 'normalisation', and what it terms 'Chechenisation', of the Chechen issue: that is, the fostering of a greater role for local Chechens in resisting separatist activities and normalising life in the province. However, the killing of the separatist leader Aslan Maskhadov in March 2005 by Russian forces may provoke a further radicalisation of the Chechen separatists and an escalation of hostilities, and possibly further terrorist attacks in Russia.

## **Political developments**

1.32 President Putin's agenda for continued economic reform in his second term involves difficult and politically sensitive areas. From the beginning of this year, the Russian government began to cash out a range of social benefits such as free or discounted public transport, medical services and domestic utilities. The policy triggered significant public protests and resulted in the government offering additional assistance for pensioners and army personnel. The outlook for structural reform is uncertain because of divergent views within the government over whether to continue with liberal reforms or revert to greater state intervention.

1.33 Political developments since 2002 – including Kremlin control over the electoral process and election campaigns of the last State Duma and presidential elections; the absorption of the Yukos oil company by the state; inconclusive bureaucratic reform; and political changes announced following the Beslan school hostage crisis – have been interpreted by many, especially outside Russia, as representing 'creeping authoritarianism'.

1.34 Other commentators, while acknowledging some truth in this analysis, argue that the charge that President Putin has simply retreated from the democratic gains won under Mikhail Gorbachev (expressed in his programs of perestroika and glasnost – reform/restructuring and transparency/openness) is an oversimplification. They note political competition still exists within the system, albeit largely confined to rival elites within government and business, and that more recent developments, including the protests over monetisation of social benefits and criticism of the Kremlin's role in the 'Orange Revolution' in Ukraine, raise questions about the extent to which President Putin has the freedom to impose his will on the country.

1.35 Nevertheless, since his re-election, President Putin has moved to check the power and influence of the group of very wealthy Russian business executives known as the 'oligarchs'. Many of these achieved great wealth following the privatisation of some of Russia's key assets. The President's moves appear to reflect both political and economic objectives, in curbing the possibility that some of the oligarchs might obtain greater political power and attempting to ensure they adhere more closely to Russia's economic and tax regimes.

1.36 President Putin has sponsored a number of changes to the electoral system (some outlined above) and more are in prospect. These will have the effect of reducing the number of political parties represented in the Duma. There is also speculation about more far-reaching changes to the Constitution, possibly enabling President Putin to stand for a third term.

1.37 Whether there is a tendency to authoritarianism, or whether President Putin is seeking to balance the demands of reformers with those of conservatives and nationalists (some of whom would like a return to the past), only time will tell. It should not be forgotten, however, that Russia, in a relatively short time, has moved a long way in opening up its society and moving to a market economy, and is actively involving itself in global organisations and relationships.

## **Bilateral relations**

1.38 Australia and Russia enjoy positive bilateral relations. The changed political climate in Russia in recent years has enabled increased bilateral co-operation in a number of important international and multilateral areas, including non-proliferation issues and regional security.

1.39 One of the developments that has most helped to broaden the bilateral relationship has been the establishment of regular political-military talks. Australia has been active in encouraging Russia's full participation in the Asia-Pacific Economic Co-operation (APEC) process, and Russia became a full APEC member in 1998. Foreign Minister Downer visited Russia in 2002 and Russian Agriculture Minister Gordeyev visited Australia in 2004.

1.40 Australia and Russia are engaged in negotiations on Russia's accession to the World Trade Organisation (WTO). Australia supports Russia's membership, provided it is on acceptable terms. Much work has still to be completed in the negotiations in areas such as agricultural subsidies, customs administration, technical standards, import licensing and non-tariff barriers. Australia is seeking Russian commitments in relation to market access for its meat and sugar exports, lower tariff levels for industrials, and liberalisation of Russia's education services and mining services markets.

1.41 Since the break-up of the Soviet Union, Australia's trade with Russia has changed significantly. The Russian financial crisis of 1998 had a particularly negative effect on Australian exports: traditional commodities exports, particularly wool and

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wheat, decreased markedly. More recently, more sophisticated Australia products, ranging from processed foods to medical equipment, telecommunications products and services, and tourism have begun to penetrate the Russian market. Many small and medium-sized companies now have a presence in Russia alongside large, well-established multinational companies. Australian mining and mining services companies are interested in prospects in the Russian far east, particularly Sakhalin Island's oil and gas projects.

1.42 Australian merchandise exports to Russia in 2004 were worth A\$185 million, and imports from Russia totalled A\$59 million. Key Australian exports to Russia in 2004, apart from 'confidential items', included meat, hides and skins, and machinery and equipment. Key imports from Russia in the same period included metallic salts, silver, platinum, aluminium and pig iron. Australia's exports of services to Russia in 2004 were valued at A\$61 million, and imports of services from Russia were valued at A\$66 million.

1.43 A promising Australian export to Russia is wine: Australian exports of wine rose more than 500% in the nine months prior to the delegation's visit to Russia. Russia is now the 14th largest wine market for Australian producers, and growing. In recent years in the energy sector Austrade trade missions to Sakhalin Island have resulted in exports to the value of A\$60 million, and the number of companies bidding for contracts there is increasing.

1.44 Although bilateral investment has historically been low, Russian aluminium producer Rusal recently invested US\$401 million to acquire a 20% interest in Queensland Alumina Ltd from Kaiser Aluminium – the first major Russian investment in Australian resources. Prior to this, Russian direct investment in Australia was estimated at only A\$40 million and Australian investment in Russia at A\$25 million. However, anecdotal evidence indicates the Australian investment in Russia could be much higher than the official figures indicate.

1.45 Australia and Russia have concluded a double taxation agreement, which came into effect in Russia on 1 January 2004 and in Australia on 1 July 2004. A veterinary co-operation agreement has also been concluded and awaits signature – when in effect, the agreement will facilitate quarantine clearance of Australian meat exports.

1.46 Russia is Australia's 10th largest European source country for overseas students, with 836 students enrolled in 2004. The number could be larger but there is currently an issue with the granting of visas for Russian students which has led to a drop in numbers. The Department of Immigration and Multicultural and Indigenous Affairs is running a pilot program in Russia whereby Russian education agents will have a role in checking students' bona fides, and this could make it easier to grant visas.

1.47 According to the 2001 Australian census, there are 15,030 Russian Federation born Australians, mostly living in Melbourne and Sydney. Russian migration to

Australia began with the 1905 uprising against the Tsar, and was followed by 'White Russians' fleeing the Bolshevik Revolution. Small groups continued to arrive until the early 1970s, and there has been a small revival of migration in recent years with the easing of previously restrictive Russian laws. Russian history and politics are taught in various Australian universities and the University of Melbourne offers a full undergraduate program in Russian.

## The delegation's visit to Russia

1.48 The delegation visited Russia from 17 to 24 April, and held discussions with parliamentary, government and civic officials. In accordance with its aims and objectives, the delegation explored a range of issues in the parliamentary, political, economic and social spheres, Russia's key foreign, strategic and security relationships and prospects for improving bilateral relations. It also explored opportunities to promote trade, investment and commercial ties.



*Senator the Hon. Paul Calvert (Delegation Leader), Mrs Jill Hall (Deputy Leader), and members approach the Tomb of the Unknown Soldier at the Kremlin Wall to lay a wreath*

1.49 The first official act of the delegation was to lay a wreath at the Tomb of the Unknown Soldier at the Kremlin Wall. The delegation then left for the Federation Council building for a meeting with the Chairman of the Federation Council, Mr Sergey Mironov.



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## Parliamentary contacts

1.50 Parliamentary links were reinforced in the meeting with Mr Mironov, and a separate meeting with a Deputy Chairman of the State Duma, Mr Vladimir Zhirinovskiy, representing the Speaker, Mr Boris Gryzlov. The delegation met other members of the Federation Council at an official lunch which was hosted on Mr Mironov's behalf by a Federation Council Deputy Chairman, Dmitry F. Mezentsev. During the meetings with Mr Mironov and Mr Zhirinovskiy, the leader of the delegation, President of the Senate, Senator the Hon. Paul Calvert, issued official invitations from the Australian Parliament for representatives of the Federation Council and State Duma to visit Australia on a reciprocal visit at a mutually convenient time. The delegation also met with the Vice-Speaker of the Legislative Assembly of St Petersburg, Mr Yuri Gladkov.

### *Chairman of the Federation Council, Mr Mironov*

1.51 Mr Mironov thanked the Australian Parliament for the excellent organisation of a recent visit to Australia by a Russian parliamentary delegation led by Dr Valery Kadokhov, First Deputy Chairman of the Commission on Federation and Regional Policy. He said that a new parliamentary friendship group for Australia was being established within the Federation Council, and would be chaired by Dr Kadokhov.

1.52 Senator Calvert drew attention to the increasing tempo of visits between Australia and Russia, and recalled that his last visit to Russia had been on a parliamentary delegation to the then USSR in 1990. He noted that the Governor-General would represent Australia at the 9 May victory celebrations in Moscow to mark the 60th anniversary of the end of World War II in Europe. He recalled that Australia and the then Soviet Union had been allies in that war and that Australians had participated in the Arctic convoys helping to supply Russia during the war years. There had also been soldiers of Russian origin fighting in Australian units during World War I. He referred to a book, *Russian Anzacs in Australian History*, written by a Russian-born Australian historian and author, Dr Elenor Govor, which tells the story of the almost 1000 men born in the then Russian Empire who served in the Australian army during World War I. The book was published in the week before the delegation left for Russia, and Senator Calvert presented a copy to Mr Mironov.

1.53 Senator Calvert referred to the wreath-laying ceremony earlier that day and spoke of the great sacrifices and loss of life suffered by Russia during World War II. He said that Australia would be commemorating its own involvement in wars on 25 April, Anzac Day. Mr Mironov, in acknowledgement, said the Russian people were aware of and grateful for the contribution of Australians to the USSR's defence during the war, including its pilots and those who had taken part in the Arctic convoys, and said that he understood a number of veterans were to be awarded medals through the Russian Embassy in Canberra to mark the 60th anniversary. Mr Mironov said that after 60 years Russia and Australia were again allies, this time in the fight against terrorism, and referred to a resolution condemning terrorism that had been passed at a Pacific Parliamentary Forum in Vietnam in January 2005.

1.54 Senator Calvert drew attention to a major trade and investment promotion, Australia Week in Moscow, being organised by Austrade, which was to open on 10 May, and would be opened by the Governor-General, HE Major General Michael Jeffery, AC, CVO, MC. He noted that trade between Australia and Russia was expanding and diversifying, including commercial links with his own state of Tasmania, in the form of a salmon farm joint project with a Russian company based in Murmansk.

