



Adrienne Bonwick
Rio de la Plata, #30
Colonia Cuauhtémoc
México, D.F. 06500
Tel: +52 55 5211 6233
Cel: +52 55 1473 1476
adrienne.bonwick@anzmex.org
www.anzmex.org

Mr David Sullivan

Committee Secretary
Senate Foreign Affairs, Defence and Trade References Committee
PO Box 6100
Parliament House
Canberra ACT 2600
Australia

Dear Mr Sullivan

Thank you for the invitation to make a submission to the Senate Foreign Affairs, Defence and Trade References Committee on the subject of Australia's Relationship with Mexico. We believe that in light of finalisation of the Trans-Pacific Partnership (TPP), the extensive economic reform that has taken place in Mexico, the deepening economic and cultural ties and the approaching 50th anniversary of relations between Australia and Mexico that this Inquiry could not be more prescient.

Both countries have signalled they intend to deepen ties beyond their immediate regions, but neither has perfectly enunciated the practical reality of that engagement. Australia's trading partner risk is now firmly placed in Asia, as Mexico remains fastened to North America. The vital funding that is necessary to penetrate new value chains and overseas markets has not kept pace with the rhetoric. Our two countries appear to be natural partners, but allow a lack of shared history and the perception of distance to too often dictate the terms of the relationship.

It is important to note that although ANZMEX is an independent, self-funding not-for-profit organisation, we work very closely and effectively with the three relevant trade offices: Austrade, New Zealand Trade & Enterprise and Mexico's ProMexico. We believe this gives ANZMEX a unique perspective on the bilateral (and trilateral) opportunities and challenges.

In the process of drafting this submission, we have received input from a great number of our members and associates – the scope and diversity of the issues raised and recommendations

proposed is a testament to the breadth and depth of current engagement and underscores the importance of addressing the issues which are preventing the relationship between Australia and Mexico reaching its full potential.

I would like to confirm that we have no concerns regarding confidentiality and are happy for our submission to be made public at the appropriate moment. Please do not hesitate to contact me should you require more detailed information on any of the topics we have addressed in our submission.

Yours sincerely

Adrienne Bonwick

President

Australia, New Zealand and Mexico Business Council

6 October 2015

ANZMEX BUSINESS COUNCIL'S SUBMISSION TO THE SENATE INQUIRY INTO AUSTRALIA'S RELATIONSHIP WITH MEXICO

6 OCTOBER 2015

Table of Contents

Executive Summary	5
Summary of Recommendations	6
Responses to the Terms of Reference	11
<i>Mexico's continued elevation in the global geo-political and economic order and its implications for Australia;</i>	11
Recommendations	15
<i>Opportunities for enhanced relations, including the potential for increased bilateral engagement and also through jointly held memberships such as the G20, APEC, OECD and MIKTA;</i>	15
Recommendations	18
<i>Potential opportunities for enhanced trade and investment ties, in particular those emanating from the proposed Trans Pacific Partnership (TPP);</i>	19
Recommendations	21
<i>Scope for increased collaboration in the education sector and the potential for extending scholarship programmes to Mexico;</i>	22
Recommendations	26
<i>Scope for increased trade and commercial exchange in the resources sectors: with particular reference to the Oil & Gas sector in the Gulf of Mexico and hard rock mining;</i>	27
Recommendations	29
<i>Scope for cross investment and joint ventures in Australian and Mexican infrastructure projects; and</i>	30
Recommendations	31
<i>Any other related matters.</i>	31
Recommendations	34
About ANZMEX	35
References	36
Appendix 1 - Mexican Gaming Bill	37
Appendix 2 - Mexicans could teach Hockey	38

Executive Summary

This inquiry raises a larger issue as to how Australia conceptualises the Americas. The relationship with Mexico in particular suffers from a benign neglect that fails to recognise the scale and scope of opportunity. Australia tends to be very much an observer of the region, rather than an active participant. We need to take more concrete steps to define our role in the region, to give greater context to the relationship, whether that is in the form of more active participation in the Pacific Alliance or a revamping of efforts across the spectrum of activities that define the relationship – trade & investment, immigration, education & culture, economic diplomacy efforts or general advocacy.

The memberships that Australia and Mexico share – G20, OECD, APEC and MIKTA – can provide the basis for much deeper engagement. Of course, we can now add the Trans Pacific Partnership (TPP) to that list. However, we must not overlook the opportunity for greater bilateral engagement outside of these multilateral organisations. After all, our countries share a very similar set of challenges. We both need to diversify our trading risk by penetrating new global value chains. We are both committed to accelerating a domestic economic reform agenda. We are both committed to educating our people to better seize the opportunities of globalisation. We both must develop the infrastructure that will transform the lives of our communities in tropical and sub-tropical zones. We both can act as much larger gateways to our respective regions.

The role of agencies such as Austrade and the Department of Foreign Affairs & Trade in fostering closer ties should not be undervalued. Their local efforts in enhancing the relationship are substantial and deeply appreciated. ANZMEX has had the privilege to be involved in a collaborative manner with DFAT and Austrade in many initiatives and we can see at first hand the advances that have been made – as well as opportunities missed due to insufficient staffing levels and access to funds. We believe that the investment the Australian Government makes in building ties with Mexico is dwarfed by the level of funding it provides in other parts of the globe. ANZMEX would argue that few markets could provide such a return on investment as Mexico if funded appropriately. It is the ideal market for an expansive economic diplomacy effort, extending Australia further into the Latin American region, while also achieving a range of significant social and economic outcomes.

Summary of Recommendations

Mexico's continued elevation in the global geo-political and economic order and its implications for Australia;

1. The Australian Government develop a report which addresses the changed global geo-political and economic order and its implications for trade & investment flows over the next two decades, including a clear recommendation of priority markets beyond Asia
2. The Australian Government provide funding to conduct an annual *Australia Week in Mexico* (AWIM) in the major commercial centres of Mexico City, Guadalajara and Monterrey from 2016 to 2018
3. The Australian Government identify and support one major economic diplomacy project (minimum value of \$1m) to be delivered in Mexico on an annual basis for the years 2016 - 2018
4. The Australian Government increase funding to the Department of Agriculture and the Department of Foreign Affairs & Trade for two additional Australian-based officers to be added to the Mexico City post in order to respond to opportunities in food & agribusiness relating to the implementation of the TPP and the other for executing key economic diplomacy projects.

Opportunities for enhanced relations, including the potential for increased bilateral engagement and also through jointly held memberships such as the G20, APEC, OECD and MIKTA;

5. Australia's Minister for Foreign Affairs and Minister for Trade & Investment confirm and commit to an enhanced programme of bilateral visits between senior Ministers and parliamentary leaders of both countries
6. Austrade develop focussed trade missions which include, where possible, all four Pacific Alliance countries
7. The Australian Government increase funding for the *Mexico Special Visits Programme* to facilitate five special visits per year, relating to the key sectors of energy, agriculture, education, science & technology, mining and infrastructure in the years 2016 to 2018
8. Both Governments (and their relevant agencies) redraft existing MOUs between Australia and Mexico to include project specific actions in areas such as education, community development, infrastructure development, and health

9. Mexico continued to be invited to participate in Australia's Productivity Commission's twinning programme or second officers both ways.
10. The Australian and Mexican Governments explore the option of developing a trilateral aid programme that supports economic diplomacy efforts in Central America and the Caribbean
11. The Australian Government lead in the development of a scholarships programme (minimum 50 scholarships) for student interchange between all MIKTA countries
12. That DFAT and 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)

Potential opportunities for enhanced trade and investment ties, in particular those emanating from the proposed Trans Pacific Partnership (TPP);

13. Austrade's Mexico City post be provided a realistic portion of funding from the organisation's existing allocation of FTA funding (\$21.6m over two years) to promote the Mexican implications of the TPP to Australian companies
14. As a strategic priority the Australian Government consider isolating a portion of and/or increasing of COALAR funding to support like-minded partners – including ANZMEX, ALABC and other relevant Chambers – to promote TPP opportunities in Mexico
15. The Australian Government provide Austrade's Mexico City Post additional resources to better reflect the growing nature of the relationship and the broad regional responsibilities of the role. This could include providing additional staff to handle opportunities in investment, food & agriculture and telecommunications

