

## Chapter 3

### Opportunities to enhance Australia-Mexico relations

3.1 The relationship between Mexico and Australia is strong and growing, with 2016 marking 50 years of diplomatic relations between the two countries. Mexico maintains an Embassy in Canberra and an Honorary Consulate in Melbourne. In 2014, Mexico established a Defence Attaché presence in its Canberra Embassy and, in 2015, opened a ProMéxico trade office in Melbourne. Australia maintains an Embassy in Mexico City and opened an Honorary Consulate in Cancún in 2014.<sup>1</sup>

#### Increased bilateral engagement

3.2 Mexico and Australia work closely together in a range of multilateral fora such as the Asia-Pacific Economic Cooperation (APEC), G20, Organisation for Economic Cooperation (OECD), World Trade Organisation (WTO), and the United Nations (UN). His Excellency Ambassador Armando G. Álvarez Reina praised the strong political relationship between Australia and Mexico:

In the political field we have a very fluid political dialogue at every level. Our leaders have been meeting every year—sometimes twice a year—in the frame of APEC, G20 or other international fora. Our foreign ministers have met six times in only two years in the frame of MIKTA. We have periodical political consultations and parliamentary visits. Recently, the president of the Mexican foreign affairs commission in the Mexican senate was here in Australia. We are partners with some of the most important international fora, like the OECD, APEC, G20 and MIKTA, and we have similar positions regarding the main global subjects.<sup>2</sup>

3.3 Ambassador Álvarez Reina also emphasised the value Mexico places on strengthening its relationship with Australia and outlined the activities planned in celebration of the 50<sup>th</sup> anniversary of diplomatic relations between the two countries:

...we are planning to have events all year long. We are planning to have a bilateral exhibition on Indigenous art...we are printing a postage stamp on the 50th anniversary. My foreign minister plans to come to Australia next year to participate in the MIKTA ministerial meeting, chaired by Minister Bishop, and we expect to have the opportunity to have Prime Minister Turnbull visit Mexico on the occasion or alongside his participation in the APEC summit that will take place in Peru next year. That will give a very important impetus to the bilateral relationship, along with the very favourable momentum that is leading the economic relationship, thanks to

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1 Department of Foreign Affairs and Trade, *Submission 30*, p. 6.

2 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, p. 45.

the conclusion of the TPP negotiations and the economic reforms in Mexico.<sup>3</sup>

3.4 DFAT advised the committee that Australia's relationship with Mexico is entering a new phase and stressed the Australian government's interest in strengthening ties with Mexico:

The bilateral relationship is entering a new phase. Increasing political cooperation and prospects of greater economic engagement offer new and exciting opportunities for two dynamic, democratic and open countries well positioned to act as gateways to their respective regions.<sup>4</sup>

I know that both of the senior ministers, the foreign affairs minister and the trade and investment minister, are very interested to do more with Mexico...the foreign minister is very interested in Mexico, too, including through the MIKTA organisation...We want to do more. We are looking to do more.<sup>5</sup>

3.5 Stakeholders commended efforts to increase bilateral engagement between Mexico and Australia. However, some submissions recommended that more could be done to develop the relationship.<sup>6</sup> The ANZMEX Business Council described Mexico and Australia as 'natural partners' but called for greater commitment and prioritisation of the relationship:

The simple solution is that we need to talk more and do more. There does, however, need to be a prioritisation of the bilateral relationship. Our leaders rely too much on meeting in the margins of multilateral fora. Now is the time to elevate the level of bilateral dialogue. To do this not only requires a commitment in time, but also a commitment to energising the relationship with a meaningful programme of co-operation.

...the last visit by an Australian Cabinet Minister, in this case the Foreign Minister the Hon. Julie Bishop, to Mexico was in April 2014 for MIKTA discussions. Disappointingly there has not been a visit from the Australian Trade Minister since 2012, at the time of the G20 in Los Cabos. That around three years has elapsed since an Australian Trade Minister has visited Mexico is regrettable, especially at a time when Mexico's economy

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3 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, pp 47–48.

4 Department of Foreign Affairs and Trade, *Submission 30*, p. 1.

5 Dr Brendon Hammer, First Assistant Secretary Canada and Latin America Branch, Department of Foreign Affairs and Trade, *Committee Hansard*, 29 October 2015 p. 59.

6 For example: Professor Cesar Ortega-Sanchez, *Submission 2*, p. 1; Intermodal Solutions Group Pit to Ship Solutions, *Submission 7*, pp 1–2; Mexican Institute of Infrastructure Development, *Submission 11*, pp1–2; Australia-Latin America Business Council, *Submission 17*, p. 1; University of Sydney, *Submission 23*, p. 3; Council on Australia Latin America Relations, *Submission 24*, p. 6; Mr Victor Pertou, *Submission 25*, pp 1–4; and Export Council of Australia, *Submission 28*, pp 3–4.

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has undergone a significant reform programme and while we are negotiating the Trans Pacific Partnership (TPP).<sup>7</sup>

3.6 The Council on Australia Latin America Relations noted that Australia and Mexico share foreign policy and trade policy interests and cooperate on important multilateral and international issues, recommending that the bilateral relationship be elevated to a strategic level:

...Australia and Mexico are well positioned to elevate the partnership by signing a bilateral strategic agreement. Under a strategic partnership, COALAR considers it appropriate that both countries intensify engagement by committing to regular leaders' meetings, regular exchanges of visits between Ministers as well as high-level government officials to discuss key issues of mutual interest to Australia and Mexico as well as shared action in multilateral institutions...we recommend more visits and policy engagement between Australian and Mexican Federal and State Members of Parliament.<sup>8</sup>

3.7 DFAT provided the committee with a list of the most recent high-level visits between the two countries<sup>9</sup> and acknowledged the importance of on-going high level political engagement between Australia and Mexico:

Ongoing high level political engagement including regular high-level visits both ways, and increased business awareness of trade and investment opportunities in each other's markets will be required if the current positive trajectory in the bilateral relationship is to be maintained.<sup>10</sup>

### **MIKTA**

3.8 MIKTA is an innovative partnership that brings together Mexico, Indonesia, the Republic of Korea, Turkey, and Australia. It was established in September 2013 and brings together the foreign ministers of each country three times a year. MIKTA is a consultative forum based on shared values and interests and provides a flexible and informal platform, 'aimed at advancing the common interests of the international community'.<sup>11</sup>

3.9 The MIKTA countries are significant economic powers, comprising the 12<sup>th</sup>, 13<sup>th</sup>, 15<sup>th</sup>, 16<sup>th</sup>, and 18<sup>th</sup> largest economies in the world and each country plays a pivotal strategic role in its region. In addition to sharing economic and strategic weight, the MIKTA countries also share important fundamental values, including

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7 ANZMEX Business Council, Submission 6, p. 16.