1.55 Mr Mironov said he was aware of the Australia Week initiative and agreed that there was considerable potential for trade between the two countries to improve. He invited Australian companies to participate in an international economic forum that the Federation Council was co-sponsoring in St Petersburg in June 2005, and noted that an Asia-Pacific economic forum would be held in Irkutsk, Siberia, in September 2006. Senator Calvert pointed to the important role Russia had to play in the Commission for the Conservation of Antarctic Marine Living Resources, including countering illegal fishing. He said he was hopeful that a regular air link would be established between Hobart and Antarctica within the next two years, and this would be of benefit to Russian scientists working in Antarctica.

1.56 In response to questions from the delegation, Mr Mironov explained that the St Petersburg economic forum would focus on increasing living standards through economic activity, and the Irkutsk forum on how to expand economic collaboration in the Asia-Pacific region, especially in regard to transport links. Russia's demographic problems were also raised, particularly its low birth rate and the low life expectancy of males, and Mr Mironov agreed that this was a major challenge for Russia. He said he had formed his own political party, the Russian Party of Life, partly to address demographic problems.

***Deputy Chairman of the State Duma, Mr Zhirinovsky***

1.57 The meeting with Mr Zhirinovsky covered a disparate range of issues, including when Australia granted diplomatic recognition to the USSR, the fall in Australian wool exports to Russia, the Australian electoral system (he was opposed to a bicameral system), the structure of parliamentary committees exercising oversight of intelligence activities (there was none in Russia), the Russian community in Australia, and prospects for tourism in Australia. He voiced the view that although distance was a problem for travel between Moscow and eastern Australia, Australia should look at increasing trade and tourism with eastern Siberia, perhaps through Vladivostok, which he said was roughly half-way between Moscow and Australia.

***Vice-Speaker, Legislative Assembly of St Petersburg, Mr Yuri Gladkov***

1.58 The St Petersburg administrative district has a population of about 4 million. The St Petersburg Legislative Assembly, located in the Mariinsky Palace, consists of 50 deputies elected in one-mandate districts. It ratifies the city's budget, the administration's structure, manages city development and property, establishes taxes and fees directed to the city budget, and regulates other matters of local self-

government. The term of a legislative assembly is four years. The city of St Petersburg has provided a number of prominent Russian government figures over the years, and particularly in the current administration. Foremost among these is the president, Vladimir Putin, at one time a First Deputy Mayor of St Petersburg before joining the Yeltsin administration. The Chairman of the Federation Council, Mr Mironov, was also a long-time member of the St Petersburg Legislative Assembly.



*The delegation with a Deputy Chairman of the State Duma, Mr Vladimir V. Zhirinovskiy. From left: the Australian Ambassador, Mr Leslie Rowe, the Hon. Jackie Kelly, MP, a Duma official, Mr Zhirinovskiy, Senator Jacinta Collins, Mrs Jill Hall, MP, Senator the Hon. Paul Calvert, Mrs Kay Elson, MP, Senator Ross Lightfoot and Senator Jeannie Ferris.*

1.59 Discussion took place on the local electoral and parliamentary system, including the effect of changes foreshadowed by President Putin. In the discussion Mr Gladkov said that legislatures can make a difference in the governance of regions and the nation, and that, in his view, Russia was gradually moving towards better standards of democracy, given that current parliamentary structures were still developing and had been in place only for a period of 15 years or so. The role of St Petersburg as a tourism centre – Mr Gladkov said the city was sometimes referred to as a 'museum under the clear sky' – was also discussed.

## Government contacts

1.60 The delegation had two meetings with members of the Russian government – the Deputy Prime Minister, Mr Alexander D. Zhukov, and the Minister of Foreign Affairs, Mr Sergei V. Lavrov. It also met with a regional representative, the Deputy Chair of the Ryazan Region Government, Mr Sergey V. Salnikov.



*Meeting with the Deputy Prime Minister, Government of the Russian Federation, Mr Alexander D. Zhukov (third from left).*

### ***Deputy Prime Minister Zhukov***

1.61 Mr Zhukov has been described as a highly respected liberal economist. He was appointed as Deputy Prime Minister by Prime Minister Fradkov soon after his own appointment in March 2004. Mr Zhukov was first elected to the Duma in 1993, and was Chairman of the Committee on Budget, Taxes, Banking and Finance in the Duma from 1999 to 2003. In a speech not long after his appointment, Mr Zhukov predicted that the transition stage for the Russian economy would end in 'the next four or five years'.<sup>6</sup>

1.62 Mr Zhukov stressed the importance of developing and maintaining parliamentary contacts as a means of improving ties between nations, and noted that he had been a parliamentarian himself for more than 10 years. He noted that trade

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<sup>6</sup> Speech to 7th Russian Economic Forum in London, reported 19.4.04.

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relations between Russia and Australia were growing but that much potential remained. He also noted that there were some unresolved issues between Russia and Australia in respect of Russia's candidacy for WTO membership but expressed confidence that progress could be made. He referred to the impending signature of the veterinary agreement as one outcome of successful negotiations between the two countries, and expressed the view that there were good prospects for further co-operation. Mr Zhukov also referred to the potential for Australian companies in the Russian Far East, especially in oil and gas. He welcomed BHP Billiton's interest in Russia, and called it one of the great mining companies in the world. He said that just as companies like BHP Billiton were interested in investing in Russia, so also the bigger Russian companies would be interested in Australia, and referred to Rusal's investment in Australia as a first case. He wished Australia well with the Australia Week promotion soon to open.

1.63 Discussion ensued on the state of the Russian and Australian economies and trade opportunities. Mr Zhukov was encouraged to pay a visit to Australia Week, to see some of the products and services Australia had to offer, and to encourage more Russian investment in Australia like Rusal's. In discussion on the Russian economy Mr Zhukov said that a major problem was that wages were too low, and also pointed to negative demographic trends. He said that tax incentives were not really relevant, as Russians enjoyed a low 13% flat rate income tax. Other issues discussed were bilateral co-operation in the fight against terrorism, Russia's role in the six-party talks on North Korea, and both nations' common experience in fighting forest fires.

1.64 In discussing Russia's economic growth, Senator Calvert referred to Australia's good economic performance and mentioned that it was now experiencing skills shortages in some areas which it was seeking to address through its skilled migration program. Mr Zhukov said that Russia was experiencing a similar problem, and was making increasing use of skilled personnel from former CIS states such as the Ukraine.

1.65 During the discussion on fighting forest fires, delegates expressed interest in a Russian-built special purpose aircraft designed for aerial fire fighting, which it was claimed was superior to the helicopters currently used in Australia and cheaper to operate. It had been sold already to the French, Italians and Germans. The aircraft have been used to significant effect on forest fires and fires in inaccessible country in Russia. Subsequently, some members of the delegation met in Moscow with the promoters of the aircraft. On return to Australia, delegation members and the Russian proponent of the aircraft had a meeting with the Minister for the Environment and Heritage exploring further opportunities for the use of such aircraft to be considered in Australia.

#### ***Foreign Affairs Minister Lavrov***

1.66 The Minister of Foreign Affairs, Mr Lavrov, was, for 10 years prior to his appointment last year, the Permanent Representative of the Russian Federation to the United Nations. Mr Lavrov told the delegation that he was pleased that the Governor-

General had accepted Russia's invitation to be present at the 60th anniversary celebrations on 9 May. He spoke positively about the bilateral relationship and highlighted Australia's active role in international organisations such as the United Nations. He noted in particular the effective co-operation on counter-terrorism issues, and instanced the common interests of Australia and Russia in strengthening all aspects of the nuclear non-proliferation treaty regime. Mr Lavrov referred also to the political-military talks between Russia and Australia commenced some years ago, and the next round of which are scheduled to be held in Canberra later this year, as an example of the development of the bilateral relationship.

1.67 Senator Calvert observed that Australia would host APEC 2007 in Sydney in September 2007 and he hoped that this would see Minister Lavrov and President Putin visit Australia. He invited Russian parliamentary colleagues to visit Australia in the lead-up to the APEC talks.



*The Delegation Leader, Senator the Hon. Paul Calvert, and members of the delegation are welcomed by the Minister for Foreign Affairs, Government of the Russian Federation, Mr Sergei V. Lavrov.*

1.68 In discussion of how the relationship between Russia and Australia might be further developed Mr Lavrov said it was important for both sides to talk more regularly and exchange views on how each sees the world. He said the current United Nations reform process was a useful forum for some of those discussions. Bilaterally, Australia could assist Russia to improve its relationship with ASEAN and the Asia-Pacific. Russia recognised that Australia had great experience in the region, particularly in regional conflict resolution. He said East Timor could be regarded not only as an example of Australia's success in achieving regional stability, but an

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example of what international co-operation in the region could achieve. He referred also to Australia's role in Bougainville and the Solomon Islands.

1.69 In a discussion of the South-East Asian tsunami, reference was made to the contributions of both countries. Mr Lavrov pointed out that Russia, like Australia, had been prompt in its response, and had been the first into Sri Lanka. It was heavily involved in assistance to Indonesia and, as one of only two countries with heavy airlift capacity, Russia was sub-contracted by the United Nations to provide a full range of food and emergency supplies. He suggested there needed to be greater co-operation in responding to natural disasters, and that Russia had proposed to the United Nations and the United States the development of a global co-ordination network to exchange real time information on emergency preparedness. He said there was a role for APEC to promote disaster prevention and preparedness in the region.

1.70 Mr Lavrov said that Russia was playing a larger role in humanitarian relief, particularly in neighbouring regions and in Africa. Russia had cancelled over US\$12 billion in debt and provided more relief on a per capita basis than many members of the Paris Club. Russia had also increased its contributions to the UNDP, UNICEF, the UN Food Program and funding to the Humanitarian Co-ordination Office.

1.71 Mr Lavrov noted that some Australian companies were looking at participating in the natural resources sector in Russia, particularly the development of oil and gas reserves in Sakhalin, and referred to the opportunities that would be available to companies from both countries during the Australia Week. He said the Ministry of Foreign Affairs would do all it could to assist participants in the Australia Week. In a discussion on tourism potential, Mr Lavrov suggested that if distance was a stumbling block, the Russian Far East, as the closest part of Russia for Australians, potentially had much to offer. Discussion also took place on agricultural production in Russia, on the problems faced by farmers and agricultural workers, and on steps being taken to improve production, including changes to the Land Code to give farmers rights to land, the development of a mortgage market and the making available of low interest credit.