Scope for increased collaboration in the education sector and the potential for extending scholarship programmes to Mexico;

16. The respective Departments of Education prioritise a project to substantially increase the number of jointly accredited undergraduate and post-graduate degree programmes
17. The Australian Education Department examine the feasibility of ranking key Mexican secondary schools in order to facilitate direct entry into Under Graduate programmes

18. The Australian Government appoint an additional 10 panel doctors to Mexico in order to alleviate the significant bottleneck in international student visas and to ensure there is an appropriate platform to support growth
19. The Department of Immigration be sufficiently resourced to reduce the time taken to process all visas for Mexicans to visit Australia to a more realistic 2-week time frame, and that student visas have a Spanish speaking inspector assigned as a primary point of contact
20. The Department of Immigration considers including Mexicans as eligible nationality to apply for eVisa and EST visas categories
21. The Department of Immigration considers the issuing of Business Travel Cards following the model already being applied for APEC Countries but limiting the countries travel requisite to Mexico and Australia.
22. The Australian Government and the National Centre for Science & Technology (CONACYT) confirm joint funding to support 10 oil & gas scholarships every year that help Mexico develop capacity to regulate the sector
23. The Australian and Mexican Governments jointly convene a biannual conference for the Deans of Agriculture from the major agriculture focused universities of both countries
24. The Australian and Mexican Governments jointly convene a biannual conference for the Deans of Research from the G8 universities in Australia and UNAM, ITESM and IPN in Mexico
25. Austrade appoint an Australian-based officer at Trade Commissioner level to the Mexico City post for the period 2016 to 2019 in order to accelerate the development of education opportunities in Mexico
26. Austrade be provided with adequate additional funding each year to extend its presence at major education fairs across Mexico
27. The Department of Education provide funding for an Education Counsellor to be based in the Mexico City post
28. The Australian Government extend its New Colombo Plan scholarship programme to include Mexico as a destination country

Scope for increased trade and commercial exchange in the resources sectors: with particular reference to the Oil & Gas sector in the Gulf of Mexico and hard rock mining;

29. The Australian Government and Mexican Government consider jointly funding the interchange of two officers of NOPSEMA and CNH as part of an exchange to improve institutional capacity, and management of contract bids and data management
30. The Australian Government and Mexican Government consider jointly funding the interchange of two officers of Geoscience Australia and CNH as part of an exchange to improve approaches to data quality for oil & gas reservoirs in Mexico
31. The Western Australian Government and City of Perth co-fund a trade mission to Mexico, with the support of Austrade, in order to better scope opportunities in the extractive industries in Mexico

Scope for cross investment and joint ventures in Australian and Mexican infrastructure projects; and

32. The Australian Government provide funding for four infrastructure finance specialists from the Mexican public and private sectors to visit Australia for a one-month sabbatical in the years 2016 and 2017
33. Austrade be provided with funding in order to continue to be a strategic partner with ANZMEX and IMEXDI in the Australia-Mexico Infrastructure Finance Forum.

Any other related matters.

34. The Department of Foreign Affairs & Trade undertake further enquiries to investigate constraints to the establishment of a direct air-link between Australia and Mexico
35. The Australian Department of Education undertake measures to confirm that Spanish is a priority language in Australia and provide commensurate resources to ensure a surge in the availability of Spanish language classes across the country
36. The Australian Government pursue a Memorandum of Understanding (MOU) with Mexico to streamline facilitation of film productions in both countries. The timeline for the MOU should aim to clear current obstacles to three significant Australian – Mexican film projects in progress in Mexico.

37. Australia considers a film co-production treaty with Mexico in order to support the expanding number of projects in both countries
38. That COALAR funding be allocated for the HOLA AUNZ Film Festival at least the next two festivals
39. The Australian Government encourage the Mexican Senate to proceed with approving much needed gambling reforms which were passed by Mexico's Chamber of Deputies on December 3, 2014

Responses to the Terms of Reference

Mexico's continued elevation in the global geo-political and economic order and its implications for Australia;

Mexico's position as a G20 economy (on par with the Australian economy) is not well understood in Australia. The fact that Mexico is on track to become a Top 10 economy in little more than a decade and perhaps a Top 5 or 6 economy by 2050 is often overlooked as Australia meanwhile feeds its fascination for 'Asia-only' demographics. *See Fig. 1 below.*

PPP rank	2014		2030		2050	
	Country	GDP at PPP (2014 US\$bn)	Country	Projected GDP at PPP (2014 US\$bn)	Country	Projected GDP at PPP (2014 US\$bn)
1	China	17,632	China	36,112	China	61,079
2	United States	17,416	United States	25,451	India	42,205
3	India	7,277	India	17,138	United States	41,384
4	Japan	4,788	Japan	6,006	Indonesia	12,210
5	Germany	3,621	Indonesia	5,486	Brazil	9,164
6	Russia	3,559	Brazil	4,996	Mexico	8,014
7	Brazil	3,073	Russia	4,854	Japan	7,914
8	France	2,587	Germany	4,590	Russia	7,575
9	Indonesia	2,554	Mexico	3,985	Nigeria	7,345
10	United Kingdom	2,435	United Kingdom	3,586	Germany	6,338
11	Mexico	2,143	France	3,418	United Kingdom	5,744
12	Italy	2,066	Saudi Arabia	3,212	Saudi Arabia	5,488
13	South Korea	1,790	South Korea	2,818	France	5,207
14	Saudi Arabia	1,652	Turkey	2,714	Turkey	5,102
15	Canada	1,579	Italy	2,591	Pakistan	4,253
16	Spain	1,534	Nigeria	2,566	Egypt	4,239
17	Turkey	1,512	Canada	2,219	South Korea	4,142
18	Iran	1,284	Spain	2,175	Italy	3,617
19	Australia	1,100	Iran	1,914	Canada	3,583
20	Nigeria	1,058	Egypt	1,854	Philippines	3,516

FIG.1 PWC, THE WORLD IN 2050 REPORT, FEBRUARY 2015

Mexico's factsheet is equally compelling when compared to that of Asia. Consider that the OECD rates Mexico's economic reform programme – covering areas such as energy, telecommunications, taxation and education – as the most significant of the G20 membership. While its short term growth is restricted by a depressed oil price, the longer term outlook is that Mexico will surge on the back of principled macroeconomic management (Mexico has an A-

credit rating, substantial foreign reserves and modest public debt) and a comprehensive set of microeconomic reform initiatives to overcome flagging productivity. The country is the third lowest cost of the globe's export markets with an enviable proximity to the United States. Trade represents around 65% of GDP, world-class by any measure. It is home to a sprawling industrial complex that delivers it fourth position in light vehicle export in the world and yet has a diversity to its economy that is the envy of its Latin American neighbours. In the US, the business sector talks about Mexico in the same sentence as China and India. No plan is complete without a deep analysis of the opportunities of their southern neighbour and without a discussion about the need to develop the cultural and Spanish language skills of their workforce.

In 2010, *The Economist* published a front cover hailing Latin America as '[Nobody's Backyard](#)' – a riposte to the long held view that Latin America was mostly a plaything or problem of the United States of America and, to a lesser extent, Canada. It examined the strengthening ties of many countries – especially from Europe and Asia – in the region. In some parts of Latin America – for example the resource-led economies of Chile and Peru – the argument could be extended to Australia. However it would be some exaggeration to suggest that Australia views Mexico as its backyard. At best, for too many Australian companies, it is an add-on to a US-bound itinerary. Yet ANZMEX would argue that of all economies of the Americas, it is Mexico that offers the greater opportunity.

