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TRADE SUBCOMMITTEE

**Reference: Australia's trade and investment relations with Asia, the Pacific and  
Latin America**

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

**Trade Subcommittee**

**Wednesday, 18 March 2009**

**Members:** Senator Forshaw (*Chair*), Mr Hawker (*Deputy Chair*), Senators Mark Bishop, Ferguson, Fifield, Furner, Hanson-Young, Johnston, Ludlam, Moore, O'Brien, Payne and Trood and Mr Baldwin, Mr Bevis, Ms Julie Bishop, Mr Danby, Ms Annette Ellis, Mr Gibbons, Ms Grierson, Mr Hale, Mr Ian Macfarlane, Mrs Markus, Ms Parke, Ms Rea, Mr Ripoll, Mr Robert, Mr Ruddock, Ms Saffin, Mr Bruce Scott, Mr Kelvin Thomson and Ms Vamvakinou

**Trade Subcommittee members:** Ms Saffin (*Chair*), Mr Bruce Scott (*Deputy Chair*), Senators Ferguson, Forshaw (*ex officio*) and Furner, and Mr Gibbons, Mr Hale, Mr Hawker (*ex officio*), Mrs Markus, Mr Ian Macfarlane, Mr Ripoll and Ms Vamvakinou

**Members in attendance:** Senators Ferguson, Forshaw, Furner and O'Brien and Mr Ian Macfarlane, Ms Saffin and Mr Bruce Scott

**Terms of reference for the inquiry:**

To inquire into and report on:

Opportunities for expanding Australia's trade and investment relations with the countries of Asia, the Pacific and Latin America, with particular attention to:

- the nature of existing trade and investment relations;
- likely future trends in those relations;
- the role that these countries might play in advancing the Doha round of multilateral trade negotiations in the WTO; and
- the role of the Government in identifying opportunities and assisting Australian companies, especially those in rural and regional areas, to maximise opportunities in these regions.

**WITNESSES**

**SAHORES, Mr Leopoldo Francisco, Trade Attache, Embassy of Argentina ..... 1**

**VILLAGRA DELGADO, Ambassador Pedro Raul, Argentine Republic ..... 1**



**Committee met at 11.10 am****SAHORES, Mr Leopoldo Francisco, Trade Attache, Embassy of Argentina****VILLAGRA DELGADO, Ambassador Pedro Raul, Argentine Republic**

**CHAIR (Ms Saffin)**—I declare open this public hearing into Australia's trade and investment relations with the nations of Asia, the Pacific and Latin America, which is being conducted by the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade. This is the third public hearing for this inquiry.

Today the subcommittee will be taking evidence from the Argentinean Ambassador to Australia. The embassy's comprehensive submission to the inquiry has highlighted the growing ties between our two countries and especially the regular contacts between political representatives and senior government officials. Both countries consider that it is important to widen and improve our trade and investment relations and to encourage business contacts, particularly in the very difficult financial circumstances facing the world today.

Ambassador, the members of the subcommittee are delighted to welcome you and your trade attache to meeting this morning. We anticipate that our discussion of current issues in the trade and investment relationships between our two countries will assist in our task of finding ways to widen and improve these relationships. This inquiry is covering a large number of Australia's trading partners, each at its own unique level of development. Trade and investment links with these countries are of growing importance as governments work to overcome the negative effects on trade and investment of the current financial crisis. In our examination of ways to widen and improve those links, we will be seeking to assist Australian companies to make the most of all current and developing opportunities.

Although the subcommittee prefers that all evidence be given in public, should you, at any stage, wish to give any evidence in private, you may ask to do so, and the subcommittee will consider your request. Although the subcommittee does not require you to give evidence on oath, you should be aware that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the chamber themselves. Ambassador, I now invite you to make an opening statement.

**Ambassador Villagra Delgado**—First of all, I would like to thank the subcommittee very much for the opportunity to make a presentation on relations between Latin America—in this particular case, Argentina—and Australia. I think this is a very useful exercise. I presume that it is, in a way, similar to the one undertaken about eight or nine years ago in which Senator Ferguson was very much involved, which actually led to the creation of COALAR afterwards.