***Deputy Chair of the Government, Ryazan Region, Mr Salnikov***

1.72 The Ryazan oblast, or region, is located some 250 kilometres south of Moscow and has a population of 1.5 million. It is a central Russian region which has had low investment activity and where production needed to be modernised and made more efficient. Due to a high concentration of defence enterprises, the region was closed to virtually all international contacts during the Soviet era. The region is now opening up to foreign investment, particularly foreign partners.

1.73 The delegation met with the Deputy Chair of the Ryazan Government, Mr Salnikov, in Moscow, to discuss investment and trade opportunities. Mr Salnikov said that the energy, oil refining, machine-building, construction and food-processing sectors – and tourism – were the strongest, and the region was also a leading central Russian producer of cereals, potatoes, meat and milk. He referred to the potential for

wood processing and leather tanning, and there was some discussion of the possible market in Ryazan for Australian leather. He noted that Italian companies currently dominated the processing of leather in Ryazan, processing some 5,000 tonnes annually.

1.74 Counter-seasonal supply to each other of luxury foodstuffs – in Australia's case, for the Moscow market - was also raised, as was the potential for improving sheep-breeding and animal production in Ryazan. The delegation noted that a trade delegation from Ryazan had visited Australia, and particularly Tasmania, last year, and the possibility of closer ties between Tasmania and Ryazan was discussed.

### **Trade and investment contacts**

1.75 The delegation met with a number of expatriate business people and representatives of firms seeking to establish ventures in Russia, as well as some Russian business people, at a lunch and later a reception, both in Moscow. It also held separate discussions with representatives of Rusal and BHP Billiton, and with Australia's Senior Trade Commissioner to Russia and the CIS, Mr Gregory Klumov, and the Honorary Consul in St Petersburg, Mr Sebastian FitzLyon. During the visit to St Petersburg Senator Calvert, accompanied by the members of the delegation, officially opened an extension to the Honorary Consul's office.

#### ***Rusal and BHP Billiton***

1.76 The representative of Rusal was Mr Alexander Livshits, Deputy General Director for International and Special Projects with Rusal. Mr Livshits is a former Deputy Prime Minister and Minister of Finance and has published extensively in the economic field.

1.77 Rusal, or Russian Aluminium, was founded in 2000 and today is one of the leading aluminium companies in the world, with a strong focus on growth and improving production efficiencies. It aims to increase primary aluminium production to five million tonnes and alumina production to eight million tonnes per year in the next 10 years. The purchase of a 20% stake in Queensland Alumina Ltd will give Rusal secure access to an additional 770,000 tonnes of alumina a year and an opportunity to boost this to 1 million, and will expand Rusal's raw materials base by more than 20%.

1.78 Mr Livshits briefed the delegation on Rusal's background and development. He said it had been a strong aim of the company to have a position in the Australian bauxite-alumina sector for some time. Once alumina exports commenced, this would more than double Australian exports to Russia. He said Rusal was interested in developing the Arakuan bauxite deposits and understood the licence issue would be decided by the Queensland Government this year. He said Rusal was in Queensland to stay – the investment in Queensland Alumina was a strategic investment, not a portfolio one. If Rusal won the Arakuan lease it would build a new alumina plant. While Rusal would produce alumina in Australia, it would not produce aluminium as Australian power costs compared to those in Russia would rule this out. The Rusal



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investment was not only the first for the company in Australia but also the first major investment by Russia in Australia.

1.79 Tellingly, Mr Livshits said that the attractions of investing in Australia included that it had a stable political system and stability of legislation – the rules did not suddenly change if there was a change of government. These were also conditions to be aimed for by Russia. At its next meeting, with a representative of BHP Billiton, the delegation was told that a reason BHP Billiton had not yet committed to a major investment in Russia, particularly in the Sakhalin oil and gas fields, was the lack of political and legislative certainty.

1.80 Mr Sergey Grebenkin, head of the Representative Office of BHP Billiton in Russia, told the delegation that the investment climate in Russia presented some uncertainty and unpredictability, and instanced the Yukos case where the certainty of the tax regime was now in doubt. The Russian insistence on strategic partnerships with Russian companies, and the ability to classify some major mineral and energy finds as strategic reserves also presented challenges. Nevertheless, Russia had the biggest variety of natural resources and the biggest potential for their development in the world, and BHP Billiton, as a world company, could no longer afford not to be involved in Russia.

### *Australia Week in Moscow*

1.81 Greater Australian involvement in the exploitation of the huge oil and gas deposits on Sakhalin Island was one of the themes of Australia Week in Moscow, an Austrade initiative held 10 to 15 May 2005. The week was Austrade's largest-ever trade promotion in Russia, and involved more than 40 Australian exporters and companies, and with undertakings to attend from more than 1000 Russian companies. The week provided an opportunity for Australian business to promote and demonstrate the diversity and quality of Australian goods and services to interested Russian importers and business people, and to develop mutual trade and investments links. Industry programs in Australia Week included food and wine, tourism and education, cosmetics and luxury goods, medical and pharmaceutical, oil and gas, mining and metallurgy and information technology.

1.82 Australia Week was opened by the Governor-General. Rusal was the biggest Russian sponsor of Australia Week in Moscow, and BHP Billiton was also a major sponsor.

1.83 The Senior Trade Commissioner, Russia/CIS, Mr Gregory Klumov, subsequently advised the delegation that the event had been extremely successful, with 'millions of dollars of new deals' resulting from the week. He said the response was such that it was now planned to make the week an annual event.

### **Cultural activities**

1.84 The delegation participated in several cultural visits, including a visit to the Kremlin Palace and Armoury Museum, the Bolshoi Theatre and the Tretiakov Gallery

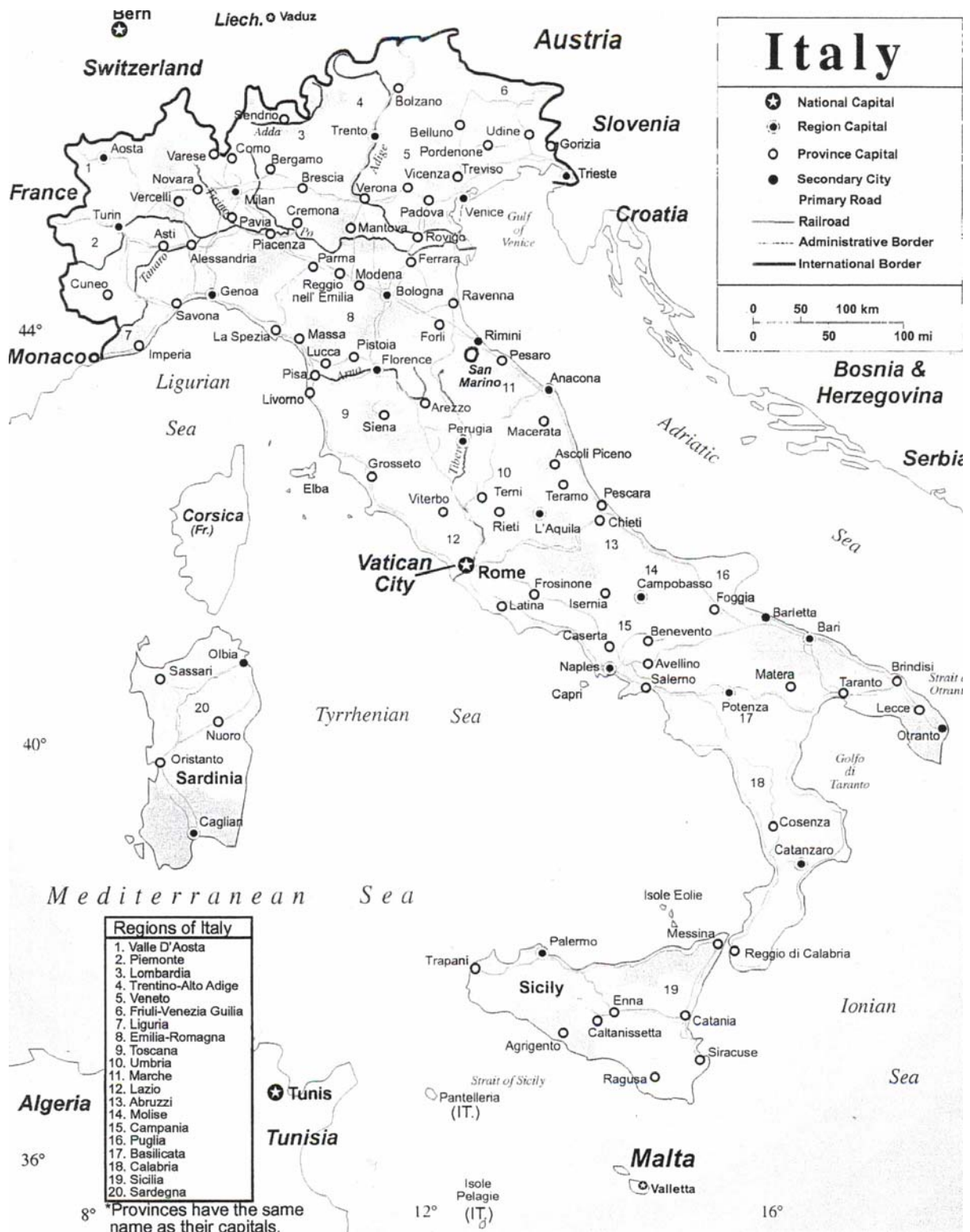
in Moscow, and the Mariinsky Palace Museum, State Hermitage Art Museum, Palace of Congresses and the Tsarskoye Selo, in and near St Petersburg.

1.85 The delegation also visited the Orthodox monastery, the Holy Trinity – St Sergius Lavra, at Sergiev Posad, 70 kilometres outside Moscow. The monastery is an active monastery and seminary and is an important religious centre of the Russian Orthodox Church and a residence of the Patriarch of all Russia. Delegates had a meeting with the Archimandrite, Father Savva, who outlined the revival of the church following the end of the Soviet Union, and said that church-state relationships were now positive. In Soviet times Moscow had about 40 churches, now there were more than 600. Priests received training at the seminary, and it was also a centre for the teaching of choral music and icon-making.

## **Conclusion**

1.86 The visit to Russia was highly successful. During a busy schedule the delegation had opportunity to explore a range of issues with parliamentary, government and business leaders, and to promote trade and investment. The visit was beneficial in increasing the delegation's understanding of the political, economic and social challenges facing Russia and also highlighted the many opportunities available to both countries. The visit served to strengthen the ties between Russia and Australia, and should result in more regular high-level contacts and the development of a mutually-beneficial relationship.

