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The Parliament of the Commonwealth of Australia

# **Expanding Australia's trade and investment relationship with the countries of Central Europe**

Joint Standing Committee on Foreign Affairs Defence and Trade

September 2003  
Canberra

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ISBN [Click **here** and type ISBN Number]







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## Foreword

This inquiry, conducted by the Joint Committee's Trade Sub-Committee, represents the first efforts to critically analyse trade and investment opportunities for Australia in the countries of Central Europe.

Not much more than a decade ago these nations were part of the Eastern Bloc of nations with seemingly immutable economic and political ties to the USSR. The collapse of the Soviet Union and subsequent demise of the 'Eastern Bloc' changed the trajectory of the countries of Central Europe.

Where once there were authoritarian political structures and centrally planned economies, there are now flourishing democracies and prosperous market economies. Where once there was grey uniformity of life and industry tied to a paternal master, there is now plurality and vibrancy, striving to join the European Union. Central Europe has clearly changed forever.

Cognisant of the dramatic changes taking place and the opportunities such changes inevitably yield, the Committee felt it was a good time to re-evaluate Australia's trade and investment relations with these nations. It is hoped that in inquiring into the state of these nations and Australia's relations with them, information about opportunities for trade and investment would emerge.

This belief was born out. This report attempts to document those opportunities and make recommendations on how the Australian government can assist Australian investors and industry to capitalize on those opportunities.

The key finding of the inquiry is that there is an 'information failure' between Australia and Central Europe. Australia's economic strengths place it well to assist Central Europe with its transition to modern liberal democracy. Our strengths match Central Europe's needs, and their transition trajectory promises major opportunities. They synergies are there. The potential is there.

The main ingredient missing from this potentially fruitful economic equation is market knowledge of each other, and each others' needs.

If this 'information failure' were remedied, existing opportunities will drive much greater trade and investment, to the advantage of both Australia and Central Europe.

This conclusion is the foundation of the report.

The report accordingly recommends a range of measures to increase mutual awareness and mutual understanding of trade and investment opportunities. The suggested measures can be grouped into three categories.

The first involves several awareness raising activities, including general and specific high level trade missions, targeted use of scholarships and the encouragement of institutions links in education.

The second category recommends a range of government measures to address existing impediments to increased trade and investment, including modest changes to visa requirements, changes to trade representation in Central Europe and refocusing the commitment within government departments to support trade and investment with Central Europe.

Finally the report also recommends that Austrade develop a new export strategy for the region, which considers key areas of opportunity for Australian industry – in areas of strong comparative advantage: namely services, agribusiness and manufacturing.

The Committee's abiding impression from the inquiry, is of the dynamism and resultant opportunities in the countries of Central Europe.

The committee would like to acknowledge the assistance of the Department of Foreign Affairs and Trade and Austrade for their support during the inquiry and the visit. The Committee would also like to acknowledge and thank the officials and business people in the countries visited by Members of the Sub-Committee during the course of the inquiry for their hospitality and assistance. Lastly, the Committee would also like to acknowledge the efforts of the Trade Sub-Committee secretariat in the conduct of the inquiry and preparation of this report.

**The Hon. Bruce Baird MP**  
**Chair**

**Trade Sub-Committee**

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Mr C P Thompson, MP







## **Terms of reference**

Examine and report on expanding Australia's trade and investment with the countries of Central Europe\*, in particular:

- The nature of Australia's existing trade and investment relationships with the countries of Central Europe;
- The future trend of Australia–Central Europe trade and investment including:
  - ⇒ the benefits for Australia as these countries become market-based economies;
  - ⇒ the impact of accession to the European Union (EU) on Australian trade with the economies of the region, including Australia's prospects as an alternative trading partner as EU market domination increases;
  - ⇒ the experience of non-EU countries in accessing trade and investment opportunities in Central Europe.
- The role of Government, particularly DFAT and Austrade, in identifying and assisting Australian companies to capture opportunities in Central Europe as they emerge.

(\*Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovak Republic, Hungary, Romania, Bulgaria, Slovenia, and to include Croatia.)

**Referred by the Minister for Trade on 12 August 2002**





## List of abbreviations

ABARE	Australian Bureau of Agricultural and Resource Economics
AEI	Australian Education International
ATC	Australian Tourist Commission
AWBC	Australian Wine and Brandy Corporation
CAP	Common Agricultural Policy
CEC	Central European Countries
CEEC	Central and Eastern European Countries
CEEC-8	Refers to the 8 countries expected to join the EU in 2004: Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia.
CEEC-10	Refers to the 10 candidate countries for EU accession in Central and Eastern Europe: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia (CEEC-8 plus Bulgaria and Romania).
CEFA	Central European Fair Alliance
CEFTA	Central European Free Trade Agreement
CMEA	Council for Mutual Economic Assistance – trade grouping involving countries of the former Eastern Bloc
CSIRO	Commonwealth Scientific and Industrial Research Organization