I think this is a very important way of bringing forward the ideas that we, as Latin American countries, have on how to enhance the relationship between us and Australia, which is very good but which can certainly be improved. There is a lot of room to create new opportunities. I think for all of us, whether we are Latin American or Australian, the crisis which has intervened in these proceedings—because the crisis happened after the study was conducted—only underlines even more strongly the need to find new opportunities for all of us for trade and investment. Certainly, this is something that we are very keen to do.

I would like to stress that one of the first areas that should be strengthened in the relationship between Australia and Latin America is political contacts between members of parliament from the executive branch. Last year, we were delighted that Prime Minister Rudd visited Lima in Peru for APEC. We would be delighted if he could, in the future, also visit some other Latin American countries, and certainly Argentina. He has been invited to visit, but we know that the agendas are not that easy and that distances are long—although they are not as long as they used to be. In fact, in the particular case of Argentina, we have Aerolineas Argentinas and LAN Chile flying via Auckland, and Qantas flying non-stop from Buenos Aires to Sydney. I discovered, when I was invited by Qantas to fly on the inaugural flight in November—actually, I had been invited to come to the hearings in November, but I could not because I was bound to go on this trip—that Qantas flew from Sydney to Buenos Aires in 11 hours and 50 minutes.

**CHAIR**—Good—that’s good.

**Ambassador Villagra Delgado**—To put that into perspective, it is less than half the time it takes to get to Europe. Also, from the point of view of Argentina, it is less than the time it takes us to get to Frankfurt, Rome or Paris. I underlined that to the guys from Qantas, saying, ‘This is something that has to be stressed,’ because I think that the distance is psychological rather than effective. Nevertheless, obviously Argentina and Australia are used to being far away from other places, so 11 or 12 hours is not, in fact, a big deterrent.

The other thing is that we are waiting for Foreign Minister Smith to visit Argentina. I will not go through all the details of the visits of Argentine officials that are listed in the submission—

**CHAIR**—I have read it in the report in your submission.

**Ambassador Villagra Delgado**—The other things that I think are very important are the facilitating institutions that I mentioned. I have already mentioned the COALAR—the Council on Australia Latin American Relations—which depends on DFAT and which I think plays a very key role in promoting relations between Latin America and Australia, as does the Australia-Latin American Business Council and the other chambers. So there are a number of institutions which can promote these contacts even further.

In the case of Argentina and Australia, even last year, the volume of trade was not that high—it was about US\$550 million, both ways—but last year was still the highest in history. That was a very good sign, because it proves that, even if we are competitors in many areas—in agriculture, basically—there remains the possibility of undertaking joint ventures, doing things together and expanding the possibilities of working together for third markets.

One clear case that we have—in a sort of niche market—is honey, with Capilano from Australia and Honeymax from Argentina. By the way, those names are a bit deceptive, because, when I was about to come to Australia, I thought that Capilano was the Argentine company and Honeymax the Australian, but they turned out to be exactly the opposite. These two companies were competing—they were the biggest competitors in the world—but they ended up in a joint venture, and that is what they are now. Actually, the manager of Honeymax is coming to Canberra today. So that shows the things that can be done together—for example, investment in Argentina by farmers from Australia or England. You are going through a severe drought, which has been a bit extended and we had some droughts last year, but the situation in Argentina is not

that bad. So the opportunity is there to do things together. Agricultural machinery is another area that offers a lot of possibilities. We are pretty good at producing very well-priced machinery that can be used for no-till agriculture, which is particularly suitable for Western Australia and South Australia, and some contacts have been made in that area.