If Australia continues with this mindset it will be passing over the opportunity to the more alert economies of Europe and Asia. Countries including the UK, Germany, France, Spain, the Netherlands, Japan, South Korea and China are now seizing the opportunity to advance their interests. The presence of some has transformed in the space of just a few years. The UK has been especially aggressive. Mexico is a top-10 priority market for trade and investment and its lead agency – UKTI – has bolstered its numbers to approximately 30 business development staff, in comparison to an Austrade staff that numbers less than 5 people. While most economies view Mexico as the entry point to Latin America, Australia prefers the less diverse and significantly smaller Chile. ANZMEX questions whether this counter-intuitive thinking is appropriate given it simply reflects a more immediate focus on resource-related opportunities in the region, rather than the more substantial global value chain (GVC) opportunities that are available in Mexico, not to mention the advantageous geographic location of Mexico.

In spite of the general lack of attention paid to the market, there are in fact a growing number of Australian companies that are building a presence in Mexico. In this regard, ANZMEX is grateful to the Export Council of Australia (ECA) for taking leadership and producing a report that will, for the first time, accurately reflect the many opportunities that exist in Mexico for Australia, showcasing the market plans of some leading Australian companies. It is estimated that more than 100 Australian companies now operate in Mexico, including major companies such as Macquarie Group, BHP Billiton, WorleyParsons, Ausenco, Boart Longyear, Lend Lease, Orica, Incitec Pivot, IFM, Arrium, Amcor, Futuris, Seek, carsales.com.au and Flight Centre. This group of companies is the vanguard, reflecting the diverse nature of Australian investment in Mexico. Opportunities abound in the telecommunications, energy, infrastructure, manufacturing, agriculture, mining, food and beverage, health, tourism and services sectors. The quality of these companies cements the point that Mexico offers substantial commercial opportunities, arousing the interest of some of Australia's leading companies. It is important to note that in addition to many of these well known companies, ANZMEX membership has a strong foundation of Australian, Mexican, and international SMEs and individual entrepreneurs who are successfully exploring opportunities in Australia, Mexico and the region.

Australia and Mexico need to leverage this Australian presence by better showcasing Australian capability in Mexico and by accelerating efforts to attract and support new market entrants. It can do this in many ways. Importantly, we need a cornerstone annual event, sponsored by the Trade & Investment Minister, which will highlight the opportunities. This can, perhaps, be most efficiently achieved by transposing the successful *Australia Week* model from other markets such as India, China and the Middle East.

We are aware of the proposal to establish the *International Centre of Excellence for Indigenous Consultation* in Mexico. Apart from the positive contribution this type of organisation could have for local communities, investors and the state, ANZMEX views economic diplomacy initiatives such as these as ideal opportunities to establish Australia as a leader and strategic partner in the region.

However, a more important piece of work must be undertaken. Both Austrade and the Department of Foreign Affairs & Trade demonstrate great sophistication in their engagement models to build opportunities in the market. The focus on economic diplomacy, practically

implemented through the PRETSS (Policy, Research, Equipment, Technology, Services and Skills) model, is a differentiator for Australia vis-à-vis most of its competitor countries in Mexico. However, it is the view of ANZMEX that greater clarity must be provided regarding how Australia will implement such an ambitious agenda – specifically by defining which programmes and the relevant level of funding.

On the agriculture front, ANZMEX believes that to have a Department of Agriculture officer with a remit for Mexico and the whole of Latin America would help advance Australia's interests substantially. We understand that an Agriculture Officer covers the region from Washington – however believe that the argument to have a Agriculture officer in Latin America more broadly is compelling and Mexico would be an excellent staging point (rather than Santiago or Brazil), given the potential growth in trade as a result of the TPP agreement, as well as the potential to sell technology, services and research collaborations.

This leads us to the most fundamental criticism of the current approach of Australia to Mexico and the region. That is, while it has enunciated that it seeking to extend its activities beyond Asia to the Indo-Pacific, there has been too little consideration of the Americas in that conversation. This is an oversight that must be corrected. Resourcing to these markets has remained more or less stagnant in recent years. (In fact, due to funding pressures Austrade removed a long-standing and industry critical position from the Mexico City post in 2012.) While Australia's work in building new engagement models is world-class, there has to be a prioritisation of markets, supported with greater resources, to reflect a changed global economic order. ANZMEX is confident that any such analysis would reveal a significant shortfall in the resources provided to enhancing Australia's relationship with Mexico, compared to other markets that may be more conveniently accessed for reasons of geographic proximity but offer far less in terms of providing access to much more substantial commercial opportunities over the longer term.

It is not enough to grow Australia's presence in Mexico in an incremental way. It needs to immediately recast Mexico (and the Americas) in the same way that it did Asia almost thirty years ago. Australia needs to recognise that the relationship is on the rise and will be for decades to come. With this commitment we should hope to see our trade relationship develop to at least ten-fold its current level. The investment flows should be much larger again. It will

unlikely achieve this aim, however, on current resourcing levels for the key Australian Government agencies in Mexico, that not only have responsibilities for Mexico but for the immediate region of Central America and parts of the Caribbean.

Recommendations

1. The Australian Government develop a report which addresses the changed global geopolitical and economic order and its implications for trade & investment flows over the next two decades, including a clear recommendation of priority markets beyond Asia
2. The Australian Government provide funding to conduct an annual *Australia Week in Mexico* (AWIM) in the major commercial centres of Mexico City, Guadalajara and Monterrey from 2016 to 2018
3. The Australian Government identify and support one major economic diplomacy project (minimum value of \$1m) to be delivered in Mexico on an annual basis for the years 2016 - 2018
4. The Australian Government increase funding to the Department of Agriculture and the Department of Foreign Affairs & Trade for two additional Australian-based officers to be added to the Mexico City post in order to respond to opportunities in food & agribusiness relating to the implementation of the TPP and the other for executing key economic diplomacy projects.

Opportunities for enhanced relations, including the potential for increased bilateral engagement and also through jointly held memberships such as the G20, APEC, OECD and MIKTA;

Australia and Mexico are like-minded on a wide range of globally significant issues. Our leaders speak with genuine warmth about the prospects for the relationship, albeit infrequently. Australian leaders when visiting Mexico are not only struck by the scale of Mexico's economy, but its varied and complex society. Mexico boasts a rich and inspiring culture and is underpinned by a commercial outlook that is increasingly global in nature. Our respective geographies make for easy conversation about shared challenges, such that it is easy to confirm an unrealised friendship as 'natural partners'.

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 Pacific Alliance presents substantial opportunities for Australia to engage with Mexico as well as the other Pacific Pumas. At the simplest level trade missions to the region should focus on Mexico, Chile, Peru and Colombia. Competition policy, sustainable mining, water and environmental management and education and training have been identified as focus areas for Australia's engagement with the Pacific Alliance – these are all areas of strength for Australia and present opportunities to collaborate via the Pacific Alliance mechanisms. We understand that in July the Foreign Minister announced a new training & education benchmark project in the transport and logistics area. ANZMEX would encourage support for this type of project, as well as those already up and running in Chile, Peru and Colombia to be extended to Mexico.

There is an opportunity to deepen existing links between the Productivity Commission and the ACCC in Australia and their counterpart organisations in Mexico. In recent years, we've seen Gary Banks, Rod Sims, Allan Fels and others visit Mexico and vice versa Eduardo Perez Motta (formerly head of the predecessor to COFECE and one of the architects of Mexico's competition reforms) and Roberto Newell (formerly IMCO). Alejandra Palacios (COFECE head) just visited Australia for an international competition conference.

On the issue of committing time to build the relationship, the last visit by an Australia 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 has undergone a significant reform programme and while we were negotiating the Trans Pacific Partnership (TPP). During that same period there have been more than five visits from New Zealand at the Ministerial level, including that of the Prime Minister in 2012 and the Deputy Prime Minister and Finance Minister in 2015.

High-level visits can be a real catalyst for deepening government-to-government and business relations. Given Mexico's proximity to the US, a visit to Mexico can easily be added to a US itinerary. ANZMEX would support a Prime Ministerial visit in 2016, but agree wholeheartedly the first step is a Trade and Investment Minister visit.

It is important to note that ANZMEX incorporates a New Zealand focus, along with that of Mexico and Australia. There are many issues and opportunities when Australia and New Zealand can and do collaborate for mutual benefit. In the same manner, many Mexican business people look to Australia and New Zealand as compatible markets and value the co-operation and mutual respect they see exhibited by diplomatic and commercial representatives of both countries.