# ITALY<sup>1</sup>



<sup>1</sup> Information in this chapter is drawn from a number of sources, including briefings by the Department of Foreign Affairs and Trade, Austrade, and the Parliamentary Library

## Statistical comparison – Italy and Australia

	<b>Italy</b>	<b>Australia</b>
Population	57.8 million	20 million
Composition	16 regions 4 autonomous regions	6 states 2 territories
Area	301,000 sq km (about 1.25 times size of Victoria, Australia)	7,683,000 sq km (sixth largest country in world)
Capital	Rome (pop. 2.6m)	Canberra (pop. 330,000)
Parliament	2 houses (Senate, Chamber of Deputies)	2 houses (Senate, House of Representatives)
Trade	Exports to Australia  - merchandise trade A\$4.4 billion - services A\$496m	Exports to Italy  - merchandise trade A\$1.4 billion - services A\$217m [Total trade deficit A\$3 billion]
Investment	A\$824m in Australia	A\$2.5 billion in Italy
	(2003)	(2003)

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## Political overview

2.1 Italy is the fourth largest economy in Europe and sixth largest in the world. It has been a major advocate of European integration and was among the six countries which signed the 1951 Treaty of Paris, establishing the European Coal and Steel Community, the forerunner to the European Union.

2.2 Italy is largely homogeneous linguistically and religiously but is diverse culturally, economically and politically. Much of industry and commerce, and wealth, is to be found in the northern and central parts of Italy, while the south is poorer and still based largely on agriculture. Much of Italy's unemployment is in the south. Italy has the fifth-highest population density in Europe, of about 200 persons per square kilometre.

2.3 The Italian economy has changed from an agriculturally-based economy at the end of World War II to a major industrial economy. Its strength has been in the processing and manufacturing of goods, primarily in small and medium-size enterprises, and tourism. The reliance on small and medium size enterprises in the manufacturing sector is now becoming a weakness, with increasing competition from other European countries and particularly Asia causing continuing loss of market share. The economy now is characterised by a falling share of global trade and one of the lowest growth rates in Europe.

## System of government

2.4 Italy has been a republic since June 1946. Its constitution came into effect in January 1948. Apart from the national government, there are 20 regions and about a hundred provinces. The prefect of each province is appointed by and answerable to the central government, which he represents locally. The regions, apart from five with special autonomy, elect regional governments or councils with limited governing power.

2.5 The head of state is the President, elected for seven years by the parliament sitting jointly with 58 regional representatives. The current President is Carlo Azeglio Ciampi (elected May 1999). Mr Ciampi is a former prime minister, minister of the treasury and governor of the Bank of Italy. The President's powers include the ability to dissolve parliament and call new elections. The President also nominates the prime minister, who is the head of government and who chooses the other ministers. The government consists of the prime minister and his Council of Ministers – mostly but not exclusively comprised of members of parliament. The prime minister's official designation is President of the Council of Ministers.

2.6 The prime minister and his ministers – the government – have to be confirmed by, and must retain the confidence of, both houses of parliament: each new government must achieve in both houses a resolution of confidence in itself and the political program proposed by it. The current prime minister is Silvio Berlusconi, who won office in June 2001.

2.7 The parliament of Italy consists of two houses, which are co-equal. The upper house is the Senate of the Republic and the lower house is the Chamber of Deputies. National elections for both houses are held every five years, and the next are due in May 2006. Regional elections took place on 3 and 4 April 2005 – just before the delegation's visit. The centre-right coalition, on which the Berlusconi government is based, did not fare well in the regional elections – the centre-left opposition winning 12 of the 14 regions where elections were held.



*The Delegation Leader, Senator the Hon. Paul Calvert, at the entrance to the Italian Senate building, the Palazzo Madama*

### *Senate*

2.8 The Senate comprises 315 elected and 10 life members. Of the latter, currently eight are appointed 'for outstanding merits in the social, scientific, artistic or literary field', and two are appointed ex officio as former presidents of the republic. The 315 elective seats are distributed among the 20 Italian regions in proportion to their population, apart from seats assigned to the overseas constituency (representing overseas Italians). Seventy-five percent of seats are filled at elections under a first-past-the-post system (each region is divided into a number of single-member constituencies) and 25% are assigned to political groups according to their proportion of votes cast. Senators must be at least 40 years of age, and voters in Senate elections must be at least 25 years of age.

2.9 Bills may originate in either house but must be passed in the same form by both before they can become law. A bill may be introduced by a member of parliament, the government, the people (it must be supported by the signatures of at least 50,000 qualified voters), a regional council or, on some specific issues, the

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National Economy and Labour Council. Bills are referred to committees and may be assigned a reporting remit (the committee will examine the bill, may amend it, and report to the Senate, which further examines it and votes on it article by article and then as a whole), a drafting remit (the committee will draft the bill to be voted on by the Senate, which may either adopt or reject it as a whole), a legislative remit (the committee has the authority to adopt or reject the bill), or an advisory remit (the committee will provide an opinion on the bill referred to it).

2.10 The election, inauguration and impeachment of the President and the election of some of the justices of the Constitutional Court and the Higher Judicial Council is conducted by both houses at a joint sitting, held in the Chamber of Deputies (of the 15 judges of the Constitutional Court, one-third are appointed by the President, one-third elected by parliament, and one-third elected by the ordinary and administrative supreme courts).

### *Chamber of Deputies*

2.11 The Chamber of Deputies has 630 members. Deputies must be at least 25 years of age and are elected by all Italian citizens 18 years of age and older. Twelve of the deputies represent Italians residing overseas. As is the case for the Senate, 75% of seats are directly elected and 25% by regional proportional representation.

### **Political parties**

2.12 Since World War II there have been frequent changes of government. Most post-war governments up to the 1990s were coalitions dominated by the Christian Democrats, who usually held a majority of cabinet posts and more often than not the prime ministership. While many governments lasted less than a year, largely the same people tended to serve as ministers in succeeding cabinets, reflecting the often minor shifts in coalition membership and support. This tended to produce an entrenched 'political class' and resulted in weak governments, as most decisions ended up being a compromise based on various coalition interests. It also resulted in a growing power of patronage for parties and an expanded role for the bureaucracy. Over time voters became disenchanted with political paralysis, massive government debt, extensive corruption, and the considerable influence of organised crime, and demanded political, economic and ethical reforms.

2.13 In a referendum in 1993 voters approved substantial changes to the electoral system, including moving from a system based on proportional representation to one in which three-quarters of the seats were filled on a first-past-the-post basis and the remainder by parties on a proportional basis. The move away from proportional representation was designed to reduce the multiplicity of parties and, by favouring local candidates, weaken the national 'stranglehold' of parties. It was also designed to produce strong and stable governments, not dependent on shifting coalitions.

2.14 New political forces and alignments of power emerged in the following years. The Christian Democratic Party dissolved, and the Italian People's Party and the Christian Democratic Centre emerged. Other major parties, such as the Socialists, saw

support plummet. A new populist and free market-orientated movement, Forza Italia, gained wide support among moderate voters. A trend emerged towards two large coalitions, one on the centre-right (the 'Freedom Pole') and one on the centre-left (the 'Olive Tree').

2.15 Elections in March 1994 saw a major turnover in the new parliament, with 452 out of 630 deputies and 213 out of 315 senators elected for the first time. The 1994 elections also swept media magnate Silvio Berlusconi, leader of the Forza Italia party and the 'Freedom Pole' coalition, into office as prime minister. Less than a year later, in January 1995, however, he was forced to stand down when one member of the coalition withdrew support. The Berlusconi government was succeeded by a technical government headed by Prime Minister Lamberto Dini, which fell in early 1996.

2.16 Between 1996 and 2001 a series of centre-left coalitions dominated the Italian political landscape. In the April 1996 elections the centre-left coalition, the 'Olive Tree', led by Romano Prodi, won government and continued until October 1998 when it narrowly lost a vote of confidence by three votes. A new government was formed by Democratic Party of the Left (PDS) leader and former communist Massimo D'Alema. Following a poor showing by his coalition in regional elections in April 2000, D'Alema resigned. The succeeding centre-left coalition government led by Giuliano Amato (previously prime minister 1992-93) lasted until the national elections on 13 May 2001 which returned Mr Berlusconi to power at the head of the five-party 'House of Freedoms' (Casa delle Libertà) coalition. This was a refashioned centre-right coalition comprising the prime minister's own party, Forza Italia, the National Alliance, the Northern League, the Christian Democratic Centre and the Union of Christian Democrats. The 'Olive Tree' (Ulivo) coalition, now The Union (L'Unione), formed the main opposition.

2.17 While the 2001 political line-up continued a trend towards a bi-polar political system based on the two coalitions, the opposition centre-left still lacks cohesion, and the centre-right is also not without its problems, as events at the time of the delegation's visit demonstrated.

2.18 The poor showing in the regional elections in April 2005 and dissatisfaction with the focus of the government's program among members of his coalition forced Prime Minister Berlusconi to resign and form a new government – the 60th since the liberation of Italy in World War II. This was formed on 23 April, after which the new government sought and gained the votes of confidence in both houses it was required to have under the Constitution. The delegation was present in the galleries of the Chamber of Deputies on 26 April when Mr Berlusconi presented his new government and program for a vote of confidence. It is noteworthy that the previous Berlusconi government was the longest serving in Italy's post-war history, lasting a record 1409 days.



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## Economic overview

2.19 The Italian economy underwent dramatic change after World War II, developing from an agriculturally-based to an industrial nation ranked as the world's sixth largest industrial economy. Italy belongs to the Group of Eight (G-8) industrialised nations; it is a member of the European Union (EU) and the Organisation for Economic Co-operation and Development (OECD). Natural gas is the most important mineral resource, but more than 80% of the country's energy needs and most raw materials needed for manufacturing have to be imported. Italy's economic strength has been in the processing and manufacturing of goods, primarily in small and medium-sized enterprises (SMEs), and tourism. Its major industries are precision machinery, motor vehicles, chemicals, pharmaceuticals, electrical goods, food processing, textiles and fashion and clothing.

2.20 In 1998 Italy adopted a budget compliant with the requirements of the European Monetary Union. In the following year it had to adapt to the loss of an independent monetary policy, which it had used quite liberally in the past to help cope with external shocks. The adoption of the euro provided several benefits for Italy, including stricter fiscal discipline, facilitation of exports to key markets within the EU and the introduction of some structural reforms, including in pensions and the job market. The introduction of the euro also led to higher prices and hence costs, ultimately leading to some loss of competitiveness.