In science and technology we also have some areas that can be developed—biotechnology, for example. Both Australia and Argentina are pretty well advanced in this area. We are more advanced in terms of the practical use of GMs, but Australia has done lots of research into GMs—even though the crops are not allowed to be planted, except, now, for canola in New South Wales and Victoria and, a few years back, cotton. But there is a lot of room for doing joint research. There is no question about that. The same applies to other areas. I do not know how far you go into nuclear matters, but there is the reactor at Lucas Heights—

**Mr IAN MACFARLANE**—Some of us go further than others!

**Ambassador Villagra Delgado**—Absolutely! But there is room, because the thing is that in order to eventually get to nuclear power, you have to do nuclear research first. You have to create the teams, and we can work together on that. In Argentina during the 1980s and 1990s, when there was a downturn in nuclear energy in general because the price of oil was not very high, we kept the nuclear industry going. Thank God we did that, because, now that there is this sort of renewal, we still have the people ready to do whatever needs to be done. To form teams in matters of this kind—not only nuclear but anything that requires certain kinds of highly-developed skills—you really need to train people for a couple of decades. It is not as if you will just get them off the rack at any given moment.

Universities is also an area where there is certainly room for cooperation. We Latin American ambassadors have moved a lot around Australia. From time to time we organise seminars on Latin America in all the major universities of Australia—and when I say all the major universities, I literally mean all the main universities. In the particular case of Argentina, universities are pretty good and they are free. Normally, undergraduates study in Argentina and then go abroad for postgraduate study. It is not as if they do overseas undergraduate studies at the beginning. That fact is reflected in the few Argentines who are studying in Australia. Most of them are doing Masters or PhD degrees—essentially, that is what they are doing.

They have started some good things. For instance, The University of Sydney has offered a scholarship for PhDs, and not just to Argentina; Argentina is included in the program. Universities in Australia need to be better known abroad. They have to offer a few places, through scholarships or through grants, so that students from our countries will come here and spread by word of mouth the quality that you have in Australia. It is quite clear that the big advantage you have is that the universities here are very good. English is the language in which everybody wants to get a postgraduate degree. On the other hand, you compete with universities in the United States and Britain, which are better known because they are older. Where quality is concerned, from what I gather, you have no reason to envy them, but you have to become better known. These exchanges would certainly contribute to that.

Even though this is a subcommittee on trade, we have included in our presentation a number of things that I will not go into regarding non-proliferation and the whaling in Antarctica operation. The point is that Argentina and Australia have a large number of things in common,

and, even if they are not related to trade, they constitute a sort of basis on which we can build—which is a very important thing. We are together in the Doha Round and the Cairns Group, and, even though we have lately had some differences in perception, we think that we are just defending the basis of what, in the Hong Kong declaration, it was agreed the Doha Round should be. We hope, nevertheless, that an agreement can be reached to move forward, even though the international conditions are not the best for any of us. The crisis is hitting very hard, and we have seen huge aid packages in the big countries, which, obviously, do not exactly constitute free trade. I mean, they make life much more difficult for all of us, but there are certainly some areas there where we can work together.

We have put a couple of concrete proposals into our submission—I mean in the sense of suggestions for follow-up—to which I only briefly referred so as not to take up too much of the subcommittee's time. I would like to thank all of you. I did not bring my crutches just to impress people!

**CHAIR**—They are real!

**Ambassador Villagra Delgado**—Yes—they are for real, unfortunately! I hope that the production of calcium in Argentina will be improved in the next few months or so, so that I heal quicker!

**CHAIR**—Thank you very much, Excellency, for speaking to your submission. I have read your submission, and there are some interesting suggestions in there. You are correct—we are looking at trade because that is our brief, but it is about relationships and relationship-building. Of course, we are looking at the advantage from the Australian perspective, but you correctly point out that there is a reciprocal way we can develop that relationship, so I take all of those points.

I would like to note the presence here of Senator Forshaw, Chair of the Joint Standing Committee on Foreign Affairs, Defence and Trade, the Hon. Ian McFarlane MP and also Senator Mark Furner. Senator Kerry O'Brien was here when we began.