The agenda for co-operation can be a substantial one. Mexico shares the same focus on building economic capacity and there is much to be shared from collaborating on shared problems, whether they relate to improving education outcomes (through better curriculum development, teacher training or building trade and technical capacity), managing complex community development issues, transforming growth in tropical and sub-tropical zones (e.g. *Northern Australia* plan), innovation in managing health issues (especially in the tropics), or developing greater rigour in public-private procurement processes. There is even scope to apply efforts across these areas in a tri-lateral way in the immediate region of Central America and the Caribbean. This latter activity could transform not only Australia's relationship with Mexico but across the immediate region.

Another significant opportunity to build the bilateral relationship is through the Special Visit Programme managed by the Department of Foreign Affairs & Trade. This programme appears to offer tremendous value. Recent visits have certainly provided very significant opportunities to build the relationship. As such, ANZMEX believes there is considerable scope to grow the programme in recognition of the need to accelerate the links between our two countries.

It is also important to note the important and ongoing role that Council of Australia and Latin American Relations (COALAR) plays in developing Australia's relationships across the region. COALAR has played a particularly valuable role in scoping potential engagement opportunities in the education and culture sectors in Mexico. In the future, however, we believe it would be more helpful if such projects committed to a range of longer-term objectives and outcomes.

While ANZMEX understands that such visits have provided important intelligence to Australian stakeholders, our organisation would question whether there has been any additional value provided. We would argue that support for cultural promotion programmes and activities that have a proven track record and a strategic vision would bring more sustainable value, for example the photographic exposition on Chapultepec fence, film festivals, the international culture fair in Mexico City's Zocalo, etc.

Recommendations

5. Australia's Minister for Foreign Affairs and Minister for Trade & Investment confirm and commit to an enhanced programme of bilateral visits between senior Ministers and parliamentary leaders of both countries
6. Austrade develop focussed trade missions which include, where possible, all four Pacific Alliance countries
7. The Australian Government increase funding for the *Mexico Special Visits Programme* to facilitate five special visits per year, relating to the key sectors of energy, agriculture, education, science & technology, mining and infrastructure in the years 2016 to 2018
8. Both Governments (and their relevant agencies) redraft existing MOUs between Australia and Mexico to include project specific actions in areas such as education, community development, infrastructure development, and health
9. Mexico continued to be invited to participate in Australia's Productivity Commission's twinning programme or second officers both ways
10. The Australian and Mexican Governments explore the option of developing a trilateral aid programme that supports economic diplomacy efforts in Central America and the Caribbean
11. The Australian Government lead in the development of a scholarships programme (minimum 50 scholarships) for student interchange between all MIKTA countries
12. That DFAT and 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)

Potential opportunities for enhanced trade and investment ties, in particular those emanating from the proposed Trans Pacific Partnership (TPP);

There is little doubt that the advent of the Trans Pacific Partnership (TPP) will act as a trigger for a much-enhanced relationship between our two countries. Mexico holds 12 separate trade agreements covering 45 countries. Prior to the very recent finalisation of the TPP Australia was excluded from accessing, in any meaningful way, some very significant markets. For instance, Australian wine producers sell at a 20% premium to key competitors such as the France, Chile and Spain. (Given the red wine segment is growing at approximately 15% year-on-year, it is critical the Australian suppliers are provided the platform to compete and the support to gain access.) Meanwhile many of our mining, equipment, technology and services (METS) providers must account for a 15% premium to access Mexican customers. The fortunes of our meat & livestock industry, meanwhile, have been negatively impacted ever since the conclusion of the NAFTA agreement in 1994.

With the long awaited signing of the TPP, there is no room for complacency in clearly and constantly informing the Australian business community on how to seize opportunities attached to the TPP. The same energy that has been applied to selling the Korea, Japan and China FTAs needs to be applied to the TPP, especially in the new markets of Canada, Mexico and Peru. On this point, ANZMEX notes that in the most recent budget that \$21.6 million was allocated toward promoting FTAs for the next two years. Now that the TPP has been agreed, it is critical that Mexico, alongside Canada and Peru, be provided with a significant share of this funding given that no previous agreement has existed between Australia and these countries and that there are a wide range of opportunities which will become viable under the terms of the TPP.

A major point to raise in relation to commercial and trade opportunities for Australia in Mexico relates to Mexico's dominant position in advanced manufacturing, whether in relation to the automotive sector, aerospace or other sub-sectors. Mexico is responsible for around 80% of all advanced manufactured exports of the Latin America, a region of with a population of more than 600 million. Its cost base ranks third lowest (only behind India and Indonesia) of the world's top 25 export countries. *See Fig. 2 below.*

The world's top 25 export economies

Manufacturing cost index, United States=100
Ranked by volume of exports, 2014 estimates

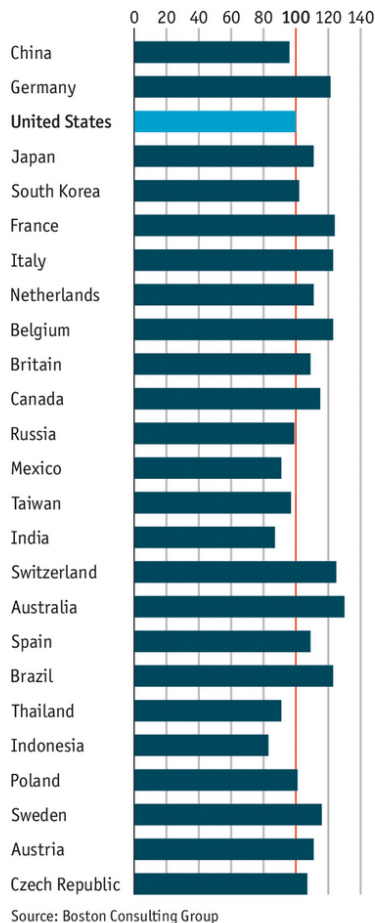


FIG. 2 BOSTON CONSULTING GROUP REPORT (PRINTED IN THE ECONOMIST), OCTOBER 2014

The recent pan-North American investment of flagship Australian auto-supplier, Futuris, which includes a large manufacturing facility, employing more than 2,000 people, in Ciudad Acuña on Mexico's northern border, reveals the potential for Australian manufacturers, especially given structural adjustments in Australia. The Futuris deal is a real-life example of the practical implications of near shoring. It can no longer rely on operations in Asia to access opportunities in North America. Of course, Futuris is not the only Australian company to make this realisation. Amcor, Incitec Pivot, Boart Longyear, Arrium and NOJA Power all manufacture, often with a multiple site presence, in Mexico. This is the future of Australian manufacturing. That is, outward investment-led growth based on 'home grown' innovation, where the net economic benefit is in Australia's favour.

More specifically in the area of investment, it is important to note that Mexico is both a significant source of FDI inflows and outflows. As an investment destination it now ranks in the Top 10 globally, according to A.T. Kearney. Mexico's strong emerging market credentials are increasingly scrutinised by Australian investment funds. In the past year, major Australian investment fund, IFM, invested US\$600m in a Mexican toll road. Macquarie Group, meanwhile, finalised consultation as the lead partner in the US\$1.1bn 400MW Marena wind farm and runs one of the most significant commercial and industrial property portfolios in the country. Such investments have led ANZMEX to work with Austrade and local infrastructure think tank, [IMEXDI](#), to create the inaugural *Australia Mexico Infrastructure Finance Forum* ([AMIFF](#)) to take place in October this year.

ANZMEX, however, believes that Australia is undervaluing Mexico as a potential source of inward investment into Australia. The Austrade post is not commissioned with investment responsibilities despite the fact that Mexico is fast building its reputation for global investment, principally stemming from investments from a small group of high net worth families. Indeed, Mexico has two major investments in Australia, both in the food and agribusiness sectors – one from Gruma (the Moreno family), who own the Mission Foods brand, and the other lesser known, but more substantial, Riverina Oils & Bio Energy (the Junco family) investment in an oil-seed pressing facility. The food and agribusiness sector could provide a rich source of two-way investment and Australia could consider options to share its *Northern Australia* blueprint as a way of securing stronger investment and R&D links in Mexico. There is already a shared dialogue thanks to shared memberships of the Five Nations Beef Alliance, recently established MOUs between Meat & Livestock Australia and the Sheepmeat Council of Australia and their equivalent representatives, and via longstanding research commitments in organisations such as CIMMYT (research centre into maize and wheat). To develop this agenda, however, Austrade needs to be provided local investment responsibilities and provided appropriate funding in order to prosecute a plan in a meaningful way.

