

## Pakistan and the Philippines

### Pakistan

- 7.1 The High Commissioner for Pakistan in giving evidence to the Sub-Committee noted that the government and people of Pakistan were grateful for the assistance that Australia has offered in helping to overcome its economic problems. He referred particularly to assistance in coping with the recent world financial crisis and in dealing with the effects of the October 2005 earthquake.<sup>1</sup>

### Trade and Investment

- 7.2 The submission from the Pakistan High Commission commented that: “Despite a 1990 Bilateral Trade Agreement between Pakistan and Australia, the level of trade between the two countries remains low”. In evidence the High Commissioner estimated that total trade was about US\$700 million and that the ratio was 80 per cent to Australia and 20 per cent to Pakistan.<sup>2</sup>
- 7.3 The High Commissioner said that Australia’s exports to Pakistan had increased from US\$ 226 million in 2001 to US\$ 523 million in 2007-08. In the same period, Pakistan’s exports to Australia increased from US\$ 113 million to US\$ 138 million.<sup>3</sup>

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1 High Commissioner of Pakistan, Committee Hansard, 28 November 2008, pp. 21 and 27.

2 High Commissioner of Pakistan, Committee Hansard, 28 November 2008, p. 22.

3 High Commissioner of Pakistan, Committee Hansard, 28 November 2008, p. 22; and Department of Foreign Affairs and Trade, Pakistan Country Brief, p. 4, [http://www.dfat.gov.au/geo/pakistan/pakistan\\_brief.html](http://www.dfat.gov.au/geo/pakistan/pakistan_brief.html), accessed 3 September 2010.

7.4 He said that Pakistan is Australia's 28<sup>th</sup> largest market for merchandise exports. The main products are: wheat, animal oils and fats, cotton, coal, iron ore, fertiliser, machinery and parts, chemicals and chemical products. For Pakistan, the main exports to Australia are: clothing, carpets and rugs, textiles and made up textile products, petroleum, rice, sports goods, furniture, medical and surgical instruments, hosiery, and spices.<sup>4</sup>

7.5 Statistics from the Department of Foreign Affairs and Trade showed that two-way trade had increased to A\$ 691 million by 2009; up from A\$ 578 million in 2007. Australian exports to Pakistan totalled A\$ 528 million and imports A\$ 163 million. The product mix was substantially the same as in 2007-08.<sup>5</sup>

7.6 The High Commissioner for Pakistan emphasised the potential for progress and cooperation between Australia and Pakistan

Pakistan has immense potential for multiple corridors of interaction and cooperation involving energy, trade, communication and tourism. Due to the strategic location of Pakistan, it is also becoming the trade, energy and transport corridor for countries of the region.

We are a nation of 165 million people, with a growing middle class. As we speak today our per capita income is US\$1,085. There are 20 million to 30 million Pakistanis who constitute the middle class, earning something between \$10,000 to \$15,000 ..., and they constitute a large and solid market for the purchase of goods and services. Apart from the strategic location of Pakistan, it has a trained a workforce of English speaking manpower. We have a large pool of doctors, engineers, accountants, managers and IT professionals.

For the last five consecutive years, despite all the problems that we face on account of terrorism and the deteriorating security situation in Afghanistan, we were able to achieve a growth rate of 7.5 per cent.<sup>6</sup>

7.7 The High Commissioner also noted that many Australian companies were already active in Pakistan, with an encouraging amount of investment in place and extensive interaction in education services:

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4 High Commissioner of Pakistan, Committee Hansard, 28 November 2008, p. 22.

5 Department of Foreign Affairs and Trade, Pakistan Fact Sheet, <http://www.dfat.gov.au/geo/fs/paki.pdf>, accessed 3 September 2010.

6 High Commissioner of Pakistan, Committee Hansard, 28 November 2008, p. 22.

More than a dozen Australian companies are based in Pakistan. The major one is BHP. ANZ Lend Lease has one of the largest banking operations in Pakistan. BHP operates the second largest gas fields in Pakistan. It has also discovered oil in areas that has been allocated to it in the last couple of years.

Tethyan is another Australian company that is involved in gold and copper mining in the province of Baluchistan. They are in partnership with a Chilean firm and also a consortium of Chilean, Australian and Canadian firms who are working on that mine in Pakistan.

In addition to the major Australian companies which are actually based in Pakistan, 127 other Australian business entities are regularly doing business with Pakistan ... importing or exporting various items. These 127 businesses include the universities in Australia, because they are also luring a large number of very bright students from Pakistan to study in Australian universities.<sup>7</sup>

## **Strengthening Trade and Investment**

### **Requests by Pakistan**

7.8 The High Commissioner made a number of requests to the Sub-committee seeking assistance in overcoming the difficulties his country has been facing in recent years. He emphasised that Pakistan's wish is to overcome its difficulties "with trade, not aid":

... I would like to make some recommendations that I would submit before you for your consideration, with the request that these ... be included in the final report that your committee comes up with. Again, I would like to reiterate that we would like to overcome and meet our economic problems. We want to meet our challenges through trade, not with aid. That is the first point.

As I mentioned earlier, the balance of trade has always remained in Australia's favour. We need some help in that area. In order to help Pakistan economically we need to expand our exports. More exports will attract more investment in industry and will provide more jobs for the people, including in the tribal areas of Pakistan. We request market access to Australia, which we feel is of paramount importance for the growth of exports from Pakistan.