**Senator O'BRIEN**—I would like to advise His Excellency that I, along with Senator Ferguson, was part of the visiting group in I think 2000, when we came and spent some time in and around Buenos Aires before we went to Brazil. Senator Ferguson and I went to Peru and Chile; others went to Venezuela, Colombia and Ecuador, and we met up back in Uruguay at the end of a whistlestop tour of South America. It was a real eye-opener, and I can recommend that experience to all members of the committee in order to better understand the issues that this committee will confront with this inquiry.

**Mr BRUCE SCOTT**—With the air linkages now, have you got any reports as to what sorts of loads they are experiencing on these flights both ways?

**Ambassador Villagra Delgado**—Not the exact loads. During the summer they were pretty full, and that has been the case up till now. The thing is—and I am presuming this because I do not have hard data on it—the crisis has hit the air industry all over. We will see, when the low season comes, how Qantas, Aerolineas and LAN are affected. The experience I had in the last

few days—I returned to Australia only last week—is that they are doing very well. But we do not know how this is going to continue.

One thing that could help here is the question of visas, which my other colleagues have probably already mentioned. This is not in the sense of waiving visas, because that is a much more complicated procedure. But certainly, in the case of Latin America, I think it is just because we are not a priority for the department of immigration, and that is why we are still required to go through all these processes. We actually have to physically go to the Australian embassy, wherever it is. In the case of Argentina, at least you have an embassy in Buenos Aires. Some other countries do not have an Australian embassy, and their citizens have to go either to Chile, to Buenos Aires or to Brasilia just to see if their visas are going to be granted.

You have to remember that, in most of the Latin American countries—this is certainly the case in Argentina—we do not need a visa to go to Europe. Argentines, for instance, do not need visas to go to any member country of the European Union. If the electronic visa system were applied, I think that that could help tourism a lot. In my particular case—I come from north-western Argentina—had I been living in Tucuman, where I come from, I would have to fly 1,300 kilometres to Buenos Aires just to check whether or not my visa would be granted. That may be a deterrent, and I may choose to go to Europe, where I do not need a visa in the first place.

This is something that could help tourism both ways, because even if the conditions now are not favourable—and tourism will suffer, for sure—both Argentines and Australians will look for other tourist destinations which are cheaper than the United States. The latter has become very expensive now because of the price of the dollar; and probably also in some places in Europe as well. The prospects are there. And that leads me to believe that this question of an electronic visa system is not so complicated. For instance, we had a talk with the guys from the Department of Immigration and they allow for potential students to come from Argentina and get their travel visa in 10 days. Since we brought the matter to their attention, it was 10 days after that it was granted. That means that it is not so complicated, really. I think it is just that the workload of the Department of Immigration is such that they have priorities elsewhere and they have not devoted time to Latin America to check this.

**Mr BRUCE SCOTT**—Do you know whether we have got any data at all of whether it is business or tourism travel?

**Ambassador Villagra Delgado**—It was in the months of January and February. The thing is that the flights started in November, which is normally the downturn for business anyhow. It was essentially tourism. After the crunch we have precisely now, when the economic activities resume, whether the flights will be sustainable—is there a good profit with business, which is the bulk of what the airlines do? The earnings are there. They sell one first-class ticket and that is the equivalent of, I don't know, 15 of the backpackers or people travelling for tourism, in terms of the cost of the ticket.

**Mr BRUCE SCOTT**—You mentioned the farm machinery. Have you got any of that farm machinery operating in Australia? Is there an agency here that is—

**Ambassador Villagra Delgado**—There is one that was actually franchised. It is a machine that is an olive harvester. It was designed and made in Argentina. And they franchised it to a

company in Mildura here. They are producing it. They were doing all right. The possibilities for other kinds of machinery for tilling or for harvesters are also there. There was a mission from Victoria last year to Argentina, and they were very impressed. There is somebody from Argentina who was here last week in Victoria. And some of the people with whom the delegation from Victoria had meetings with last year in Argentina will be coming to Australia, probably to one of the machinery fairs in Victoria. Eventually, we are thinking they should also go to Western Australia and South Australia. The thing is that the quality of the machines is very good and the prices are much less than in Europe. However, all this is taken in last year's elements. Things have changed a lot. We know that the drop in the value of the Australian dollar compared to the American dollar makes your production much more competitive now. Our peso has not dropped as much as your dollar, so there might be an increase in the cost of Argentine products to Australia. That is exactly what has to be explored.