Recommendations

13. Austrade's Mexico City post be provided a realistic portion of funding from the organisation's existing allocation of FTA funding (\$21.6m over two years) to promote the Mexican implications of the TPP to Australian companies

14. As a strategic priority the Australian Government consider isolating a portion of and/or increasing COALAR funding to support like-minded partners – including ANZMEX, ALABC and other relevant Chambers – to promote TPP opportunities in Mexico
15. The Australian Government provide Austrade's Mexico City Post additional resources to better reflect the growing nature of the relationship and the broad regional responsibilities of the role. This could include providing additional staff to handle opportunities in investment, food & agriculture and telecommunications

Scope for increased collaboration in the education sector and the potential for extending scholarship programmes to Mexico;

In the context of Australia's Education 2025 strategy, Mexico represents a very significant emerging market opportunity, both in terms of international student flows and transnational education (TNE) opportunities. The total student population is 35 million from a total population of 120 million.

Interestingly, unlike many other markets, the preference of most Mexican students in terms of post-secondary and tertiary education is to study domestically. While Australia needs to be aware of this environment and show greater interest in developing local relationships in Mexico, it must also compete much more robustly with other competitor markets for international student flows as the preference for domestic education is changing as a result of three major factors. Firstly, competitor markets are more active in creating Mexico specific scholarship programs to support international student flows. (The Netherlands, for instance, has a 300-strong scholarship programme for Mexicans to study in its country. The UK runs a wide range of comprehensive scholarship programmes for Mexicans, including the Chevening Programme which in 2015 awarded 101 postgraduate scholarships.) Meanwhile, Australia has abandoned the AusAid scholarship programme across the region.

Secondly, some of Mexico's lead institutions are insisting that their students study overseas. (For example, Tec de Monterrey has a goal that 90% of its graduating students will have studied overseas.) Finally, the rise of Mexico's middle-class (which now numbers in excess of 70 million) has raised the prospect for an increasing number of students to study overseas.

While Australia is experiencing strong growth in student numbers of around 15% year-on-year in recent years, this is from a very low base. Further its share of the market is, at least from observation, in decline. This is not to undermine the tireless efforts of individual universities, education agents, Austrade and the Australian Embassy, but simply a reflection of the increased resources applied by other markets such as the UK (again, it rates Mexico as a top 10 priority market for international education), Canada, France, Germany, the Netherlands and the US. While it is obvious that Australia has a compelling offer, it simply isn't competing from a marketing perspective. The product is great, the coordinated promotion is lacking. The new *Education 2025* plan gives Australia an opportunity to fight back and clearly identify Mexico as a market ready for priming, whether in relation to international students or for local delivery. (For example, Macquarie Group is the infrastructure provider for Mexico's only PPP University.)

It is important not to overlook a number of important process issues where Australia is slipping up. The most critical is the issue of 'panel doctors'. It is Australia's Department of Immigration that has responsibility for managing the appointment of panel doctors, whose role is to undertake a medical check on all international student applicants. In Mexico, there are just three appointed for the entire country – one doctor each in the cities of Mexico City, Guadalajara and Ciudad Juarez. This lack of soft infrastructure puts Australia at a distinct disadvantage to its competitors, sometimes adding as much as \$1000 to the cost of some students studying in Australia due to their need to pay for flights, accommodation and incidental costs so that they can attend an appointment at the location of the panel doctor. During peak application periods, prospective students can wait as long as three weeks to have an appointment confirmed, and another month before actually being able to visit the doctor. When you consider that the student visa cannot be processed until the doctor's report is submitted, the entire process can stretch to three months. Mexico has more than 32 cities with a population of around 500,000 people or greater. It is not unreasonable to expect that each city should have at least one panel doctor. Further, ANZMEX believes key feeder cities such as Mexico City, Guadalajara and Monterrey (due to the presence of Tec de Monterrey) should have three or four panel doctors. At the very minimum, Australia should appoint at least 10 additional panel doctors and explore partnering with other international partners such as Canada and UK to make use of their approved panel doctors.

The other significant issue the visa process, which affects all Mexicans travelling to Australia, however for students the panel doctor issue compounds the problem. Whilst the recently introduced biometric testing is a deterrent to some prospective students, ANZMEX fully appreciates the need for the inclusion of this testing and simply recommends that all efforts are made to accurately communicate the expectations to Mexicans in terms of their travel plans to Australia and to streamline the process where possible. Currently Mexicans are not eligible to apply for eVisas or the EST visa – we would argue that if Australia is serious about welcoming Mexican business people, tourists and students we should use avenues which are already in place for other strategic partners of Australia.

In addition we would urge that the Department of Immigration be sufficiently resourced to reduce the time taken to process visas for Mexicans to visit Australia from the current 4 – 6 week time frame to a more realistic 2-week time frame. We believe that having inspectors who are fluent in Spanish, and are specifically responsible for liaising with the Australian Embassy immigration team in Mexico would be of great assistance in addressing problems.

It is a widely recognised reality that the quality of secondary education varies greatly in Mexico. Currently, Australian universities require all high school graduates to complete a Foundation Year in Australia before beginning their undergraduate studies – regardless of the quality of the school they have attended locally. Top candidates from top schools simply are not interested to spend this time and money when they are already at the same or higher level required and thus go elsewhere. This disincentive, combined with the paucity of scholarship or funding options for under-graduates means that Australia is simply not competing in this segment of the market. We would recommend that the Education Department examine the feasibility of ranking key Mexican secondary schools in order to facilitate direct entry for qualified students into Under Graduate programmes.

Another significant flaw in Australia's approach is that it manages regional education activities from either Brazil (from a policy perspective) or from Chile (from a promotional perspective). It is unrealistic to assume that either position can provide real strategic input and drive to develop opportunities in the Mexican market. The Education Counsellor in Brazil is deeply, and not unwisely, entrenched in developing ties in Brasilia. Meanwhile, recruitment feedback mechanisms to universities are unnecessarily convoluted due to the geographical dislocation of

Austrade's management structures in education. The scale of the opportunity in Mexico provides strong argument for both an Education Counsellor and an Australian-based Trade Commissioner for Education to be appointed to the Mexico City post.

While the Trade Commissioner role could focus on supporting Australia to gain a stronger foothold in the recruitment of international students it could also play a fundamental role in supporting Australian institutions in developing local partnerships in order to provide education services locally. Both the public and private sector is anxious to improve the skills base. This could be in relation to introducing trade & technical colleges with specialisations in the oil & gas or agricultural industries (Mexico has identified they have a gap of 130,000 in the oil & gas sector alone).

Another major area of opportunity is in English language training. In 2014 leading think-tank, [*Mexicanos Primeros*](#), reported that 97% of students are not reaching the established level of proficiency in English established by the Ministry of Education. ANZMEX is aware that Austrade is in discussions with state-owned petroleum company, Pemex (with a workforce of 150,000), for the provision of English language training.

An additional Education Counsellor would be able to manage the very significant government liaison required in order to establish a platform for greater collaboration. The Australian Government should not underestimate the investment in terms of time and energy required to develop such programmes. Many stakeholders influence decisions in education in Mexico. The Mexican Government is determined to make bold improvements and the Ministry for Education (SEP) has proven itself to be a capable and effective agency of change. Its targets are ambitious, including a desire to see the rate of admission from secondary school to university increase to 40% of all sought admissions. However, if Australia is to achieve deep engagement with SEP and other key stakeholders it must dedicate more resources to the job. In doing so, it could not only pursue agendas in trade & technical training and English literacy but also in other capacity building pursuits such as the development of a national competency framework, curriculum reform and the provision of teacher training. ANZMEX understands that such areas are outside of the purview of Austrade – however at the same time they represent an opportunity to collaborate with Mexico to support lasting social change by improving the quality of education at all levels.