2.21 Italy's closest trade ties have been with other countries of the European Union with whom it conducts slightly more than half its total trade: its largest EU markets are Germany, France, the United Kingdom, Spain and the Netherlands.

2.22 The current economy is characterised by a falling share of global trade, the lowest growth rates in Europe, only a few international companies as vehicles for foreign direct investment, high labour costs, and no growth in average company size, leaving the country still too dependent on SMEs. There is a large disparity of wealth between the developed industrial north, dominated by private companies and with almost full employment and good infrastructure, and the less-developed, welfare-dependent agricultural south (known as 'Il Mezzogiorno').

2.23 Unemployment is high in the south (about 20%), and chronic problems of inadequate infrastructure, corruption and organised crime act as disincentives to investment and job creation. A significant underground economy absorbs substantial numbers of people, but they work for low wages and without standard social benefits and protections. Women and youth have significantly higher rates of unemployment than do men. Illegal immigration is also a problem.

2.24 After 50 years of strong economic growth, the economy is now stagnant. *The Economist* magazine, in a leading article on 21 May 2005 which cited an OECD report on Italy, expressed the view that the country's slowing economic growth mainly reflected structural failings:

The miracle years of the 1950s and 1960s created an economy that depended heavily on small manufacturing firms, many of them concentrated in the north and in such specialist areas as textiles, furniture, machine-tools, food-processing and white goods. Such companies needed a low cost-base to sustain competitiveness; in times of inflation, this was secured by devaluations of the lira. That get-out is no longer available now that Italy is using the euro.

It also happens that these industries are the ones most vulnerable not just to competition from the rest of Europe, but increasingly from Asia, notably China. It is no surprise that Italy's textile firms are in the forefront of those demanding new protection from Brussels against Chinese exports. Makers of furniture and white goods are suffering similarly. And Italian companies are losing market share to Chinese rivals not just in Europe but in world markets too.

2.25 The article also pointed to problems in corporate governance, banking and limits on foreign ownership, and noted increasing reluctance on the part of foreign investors to invest until clear signs emerged of government willingness to tackle the difficult issues. In the first quarter of 2005 Italy was technically in recession, GDP having fallen by 0.5% after a similar drop in the final quarter of 2004. The trade balance became negative for the first time since the early 1990s. Public debt is a high 106% of GDP. While small firms are still the backbone of the economy, they have no funds for expansion or investment in research, and are struggling because of high labour costs and competition from countries such as China. High taxes, particularly business taxes, and red tape further reduce competitiveness.

2.26 The structural problems that need to be addressed include labour market rigidities, low productivity growth, a high tax burden, the growth in cost of the pension scheme and inadequate investment in infrastructure. The Berlusconi government has acknowledged these problems but has found difficulty in comprehensively addressing them, not least because of domestic resistance to some of the proposed solutions.

2.27 Pressure groups which have particular but often competing influence on government policies include four major confederations of unions; manufacturers and merchants' associations; organised farm groups, and the Roman Catholic Church.

## **Social overview**

2.28 Italy has one of the lowest natural growth rates in the world. It has the lowest birth rate in Europe and the fastest ageing population. It is the first country in the world to record more people over 65 than under 15. The number of Italian people aged 65 years and older is expected to grow from about 18% of the population in 2003 to an estimated 28% in 2030. A likely decline in population, coupled with the growing cost of an ageing population, are problems that are not unique to Italy, but their extent in Italy will probably have a greater impact and make future policy decisions more difficult.

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2.29 A disproportionate amount of Italy's public expenditure goes to social security (pensions), whereas expenditure on services like health, education and labour policies account for a smaller proportion of GDP. The pension system favours those with jobs rather than those on welfare or who are unemployed or disadvantaged. It is estimated that in 2005 pensions will account for some 14% of Italy's GDP, the second highest percentage in the European Union.

2.30 The Italian welfare model places a strong emphasis on familial support structures, and there are significant regional inequalities in the distribution of services, particularly between the north and south. Decentralised powers and responsibilities allow for a great deal of local autonomy in service planning and in local tax raising powers. The regions have legislative powers over health and welfare and, more recently, employment.

2.31 Another challenge facing Italy is to reduce the extent of corruption in society, which appears to be more entrenched than in a number of other EU countries. Practices such as bribery and kickbacks, intimidation, use of influence and nepotism to assign contracts or jobs, and preferential treatment have been found at various levels of government and industry, but appear to be particularly present at the local level. The extent is difficult to quantify. 'White-collar' crimes such as money laundering, organised fraud and counterfeiting, appear to be increasing.

2.32 It is widely believed that organised crime, often collectively labelled as the mafia, has, to an unknown extent, infiltrated politics, governmental structures and public administration. Allegations of this are seen regularly in the media, and supporting evidence can be found in prosecutions in the courts, particularly during the 1990s, a period which saw a number of the more active opponents of the mafia, such as police prosecutors, judges and public critics, murdered.

## **Foreign policy overview**

2.33 Italy was a founding member of the European Union, and its foreign and trade policies are dominated by its membership of this grouping. As a founding member of NATO, Italy occupies a strategic position in the Mediterranean, with NATO's South European Command based in Naples.

2.34 Italy is a strong supporter of the United Nations, and is the second largest contributor to UN peace-keeping operations. It has 9000 soldiers deployed in Bosnia, Kosovo, the Former Yugoslav Republic of Macedonia and Afghanistan, and contributed more forces than any other European country to the INTERFET operation in East Timor. The Berlusconi government was openly supportive of the US-led war in Iraq in 2003, despite strong popular opposition. Italy in April 2005 had more than 3000 troops and military police in Iraq. On 15 March Prime Minister Berlusconi appeared on a television talk show and said that Italy would start withdrawing its troops from Iraq in September, but later gave assurances that any withdrawals from Iraq would be conditional on consultations with allies and dependent on the ability of

the Iraqis to defend themselves. The Minister for Foreign Affairs, Mr Downer, welcomed these assurances in the House of Representatives on 17 March.

2.35 Italy is bidding for a non-permanent seat on the UN Security Council in 2007-08 on an uncontested Western European and Others Group (WEOG) slate. Italy's position on UN Security Council reform favours Model B of the High Level Panel Report. While Australia has not yet committed to either of the models, its approach is broadly consistent with Model A. Both models involve expanding the membership of the Security Council. Model A proposes the addition of six new permanent seats, with no veto, and three new two-year term elected seats; Model B creates a new category of eight seats, renewable every four years, and one new two-year non-renewable seat.

2.36 Italy is also running for the International Civil Service Commission, where currently there are three candidates for three WEOG seats. The Speaker of the Chamber of Deputies, the Hon. Pier Ferdinando Casini, is standing for president of the Inter-Parliamentary Union (IPU) at elections to be held in Geneva in October.

2.37 Besides the EU, Italy's traditional area of interest is the Mediterranean and central and eastern Europe. Italy also has strong links with parts of northern Africa, the Middle East, and Latin America, and has taken an independent stance on developing relations with countries such as Iran, Libya and North Korea.

2.38 Italy is a member of the Schengen group of EU countries with integrated border control policies allowing free movement between the member countries. Over the past 10 years it has become a significant first destination country for illegal immigrants to the EU. Most of these use Italy as a transit point, with Germany, France or the UK as the final destination. Italy's major strategy for dealing with illegal immigrants has been through enhanced bilateral co-operation with source and transit countries. In September 2002 the Italian Parliament passed a new immigration bill to establish annual quotas for migrant workers and streamline the issue of temporary visas.

## **Political developments**

2.39 Prime Minister Berlusconi has led the coalition known as the House of Freedoms (Casa delle Libertà) since June 2001. He successfully overcame internal opposition to his plans to introduce income tax cuts in the 2005 budget (albeit not as far-reaching as a number of economists had proposed). However, there were differences between the coalition parties on this and other proposed reforms, and these came to the fore after the disastrous results for the coalition in the regional elections in April.

2.40 The Union of Christian Democrats (UDC) ministers in the coalition government withdrew on 15 April in the expectation that Prime Minister Berlusconi would formally resign and then form a new government. After some initial manoeuvrings, Prime Minister Berlusconi presented his resignation and that of his government to President Ciampi on 20 April. A new government, based on the same

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coalition parties and involving minimal changes to the ministry, was formed on 23 April, and votes of confidence in the new government and its policies were subsequently gained in both houses. In announcing to the Senate on 20 April his intention to resign, Prime Minister Berlusconi said he intended 'taking up the challenge' presented by the election results.

2.41 When presenting to the Chamber of Deputies on 26 April his new government's program for the remaining 11 months of the parliamentary term, Prime Minister Berlusconi blamed many of the ills of the Italian economy on the impact of the euro and increasing EU regulation at a time of increasing competition from Asia (as well as cheap labour competition from East European countries). Despite these difficulties Italy had respected the EU restriction on the deficit of 3% of GDP – something which some other European countries such as Germany and France had not been able to do. He said that all of Europe needed to return to the Growth and Stability Pact. He pointed to reforms made by his government, including those in the job market, pensions, schools and public infrastructure, as well as the reduction in taxes favouring those on low incomes.

2.42 He said that for the remainder of the government's term it would work to sustain families' purchasing power, relaunch investment and growth of competitiveness in business, commit greater funding for investment in the south, and follow up on restructuring public finance and reduction of debt. Some indirect taxes would be cut or abolished, particularly the IRAP tax on the net value of production. Reform would occur of incentives for business, welfare support provisions, pension funds and bankruptcy laws. Civil lawsuits would be speeded up and the bureaucracy simplified. He intended that constitutional reform involving further devolution to the regions would go to a referendum in the second half of 2006, after the May 2006 parliamentary elections.

2.43 He also indicated he would work towards forming a new, single centre-right party as a step towards 'bipolarism'. Speaking subsequently on Canale Italia on 16 May, Prime Minister Berlusconi said:

At one point it [the coalition] is one party, then another and then again another...I believe the problems of coalition are similar in both the centre-right and centre-left....It is a defect of our system and I believe that it is in everyone's interests to change. For this I have put forward the proposal for one united centre-right party, sure that if we do this the centre-left will have to as well. The whole idea is for our democracy to become really complete, with two alignments in the field and the hope that democracy can reign within them. This is the future for a country that really wants to be able to government itself.