**Mr BRUCE SCOTT**—If I were a businessman wanting to go to Argentina and look at maybe establishing a business, what incentives would there be for a businessman to go to Argentina? Is it labour force? Are there government incentives or regional incentives to establish a business?

**Ambassador Villagra Delgado**—Certainly there is, labour-wise. The wages in Argentina are not that high and the capacity of the people is very high, because we have been an industrial country for quite a while. For instance, and this is mentioned in the submission, we have by far the highest rate of education in technical skills and in secondary schooling in Latin America. In the case of Argentina, it is by far the highest—we are at the same level as the OECD countries. That is an advantage. And on the question of specific sectors, it depends on the sector. There are sectors which have some incentives and some others where we do not. I think it will depend on the specific area. One of the big advantages I mentioned—for instance, in agriculture, and farming in general—is the price of land. There is still land in Argentina. It is very good and it is still relatively cheap by comparison to the rest of the world.

One of the things that have happened in the last few years—when you see farmers in Argentina on the question of how much they were making in the last few years—that is normally not featured, is the increase in the price of capital. The land itself has increased by about fivefold because they came from a very low level in 2001, after the crisis. The guys that actually bought land in 2002-03 made a lot of money. But still there is a possibility to do that.

**Mr BRUCE SCOTT**—I know the olive people that have been other there. Actually, I know them from Victoria.

**Senator FORSHAW**—You correctly stated in your opening remarks the importance of parliamentary exchanges. I think it has been pleasing to see in recent years—it is something I know a number of us have advocated, going back to Tim Fischer—the need for us to look across the Pacific, rather than just north. We have seen that in the fact that we have had a number of delegations to the continent each year. There is a delegation going to Mexico this year, which I know Her Excellency, Martha, is happy about. What I wanted to ask you, whilst I appreciate you are here as the Ambassador for Argentina, there is a strong bond. And one of the good things about meeting with the diplomats in Canberra—which we do increasingly—is the long history of cooperation amongst the Latin American group. That has been borne out in some of those earlier inquiries, including into air links. I was wondering, given the way multilateralism is going in that end—the existence of the EU and its expansion, ASEAN and the free trade agreement that we

have negotiated with ASEAN—the main organiser of multilateral agreements are Mercosur, and to a lesser extent, NAFTA. Do you see a future of regional economic union or FTA—some structure for Latin America, in the same way as ASEAN and the Europeans have moved in that direction?

**Ambassador Villagra Delgado**—Certainly. There have been some agreements now between Mercosur and the Andean Group. There are some specific agreements in terms of economics. There is also an agreement between Mercosur and Mexico. The FTA, the ALCA, with the United States and Canada has not been successful—there were negotiations on that, but the thing is that we have agriculture. We have a number of sectors which we might like to get into an agreement with the United States or whoever, provided we gain access with our products. If all of the products in which we are competitive are left out, there is not much left for us. From the commercial point of view and from the trade point of view, the negotiations for Argentina are always with Mercosur because we are members in Mercosur. Any FTA or any agreement on trade has to be done through Mercosur, with all the other partners, because we are precisely the ones in Mercosur who are not in favour of countries just cutting loose and doing their own business outside of the agreement. In terms of politics, and even in terms of economics, I would say that Mercosur has a much stronger link between the different countries than ASEAN, in fact. Mercosur, even if it is not perfect, it is a customs union. That is what it is supposed to be. From the political point of view, I think the integration between the Latin American countries has gone way beyond economics.