Another significant task for an Education Counsellor to achieve is for Australia to embark on a comprehensive programme with Mexico to increase the number of jointly accredited undergraduate and post-graduate degree programmes. In recent years, countries such as the UK and Spain have undertaken such initiatives and greatly boosted student intakes as a result. Some of these are simple but time consuming tasks that can unlock value for Australia's education sector.

Of course, the issue of education is not simply about exposing more Mexican students to the Australian education system. As noted at the outset of this submission, there is a stark gap in Australia's knowledge of Mexico. Despite some 70,000 Australians visiting Mexico every year, our commercial sector is largely ignorant of the opportunities and customs of Mexico. This needs to change. The era of generalisations of sombreros, tequila and mariachis must come to an end and be replaced by a realisation that Mexico is home to one of the great cultural capitals of the world, exquisitely poised to become one of the globe's most thriving commercial centres. By extending the Colombo Mark II plan to Mexico, the Australian Government can make vast inroads into recasting Mexico as a vital hub of the global economy for the next generation of Australian leaders.

Recommendations

16. The respective Departments of Education prioritise a project to substantially increase the number of jointly accredited undergraduate and post-graduate degree programmes
17. The Australian Education Department examine the feasibility of ranking key Mexican secondary schools in order to facilitate direct entry into Under Graduate programmes
18. The Australian Government appoint an additional 10 panel doctors to Mexico in order to alleviate the significant bottleneck in international student visas
19. The Department of Immigration be sufficiently resourced to reduce the time taken to process all visas for Mexicans to visit Australia to a more realistic 2-week time frame, and that student visas have a Spanish speaking inspector assigned as a primary point of contact
20. The Department of Immigration considers including Mexicans as eligible nationality to apply for eVisa and EST visas categories

21. The Department of Immigration considers the issuing of Business Travel Cards following the model already being applied for APEC Countries but limiting the countries travel requisite to Mexico and Australia
22. The Australian Government and the National Centre for Science & Technology (CONACYT) confirm joint funding to support 10 oil & gas scholarships every year that help Mexico develop capacity to regulate the sector
23. The Australian and Mexican Governments jointly convene a biannual conference for the Deans of Agriculture from the major agriculture focused universities of both countries
24. The Australian and Mexican Governments jointly convene a biannual conference for the Deans of Research from the G8 universities in Australia and UNAM, ITESM and IPN in Mexico
25. Austrade appoint an Australian-based officer at Trade Commissioner level to the Mexico City post for the period 2016 to 2019 in order to accelerate the development of education opportunities in Mexico
26. Austrade be provided with adequate additional funding each year to extend its presence at major education fairs across Mexico
27. The Department of Education provide funding for an Education Counsellor to be based in the Mexico City post
28. The Australian Government extend its New Colombo Plan scholarship programme to include Mexico as a destination country

Scope for increased trade and commercial exchange in the resources sectors: with particular reference to the Oil & Gas sector in the Gulf of Mexico and hard rock mining;

There is little argument that the reform of Mexico's energy sector represents the most significant reform in Mexico since NAFTA in the mid 1990s. The overall Mexico opportunity in oil & gas is extremely large. The reform opens almost the entire upstream, midstream, downstream, and power generation to private investment in a resource-rich country that has the world's 13th largest economy. Today, Mexico is the world's 11th largest oil producer and 13th largest natural gas producer, reserves of ~40 billion barrels oil equivalent and resource potential of >100 billion barrels oil equivalent.

Energy is the Government's flagship reform. The energy reform completely re-structures the entire energy sector, reorients the State owned companies as autonomous State productive entities that are required to compete for new opportunities, and establishes new regulatory agencies whilst strengthening existing agencies. The legislative changes in Mexico have the potential to attract foreign and private investment that could revitalise an energy industry that has been in slow decline; for many oil & gas companies, Mexico is globally the no.1 destination for access to new opportunities.

Government emphasis is on swiftly implementing the energy reforms given the urgency to stimulate the economy and create jobs. Since the Constitutional reform in December 2013, the pace has been fast pace and aggressive; bid rounds for offshore contracts are underway, and the Government plans include offering 100s of investment opportunities. The Government's reform was a remarkable achievement; it opens competition in most of the value chains, and could result in enormous opportunities for Australian companies and investors.

Even accounting for depressed oil & gas prices; it represents a very significant commercial opportunity for Australia. The interest of Australia's two major oil & gas operators – BHP Billiton and Woodside – as well as the major engineering services company, WorleyParsons – and energy investors such as Macquarie Group, underlines its significance in terms of accelerating the development of Australia's commercial ties in Mexico. Greater promotion of Mexico's potential investment opportunities within Australia would be of help to attract Australia's smaller and medium sized oil & gas and services companies to invest in Mexico.

From the outset it is important to commend both Austrade and the Australian Embassy in the role they have played in supporting Australian industry in entering the market. The Australian Government has provided exemplary and agile support to those wishing to take advantage of the reform, helping major players navigate a complex and changing market and providing critical intelligence to those investigating the opportunities.

The pace of reform implementation has been sometimes frantic, but is now becoming more predictable. To this extent, it is clear that commercial opportunities exist, not only for major players seeking exploration and production contracts, but also for the supply chain and services sector, as well as industry training & skills development. It is apparent that the Australian

Government has a strong grasp of the opportunities and a clear programme for engagement. However, it would be helpful if there were stronger institutional engagement from agencies such as NOPSEMA or the Western Australian Department of Mines & Petroleum. Both agencies could make valuable contributions to the development and enhancement of Mexico's regulatory approach, its contract bids rounds and industry data management. Australia could also consider increased collaboration between Mexico's National Hydrocarbon Commission (CNH) and Geoscience Australia as part of a quality improvement project.

Opportunities in Mexico's mining sector, meanwhile, are under-explored by Australian companies, despite Mexico consistently ranking in the Top 5 most prospective companies for mining investment in the world (behind Australia, the US, Canada and Chile). While Canada has more than 200 companies actively exploring or producing in Mexico, Australia has but a handful. The decision in September 2014 for Rio Tinto to take a stake in Australian junior, Azure Minerals, in addition to BHP Billiton's recent admission that it is keen to investigate potential copper resources in Mexico, gives some reason to be optimistic. Moreover, there has been a small surge in engagement from Australia's mining, equipment, technology and services (METS) sector. Companies such as Austin-Westech, Gekko, Orica, Incitec Pivot, Ausenco, Sedgman, Pit-to-Ship Solutions, Groundprobe and others are active in the market. Mexico is a top 10 producer in some 17 mineral categories. The industry contributes more than 5% to Mexico's GDP and is well regulated.

While Australia's fascination with other markets such as those in Africa or South America is understandable, it is obvious that Mexico is something of a blind spot. The major mining States of Western Australia and Queensland, as well as key mining services associations, such as Austmine and MESCA, should give serious thought to engaging more deeply with such a prospective market, especially in light of recent comments or deals in respect of BHP Billiton and Rio Tinto.

Recommendations

29. The Australian Government and Mexican Government consider jointly funding the interchange of two officers of NOPSEMA and CNH as part of an exchange to improve institutional capacity, and management of contract bids and data management

30. The Australian Government and Mexican Government consider jointly funding the interchange of two officers of Geoscience Australia and CNH as part of an exchange to improve approaches to data quality for oil & gas reservoirs in Mexico
31. The Western Australian Government and City of Perth co-fund a trade mission to Mexico, with the support of Austrade, in order to better scope opportunities in the extractive industries in Mexico

Scope for cross investment and joint ventures in Australian and Mexican infrastructure projects; and

The scope for cross investment and joint ventures in infrastructure projects is significant in the view of ANZMEX. Since establishing its regional Latin American headquarters in Mexico in 2009, Macquarie Group has developed an enviable portfolio that includes hydroelectric, education, commercial, industrial and wind energy assets. It has done so in partnership with a range of international and national development banks, local pension funds and other investment funds, such that it has some \$2 billion in assets under management.