8 Council on Australia Latin America Relations, *Submission 24*, p. 6.

9 Department of Foreign Affairs and Trade, *Submission 30*, Attachment A.

10 Department of Foreign Affairs and Trade, *Submission 30*, p. 1.

11 Department of Foreign Affairs and Trade, *MIKTA – Mexico, Indonesia, the Republic of Korea, Turkey and Australia*, <http://dfat.gov.au/international-relations/international-organisations/mikta/Pages/mikta.aspx>, (accessed 19 November 2015).

'commitment to democracy and human rights, and shared support of free trade and open economies'.<sup>12</sup>

### ***Bilateral agreements***

3.10 There is an extensive framework of bilateral agreements between Australia and Mexico that support increased cooperation such as the Agreement on Air Services (2010), an Agreement on the Protection of Investments (2005), the Agreement on Double Taxation (2002), the Memorandum of Understanding (MoU) on Education, Research and Vocational Education and Training (2015), the bilateral Plan of Action (2011), the MoU on Cooperation in Agriculture (2010), the MoU on Mining (2010), the MoU on Political Consultations (2009) and the MoU on Energy (2005).<sup>13</sup>

### **Trade agreements**

3.11 Mexico has a proven interest in free trade, boasting a well-established and broad trade network of 11 Free Trade Agreements (FTAs) with 46 countries. This grants Mexico access to a market of more than 1.1 billion customers. Mexico also has 33 Reciprocal Investment Promotion and Protection Agreements (RIPPAs) and nine trade agreements (Economic Complementation and Partial Scope Agreements) within the framework of the Latin America Integration Association (ALADI).<sup>14</sup>

3.12 However, Australia and Mexico have not had the advantage of an FTA underpinning their economic relations. Mexico imposed high import tariffs on a range of Australian exports, particularly agricultural goods, including:

- up to 25 per cent (Mexican customs duties) on beef;
- up to 125 per cent on cheese/curd;
- 10 per cent on sheep meat;
- 67 per cent on wheat;
- 20 percent on pork;
- 115 per cent on barley; and
- 20 per cent on wine.<sup>15</sup>

3.13 Likewise, Mexican products, such as motor vehicles and automotive parts, attracted Australian import tariffs.<sup>16</sup>

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12 Department of Foreign Affairs and Trade, *MIKTA – Mexico, Indonesia, the Republic of Korea, Turkey and Australia*, <http://dfat.gov.au/international-relations/international-organisations/mikta/Pages/mikta.aspx>, (accessed 19 November 2015).

13 Department of Foreign Affairs and Trade, *Submission 30*, p. 6.

14 Embassy of Mexico, *Submission 9*, p. 5.

15 Department of Foreign Affairs and Trade, *Submission 30*, p. 8; Australian Trade Commission, *Submission 39*, p. 7.

16 Department of Foreign Affairs and Trade, *Submission 30*, p. 8.

3.14 In most sectors, Australian exporters faced competition from countries which benefit from significantly lower tariffs, due to Mexico's free trade agreements.<sup>17</sup> A number of submissions commented on the impact that this has had on Australian businesses.<sup>18</sup> The Export Council of Australia noted that:

Exports of Australian meat, processed food and beverage products to Mexico is currently relatively low. In part this is due to the competitive advantage enjoyed by Canada, the US and Europe through their FTAs with Mexico, which afford them a significant price advantage over Australian products.<sup>19</sup>

3.15 The Winemakers Federation of Australia highlighted the significant disadvantage faced by Australian winemakers:

Mexico imposes a tariff of 20% on all wine tariff lines. This rate is zero for countries with an FTA with Mexico (including Canada, USA, Chile and the EU). Clearly this places Australia at a disadvantage in relation to Chile and EU who are major exporters we compete with.<sup>20</sup>

3.16 The Australian Grape and Wine Authority commented on the impact that this has on the competitiveness of Australian wines in the Mexican market:

...the tariff lifts the retail price of Australian wine beyond what many Mexican middle class consumers are prepared to pay especially given the majority of wine is sold between Mx100-200 at retail level. Australia is the ninth largest exporter to Mexico by value but is the only country in the top ten that does not currently benefit from preferential tariff treatment.<sup>21</sup>

3.17 The Director of the Export Council of Australia, Andrew Hudson, advised that committee that Australia's commercial relationship with Mexico is a number of years behind many of its competitors:

We have to keep in mind that...we are a number of years behind in our commercial relationships with Mexico, because other countries have been focused on NAFTA and related activities. While we have been doing MOUs, we need to accelerate those and get ourselves back into parity position.<sup>22</sup>

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17 Department of Foreign Affairs and Trade, *Submission 30*, Attachment D.

18 Winemakers Federation of Australia, *Submission 1*, pp 1–2; Australian Grape and Wine Authority, *Submission 12*, p. 5; Council on Australia Latin America Relations, *Submission 24*, p. 9; Export Council of Australia, *Submission 28*, p. 9;

19 Export Council of Australia, *Submission 28*, p. 9.

20 Winemakers Federation of Australia, *Submission 1*, pp 1–2.

21 Australian Grape and Wine Authority, *Submission 12*, p. 5.

22 Mr Andrew Hudson, Director, Export Council of Australia, *Committee Hansard*, 29 October 2015, p. 29.

***Trans-Pacific Partnership Agreement (TPP)***

3.18 The Trans-Pacific Partnership (TPP) is a regional free trade agreement between Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, Peru, New Zealand, Singapore, the US and Vietnam. Negotiations on the TPP were successfully concluded on 6 October 2015 and the text of the agreement was released to the public on 5 November 2015. The text is currently undergoing a process of legal review, translation and verification.<sup>23</sup> Some of the key outcomes of the TPP for Australian goods in Mexico include:

- beef: elimination of all tariffs on beef carcasses and cuts within 10 years and elimination of Mexico's tariff on 'other offal';
- sheep meat: elimination of all tariffs on sheet meat exports to Mexico within eight years;
- pork: immediate elimination of tariffs on pork;
- dairy: new preferential access into Mexico. Mexico will create new quotas for access, including butter, cheese, and milk powders, and will eliminate tariffs on yoghurt;
- cereals and grains: elimination of tariffs on wheat within 10 years and elimination of Mexican tariffs on barley within five years;
- sugar: Mexico will apportion Australia a guaranteed 7 per cent of any tariff rate quota for raw sugar in the years in which it is offered (Australia is only the sixth country Mexico has offered such an outcome);
- wine: elimination of tariffs within three years for higher quality wine and elimination of all tariffs within 10 years for all wine;
- horticulture: immediate elimination of most horticulture tariffs and elimination of all tariffs within 15 years;
- seafood: immediate elimination of most tariffs on seafood and the elimination of all tariffs within 15 years;
- mining equipment: immediate elimination of tariffs on mining equipment;
- manufactured and other goods: immediate elimination of tariffs on leather and sack kraft paper, elimination of tariffs on medicaments within 10 years and other manufactured products within 15 years; and
- government procurement: Australian businesses will now be able to bid for tenders to supply such goods as pharmaceutical products, electronic components, and supplies used for government purposes.<sup>24</sup>

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23 Department of Foreign Affairs and Trade, *Trans-Pacific Partnership*, <http://dfat.gov.au/trade/agreements/tpp/pages/trans-pacific-partnership-agreement-tpp.aspx>, (accessed 19 November 2015).