**Senator FORSHAW**—That is why I prompted the question.

**Ambassador Villagra Delgado**—This is clear here, as mentioned, because in Australia you have seen already that we Latin Americans try to work together a lot. This is a very practical effect of what integration is about. Of course, we know that to attract investment and trade we may end up being competitors, but nevertheless we work together. We present the region as a whole, in a way, and we get along very well. The same is happening in relations with Europe and with other countries and regions. So I think the future of Latin America is certainly integration, even if at some point there is a sort of webbing on the strength of the trade. The political integration is going very strongly. Since Mercosur started in the mid-nineties, trade within Argentina and Brazil has increased something like 15-fold or 20-fold. It is really big. In fact, we like to see as one of our advantages the fact that Latin Americans are working as a region. Even if there are political differences between different countries, that does not impede us working together.

**Senator FORSHAW**—That is what I thought, and it prompted the question. We now see that the East Asia Summit is a well-established dialogue, and this goes beyond trade—and of course there is APEC, which Argentina is not a member of.

**Ambassador Villagra Delgado**—Not yet!

**Senator FORSHAW**—It seems that the Asia-Pacific is extending well beyond the Asia-Pacific, and of course there are proposals that our Prime Minister has brought out. The East Asia Summit is now East Asia plus two or plus four. There is this move towards more regional blocs. Without one, the value of individual FTAs to where you do not end up with so many—

**Ambassador Villagra Delgado**—Now, in the middle of a crisis, is probably not the best time to do something. But there were some preliminary talks between Mercosur and you and New Zealand, so maybe at some point they can be resumed. Again, we are competitors, particularly the southern part of Latin America—and I keep saying Latin America because otherwise my colleague Maritta gets very angry. When you mention South America, she really gets annoyed—and she is our boss. Talk to the boss! She is the dean of the diplomatic corps, the dean of the Latin American group. Now that the microphone is here I want to make sure—it is Latin America, absolutely.

**Senator FORSHAW**—Always mention both, just to make sure.

**Ambassador Villagra Delgado**—That is a catch-all position! But it is true that it is important to try to find out what the areas are, because even though the south of South America—in this case it is South America—are competitors with New Zealand and Australia, there are nevertheless many areas where we can work together. That is very clear.

**Senator FORSHAW**—The EU have had a long relationship with Mercosur, and with our joint commitments to a freer trade environment it has always seemed to me that they have an advantage at that multilateral level.

**Senator FURNER**—Your Excellency, thank you very much for the submission. I found it very interesting, having travelled last year on a holiday to the continent. Unfortunately I did not make my way to Argentina, but hopefully I will next time. It is an amazing country and South America is an amazing continent. I was particularly interested in the success of Capilano, a company I am familiar with in Queensland. What do you foresee as other opportunities for business partnerships between the two countries?

**Ambassador Villagra Delgado**—I mentioned that agricultural machinery is a clear area where there can be joint ventures. It is a venture not just for Argentine producers to sell whatever they have. That is an area which could be explored and, I presume, another area could be farming investment. One of the things that I find a bit amazing in Argentina is that normally—and I presume some Australian farmers are the same—the only way that they receive investment from others is by selling their land. There is not yet this idea of doing a joint venture in which you put in the land and the work and somebody else puts in the capital. This is something that does not happen. I come from a family that had some farmland, and my brothers would never think of the possibility of doing something jointly—‘joint’ means somebody coming to work in the same field, or the other possibility is selling. This is something that has to be changed. There are also, maybe, some areas in manufacturing—for instance, in food processing—that can be explored with Australia.

**Senator FURNER**—What sorts of foods?

**Ambassador Villagra Delgado**—For instance, fish—we export it. I am looking at the things that we are exporting to Australia—some prepared fish, for instance. There may be somebody here interested in working on that. And then, of course, there is everything that has to do with chocolates, groceries or canned foods.