2.44 These and similar comments have caused a lively debate within and outside the House of Freedoms coalition.

## **Bilateral relations**

2.45 The Australia-Italy bilateral relationship is based on strong people-to-people links, enduring community ties and an extensive range of scientific, cultural and commercial interaction. More than 800,000 people in Australia claim Italian descent, with 218,000 Australians having been born in Italy (2001 census). Italian is Australia's second most widely-spoken language. In 2003, more than 41,000 Italians visited Australia and more than 71,000 Australians travelled to Italy. At least 30,000 Australians are estimated to live in Italy, including more than 18,000 dual nationals who receive Australian pensions.

2.46 The Prime Minister, Mr Howard, visited Italy in July 2002 and met with President Ciampi and Prime Minister Berlusconi. The Minister for Foreign Affairs, Mr Downer, visited in October/November 2003 when Italy had the EU Presidency. The then Speaker of the House of Representatives, Mr Neil Andrew, met his Italian counterpart, Speaker Casini, in Rome in mid-2003. Italian Under-Secretary of State for Foreign Affairs, Ms Margherita Boniver, visited Australia in December 2002, and an Italian Parliamentary Delegation visited in February 2003.

2.47 Australia has bilateral agreements with Italy covering culture, double taxation, air services, economic and commercial co-operation, reciprocal social security and health care benefits, and film co-production. There are also a number of memoranda of understanding covering science and technology co-operation, defence co-operation, motor vehicle safety certification, game meat exports and trade co-operation.

2.48 A Working Holiday Maker Arrangement with Italy has been in place since January 2004 with 298 Australians and 1,750 Italians taking advantage of the program in its first year. The arrangement aims to promote international understanding through helping young people between 18 and 31 to holiday in each other's country for up to 12 months and to supplement their travel funds by working for short periods of time. Fewer Australians have participated in part because of long delays in Italy with the issue of a permit to stay, required before the issue of a work permit is allowed, whereas the Australian visa is a one-stop point of entry covering both visa and work permit. After a review in March this year the Italian side has undertaken to address the delays being experienced by Australian applicants.

2.49 Formal education links with Italy include Monash University, which has a campus in Prato, outside Florence, and an Australian Studies Centre at Lecce University in Puglia. There are also links between other major Australian and Italian academic institutions.

2.50 The Italian government actively promotes the Italian language and culture abroad, as do some private institutions. The Italian private sector Cassamarca Foundation has involved Australian universities in a project which provides financial support from Italy to enable the universities to sustain higher-level Italian studies. The project has been operating for six years and in mid-2004 the foundation decided to provide a further 11.7 million euros to cover the next 13 years. The Australian

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government's Endeavour programme is being promoted in Italy, among other countries, to encourage high achieving students and scholars to undertake study or research in Australia.

2.51 In 2004 a relatively low total of 810 Italian students studied in Australia, making Italy the 11th source country for students from Europe (Germany, Norway, UK, Czech Republic and Sweden rank as the top five). Most students came for English courses and higher education.

2.52 Italy is Australia's second largest export market in the European Union after the United Kingdom, and Australia's 17th largest export market worldwide.

2.53 Two-way trade between Australia and Italy in 2004 totalled more than \$5.8 billion, with the balance of trade heavily in Italy's favour – Australia's merchandise trade deficit with Italy is around \$3 billion and has more than doubled since 1999-2000 as a result of a continuing decline in Australian exports from a peak of \$2.2 billion in 2001-02 to \$1.4 billion in 2004. Major exports to Italy in 2004 included wool (\$340 million) and coal (\$167 million). Wool exports have been steadily decreasing from a high of \$687 million in 2000. Non-traditional Australian exports such as fast ferries, wine, processed food, automotive parts and defence materials are growing. Australian service exports to Italy totalled \$217 million and Italian service exports to Australia totalled \$496 million.

2.54 Italian exports to Australia were worth \$4.4 billion in 2004 – up 7.4% from the previous year. Italy is Australia's third largest source of imports from the EU and 10th largest source worldwide.

2.55 Australia in 2003 was Italy's 24th most important export destination (about 1% of exports). Australian imports from Italy include medicaments, pharmaceutical products, household equipment and specialised machinery. Australia in 2003 was Italy's 39th most important source of imports (about 0.4% of its total).

2.56 The trade gap in part reflects the state of the Italian economy, which has seen a falling share of global trade over the past 15 years, and one of the lowest growth rates in Europe. This has resulted in a decreasing demand for Australian commodity exports such as wool and coal (but Italy is still Australia's second largest export market for fine wool). Conversely, the growth in the Australian economy has seen a steady rise in Italian imports.

2.57 Australian investment in Italy totalled \$2.5 billion as at June 2003, with major Australian companies such as Macquarie Bank, Fosters, Rio Tinto, ERG and News Corporation (2003) having significant investments. In 2002-03, a consortium led by Macquarie Airports Group purchased a 42% shareholding in Rome's Aeroporti di Roma S.p.A., which holds the concession to run the Fiumicino (Leonardo da Vinci) and Ciampino (G. B. Pastine) airports, for \$542 million.

2.58 Italian investment in Australia in 2003 totalled \$824 million. Major Italian investors in Australia include Luxottica, which took over the OPSM eyewear group

for \$550 million, Olivetti (banking applications, multi-media development), Ferrero (food), Finmeccanica Group (defence equipment and railway signalling), Telecom Italia (communications) and Pirelli (cables). One of the main reasons for the comparatively low level of Italian investment in Australia is the structure of the majority of Italian companies: small and often family-run, with limited capacity to invest overseas.

2.59 Australian business groups active in Italy include Australian Business in Europe in Milan and the Australian Business Network in Rome. The Australia-Italy Economic and Cultural Council (AIECC) and an associated Business Leaders' Forum were established in 1997. The Italian Confederation of Trade, Confcommercio, is planning a visit to Australia in the second half of this year. An aim of this visit is to look at Australia as a base for Italian companies operating into Asia, thus offering both trade and investment opportunities for Australia.

2.60 In recent years there has been an increasing trend for the promotion of trade links at the regional level. In March 2004, the President of the Lombardy region, Mr Roberto Formigoni, visited Australia accompanied by a large business delegation. This was followed by a visit in October 2004 to Western Australia by the President of the Tuscany Region, Mr Claudio Martini, to open an exhibition by the region at the Perth Royal Show. During a one-day visit to Florence the delegation visited a trade exhibition mounted by the Western Australian government and private Australian interests at the Tuscany region's 69th International Handicrafts Fair, reciprocating the Tuscany exhibition the previous year in Perth.

## **The delegation's visit to Italy**

2.61 The delegation visited Italy from 24 April to 1 May. On 24 April 2005, as the delegation departed St Petersburg for Rome, the President, accompanied by Mrs Calvert, travelled to London to participate in the Anzac Day observances there. The other members of the delegation, under the acting leader, Mrs Hall, travelled to Rome. The following day, 25 April, was set aside for Anzac Day ceremonies. On the afternoon of Anzac Day, the President and Mrs Calvert travelled to Rome to re-join the delegation.

2.62 On 26 April and subsequent days the delegation held discussions with parliamentary, government and civic officials in Italy. The discussions took place against a background of the 'fall' of the 59th government and the 'rise' of the 60th, both governments led by Prime Minister Berlusconi at the head of the House of Freedoms centre-right coalition. The preceding days had seen the election of a new Pope, with Rome gradually returning to normal after accommodating a major influx of visitors.





*The commemorative stone at the Commonwealth War Cemetery, Rome. The delegation laid a wreath on behalf of the Parliament at the cemetery on Anzac Day.*

## **Anzac Day**

2.63 On Anzac Day the President attended the Dawn Service at the Australian War Memorial, Hyde Park Corner. He then attended a service in the Crypt of St Paul's Cathedral, organised by the Gallipoli Association. Subsequently Senator Calvert attended the wreath-laying at the Cenotaph, Whitehall, and laid a wreath on behalf of the people of Australia. Later the President and Mrs Calvert attended a commemorative service at Westminster Abbey to mark the 90th Anniversary of the Battle of Gallipoli. Her Majesty The Queen and HRH the Duke of Edinburgh also attended the service, together with Australian, New Zealand, Turkish and British dignitaries.

2.64 In Rome, the delegation attended an Anzac Day ceremony at the Commonwealth War Cemetery, where the acting leader, Mrs Hall, and Senator Lightfoot laid a wreath on behalf of the Parliament. Wreaths were also laid by the Australian Ambassador, HE Mr Peter Woolcott, and representatives of the Australian and New Zealand Defence Forces. During the memorial service, Atatürk's Epilogue of 1934 was read by the Ambassador of the Republic of Turkey, HE Mr Ugur Ziyal. Members of the delegation subsequently attended an Anzac Day morning tea at the residence of the New Zealand Ambassador, HE Ms Julie C. MacKenzie.

2.65 The Anzac Day observance fell on the same day, 25 April, that Italy commemorates its liberation by Allied troops in World War II. The day, known as

Liberation Day, is a public holiday meant to honour all those who died during the war, from soldiers fighting overseas to civilian victims of both the Nazis and of Allied bombings, as well as partisans of the Italian resistance.

2.66 In the afternoon, the delegation visited the Vatican, accompanied by Australia's Ambassador to the Holy See, HE the Hon. Dr J. J. Herron, and Mrs Herron.

### **Parliamentary contacts**

2.67 Parliamentary links were reinforced in separate meetings with the President of the Senate, Senator the Hon. Marcello Pera, the Speaker of the Chamber of Deputies, the Hon. Pier Ferdinando Casini, the Chairman of the Standing Committee for Foreign Affairs, the Hon. Gustavo Selva, the Chairman of the Anti-Mafia Commission, Senator Roberto Centaro, the Chairman of the Social Affairs Standing Committee, the Hon. Giuseppe Palumbo, and the President of the Italy-Australia Parliamentary Friendship Group, the Hon. Vincenzo Siniscalchi. The delegation met other members of parliament at an official lunch, hosted on behalf of the Italian Parliament by Mr Siniscalchi. During the meetings with Senator Pera and Mr Casini, Senator Calvert issued official invitations from the Australian Parliament for representatives of the Senate and Chamber of Deputies to visit Australia on a reciprocal visit at a mutually convenient time.

#### ***President of the Senate, Senator Pera***

2.68 Senator Pera became deputy president of Forza Italia in 1998 and was a Professor of Philosophy of Science at the University of Pisa before election to parliament. Also an author and commentator, he has published extensively.