24 Australian Trade Commission, *Submission 39*, p. 7.

3.19 In addition to goods, the TPP has also opened up market access for Australian services, including:

- oil and gas mining equipment, services and technology (METS);
- professional, technical and other business services;
- education services;
- health services;
- hospitality and tourism services; and
- government procurement.<sup>25</sup>

3.20 The TPP also provides for preferential temporary entry arrangements for Australian businesspeople. Austrade informed the committee that the TPP provided for:

Preferential temporary entry arrangements for Australia business people and their spouses into key TPP markets, including the waiving of work permits and provision of work rights for spouses in Mexico. Australian business people pursuing opportunities in TPP countries (short-term business visitors) will benefit from greater certainty on length of stay, including for up to six months in Mexico. Mexico agreed to offer guaranteed access to provide legal advice on contracts governed by Australian, international or third party law on a fly-in, fly-out basis.<sup>26</sup>

3.21 Stakeholders expressed approval and support for the TPP and commented on the positive impact that it would have on trade and relations between Australia and Mexico.<sup>27</sup> Austrade informed the committee that the TPP will have a significant impact on Australia's relationship with Mexico:

Austrade expects the TPP to impact Australia's relationship with Mexico significantly. It provides access to an economy with a significant and growing middle class and will facilitate Australia's participation in Mexico's established global value chains (GVCs)...For Australia, Mexico is not simply a destination market, nor is it simply a regional hub, but rather a market positioning itself as a supplier to the world economy.<sup>28</sup>

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25 Australian Trade Commission, *Submission 39*, p. 8.

26 Australian Trade Commission, *Submission 39*, p. 8.

27 For example: Winemakers Federation of Australia, *Submission 1*, p. 4; ANZMEX Business Council, *Submission 6*, p. 19; Intermodal Solutions Group Pit to Ship Solutions, *Submission 7*, pp 1-2; ANZMEX Chamber of Commerce, Supplementary Submission 8.2, pp 1–3; Embassy of Mexico, *Submission 9*, p. 8; Ascenda Corporation, *Submission 10*, p. 13; Australian Grape and Wine Authority, *Submission 12*, p. 5; Council on Australia Latin America Relations, *Submission 24*, p. 6; Woodside Energy, *Submission 26*, p. 1; Export Council of Australia, *Submission 28*, p. 3; Australian Industry Group, *Submission 29*, p. 4; WorleyParsons, *Submission 40*, pp 1–2.

28 Australian Trade Commission, *Submission 39*, p. 6.

3.22 The Council on Australia and Latin America (COALAR) expressed strong support for the TPP, asserting that, 'it offers huge opportunities for expansion of our economic relationship with Mexico'.<sup>29</sup> The Export Council of Australia told the committee that 'it is hoped the recently concluded TPP will help level the playing field between Australian and North American producers in Mexico'.<sup>30</sup> WorleyParsons applauded the finalisation of the TPP, particularly regarding market access for engineers:

The finalisation of the TPP is an outstanding achievement for Australia and provides further impetus for WorleyParsons to build its presence in Mexico. The market access arrangements that are provided by the agreement for engineers are of particular value to WorleyParsons. The range of preferential temporary entry arrangements are also significant. Changes related to the tariff structures that apply on a range of equipment and technology will also assist WorleyParsons in managing project costs and execution as they will provide greater flexibility in the management of our supply chain.<sup>31</sup>

3.23 DFAT noted that 'the implementation of the TPP agreement will strengthen market access in a range of sectors where Australian companies have, especially since the implementation of NAFTA [North American Free Trade Agreement], been priced out of the market'.<sup>32</sup> Trade and investment opportunities for Australian businesses are discussed in Chapter 5 of this report.

### ***Non-tariff barriers***

3.24 Meat & Livestock Australia, on behalf of the Australian red meat industry, raised concerns regarding non-tariff barriers such as regulations, testing requirements, additional import-related costs, administrative delays, and poor or confused application of import requirements:

Cumulatively, however, these market access issues can have a serious impact on the commercial environment in Mexico for Australian exporters. Import clearance delays can add significant additional demurrage costs to imported product (with Mexican demurrage and storage costs being very high on a global basis). This in turn can severely impact the financial viability of the importers and exporters involved.<sup>33</sup>

3.25 The Winemakers Federation of Australia also called for non-tariff measures regarding labelling, compositional issues (including maximum residue limits), certification, and analytical and testing requirements to be addressed:

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29 Mr Victor Pertou, Board Member, Council on Australia Latin America Relations, Committee Hansard, 29 October 2015, p. 4.

30 Export Council of Australia, *Submission 28*, p. 9.

31 WorleyParsons, *Submission 40*, p. 2.

32 Department of Foreign Affairs and Trade, *Submission 30*, p. 13.

33 Meat & Livestock Australia, *Submission 41*, p. 3.



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Differing requirements for these cause cost and trade disruptions for exporters. These issues are normally dealt with bilaterally on a case-by-case basis...Failure to deal with these at the systems level leads to expensive and resource intensive approaches with limited success.<sup>34</sup>

3.26 Meat & Livestock Australia, acknowledged the ongoing efforts of the Australian Embassy in Mexico 'in establishing a wide network of contacts, increasing the awareness of Australia's favourable animal health, quarantine and inspection practices, and improving the procedures and understanding of Mexican importers' but asserted that 'an ongoing effort to address the plethora of non-tariff barriers should be high on the agenda in any moves to improve the bilateral relationship between Australia and Mexico'.<sup>35</sup>

### **Biosecurity measures**

3.27 COALAR raised concerns regarding Australia's import risk analysis process for Mexican agricultural products, drawing attention to the lengthy time taken for consideration of Mexico's market access requests for avocados, table grapes, and limes:

Mexico continues to express concern regarding Australia's import risk analysis process for agricultural products. In particular, the lengthy time taken for consideration of Mexico's market access requests for avocados, table grapes and limes. Mexico is a major global producer of avocados and limes, both having long histories in Mexican culture and lifestyle.<sup>36</sup>

3.28 COALAR indicated that Australia's import risk analyses and import conditions are perceived as excessive and unnecessarily slow, warning that this perception has a detrimental effect on trade relations. COALAR acknowledged the importance of appropriate biosecurity measures and food standards, but asserted that any measures should be scientifically justified, risk-based, and timely:

Australia's relations with trading partners are undermined when undue times is taken to conclude import risk analyses and perceived excessive import conditions are subsequently applied. While COALAR supports application of appropriate biosecurity measures and food standards to safeguard Australia's agricultural sector and consumers, such measures need to be scientifically justified and risk-based and the assessment process needs to be concluded in a reasonable timeframe.<sup>37</sup>

3.29 DFAT also noted that 'lack of access to the Australian market for a range of Mexican agricultural goods, including avocados and limes, in the form of quarantine measures is a long-standing irritant'.<sup>38</sup> These very concerns were considered by the Joint Standing Committee on Foreign Affairs, Defence and Trade's (JSCFADT) 2011

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34 Winemakers Federation of Australia, *Submission 1*, p. 3.