**Mr Sahores**—Organic products too.

**Ambassador Villagra Delgado**—We have honey products, as you mentioned—Capilano and HoneyMax. I think the area is rather large. The question is to try to explore the niches. The ones who are importing some things—and they are also producers here in Australia—may be interested in doing something jointly. I think that is the way Capilano and HoneyMax got together, in fact, after competing against each other for a long time.

**Mr IAN MACFARLANE**—Ambassador, in terms of cultural links, I urge you to make it the Super 15. Don't give up!

**Ambassador Villagra Delgado**—We are trying very hard.

**Mr IAN MACFARLANE**—We need to see you in there. In fact, I would be interested in the flying time from New Zealand, for instance, now that we have direct flights. That has been a great step forward for tourism, but we also need to expand it to rugby—to get to priorities.

Can I just ask you for a moment about the effect of the global downturn, particularly the effect that that has had on exploration and resources in Argentina. Obviously, we have seen here a significant impact, particularly in the area of just capital for people to go out and look for minerals, let alone build the mines that follow. So I am just wondering what your experience is, as you have said your peso has not depreciated as much as our dollar against the US. I am interested in an insight into that.

**Ambassador Villagra Delgado**—In the resources area, we have not yet had a downturn of people saying, 'Well, we'll stop some projects.' We do not know what might happen.

**Mr IAN MACFARLANE**—So you do not have an ETS either?

**Ambassador Villagra Delgado**—No, that is right. But, as I understand it, there are some investments related to Australia—through Xstrata, for instance. There is a big project in San Juan for copper, El Pachon. The last information I have is that it is still on. We do not know what might happen in the next months or so, because obviously the downturn has hit very heavily everywhere, particularly in terms of the value of the commodities being produced. Argentina was not very large in terms of mining. Last year was one of the highest in announcements of investment projects and, as I mentioned, those are not being called off and we hope that they will not be. They are not as big as the projects in Chile or Peru, of course, so they require much less investment as well. We hope that they will proceed, but of course we have to wait and see. There is no question. The opportunities are there.

Argentina is one of the countries which are not very well known for mining, but it has a big potential. We hope that this is going to continue in terms of copper, gold and other areas which are the best resources we have to offer. The question is whether this will be very much affected, of course—we presume—by the downturn and the reduction of demand in the main centres, because most of what was produced in Argentina was for exports, even by foreign companies. So we hope that we are not going to be that affected, but it would be a bit naive to think that we will not be affected at all.

I hope that we are not going to be affected, though, in the rugby union, the IRB! We have started in the chronogram that was produced by the IRB to Argentina to eventually join the Tri

Nations Cup. We have already started the professionalisation, in which we have taken a lot of experience from your Australian Rugby Union, because I had many contacts with the ARU before the World Cup in France. I started doing my homework before, the same as my colleague in South Africa. The Kiwis are a bit more reluctant—I presume that they think that if some team will have to come from the islands in the Pacific then the All Blacks will have less of a quarry to get people from. So I presume that has to do with it.

My family is making a contribution. I have a nephew who played in the sevens tournament that just ended in Dubai. He scored a very good try against the Welsh. Unfortunately, while we managed to defeat them 14-0 in the first round, we lost the final 14-12. Such is sports.

But certainly sport is another area which has a lot to do with people-to-people contacts. We hope that eventually we will get into the Tri-Nations Cup—and for a few years you will have the advantage that we will come last.

**Mr IAN MACFARLANE**—You could also get in to the Super 14 competition that precedes the Tri-Nations.

While we are on resources, I would like to ask you about energy and where you see Argentina going in terms of future energy supply, particularly in a low-carbon world.

**Ambassador Villagra Delgado**—We need investment there certainly, both for oil and gas. We have reasonable amounts and I think this is an area where, probably, there is scope to do something with Australian companies that might be interested. But we think that we can contribute to the needs of the market for hydrocarbons.

There is also another area that I insisted be discussed in these meetings we had last week in Buenos Aires. You will remember that, when we had this meeting in June 2007, one of the things that came out was the question of zero emissions technologies. In Buenos Aires I again raised the idea that we should try to explore doing something with Australia. We could learn a lot from you in terms of wind and solar energy. I think that those are areas where there is certainly room for cooperation and for learning between Australia and Argentina, for sure.