DEST	Department of Education, Science and Training
DFAT	Department of Foreign Affairs and Trade
DIMIA	Department of Immigration, Multiculturalism and Indigenous Affairs
EBRD	European Bank for Reconstruction and Development
EC	European Commission
EFIC	Export Finance and Insurance Corporation
EIU	Economist Intelligence Unit
ELICOS	English language intensive courses for overseas students
ETM	Elaborately transformed manufactures
EU	European Union
EU-15	Refers to 15 existing EU member countries. Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden and the UK.
EU-25	Refers the current 15 member countries plus the 10 candidate countries (CEEC-10).
FACS	Department of Family and Community Services
FDI	Foreign direct investment
F6	Sixth European Research and Technological Development Framework program
GATS	General Agreement on Trade in Services
GATT	General Agreement of Tariffs and Trade
GDP	Gross domestic product
HIC	Health Insurance Commission
ILO	International Labour Organization

ITC	Information and telecommunications
IMF	International Monetary Fund
MFN	Most favoured nation
MLA	Meat and Livestock Australia
OECD	Organization for Economic Cooperation and Development
OPCV	Overseas Projects Corporation of Victoria
STM	Simply transformed manufactures
UNDP	United Nations Development Program
USTR	Office of the United States Trade Representative
VAT	Value added tax
VET	Vocational education and training
WADIR	Western Australia Department of Industry and Resources
WHO	World Health Organization
WTO	World Trade Organization





## List of recommendations

### Recommendation 1

The Committee recommends the Government provide funding for more scholarship places for Central European postgraduate students, to assist in raising the profile of Australia and Australian educational institutions.

### Recommendation 2

The Committee recommends that:

- DEST develop their capacity to export Australian systems and expertise in educational reform; and
- Future Austrade/AEI export missions include education and training services organizations, to ensure Australian organizations have the opportunity to export their expertise in education sector reform.

### Recommendation 3

The Committee recommends Australia contribute tied funding to the EBRD for small technical assistance projects, to provide Australian contractors with an entry point to and experience with the EBRD.

### Recommendation 4

The Committee recommends HIC develop mechanisms which allow other Australian organizations to benefit from HIC's experience and contacts, in terms of bidding for multilateral development project funding.

### Recommendation 5

The Committee recommends DEST publicise and encourage collaborative links and research projects with counterpart institutions in Central

Europe with a view to securing funding in the EC's F6 science research funding program.

**Recommendation 6**

The Committee recommends that Austrade strengthen Australia's trade representation in Hungary.

**Recommendation 7**

Because of the prominence of the Czech Republic in Central Europe, the Committee recommends the re-establishment of an embassy in Prague, to raise Australia's profile and enhance Australian trade and investment activity in the region.

**Recommendation 8**

The Committee recommends that Austrade and DFAT strengthen trade representation at the World Bank, to assist Australia organizations access development project funding.

**Recommendation 9**

The Committee recommends that Austrade and DFAT in consultation with DEST, consider posting a trade commissioner in Brussels to assist Australian organizations access EU commission science research and development project funding.

**Recommendation 10**

The Committee recommends that visa requirements for students (especially) and citizens (generally) from the five Central European countries acceding to the EU in 2004, should be reassessed. The reassessment should include consideration of the applicability of the Electronic Travel Authority visa system for those countries.

**Recommendation 11**

The Committee recommends the Australian government complete a full set of basic government to government agreements with all Central European countries.

**Recommendation 12**

The Committee recommends Austrade organize a range of awareness raising activities in Australia focusing on Central Europe, highlighting emerging market opportunities and the particular requirements for operating in the region. This should include establishing a website focusing on trade and investment opportunities in Central Europe.



**Recommendation 13**

The Committee recommends the trade minister lead a trade mission to the region to support Austrade's awareness raising activities in Australia and Central Europe.

**Recommendation 14**

The Committee recommends the Minister for Communications, Information Technology and the Arts gives priority to leading a trade mission to Central Europe focused on e-government and e-commerce services exports.

**Recommendation 15**

The Committee recommends that:

- Austrade and DFAT undertake greater promotion of Australian business through encouraging Australian participation in Western European trade shows.
- Austrade and DFAT encourage Central European business delegations to attend those trade shows.
- The Australian Tourist Commission ensure Central European countries are included in the Australian Tourist Exchange Program.

**Recommendation 16**

The Committee recommends Austrade produce a business strategy paper to promote trade and investment with the countries of Central Europe taking into consideration sectors in which Australia has a comparative advantage, including:

- Services:
  - ⇒ e-commerce and related services;
  - ⇒ e-government technology and services;
  - ⇒ government services, higher education and VET, health related technology and related services;
  - ⇒ tourism training;
  - ⇒ land titling;
  - ⇒ agricultural services;
  - ⇒ environment related-services.
- Agribusiness:
  - ⇒ wool (including a targeted trade mission); leather and related products; wine products.

■ **Manufacturing:**

⇒ automotive equipment; smart card technology; building materials; environmental equipment.

**Recommendation 17**

The Committee recommends that Austrade facilitate industry-specific trade missions to Central Europe to encourage trade and investment in high opportunity areas.