As the energy reform takes hold it is also not inconceivable that Australia's major oil & gas operators will develop a range of local partnerships in order to undertake commercial activities in Mexico. Indeed, the risk in exploring deep-water opportunities in the Gulf of Mexico would mean it is far more likely than not.

In general infrastructure, both IFM and Whitehelm Capital (representing Prime Super) manage significant investments in Mexico. Further, as indicated earlier, ANZMEX is working actively to increase exposure for Australian superannuation funds and other relevant commercial and institutional players to Mexico by co-hosting the Australia Mexico Infrastructure Finance Forum (AMIFF) in October 2015.

In the short term we are unlikely to see Mexico's pension funds make investments in Australia for the reason that they are currently restricted to making domestic investments and only in certain asset classes. However, there is reason to believe the Mexican government may alter these rules in order to liberate the pension funds to earn higher returns.

However, the opportunities for Australian companies in Mexico's infrastructure sector are significant. The Mexican Government has a \$500bn infrastructure plan to 2018 covering all key infrastructure categories, including energy, rail, road, water, ports etc. The plan is predicated on significant private investment. The Government has also legislated for 3P investments, which includes a provision for unsolicited bids, thereby facilitating greater competition and innovation in the market.

It is also worth noting that Lend Lease has become increasingly active in the market and is currently constructing Mexico City's tallest skyscraper, the Torre Reforma. We expect the company to become increasingly active in the market given Mexico City's focus on urban renewal and as a commitment to stronger environmental outcomes becomes more prevalent. This in turn should support other Australian companies committed to sustainable building practices to enter the market.

Recommendations

32. The Australian Government provide funding for four infrastructure finance specialists from the Mexican public and private sectors to visit Australia for a one-month sabbatical in the years 2016 and 2017
33. Austrade be provided with funding in order to continue to be a strategic partner with ANZMEX and IMEXDI in the Australia-Mexico Infrastructure Finance Forum

Any other related matters.

There are a range of other significant issues that are constraints to building a stronger relationship between Mexico and Australia. The most obvious is the lack of a **direct flight**. This is, of course, a major impediment to the expansion of the relationship, especially given the preference of Latin Americans to spend significant face-to-face time engendering trust in the relationship. The distance between our two countries is not insurmountable but it seems likely that carriers such as Qantas would be unwilling to cannibalise existing US routes in order to fly a direct route to Mexico. A more likely outcome is for a Mexican or other international carrier to examine the route. Given that current Australian visitor numbers are approximately 70,000 annually and Mexico City's plan to build a \$10bn airport, there is reason to believe that there will be sufficient traffic to underwrite a new route connecting our two countries.

Another major impediment is **language**. Australia appears to have a blind spot to the Spanish language in a way no other English speaking country has. It is a commonly held view that Spanish is the third most important language in the globe, however Australia fails to recognise it as a priority language in its education system. By any measure, Spanish is a much easier language to learn than many Asian languages, for instance Japanese or Mandarin. Therefore an investment in a child learning Spanish will more likely see a return. The US has now adopted Spanish such that it would make you think it is the second national language. Further, it is training its students with urgency, in the realisation that it will be a near essential skill if the United States is to extend its cultural and economic ties in the decades to come. Interestingly, at a university level in Australia, students are casting their vote on the issue through a surge in enrolment. ANZMEX understands, for instance, that Spanish is the most common language course to which students are enrolled at UTS. The Australian Government can ill afford to drag its feet on this issue any longer. It prolongs a fundamental illiteracy in the Americas.

The Mexican and Australian **film industries** are both world class – and present opportunities of collaboration that will not only be of commercial value, but also make significant contribution to building cultural appreciation between our countries and provide opportunities for skill and technology exchange.

ANZMEX is aware of three significant Australian-Mexican feature films in advanced development, *Sentido*, *Viva la Vida* and *Out*. All three films have a budget between A\$4-6 million, internationally recognised casts, experienced producers and culturally relevant unique stories that present an opportunity for cross promotion and expansion of the relationship between the two countries. We believe these strong packaged projects, set to film in 2016, demonstrate significant potential for co-production projects between Australia and Mexico in the future.

There does not currently exist a co-production agreement between Australia and Mexico. However, there are tax credits in each country – with restrictions. Two of the originating Australian projects already have the support of Screen Australia by way of either development support or investment interest. IMCINE (The Mexican Film Commission) has acknowledged their interest in culturally relevant international productions in Mexico, particularly ones with Australia, with the potential to provide a new and different perspective. However in the

absences of any Memorandum of Understanding or Co-Production Treaty between our countries, the process to secure financing and advance the projects is subject to delays of up to twelve months or more.

An MOU for the three productions would allow concurrent project submission to Screen Australia and IMCINE and would facilitate the current finance difficulties being overcome and allow for these films to come to fruition.

Secondly, a co-production treaty to be entered into between Australia and Mexico in the future would make it easier for Australian producers to work in Mexico (and vice versa) by gaining access to services and any available government benefits and direct investment in screen productions.

In 2013, with support from the Australian and New Zealand Embassies as well as ANZMEX, the inaugural [Hola AUNZ Film Festival](#) was successfully held in Mexico City. The Festival showcased 17 films as well as conducting a range of promotional and education related events during the festival. The second festival in what is planned to be a bi-annual event is scheduled for early 2016. Although much of the cost of the event is covered by corporate sponsorship, the Festival could have a far greater impact if the organisers could be assured of a base line funding to cover the costs of subtitling, promotion, logistics etc.

It is important to note that outside the actual dates of the festival itself, there have been (and could be more) opportunities to use film as a catalyst to building cultural understanding between our countries. In 2015, Peter Weir's *Gallipoli* was shown as part of the ANZAC Centenary events and the joint Australian-NZ production *The Inheritance* was screened as part of an awareness-building programme for Huntington's chorea in Latin America. The organisers of Hola AUNZ Film Festival are key partners for these types of projects.

The Mexican **gaming industry** suffers from out of date and inconsistent gambling laws, which currently date back to 1947. Leading Australian suppliers to the gaming industry, Aristocrat and Ainsworth Technologies have been active in Mexico for a number of years and are well aware of the problems faced by the industry. New gambling laws which are designed to bring Mexico in line with international best practice, create a new government agency that regulates all the gaming activities, including horse racing, and provide many opportunities for Australian companies, were passed by the Chamber of Deputies on December 3, 2014 by a margin of 229-

63 but are still awaiting approval by the Senate. If passed, the [new law](#) will provide for better regulation, greater protection for consumers and certainty for industry. A short summary of the key provisions of the Bill from an industry trade publication can be found in Appendix 3.

Recommendations

34. The Department of Foreign Affairs & Trade undertake further enquiries to investigate constraints to the establishment of a direct air-link between Australia and Mexico
35. The Australian Department of Education undertake measures to confirm that Spanish is a priority language in Australia and provide commensurate resources to ensure a surge in the availability of Spanish language classes across the country
36. The Australian Government pursue a Memorandum of Understanding (MOU) with Mexico to streamline facilitation of film productions in both countries. The timeline for the MOU should aim to clear current obstacles to three significant Australian – Mexican film projects in progress in Mexico.
37. Australia considers a film co-production treaty with Mexico in order to support the expanding number of projects in both countries
38. That COALAR funding be allocated for the HOLA AUNZ Film Festival at least the next two festivals
39. The Australian Government encourage the Mexican Senate to proceed with approving much needed gambling reforms which were passed by Mexico's Chamber of Deputies on December 3, 2014

About ANZMEX

ANZMEX is the Australia, New Zealand & Mexico Business Council. It is a trilateral business platform to provide a forum and support services to explore and promote collaboration between Australia, New Zealand and Mexico.

We have approximately 80 active members, including significant Australian companies such as Macquarie Group, Worley Parsons and BHP Billiton. The framework ANZMEX offers promotes relevant contacts and information exchange, develops sector interest groups for individuals and organisations, and provides practical support services for all members.

Our legal name is ANZMEX ORG A.C. and we are registered as an "Asociacion Civil" in Mexico City. We collaborate closely with our sister chamber in Australia – ANZMEX Chamber of Commerce and Industry – but are legally and financially separate organisations.