2.69 Senator Pera referred to the resignation of the Berlusconi government and indicated he was confident that both houses would vote confidence in the next Berlusconi government. He said the recent events did not represent a return to the 'revolving door' governments which had characterised Italy after World War II; rather the resignation was more of an exception, and referred to the record period of stability enjoyed by the 59th government – the longest single period in office for a government since the war. He said the new Berlusconi government would most probably continue until the next parliamentary elections, required to be held in the spring of 2006.

2.70 Senator Pera was less sanguine about the prospects for the impending French referendum on the EU Constitutional Treaty. He thought it was likely to fail and, if it did, it was more than likely that the following Dutch referendum would show a similar result. This would be a setback for Europe, but could lead to a period of consolidation after the rapid expansion of EU membership in recent years. He said there was no going back to the Treaty of Nice, and so if the Constitutional Treaty was not ratified, 'we will need to start again'. On the admission of new countries to the EU, he said that the EU might have been too optimistic, and moved too fast, given the current economic difficulties of Italy and similar EU countries.

2.71 On EU issues of particular interest to Australia, Senator Pera said that the EU would have to undertake further reform of the Common Agricultural Policy (CAP), although this would involve very difficult political decisions. On the issue of state aid to companies, particularly in the context of Fiat's current difficulties, he said the solutions now had to come from the private sector and the banks. There would and could be no more state aid to bail out Fiat.



*The President of the Italian Senate, the Hon. Marcello Pera, opening a gift presented by the Delegation Leader, Senator the Hon. Paul Calvert.*

2.72 Senator Pera also underlined the importance of further constitutional reform for Italy to ensure greater political stability. In relation to the role of the Senate, he said that at present the Senate did almost exactly the same things as the Chamber of Deputies. A Senate with a stronger role in representing the regions, to which more power was being devolved, could be a positive development. He also spoke of the need for the Prime Minister to have more autonomy from the President than was allowed under the existing system, including the ability to vary the ministry without forming a new government and choosing when to go to the people in an election – some of the powers enjoyed by the Australian Prime Minister.

2.73 In respect of relations with Australia Senator Pera said Italy was always interested in what was happening in Australia, with its large Italian community. He saw merit in a more regular exchange of information, particularly at the parliamentary level. In respect of the Senate seats reserved for representatives of Italians living abroad, he said that the concept was sound, but did result in some anomalies, in that those seats represented Italians who did not live in Italy, who were not directly affected by government decisions and who did not pay taxes, but who had an equal voice in decisions affecting all Italians. Even so, it was important to maintain the link with those living abroad.

2.74 Discussions ranged over a number of other issues concerning the bilateral relationship and political developments in Italy.



*Delegation Leader, Senator the Hon. Paul Calvert, presents a gift to the Speaker of the Chamber of Deputies, the Hon. Pier Ferdinando Casini (at left). At right is the Australian Ambassador to Italy, Mr Peter Woolcott.*

### ***Speaker of the Chamber of Deputies, Mr Casini***

2.75 Mr Casini was first elected to the Chamber of Deputies on the Christian Democratic Party list in 1983. He founded the Christian Democratic Centre party in 1993 after the dissolution of the Christian Democrats, and the next year was elected to the European Parliament. He was elected Speaker of the Chamber of Deputies in May 2001.

2.76 The discussions with Mr Casini focussed on current events affecting the government, the good bilateral relationship with Australia, and, on the broader front, the need for reform of the United Nations, a need also to reform the membership and role of the Inter-Parliamentary Union, and the effects of the entry into Europe of cheaper goods from China and eastern Europe.

2.77 Mr Casini put a case for the Australian delegation to the IPU to support his candidacy for IPU president, to be decided in Geneva in October. He said he believed strongly in the importance of international meetings of parliamentarians, but that the IPU needed to do more substantive work, and should be more representative of all parliaments. In particular, the United States needed to be persuaded to rejoin the IPU, and if elected president he would make this his top priority. The IPU could not

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genuinely call itself a global organisation without the participation of representatives of the most important parliament in the world.

2.78 He referred also to the role of the IPU as a parliamentary interface with the United Nations. In respect of the United Nations, he spoke of the options for reform of the organisation, in particular the Security Council, and Italy's preferred position on proposed reforms. He said that Italy was a strong supporter of the UN, but the UN was no longer taking the leading role it should. He instanced East Timor, and how Australia had initiated intervention in East Timor rather than the UN.

2.79 Mr Casini told delegates that one of his regrets was that he had not yet visited Australia, but he hoped to rectify that at some time in the future. Senator Calvert said that the invitation for a reciprocal visit might provide the appropriate opportunity.

2.80 Mr Casini invited the delegation to sit in the galleries of the Chamber of Deputies later that day when Prime Minister Berlusconi addressed the chamber to seek a vote of confidence. Later that day the delegation visited the Chamber of Deputies. After opening proceedings, and immediately before calling Mr Berlusconi, Mr Casini acknowledged the Australian delegation in the following terms:

Honourable colleagues, I wish to inform you of the presence in the public gallery of the President of the Australian Senate, Paul Calvert, with a delegation of Australian parliamentary friends. Naturally, I confirm the friendship between Italy and Australia which is dear to our hearts.  
(Applause)

***President of the Italy-Australia Parliamentary Friendship Group, Mr Siniscalchi***

2.81 At the official lunch hosted by Mr Siniscalchi, he recalled that he was leader of the Italian parliamentary delegation that visited Australia in 2003, and welcomed the opportunity to return the excellent hospitality his delegation had been shown.

2.82 He said he and his parliamentary colleagues had been impressed that the Australian delegation had commenced its visit by commemorating those who had died in wars particularly to liberate Europe. He found it fitting that Australians and Italians remembered the casualties of war on the same day, given the continuing close relationship between the two countries. He wished the delegation a fruitful and enjoyable visit, and hoped that it managed to get in touch with the political and social reality of Italy in the following days.

2.83 In response, Senator Calvert said that there had been a long association between the two countries. The first known Italian to visit Australia was a Corsican, James Mario Matra, a midshipman on Captain James Cook's Endeavour. Matra, a loyal subject of the British Crown, wrote a Proposal of Settlement for New South Wales in 1783 – five years before the arrival of the First Fleet in Sydney Cove. The proposal advocated a settlement of free immigrants, but that if a penal colony was to be established, convicts should be given land and allowed to fend for themselves. The first known Italian book on Australia was published in 1851 by Father Salvado and was entitled *'Historical memories of Australia, particularly of the Benedictine Mission*

*of New Norcia and the customs of Australia*'. Following the post-war migration of Italians, they were now firmly established in all facets of modern Australia: business, the arts, politics, the courts and academia.

2.84 Mr Siniscalchi subsequently accompanied the delegation on a visit to Naples and Capri.

***Chairman of the Standing Committee for Foreign Affairs, Mr Selva***

2.85 The discussion with Mr Selva covered a range of matters, including some raised by Senator Pera and Mr Casini, such as the issue of UN Security Council reform. Mr Selva put the Italian position strongly, arguing that there should be no new permanent seats. The divisiveness of extending the number of permanent members would, in Italy's view, undermine the effectiveness of the UN. More balanced geographic representation could be achieved through creating new, longer-duration, renewable seats. The Australian Ambassador, at the request of Senator Calvert, set out Australia's views at this stage, including the need for greater Asian regional representation on the Security Council. A general discussion followed on the role and current effectiveness of the UN. Senator Calvert pointed out that although reform of the Security Council was an important issue, it should not be allowed to overshadow other essential reforms of the UN, including its bureaucracy.

2.86 Discussion also covered the growing economic and political strength of China, and the emergence of India. While the import of cheaper Chinese products was hurting Italian industries, Italy would nevertheless observe the EU position which ruled out special tariffs and customs duties. Italy had to become more competitive, and one way in which it was doing so was to set up some operations in China, especially in central and north-west China. It was also vigorously fighting forgeries and cheap imitations.

2.87 Mr Selva said that in his current position he was fully aware of how crucial 'your part of the world' is in international affairs. Australia's geographic position gave it a unique opportunity to be a 'window' for Europe into Asia, and that in many ways Australia provided a means for European values (e.g. human rights) to be presented more directly in Asia. He noted that the delegation had visited Russia, and said that in some ways Italy, which had a close relationship with Russia, performed a role as a focal point for Russia in Europe in a similar way to Australia being a focal point for external interest in South-East Asia and the Pacific.

2.88 Mr Selva referred to Australian-Italian families as 'multinational' families. He said a lot of migrants to Australia had emigrated from the region he represented, and many maintained strong ties with family back in Italy.

***Chairman of the Anti-Mafia Commission, Senator Centaro***

2.89 The Commission's full title is the Parliamentary Committee of Inquiry into the Mafia and Similar Criminal Organisations. It was set up as a committee of both houses to investigate mafia-type organised crime and similar associations, including

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those of foreign origin, which pose a serious threat to the social, economic and institutional system. The committee comprises 25 senators and 25 deputies, appointed in proportion to the parliamentary groups in each house.

2.90 It has terms of reference which task it to: check enforcement of anti-mafia laws and to implement parliamentary guidelines relating to mafia and similar forms of organised crime; check enforcement of laws concerning persons collaborating with justice and witnesses and to promote legislative and administrative initiatives required to enhance the effectiveness of such laws; assess the suitability of existing legislation and actions arising therefrom and propose new legislation and regulations to improve co-ordination with local and regional authorities and at the international level; determine and assess changes and transformations in the mafia to enhance the pursuit of new illegal activities; assess the suitability of legislation to combat the accumulation of illegal assets, money laundering and utilisation of other proceeds of crime by proposing new legislation and regulations; and to verify and recommend improvements to measures to seize and dispose of assets resulting from illegal activities.

2.91 The emphasis of discussions with Senator Centaro was fact-finding and bilateral co-operation. Senator Centaro outlined some of the damage caused to Italian society by organised crime, and the difficulties of combating it. While organised crime was a particular problem for Italy, it was becoming more and more an international problem, instancing Russia as an example, and needed to be addressed on an international basis.

2.92 He said the term 'mafia' was used loosely to cover organised crime in Italy, but not all organised crime was attributable to the mafia – Romanian and Albanian criminals were becoming an increasing problem. Also, while there were problems with crime in 'traditional' areas, organised crime was turning increasingly to white-collar areas and laundering gains in legitimate businesses. The increasing profitability of crime could, in time, become a threat to the health of the economy.