35 Meat & Livestock Australia, *Submission 41*, p. 3.

36 Council on Australia Latin America Relations, *Submission 24*, p. 9.

37 Council on Australia Latin America Relations, *Submission 24*, p. 9.

38 Department of Foreign Affairs and Trade, *Submission 30*, p. 9.

inquiry into Australia's trade and investment relations with Asia, the Pacific and Latin America. In 2009, after asking about the number of products awaiting risk assessment, the JSCFADT was told by the Mexican Ambassador that:

This is an issue that we have been dealing with for several years. There are several products. One of them is avocado, which is very important for the bilateral relationship. We requested a risk analysis for avocados...several years ago and we are still on the waiting list.<sup>39</sup>

3.30 Conversely, Austrade informed the committee that new health protocols were negotiated in August 2015 to allow Australian companies to export a wider range of animal genetic materials:

In August 2015, the Australian government negotiated new health protocols with Mexico, as well as Chile and Columbia, to allow Australian companies to export a wider range of animal genetic materials to these countries. New Market access has been secured for bovine semen to Mexico, and the Australian government is continuing its negotiations with the Mexican government to secure greater access for other ruminant genetics.<sup>40</sup>

3.31 Similarly, the Australian Council of Wool Exporters and Processors commented on the successful revision of Mexican veterinary requirements for wool and wool grease in 2014, commending the efforts of the Department of Agriculture<sup>41</sup> and the Australian Embassy in Mexico and encouraging 'on-going discussion with Mexico to find ways of speeding up these processes for all agricultural products'.<sup>42</sup>

### ***Committee view***

3.32 The committee is acutely aware of the importance of striking the correct balance between protecting the Australia's animal, plant, and human health status and maintaining market access for food and other agricultural products. However, the committee is concerned by the amount of time it is taking for Australian import risk analyses for Mexican agricultural goods. It appears that the risk analysis for Mexican avocados has been an ongoing issue for over a decade.

3.33 The committee notes that whilst Australian officials have had success in recent years negotiating new health protocols regarding animal genetic materials and wool products to benefit Australian exports, Mexican officials have suffered what, in this committee's opinion, appears to be excessive delays when seeking to negotiate the import of agricultural products such as avocados, table grapes, and limes.

3.34 The committee is concerned that the perception of unnecessarily long delays may have a detrimental impact on Australia's political and commercial relationship with Mexico and may also have a detrimental effect on Australia's ability to negotiate

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39 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Inquiry into Australia's Trade and Investment Relations with Asia, the Pacific and Latin America*, 2011, p. 74.

40 Export Council of Australia, *Submission 28*, p. 9.

41 Now the Department of Agriculture and Water Resources.

42 Australian Council of Wool Exporters and Processors, *Submission 34*, p. 1.

favourable outcomes for Australian products being imported into Mexico in the future. As such the committee urges the Department of Agriculture and Water Resources and Biosecurity Australia to assign the highest priority to completing import risk analyses for Mexican agricultural good such as avocados, table grapes, and limes currently awaiting review.

### **Recommendation 1**

**3.35 The committee recommends that the Department of Agriculture and Water Resources and Biosecurity Australia assign high priority to the import risk analyses for Mexican agricultural goods such as avocados, table grapes and limes currently awaiting import risk analysis. If the analyses cannot be concluded before the end of 2016, the committee requests a written explanation outlining the reasons for delay and providing an expected date of completion for each product.**

### **Transport links**

#### *Air-links*

3.36 Mexico is a top destination for Australian travellers in the Latin America region, with approximately 71 500 Australians visiting Mexico in 2014. The number of Australians visiting Mexico has increased by 64 per cent over the last five years.<sup>43</sup> However, at present, there is no direct air link between Mexico and Australia. A significant number of submissions raised the lack of a direct flight between Mexico and Australia as a key impediment to strengthening ties between Mexico and Australia.<sup>44</sup> EXATEC noted that 'Australia and Mexico are geographically far from each other, but they are even further in terms of approachability. If the first constraint is not manageable, the second is'.<sup>45</sup>

3.37 The importance of establishing an air link between Mexico and Australia has been acknowledged by past parliamentary inquiries, including a report from this committee tabled in June 1992, which recommended that a taskforce be established to investigate and encourage the establishment of air links between Australia and Latin America.<sup>46</sup> The JSCFADT also highlighted the issue in its 2007 report, noting that 'it is believed that more significant growth is hampered by the long distances separating

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43 Department of Foreign Affairs and Trade, *Submission 30*, p. 10.

44 For example: EXATEC, *Submission 4*, p. 1; ANZMEX Business Council, *Submission 6*, p. 31; ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*; Mrs Cynthia Gavito Paredes, *Submission 13*, p. 1; Council on Australia Latin America Relations, *Submission 24*, p. 8; Mr Victor Pertou, *Submission 25*, p. 3; Export Council of Australia, *Submission 28*, p. 17; and Department of Foreign Affairs and Trade, *Submission 30*, p. 10.

45 EXATEC, *Submission 4*, p. 1.

46 Senate Standing Committee on Foreign Affairs, Defence and Trade, *Australia and Latin America*, June 1992, pp 14–15.

Australia and Mexico and the absence of direct flights'.<sup>47</sup> The matter was raised again in the 2011 JSCFADT report.<sup>48</sup>

### *Current flight options*

3.38 At present, the most direct flights between Australia and Mexico are offered by Qantas, Virgin Australia, and United Airlines. All of these services travel via the US, through Los Angeles, Dallas-Fort Worth, and San Francisco. Virgin Australia code-shares its flights to Mexico with Delta Airlines and Qantas code-shares its flights to Mexico with American Airlines and Alaska Airlines.<sup>49</sup> Furthermore, as demonstrated in Table 3.1, flights between Mexico and Australia are costly, both in time and money.

**Table 3.1 – Flights Time and Price Comparison**

Flight period: 7 January – 30 June		
Routes	Time (hours)	Price* (AUD)
Mexico-LAX-Melbourne	38	\$4,112
Mexico-Dallas-Melbourne	32	\$4,721
Bogota-Melbourne (via Dallas)	32	\$4,888
Bogota-Melbourne (via Santiago)	32	\$4,884
Caracas-Melbourne (via Dallas)	33	\$9,194
Caracas-Melbourne (via Santiago)	31	\$5,641
Quito-Melbourne (via Dallas)	39	\$4,590
Quito-Melbourne (via Santiago)	32	\$5,735
<b>Average</b>	<b>34</b>	<b>\$5,471</b>

\* Cheapest route found on 22 September 2015 (date of retrieval)

ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, p. 12.