This submission has been developed with input from the following members and associates of ANZMEX Business Council:

Board Members:

- Adrienne Bonwick, President, ANZMEX Business Council
- Ernesto Galindo, Director, Hola AUNZ Film Festival, Destino Australia
- Edmundo Gamas, Director General, IMEXDI
- Javier Mata, General Director, Austeca
- Chris Rodwell, Trade Commissioner, Austrade
- Jorge Sanchez, Partner, Haynes Boone
- Christopher Sladen, President, BP Mexico
- Donald Smallwood, Director, Aztec Pride
- Jorge Arguelles, Trade Commissioner, New Zealand Trade & Enterprise
- Claudia Esteves, Coordinator Asia Pacific, ProMexico
- Jose Carlos Villegas, Partner, CEI Consultores

Members & Associates:

- William Blomfield, Deputy Head of Mission, Australian Embassy in Mexico
- Carlos Carrion, Director Sales and Operations, Aristocrat
- Monique de Groot, Producer, Sentido
- Victor del Rio, President, ANZMEX Chamber of Commerce and Industry Inc.
- Guie Hartney, Regional Director, Macquarie University
- Helen Mitchell, Public Diplomacy, Australian Embassy in Mexico
- Jorge Santistevan, Santistevan & Duclaud

References

2015 Mexicanos Primeros: [Bilingual Mexico?](#) reports on the status and priorities for improving English language training in Mexico's education sector.

2015 PwC Report: [The World in 2050](#) flags Mexico's increasing stature in the world economy

2015 AT Kearney Report: [FDI Investment Confidence Index](#) ranks Mexico in the top 10 worldwide.

2014 McKinsey Report: [A Tale of Two Mexicos](#) highlights the causes and consequences of the skills gap and resultant productivity challenges.

Appendix 1 - Mexican Gaming Bill



. MEXICAN GAMING BILL: KEY POINTS

As introduced Mexico's gaming bill would replace a 1947 gambling law and subsequent regulatory decrees from 2004, 2012 and 2013.

Central to the measure is the proposed creation of a new national regulatory agency that would be charged with monitoring and inspecting gaming businesses; issuing several different kinds of gambling licenses including for casinos and online gaming; and setting all technical rules and secondary regulations.

Elsewhere the bill's provisions would

- Set detailed new licensing criteria for gambling businesses.
- Require gambling companies to obtain separate federal licenses for each facility they operate within new locations subject to approvals by municipal governments.
- Expressly permit live-dealer table games and Las Vegas-style slot machines in casinos.
- Grant a two-year window for operators to open any new gambling facilities available under the current licenses before they would have to reapply for permission to do so.
- Allow casinos and gaming halls to be managed by third-party operators subject to specific regulatory criteria.
- Require certification of employees and formal testing and approval of equipment used for gaming.
- Set a new minimum gambling age of 21 and require all patrons to show proof of identity on entry to casinos.
- Establish a national self-exclusion list for problem gamblers.
- Ban gambling on credit as well as ATMs at casinos.
- Authorize new licenses for online gaming and betting with regulators afforded powers to order IP and payments blocking in the case of uncensored sites.
- Create a range of additional sanctions and criminal penalties for illegal gambling or non-compliance on the part of operators.

Once enacted the new law would take effect within 60 days with detailed implementing regulations to follow in six months.

The bill states its priorities include protecting Mexican consumers and preventing crime and money laundering.

Meanwhile it would also "establish clear and transparent rules to bring legal security and certainty to those that have decided to invest in the gaming industry in Mexico."

Appendix 2 - Mexicans could teach Hockey

Wednesday 13 August 2014
The Australian Financial Review | www.afr.com

AFR

Page Two Jennifer Hewett

jhewett@afrc.com.au



Mexicans could teach Hockey

Perhaps Treasurer Joe Hockey should have taken his recent holiday in Mexico. Forget the margaritas. He might have picked up a few helpful hints on how a new government can undertake massive structural reform despite a sluggish economy, and how to negotiate with minor parties to get legislation passed.

The latest reform signed into law this week by President Enrique Peña Nieto is to open up Mexico's vast oil and gas and electricity industries. This doesn't amount to privatisation, due to a fiercely protectionist view of the Mexican oil industry since it was nationalised in the 1930s, and the state-owned oil giant Pemex became an enduring symbol of national pride.

The changes allow international companies to explore, produce and refine oil and gas in Mexico for the first time since then, injecting private capital and expertise in return for a share of profits, if not ownership.

Mexican ambassador Armando Alvarez says this will bring many possibilities for joint ventures, trade and technical co-operation with Australian energy companies. Many have already expressed interest.

Australian companies will still have to join an inevitable international rush to participate in the latest national energy revolution. Mexico's ability to properly develop its abundance of natural resources has long been stymied due to Pemex's sclerotic grip. Exploration is meagre and there is no technical expertise to tap the natural wealth in Mexico's deep waters.

At the same time, production from drilling in shallower waters of the Gulf of Mexico has fallen sharply, a remarkable achievement, while the company has huge losses in its refining and petrochemicals arms.

But given rising instability and the emergence of threats elsewhere in the world, the Gulf of Mexico and the Mexican political system are relative havens of predictability – all that drug-based violence and corruption notwithstanding. And Mexico's proximity to the frenzy of oil and gas exploration and development in adjoining United States territory

demonstrates the potential value of the prizes on offer. Peña Nieto declared this week that the reforms would mean the extraction of deep-water oil and the use of Mexico's great shale deposits to generate electricity at much lower costs.

Given how a new shale gas industry and cheaper power have underpinned the revival of the US economy, particularly in manufacturing, the lure of a similar bonanza in Mexico is obvious.

It will still be necessary to make the tax and royalties system appealing to attract large scale investment – a sensitive issue in any country, let alone Mexico. But in just over 18

Mexico's ability to properly develop its abundance of natural resources has long been stymied due to Pemex's sclerotic grip. Exploration is meagre and there is no technical expertise.

months of a six-year term, Peña Nieto has demonstrated a remarkable determination to transform the world's 14th largest economy and free it from the economic purgatory in which it has languished for so long.

The president came to power on that promise and immediately announced a "pact for Mexico" rather like the Hawke government's accord to formalise a national commitment to major changes in approach.

And not before time. Mexico prides itself on a comprehensive web of free-trade agreements befitting an export-oriented economy, the improving ease of doing business and a young and relatively skilled workforce in everything from IT and electronics services to car manufacturing to the aerospace industry.

Its official unemployment rate is under 5 per cent (noticeably lower than Australia's) although there is a far greater level of underemployment.

But this still doesn't translate into living standards rising anywhere near fast enough for the majority of its

118 million citizens. When I visited Mexico earlier this year, for example, I was struck by the relative lack of people talking constantly on mobile phones as they do everywhere else in the world.

Could this, I wondered, have anything to do with a monopolistic telecommunications system with charges to match, that has helped make Carlos Slim, head of Mexico's mobile phone company, America Movil, as well as its dominant land line company, Telmex, the world's richest man? Si Señor.

Landmark reforms in areas like labour deregulation, competition laws, telecommunications, tax, banking and financial services, education and the pension system quickly followed Peña Nieto's election – despite a very complicated process of getting constitutional change and then detailed "secondary" laws in place. And despite the resistance of many of those large organisations directly affected.

The economic impact of these reforms is still filtering through more slowly than the government had predicted. Mexico has a very large informal economy which is far less productive and far slower to adapt to change than its more competitive tradeable sectors. That's also where most people are still employed. New taxes have hit the poor hard as well as the rich, while most of the expected government investment in infrastructure is still waiting to be released until plans are finalised.

The Mexican economy is supposed to grow at 2.7 per cent this year but couldn't manage anywhere near that pace in the first half. Political pressure on Peña Nieto will only increase the longer the promise of growth takes to pay off. But big choices and big changes – along with the political ability to implement them – do matter to countries. Big time. Expected growth in regional competitors like Brazil – with equally abundant natural resources – has bogged down as lack of domestic reform deters investment and destroys confidence. Over to you, Joe.