**Mr IAN MACFARLANE**—Good.

**CHAIR**—Are there any more questions? I think that we have pretty much covered the field and the submission, Excellency, was comprehensive. Are there any final remarks that you would like to make?

**Mr BRUCE SCOTT**—I was just going to ask one question, following on from Mr MacFarlane, on nuclear power. In Argentina, is it all part of the mix?

**Ambassador Villagra Delgado**—It is part of the mix. It is a bit less than previously because of the economic downturn. We have two nuclear power reactors and we are building a third one. We will eventually build a fourth. Argentina is one of the countries that started first with nuclear energy. We started in 1950—not in the fifties, but 1950. So we were in it at the very beginning and we have continued with that. In the fifties we decided that, instead of importing nuclear

research reactors, we would build our own—which we did. That is why INVAP has become one of the best in producing these kinds of research reactors.

Nuclear energy is going to be very much part of the mix again. Obviously, this will depend on the price of oil, because that basically drives the whole thing. There is no magic here. When you have the price of a barrel at \$150, nuclear energy obviously becomes very attractive again. If it goes down to \$40, it may not be as attractive as previously. This requires long-term thinking, but one of the biggest advantages of nuclear energy nowadays is that it is practically zero emission.

The question is what to do with the waste, but there is no problem if you manage to administer your waste properly. We have never had any problem with our two reactors and the fact is that most of the countries in the world that use nuclear energy—I am thinking of Germany, Korea, or France—have never had any problems. One of the big problems for nuclear energy was the accident in Chernobyl, which was probably not just due to nuclear energy, but to administrative problems in the structure of the government at the time.

We are convinced that nuclear energy is going to be a critical thing. In Argentina there has never been major opposition—of course the environmentalists are always against nuclear energy, but mainstream Argentines are not against nuclear energy—so, we will continue with it, and it is certainly an area where we have something to offer.

**Senator FORSHAW**—In your submission, on pages 7 and 8, you refer to FEALAC, the Forum for East Asia-Latin America Cooperation, as the only forum where both Australia and Argentina can get around the table with the East Asian nations. Argentina is the regional coordinator until 2009. Could you just tell us a little bit more about that forum and when it is meeting? I am sorry if we are going back over what you were saying before.

**Ambassador Villagra Delgado**—FEALAC started, I think, in 2000 or 1999—around that time. In the beginning it was very much pushed by Singapore, and I think it creates a forum which has to be explored, precisely now that, as we mentioned in our submission, there is no forum where Australia and Latin America sit with all the East Asian nations. It has not been paid much attention, in fact. The last meeting was last year—I think it was in Brasilia—and the delegations from Australia and New Zealand were not that high level. I think we have to give it a boost in terms of who will attend these meetings.

**Senator FORSHAW**—But what is seen as its particular focus? Is it trade?

**Ambassador Villagra Delgado**—The particular focus is trade, essentially, yes. In April there is meeting in Buenos Aires on that.

**Senator FORSHAW**—In April this year.

**Ambassador Villagra Delgado**—It is senior officials, so we hope to get somebody high up. I do not know if it is Simon Crean's office or Stephen Smith's, but we hope that somebody could attend, just to underline the importance of the forum.

**Senator FORSHAW**—Thank you for that.

**CHAIR**—If there are any questions that we should have asked, we will follow up on them in writing. Thank you very much, Your Excellency. Not only does your submission address the critical trade issues but it addresses the broader relationship and so gives us lots of food for thought. I would like to thank you and the trade attache for your attendance here today. If there are any matters on which we might need additional information, we will write to you. The secretariat will also send you a copy of your evidence on which you can make any necessary corrections to errors of transcription. Thank you very much.

Resolved (on motion by **Mr Scott**):

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

**Subcommittee adjourned at 11.58 am**