47 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Australia's trade with Mexico and the Region*, August 2007, p. 42.

48 Joint Standing Committee on Foreign Affairs, Defence and Trade, *Australia's trade and investment relations with Asia, the Pacific and Latin America*, July 2011, pp 73–74.

49 ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, p. 7.

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*Impact on trade and businesses*

3.39 The ANZMEX Chamber of Commerce noted that the establishment of direct air links 'serve as a critical catalyst for accelerating trade between two countries'.<sup>50</sup> The Council on Australia Latin America Relations (COALAR) agreed, recommending that the Australian Government 'promote the establishment of direct flights between Australia and Mexico and ensure that any regulatory barriers for airlines to do so are removed'.<sup>51</sup>

3.40 The Export Council of Australia highlighted the importance of face-to-face communication when building strong business relationships and the positive impact of a direct flight on promoting Australia-Mexico business relations:

In Latin America, building strong relationships and forming trust requires a significant amount of time spent communicating face-to-face. While the distance between Australia and Mexico is not insurmountable, introducing a direct flight would help Australian and Mexican business people more easily build these relationships and generate more bi-lateral trade.<sup>52</sup>

3.41 Mr Andrew Hudson, Director of the Export Council of Australia, also noted the cost in time faced by business people wishing to travel between Australia and Mexico and the impact of this on their ability to conduct business:

I have been to Mexico by air a few times for work—and, indeed, to South and Central America—and it is one of the more absolutely difficult. It is surprising; you would not have thought that a journey of that type should pose an impediment. But it is just the sheer idea of having to get on a plane and go to somewhere and then go somewhere else and then go a third place, with all the transit and visas issues. Actually getting through all those spaces can add a significant amount of time to the travel experience and the fatigue. That adds to the ability to actually conduct the business successfully, especially when you compare it to, obviously, the NAFTA people who just fly straight in and are straight off to business, as opposed to our coming from a long way away.<sup>53</sup>

3.42 Dr Victor Del Rio, President of the ANZMEX Chamber of Commerce, highlighted the significant cost in time of travelling between Mexico and Australia. Dr Del Rio told that committee that he has travelled between Australia and Mexico close to 40 times, a journey which takes him approximately 32 hours:

I have been almost 40 times to Mexico. This time when I went to Mexico I flew from Sydney to Dallas, and then from Dallas to Mexico, and I had to

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50 ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, p. 4.

51 Council on Australia Latin America Relations, *Submission 24*, p. 8.

52 Export Council of Australia, *Submission 28*, p. 17.

53 Mr Andrew Hudson, Director, Export Council of Australia, *Committee Hansard*, 29 October 2015, p. 31.

wait six hours at the airport. It took me around 32 hours to get to where I wanted to go, because I departed from Melbourne.<sup>54</sup>

### *Transit visas*

3.43 The Department of Foreign Affairs and Trade (DFAT) noted that the necessity of travelling through the US when travelling from Mexico to Australia is a significant disincentive for Mexican travellers:

...the absence of direct flights limits potential, particularly for Mexican travellers to Australia. In the absence of direct flights, the most efficient and cost-effective travel route is via the US. But Mexicans transiting through the US are required to obtain a US visa, which acts as a significant disincentive.<sup>55</sup>

3.44 EXATEC also commented on the need for costly transit visas when travelling through the US:

Travelling from Mexico to Australia or Australia to Mexico takes about 24 hours. It usually requires multiple stops. The main route options are the USA or Chile. The first option is regularly the cheapest. However, travelling through the USA requires an additional and costly visa. Travelling through Chile is easier, but the costs are usually double. In contrast, a direct flight from Mexico City to Melbourne or Sydney would take about 14 hours and one visa only – the Australian.<sup>56</sup>

### *Viability of direct flights*

3.45 The ANZMEX Chamber of Commerce analysed the feasibility of two proposed routes between Mexico and Australia. The first, Melbourne-Auckland-Cancun, proposed for 2018, would take an estimated 28 hours (including five hours for airport transits). The second, Melbourne-Mexico, proposed for 2022, would take an estimated 17 hours.<sup>57</sup>

3.46 The ANZMEX Chamber of Commerce discussed the economic, technical and legal viabilities of the proposed routes. Economic feasibility was considered, including critical passenger mass; secondary passenger demand; competitiveness of the routes for distance; time and price; and predicted demand. The proposals for the routes also considered a range of technical factors including the capacity of long haul aeroplanes directly between Australia and Mexico; airlines' current available capacity to allocate long haul aeroplanes to a new route; the capacity of Mexican airports to accommodate new overseas airlines; and air-route fees.<sup>58</sup>

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54 Dr Victor Del Rio, President, ANZMEX Chamber of Commerce, *Committee Hansard*, 29 October 2015, p. 9.

55 Department of Foreign Affairs and Trade, *Submission 30*, p. 10.

56 EXATEC, *Submission 4*, p. 1.

57 ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, p. 11.

58 ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, pp 14–17.

3.47 The ANZMEX Chamber of Commerce noted that the legal framework was not strong enough to support direct flights between Mexico and Australia in 2007. However, with the establishment of five air service agreements between Australia, New Zealand, and Mexico, together with two airline code-sharing alliances, the legal frameworks for all three countries are now in place for direct flights.<sup>59</sup> To achieve this, the ANZMEX Chamber of Commerce recommended the formation of a taskforce comprising Mexican and Australian authorities, representatives of interested airlines, representatives of the tourism industries in both countries, and ANZMEX to analyse in greater detail the establishment of direct flights between Australia and Mexico.<sup>60</sup>

### ***Freight links***

3.48 Some submitters noted that freight links (both air and sea) between Australia and Mexico would need to be improved in order to strengthen trade between the two countries. DFAT identified air and sea connectivity as the foremost impediment to improving bilateral ties with Mexico:

Effort will be required to address remaining impediments to closer bilateral ties. Foremost among these is connectivity – through air and sea transport links – which continues to operate as a brake to the bilateral relationship realising its full potential.<sup>61</sup>

3.49 The Export Council of Australia emphasised the necessity of strong, clear transport routes between Australia and Mexico:

We will have to look at other things too, such as the ability of our service providers to get there but also the ability of our goods to get there. We are looking at aviation and sea routes into that part of the world. They will have to be improved to overcome some of the logistic and geographical disadvantages we may experience.<sup>62</sup>

### ***Committee view***

3.50 The lack of connectivity between Australia and Mexico is a clear impediment to the growth of relations between our two countries. High costs, both in time and money, coupled with the additional challenges of transit visa requirements do not encourage Mexican business people, students, or tourists to visit Australia. It is clear that direct flights between Mexico and Australia would have a strong positive impact.

3.51 The committee commends the ANZMEX Chamber of Commerce submission for its detailed analysis of the economic, technical, and legal viability of establishing direct flights between Australia and Mexico. Further, the committee supports its recommendation that a taskforce comprising Mexican and Australian authorities, representatives of interested airlines, representatives of the tourism industries in both

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59 ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, p. 17.