2.93 Senator Centaro said that the Anti-Mafia Commission's major task was to make recommendations to parliament and the government on means of combating the spread of organised crime. Recommendations from the Commission were almost invariably accepted. These included strengthening staffing in high risk areas and tightening regulations on public procurement, a tougher attitude to mafia-related crimes, including seizure of assets in defined circumstances not only from perpetrators but from those close to perpetrators who could not account legitimately for the assets, facilitating indictment of those who refuse to testify, providing legislative protection for police undercover operatives, and providing protection and lesser sentences for those who gave evidence against fellow criminals. That the Commission's work was having an effect could be seen in the fact that some members, including himself, were under constant police protection.

2.94 Senator Centaro said he had no doubt that there was some mafia activity in Australia, as well as other countries, in areas such as drugs. International co-operation

in areas such as information exchange was essential, but would be most effective if all countries used similar legislation to combat organised crime – otherwise loopholes would be created which organised crime would exploit. He said that Italy would be interested in deepening its exchanges of information, not only with police at the federal and state level but, in terms of the role of his Commission, on parliamentary approaches to combating organised crime.

***Chairman, Social Affairs Standing Committee, Mr Palumbo***

2.95 The delegation held detailed discussions with Mr Palumbo on the approaches in both countries to issues in the areas of health and welfare, including aged care, pension and superannuation systems, low birth rates and the ageing of the population, and the increasing cost of health care.

2.96 Mr Palumbo said he had been to Australia for discussions in the health area, and was aware of the problems in that field in Australia. Italy faced many similar problems. For example, while Italy did not have a problem with a shortage of doctors it did, like Australia, have a shortage of nurses and allied health professionals. Italy was trying to keep the numbers of doctors steady while seeking to increase the numbers of nurses and other types of health professionals.

2.97 One Italian initiative which interested members of the delegation and which was outlined by Mr Palumbo was the setting up of what he termed micro-schools – basically a pre-school which could be established at the local level but which could also be set up in company premises, to facilitate access by families working for the company. Such schools could incorporate a nursery or child care for children under three.

**Regional and local government contacts**

2.98 The delegation met with several officials at the regional and local level. These included the Deputy Mayor of Florence, Mr Giuseppe Matulli, the President of the Campania Region, the Hon. Antonio Bassolino, the Deputy Mayor of Naples, Mr Rocco Papa, the Mayor of Capri, Mr Mario Staiano, and the Mayor of Anacapri, Mr Ciro Lembo.

2.99 In discussions with these officials, delegates explored prospects for greater co-operation and closer cultural and economic ties at the state, regional and city level in areas such as tourism and trade. Discussion also occurred on the particular problems facing the administrations of tourist cities and regions, approaches to conservation and heritage issues, the costs of government services, and the financial and other relationships between regional and national governments.

2.100 During its visit to Florence the delegation visited a display organised by the Western Australian government, and involving a number of Western Australian exhibitors, at the Tuscany region's 69th International Handicrafts Fair, and discussed their participation with several exhibitors.





*The President of the Campania Region, the Hon. Antonio Bassolino (third from left) in discussions with members of the delegation. The President of the Italy-Australia Parliamentary Group, the Hon. Vincenzo Siniscalchi, is second from left.*

## **Cultural activities**

2.101 The delegation participated in a number of cultural activities, including a visit to the Vatican Museums and Sistine Chapel, the Palazzo Vecchio and Uffizi Gallery in Florence, and the Capodimonte Museum and San Carlo Theatre in Naples.

## **Conclusion**

2.102 The visit to Italy, like that to Russia, was highly successful. The delegation was able to explore a range of parliamentary, bilateral and multilateral issues, and to promote closer cultural and economic ties. The visit was beneficial in increasing the delegation's understanding of the political, economic and social challenges facing Italy and also highlighted opportunities for closer co-operation at various levels. The visit served to strengthen the ties between Italy and Australia, and should result in continuing high-level contacts at the parliamentary and governmental levels and the further development of a mutually-beneficial relationship.

2.103 All members of the delegation played an active part in various proceedings, making important contributions and participating in discussions. Members took it in turns to offer votes of thanks at the various meetings and receptions.



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## APPENDIX

### DELEGATION PROGRAM

#### RUSSIA

##### Sunday, 17 April

- 14.00-15.00           Arrival, Moscow
- 17.00                 Briefing by embassy staff and the Senior Trade  
Commissioner, Russia/CIS, Mr Gregory Klumov, at hotel

##### Monday, 18 April

- 09.00                 Ambassador, Mr Leslie Rowe, and Deputy Head of  
Mission/Counsellor, Mr Alex Brooking, meet delegation at  
hotel
- 09.30                 Laying of wreath at the Tomb of the Unknown Soldier  
at the Kremlin Wall, followed by a visit to the Kremlin  
Palace and Armoury
- 12.00                 Meeting with Mr Sergey M. Mironov, Chairman of the  
Council of Federation, Federal Assembly of the Russian  
Federation
- 13.00                 Official lunch hosted by the Council of Federation, with  
Council members
- 14.30                 Meeting with Mr Vladimir V. Zhirinovskiy, a Deputy  
Chairman of the State Duma (representing the Chairman,  
Mr Boris Gryzlov)
- 16.00                 Tour of Moscow

**Tuesday, 19 April**

- 10.30 Meeting with Mr Sergei V. Lavrov, Minister for Foreign Affairs, Government of the Russian Federation
- 12.00 Meeting with Mr Sergey V. Salnikov, Deputy Chair of the Government, Ryazan Region
- 15.40 Meeting with Mr Alexander D. Zhukov, Deputy Prime Minister, Government of the Russian Federation
- 19.00 Ballet performance at the Bolshoi Theatre

**Wednesday, 20 April**

- 10.30 Meeting with Deputy General Director for International and Special Projects, RUSAL, Mr Alexander Livshits, hosted by the Ambassador at his residence
- 11.15 Meeting with Mr Sergey Grebenkin, Head, Representative Office, BHP Billiton, hosted by the Ambassador at his residence
- 12.30 Official lunch hosted by the Ambassador at his residence with Australian business representatives
- 16.00 Tour of Tretyakov Gallery
- 19.00 Reception at the residence of the Ambassador, hosted by the Delegation Leader, Senator Paul Calvert, and the delegation, for members of the Russian Parliament and business representatives

**Thursday, 21 April**

- 09.00 Visit to the monastery of Holy Trinity – St Sergius Lavra, at Sergiev Posad; meeting with the Archimandrite, Father Savva.
- 23.55 Depart by train for St Petersburg

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**Friday, 22 April**

- 09.00 Breakfast meeting with Honorary Consul in St Petersburg, Mr Sebastian FitzLyon
- 10.30 Meeting with the Vice-Speaker of the Legislative Assembly of St Petersburg, Mr Yuri Gladkov (representing the Speaker, Mr Vadim Tyulpanov), followed by tour of Mariinsky Palace
- 15.30 Tour of the State Hermitage Art Museum

**Saturday, 23 April**

- 11.00 Tour of the Palace of Congresses (Konstantinovsky Palace)
- 15.30 Tour of St Petersburg, including the Peter and Paul Fortress

**Sunday 24 April**

- 11.00 Tour of historical museum, the Tsar's Village (Tsarskoye Selo)
- 15.50 Departure of delegation, except for Senator Calvert, from Pulkovo-2 Airport for Rome
- 17.10 Departure of Senator and Mrs Calvert for London to participate in Anzac Day commemoration ceremonies there on 25 April

**ITALY****Monday, 25 April**

- 09.00 Anzac Day official commemoration at Rome War Cemetery
- 11.00 Morning tea at the New Zealand Ambassador's residence
- 14.30 Visit to Vatican Museums and Sistine Chapel, accompanied by the Ambassador to the Holy See, Dr J. J. Herron
- 21.15 Arrival in Rome of Senator and Mrs Calvert from Anzac Day ceremonies in London

**Tuesday, 26 April**

- 09.00 Briefing by Ambassador, Mr Peter Woolcott, and embassy staff
- 10.00 Meeting with Senator the Hon. Marcello Pera, President of the Senate, at the Palazzo Madama
- 11.00 Meeting with the Chairman, Standing Committee for Foreign Affairs, the Hon. Gustavo Selva, at the Palazzo Montecitorio
- 12.00 Meeting with the Chairman of the Anti-Mafia Commission, Senator Roberto Centaro, at the Palazzo San Macuto
- 13.00 Meeting with the Speaker of the Chamber of Deputies, the Hon. Pier Ferdinando Casini, at the Palazzo Montecitorio
- 14.00 Official lunch hosted by the President of the Italy-Australia Parliamentary Friendship Group, the Hon. Vincenzo Siniscalchi, at the Palazzo Montecitorio, with members of the Italian parliament
- 17.00 Meeting with the Chairman of the Social Affairs Standing Committee of the Chamber of Deputies, the Hon. Giuseppe Palumbo, at the Palazzo Montecitorio
- 18.00 Attend meeting of Chamber of Deputies as guests of the Speaker (observe Prime Minister Silvio Berlusconi address the chamber)
- 20.30 Official dinner hosted by the Ambassador at his residence

**Wednesday, 27 April**

- 07.45 Depart by train for Florence
- 10.00 Visit the Western Australian trade exhibition at the Tuscany region's 69<sup>th</sup> International Handicrafts Fair at Fortezza da Basso
- 12.00 Tour of the Palazzo Vecchio
- 13.00 Meeting with the Deputy Mayor of Florence, Mr Giuseppe Matulli, at the Palazzo Vecchio
- 13.30 Official lunch hosted by Mr Matulli

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15.00 Visit to Uffizi Gallery, including the Vasariano Corridor

17.50 Return by train to Rome

### **Thursday, 28 April**

08.15 Depart for Naples

12.30 Meeting with the President of the Regione Campania, the Hon. Antonio Bassolino, followed by official lunch hosted by Mr Bassolino

14.30 Visit to Capodimonte Museum

16.30 Meeting with the Deputy Mayor of Naples, Mr Rocco Papa (in the sudden absence of the mayor, Mrs Rosa Jervolino)

18.00 Attend San Carlo Theatre for opera performance

21.00 Official dinner hosted by the Councillor for University and Scientific Research, Prof. Luigi Nicolais, on behalf of the Regione Campania

### **Friday, 29 April**

10.00 Depart for Capri

12.30 Meeting with the Mayor of Anacapri, Mr Mario Staiano

17.00 Visit to the Piazzetta and surroundings

19.00 Meeting with the Mayor of Capri, Mr Ciro Lembo

### **Saturday, 30 April**

10.00 Visit to Grotta Azzurra

12.00 Informal lunch

15.00 Return to Naples, and then to Rome

**Sunday, 1 May** Private meetings and arrangements and departure.