60 ANZMEX Chamber of Commerce, *Supplementary Submission 8.1*, p. 21.

61 Department of Foreign Affairs and Trade, *Submission 30*, p. 2.

62 Mr Andrew Hudson, Director, Export Council of Australia, *Committee Hansard*, 29 October 2015, p. 29.

countries, and ANZMEX analyse and work towards the goal of establishing direct flights between Australia and Mexico in the near future.

## **Recommendation 2**

**3.52 The committee recommends that the Department of Foreign Affairs and Trade, working with Mexican authorities, develop a strategic plan for the establishment of direct flights between Mexico and Australia by 2020. The strategic plan should incorporate consultation with airlines, tourism industries in both countries, and ANZMEX and should be presented to the Parliament before December 2016.**

## **Tourism**

3.53 Mexico is the tenth most visited country in the world, receiving more than 26 million foreign visitors in 2014.<sup>63</sup> Of those, 71 500 were Australian visitors. Ambassador Álvarez Reina pointed to Mexico's culture and natural beauty as the reason for its popularity as a leading world tourist destination:

We are the 10th most visited country in the world. Last year, we received more than 26 million foreign visitors, which is a little more than the population of Australia. Most of them come back to Mexico for a second or a third time. The reason for that is Mexico offers not only natural beauty but also cultural attractions. Mexico has one of the largest heritages in the whole world.<sup>64</sup>

3.54 By contrast, only 8 100 Mexican travellers visited Australia in the same period.<sup>65</sup> Both Mexican and Australian travellers face the same costs, in time and money, to travel to each other's country; however, the visa processes for Mexican travellers visiting Australia are significantly more difficult, time consuming, and costly than those for Australians visiting Mexico.

### ***Australian visa processes***

3.55 There are three travel visa options available for people wishing to visit Australia:

- Visitor visa (subclass 600) – allows people travelling to Australia as a tourist, for business visitor activities, and/or to see family to visit Australia for a period of up to three, six or 12 months. The base application fee for this visa is between \$135 and \$340;

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63 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, p. 44.

64 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, p. 44.

65 Department of Foreign Affairs and Trade, *Submission 30*, Attachment C.



- Electronic Travel Authority visa (ETA) (subclass 601) – allows people from eligible countries<sup>66</sup> travelling to Australia as a tourist and/or for business visitor activities to visit Australia multiple times (for up to three months at a time) within a 12 month period. The service charge for this visa is \$20; and
- eVisitor visa (subclass 651) – allows people from eligible countries<sup>67</sup> travelling to Australia as a tourist and/or for business visitor activities to visit Australia multiple times (for up to three months at a time) within a 12 month period. The eVisitor visa is free.<sup>68</sup>

3.56 When lodging an application for a Visitor visa (subclass 600) from certain locations<sup>69</sup> biometrics data (such as fingerprints, facial structure, iris, and voice data) is required. The biometrics data must be collected at Australian Visa Application Centres, Australian Biometrics Collection Centres or at Australian Missions.<sup>70</sup>

3.57 At present, Mexican travellers are only eligible to apply for a Visitor visa as they are not eligible for either the ETA or the eVisitor visas. Mexico is also one of the locations where lodging an application for a Visitor visa requires the collection of biometrics data. Conversely, Australian citizens are able to enter Mexico as tourists or business visitors for up to 180 days without needing a visa.<sup>71</sup>

3.58 Some submissions raised concerns regarding the Australian visa application process, the time taken to issue visas, and the need for Mexican travellers to provide biometric data.<sup>72</sup> COALAR informed the committee that the biometric data required

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66 Andorra, Austria, Belgium, Brunei, Canada, Denmark, Finland, France, Germany, Greece, Hong Kong (SAR of China), Iceland, Ireland, Italy, Japan, Liechtenstein, Luxembourg, Malaysia, Malta, Monaco, Norway, Portugal, Republic of San Marino, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, The Netherlands, United Kingdom (British Citizen), United Kingdom (British National Overseas), United States of America, and Vatican City.

67 Andorra, Austria, Belgium, Bulgaria, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, The Netherlands, Norway, Poland, Portugal, Romania, Republic of San Marino, Slovak Republic, Slovenia, Spain, Sweden, Switzerland, United Kingdom (British Citizen), and Vatican City.

68 Department of Immigration and Border Protection, *Visitor visa options*, <http://www.border.gov.au/Trav/Visi/Visi>, (accessed 19 November 2015).

69 Bahrain, Bangladesh, Cambodia, Colombia, Ethiopia, France, Ghana, Hong Kong, Jordan, Kenya, Kuwait, Lebanon, Malaysia, Mexico, Myanmar, New Zealand, Nepal, Nigeria, Oman, Pakistan, Qatar, Saudi Arabia, Singapore, Sri Lanka, United Arab Emirates, Vietnam, Yemen, and Zimbabwe.

70 Department of Immigration and Border Protection, *Biometrics collection*, <http://www.border.gov.au/Trav/Visa/Biom>, (accessed 19 November 2015).

71 Mexican Secretariat of the Interior, *Countries and regions that do not require a visa to travel to Mexico*, [http://www.inm.gob.mx/index.php/page/Paises\\_No\\_Visa/en.html](http://www.inm.gob.mx/index.php/page/Paises_No_Visa/en.html), (accessed 19 November 2015).

72 For example: Ms Erika Deery, *Submission 3*, p. 1; ANZMEX Business Council, *Submission 6*, pp 23-24; ANZMEX Chamber of Commerce, *Submission 8.3*; p. 13; Council on Australia Latin America Relations, *Submission 24*, p. 8; and Mr Victor Pertou, *Submission 25*, p. 3.

for Australian visa applications 'currently can only be provided at three Australian Biometric Collection Centres in Mexico City, Monterrey and Guadalajara'.<sup>73</sup> Student visa applications are discussed in Chapter 4 of this report.

3.59 COALAR recommended that the visa process for Mexicans wishing to travel to Australia be streamlined and for Mexico travellers to be made eligible for ETA visas.<sup>74</sup> Mr Victor Perton acknowledged that DFAT was working to improve current visa processes but that 'at this point, the arrangements are cumbersome and slow thus deterring Mexicans from making travel arrangements to come to Australia in favour of countries with speedier visa arrangements'.<sup>75</sup> Dr Del Rio agreed, asserting that granting Mexican travellers eligibility for ETA visas would boost the number of travellers:

If we allow Mexicans to have access to the e-visa and the ETA visa, that is going to accelerate the number of people from Mexico coming to Australia. We will then need more flights. If we have an overall strategy that we could negotiate in the right way, we can have a bright future.<sup>76</sup>

3.60 DFAT advised the committee that Australia is currently seeking to conclude negotiations with Mexico regarding work and holiday visa arrangements, but that 'progress is dependent on Mexico finalising a "model" for approving various outstanding work and holiday agreement requests with a range of countries'.<sup>77</sup> DFAT supported the calls for improving visa processes and options for Mexican travellers but advised the committee that the ETA is 'an antiquated product' which is being replaced:

The Electronic Travel Authority would be, in my view, the solution to almost all of the complaints that are raised, not just by Mexico but by other countries in Latin America. We have undertaken significant outreach to the department of immigration specifically on securing access for Latin America to the ETA and have been told that the ETA is an antiquated product which is being replaced by the electronic visa system. Consequently, even though that is the solution in our view, there have not been countries added to that ETA list for upwards of a decade. We are reliably told by Immigration officials that it is an antiquated product and that they are in fact trying to not replace but overtake it with better products.<sup>78</sup>

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73 Council on Australia Latin America Relations, *Submission 24*, p. 8.

74 Council on Australia Latin America Relations, *Submission 24*, p. 8.

75 Mr Victor Perton, *Submission 25*, p. 3.

76 Dr Del Rio, President, ANZMEX Chamber of Commerce, *Committee Hansard*, 29 October 2015, p. 9.

77 Department of Foreign Affairs and Trade, *Submission 30*, p. 10.

78 Mr Brett Hackett, Assistant Secretary, Canada, Latin America Branch, Department of Foreign Affairs and Trade, *Committee Hansard*, 29 October 2015, p. 61.

### *Working holiday visa*

3.61 Some submissions called for the introduction of a reciprocal working holiday visa program.<sup>79</sup> Ms Erika Deery asserted that 'a work and holiday visa would definitely increase the number of Mexicans travelling to Australia'.<sup>80</sup> COALAR similarly noted that a working holiday visa program would increase the number of Mexican tourists visiting Australia and might also relieve labour shortages:

COALAR considers it appropriate that the WHV [Working Holiday Visa] program be extended to allow young Mexicans to work in Australia whilst on holiday. Extending the program would increase Mexican tourists and potentially help alleviate labour shortages in some industry sectors.<sup>81</sup>

### *Committee view*

3.62 The committee recognises that the Visitor visa (subclass 600) is both onerous and costly when compared with the ETA visa (subclass 601) or the eVisitor visa (subclass 651). It is clear that granting Mexican travellers access to faster, cheaper, and easier visas would have a positive impact on bilateral relations and encourage Mexican travellers to visit Australia. The committee supports granting Mexican travellers eligibility for the eVisitor visa (subclass 651). The committee acknowledges that negotiations regarding work and holiday visa arrangements are currently underway.

### **Recommendation 3**

**3.63 The committee recommends that the Australian government work to grant Mexican travellers eligibility for the eVisitor visa before the end of 2016. If this is not possible, the committee requests a written explanation outlining the reasons for delay and providing an expected date of completion.**

### **Australia's perceptions of Mexico**

#### *Cultural promotion*

3.64 Several submissions highlighted the growing cultural links between Australia and Mexico.<sup>82</sup> The Embassy of Mexico noted that Australia and Mexico have highly complementary cultures:

Our peoples share common cultural values and features, both have deep respect and appreciation for their indigenous cultures, and family values. There is a growing and mutual interest in the fields of gastronomy, music, and other cultural manifestations. The cultural values that are embodied by

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79 For example: Ms Erika Deery, *Submission 3*, p. 1; Council on Australia Latin America Relations, *Submission 24*, p. 8.

80 Ms Erika Deery, *Submission 3*, p. 1.

81 Council on Australia Latin America Relations, *Submission 24*, p. 8.

82 For example: ANZMEX Business Council, *Submission 6*, p. 15; ANZMEX Chamber of Commerce, *Supplementary Submission 8.3*, p. 6; Embassy of Mexico, *Submission 9*, p. 9; Mr Luis Ferra, *Submission 20*, pp 2–3; and Ms Monique de Groot, *Submission 22*, p. 3.

Australia and the excellent life quality that its many cities offer are a magnet to Mexican tourists, students and highly skilled migrants. Every year, the number of Australian tourists and students travelling to Mexico is growing.<sup>83</sup>

3.65 The ANZMEX Chamber of Commerce highlighted the importance of language and called for Australia and Mexico to teach each other's language as a national priority, noting that, 'for many decades the positive relationship between international trade and linguistic competence has been recognised...Both Australia and Mexico could work together to promote and support the teaching of Spanish and English respectively'.<sup>84</sup> Language barriers are discussed in Chapter 4 of this report.

3.66 Mr Victor Pertou called for the Parliament to 'take the lead by joining the Mexican community in their festivals and fora'.<sup>85</sup> Mr Luis Felipe Ferra and Mrs Valeria Estefan drew the Mexican Jazz Exists Festival to the committee's attention.<sup>86</sup> Ms Monique de Groot highlighted film as a key opportunity to expand cultural relations noting that, at present, the Australian and Mexican film industries do not have a Memorandum of Understanding or a co-production treaty:

Australia does not currently have a Memorandum of Understanding nor a Co-Production Treaty with any Latin American country. Mexico's strong cultural and fiscal incentive credentials make it an ideal candidate – and the 50 year anniversary of relations in 2016 would be an opportune time to expand Australia's cultural exchange in the region.<sup>87</sup>

3.67 The ANZMEX Business Council commended cultural promotion programs and activities. It asserted that support for cultural promotion programs and activities that have a proven track record of success, such as the photographic exposition on Chapultepec fence, film festivals, and the international culture fair in Mexico City's Zocalo, would bring sustainable benefits to the bilateral relationship. The ANZMEX Business Council recommended:

That DFAT or COALAR provide additional funding to the Australian Embassy to support cultural promotion activities and to support an MOU Agreement with CONACULTA (Mexico's Cultural organization).<sup>88</sup>

### ***People-to-people links***

3.68 Ambassador Álvarez Reina highlighted the growing people-to-people connections between Mexico and Australia, stating that 'we have growing people-to-people contacts—growing Australian tourists in Mexico and growing Mexican

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83 Embassy of Mexico, *Submission 9*, p. 9.

84 ANZMEX Chamber of Commerce, Supplementary *Submission 8.3*, p. 2.

85 Mr Victor Pertou, *Submission 25*, pp 2–3.

86 Mr Luis Ferra, *Submission 20*, pp 2–6.

87 Ms Monique de Groot, *Submission 22*, p. 3.

88 ANZMEX Business Council, *Submission 6*, pp 16–18.

students in Australia'.<sup>89</sup> COALAR also stressed the importance of these connections and when asked the best way to advance Australia and Mexico's relationship, told the committee that 'it is the people-to-people connections that are most important'.<sup>90</sup>

3.69 The University of Sydney agreed:

Our capacity to develop linkages and partnerships in Mexico over the long term will depend on the quality of our formal and people-to-people links, and the extent to which Australia invests strategically in positioning itself in Mexico as an attractive country with which to develop business, research, education and other linkages.<sup>91</sup>

3.70 The Australia-Latin America Business Council also commented on the power of people-to-people connections, pointing to an example of an Australian poultry business which utilised people-to-people links in Brazil to establish what is now a thriving export relationship:

He spoke of how they exported Australian chooks to Brazil, which was quite amazing, because they never thought that the Brazilians were going to buy Australian chooks. He spoke of how he built that relationship from an executive assistant that he had, who happened to be Brazilian and had a relationship with someone who was in the chook industry. They built this very people-to-people relationship and ended up exporting I do not know how many chooks to Brazil. It has been a massive success story.<sup>92</sup>

3.71 The Mexican Institute of Infrastructure and Development (IMEXDI) discussed the importance of building long-term relationships between Australia and Mexico's academic, media, and business communities commending and providing suggestions for the improvement of a number of forums, including Australia-Mexico Second-Track Dialogue, Australia-Mexico Infrastructure Finance Forum, and the Australian-Mexican Committee Linked to the Global Infrastructure Hub.<sup>93</sup> Intermodal Solutions Group—Pit to Ship Solutions commended Austrade's work conducting trade missions and its impact on strengthening and promoting commercial relationships between Australian and Mexican companies.<sup>94</sup>

### ***Corruption and insecurity***

3.72 A number of submissions commented on corruption and security issues in Mexico, as well as the impact that misperceptions about the extent of these issues is

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89 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, p. 45.

90 Mr Victor Pertou, Board Member, Council on Australia Latin America Relations, *Committee Hansard*, 29 October 2015, p. 2.

91 University of Sydney, *Submission 23*, p. 1.

92 Ms Sandra Meiras, Board Director, Australia-Latin America Business Council, *Committee Hansard*, 29 October 2015, p. 25.

93 Mexican Institute of Infrastructure and Development (IMEXDI), *Submission 11*, pp 1–4.

94 Intermodal Solutions Group—Pit-to-Ship Solutions, *Submission 7*, p. 1.

having on Australian businesses' decisions to operate in Mexico.<sup>95</sup> The Australia-Latin America Business Council (ALABC) outlined a number of factors which have the potential to impact Australian companies wishing to operate in Mexico but cautioned that, whilst it is important to acknowledge and consider these factors, they should not prevent Australian businesses from seeking to do business in Mexico:

Daunting as these issues may be, it is worth noting that they have not prevented Mexico from growing its economy or deterred companies from throughout the world from investing in Mexico. They are issues that need to be acknowledged and managed as required, but they should not prevent Australian companies from seeking to do business in Mexico.<sup>96</sup>

3.73 Australian industry Group (Ai Group) told the committee that 'the perception of corruption in Mexico is quite high amongst Australian businesses'.<sup>97</sup> COALAR commented on Australian businesses' concerns regarding corruption and insecurity in Mexico, noting that these negative perceptions seem to be largely limited to the business sector:

If you look at the media coverage of Mexico, in terms of a tourist destination the newspapers and television seem to be very good...If you look at the number of Australians actually travelling to Mexico, the numbers have increased dramatically. So it has not put the tourist traveller off. But, on the other hand, the propensity to focus on what are notoriously violent events in the north of Mexico, and on corruption, obviously inhibits some business people from making the trip and thinking about Mexico as a destination.<sup>98</sup>

3.74 When asked about Australian businesses' perceptions of Mexico, Ambassador Álvarez Reina responded that, whilst the Mexican government is actively addressing security problems, concerns regarding security and corruption have not deterred other countries from visiting, investing, and doing business in Mexico:

Mexico is the 10th largest recipient of foreign tourists worldwide. Most of them come to Mexico for a second and third visit. So the problems of security that we do have and that we are addressing are not impeding us being the 10th largest recipient of tourists worldwide. In the same sense, these problems that we are addressing are not impeding Mexico being the seventh largest destination for foreign investment. If the world trusts Mexico with its money and its people, it is because they trust Mexico. So we need to send the message that Mexico is safe for visiting, that Mexico is

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95 For example: Australia-Latin America Business Council, *Submission 17*, pp 4-5; Australian Trade Commission, *Submission 39*, p. 16; Department of Foreign Affairs and Trade, *Submission 30*, p. 11.

96 Australia-Latin America Business Council, *Submission 17*, pp 4-5.

97 Ms Louise McGrath, National Manager, Business and International Advisory Services, Australian Industry Group, *Committee Hansard*, 29 October 2015, p. 51.

98 Mr Victor Perton, Board Member, Council on Australia Latin America Relations, *Committee Hansard*, 29 October 2015, p. 2.

safe for investing and that the Mexican government and the Mexican society are addressing the problems of security that we do have.<sup>99</sup>

3.75 Austrade advised that negative perceptions of Mexico and the Mexican market present a significant barrier to entry for Australian business, and that 'many first time business visitors to Mexico City are surprised and remark on the sophistication of its culture and commerce':

While there are more than 100 Australian companies and other institutions now doing business in Mexico, many Australian businesses approach Mexico with caution, largely due to media reporting that focusses on corruption and security issues. This is especially the case for Australia's innovated small-to-medium sized businesses, many of whom are not present in the market. Often Australian companies overlook the fact that Mexico's commercial sector exhibits a rare global literacy in trade and investment, especially in doing businesses with the United States.<sup>100</sup>

3.76 NOJA Power told the committee of its experiences in Mexico, noting that although Mexico has a negative reputation it is a safe and secure place to do business. NOJA Power stated that:

We have always found our Mexican customer the local electricity utility CFE and our partners in Mexico to be highly reliable, honest and diligent business partners and we have enjoyed great success as a result.<sup>101</sup>

3.77 The Australian Trade Commission (Austrade) acknowledged that, while security and corruptions issues do exist, security issues tend to be highly regionalised and that incidences of corruption are usually concentrated in certain industries. DFAT agreed, noting that concerns regarding the potential impact of security and corruption on Australian businesses in Mexico 'have been exaggerated in terms of their potential impact on market development plans'.<sup>102</sup>

### ***Committee view***

3.78 In order for connections to be made, people must know and understand one another. The promotion of Mexican culture in Australia and Australian culture in Mexico through music, food, film, art, and other mediums will raise awareness and stimulate understanding between our two peoples.

3.79 The committee is concerned about Australian perceptions of corruption and insecurity in Mexico, especially amongst the Australian business community. The committee acknowledges that business must always consider these factors when determining the risks of investing or doing business in another country. Nonetheless, when the potential impact of these factors is exaggerated, the ability for

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99 His Excellency Armando G. Álvarez Reina, Ambassador, United Mexican States, *Committee Hansard*, 29 October 2015, p. 47.

100 Australian Trade Commission, *Submission 39*, p. 16.

101 NOJA Power, *Submission 14*, p. 1.

102 Department of Foreign Affairs and Trade, *Submission 30*, p. 11.

business to rationally balance risk and opportunity is compromised. The committee recognises and commends the work of the Mexican government to address its security and corruption issues.

#### **Recommendation 4**

**3.80 The committee recommends that the Australian government work with Australian businesses to raise awareness of the risks and benefits of doing business in Mexico and to dispel exaggerations of risk with regards to security and corruption in Mexico.**