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7 High Commissioner of Pakistan, Committee Hansard, 28 November 2008, p. 22.

The textile and garment sectors constitute about 50 per cent of Pakistan's global exports. This is a labour intensive sector and can create more jobs with every dollar invested. Presently no tariff concession is available to Pakistan under Australia's GSP scheme. Due to the specific conditions in Pakistan, the economic losses that we are suffering on account of terrorism and the deteriorating security situation in Afghanistan, we urge you to allow us tariff concessions and a generalised system of preferences which are available to LDCs.

You may argue that Pakistan is not an LDC country. I would agree with you, but then there are countries, apart from LDCs, which receive concessions due to special circumstances. At the moment we are facing those special circumstances. The European Union has such a clause and we really do not see why this same clause cannot be inserted in your regulations.

Secondly, our request would be that Australia could agree to our proposals mooted during the Cairns group meeting in 2006. During that meeting Australia and Pakistan had agreed to establish a joint study group on trade. In that joint study group we made certain proposals, including the extension of the GSP concessions to Pakistan and also a proposal to initiate FTA negotiations with Pakistan.

We were told to give specific proposals in this regard. We also submitted these specific proposals to the Department of Foreign Affairs and Trade. A push forward from your side will certainly help us in getting those proposals to materialise earlier. We are a part of the Cairns group and we have played a significantly important role in the proceedings of the group.

... I mentioned the FTA negotiations. ... The honourable members of this committee would know better than anyone that FTA does help both ways; all the countries benefit. We have signed an FTA with China and most of the Asia-Pacific countries, including Malaysia and Singapore. Negotiations are at an advanced stage with Indonesia. We have initiated negotiations with Korea. It is of paramount importance, given the importance that the people of Pakistan attach to Australia. We also need to begin those negotiations at an early stage.

An MOU between the investment promotion entities of Australia and Pakistan is also of great importance. We need to have this kind of MOU ... to promote investments in the two countries.<sup>8</sup>

7.9 The High commissioner also sought an increase in the funding for the Agricultural Linkages Program:

We are grateful to Australia for the establishment of the Agriculture Linkages Program, which was established two years ago with an allocation of about A\$6.5 million and has achieved great results. It has certainly helped our agriculturalists learn the best practices from Australia. It has increased productivity. It has done some wonderful things.

This program is likely to come to an end by June next year. Our request would be that the Agriculture Linkages Program should continue with more allocation towards this program. Rather than \$6.5 million which was earlier allocated to this program, the amount could be increased to \$10 million for the simple reason that we have recently learnt that the Pakistan development assistance from Australia is going to be increased from the current level of \$35 million to \$50 million. That should justify the increase in the Agriculture Linkages Program that we are talking about.<sup>9</sup>

7.10 As with a number of the countries giving evidence to the inquiry, Pakistan has concerns over the length of time it takes to get quarantine clearance for agricultural products:

We could also establish cooperation on phytosanitary standards. That is something that is an area that we would be interested in.

For the last two years negotiations have been going on between the trade officials of the two countries for the import of mangoes and citrus from Pakistan. I can assure you that we produce the best mangoes anywhere in the world.

We have 150 varieties of mangoes. We export mangoes to everywhere in the world except Australia because of the very tough standards that are applied to the import of mangoes and citrus. Again, we claim that we produce the best citrus fruit. It has the best aroma and taste, and it sells at a premium in the European, American and Japanese markets.

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8 High Commissioner of Pakistan, Committee Hansard, 28 November 2008, pp. 24-26.

9 High Commissioner of Pakistan, Committee Hansard, 28 November 2008, p. 25.

Negotiations are going on. There were certain requirements that the Australian government wanted us to fulfil before the import of mangoes and citrus was allowed into Australia. Many of those steps have already been taken regarding quarantine requirement, the quality of the fruit and the other standards that they asked us to meet. We would request that process should also be fast tracked.<sup>10</sup>

7.11 Another issue raised by several countries during the inquiry concerned the delays and difficulties involved in obtaining visas:

One very serious problem that our businessmen face is getting visas. I receive queries from our business delegations desiring to come to Australia because the visa process takes quite a while. This is affecting us in many ways.

Every year before every education term I receive telephone calls from concerned parents and students who cannot get visas to start the semester because the visa clearance is something that takes ages. This problem is also being faced by members of the business community.

To give you one example, last year the delegation of the Federation of Pakistan Chambers of Commerce and Industry visited Australia. They arrived and I was not informed about it. When I spoke to them I said, 'You could have told me and I could have made some better arrangements for your meetings.' They said, 'At the last minute we didn't know whether we would be able to visit Australia or not.' They were coming here on the invitation of the Australian chambers because of the Asia-Pacific countries chambers meeting that were taking place in Perth and they were to attend that meeting. They said that it took them at least four weeks to get clearance, after making regular calls to the High Commissioner, Ms Zorica McCarthy. Ms McCarthy is a wonderful person and extremely popular High Commission representative of Australia in Pakistan doing wonderful things to expand the relations between the two countries, but even she was helpless because every case has to come here for clearance and the high commission perhaps does not enjoy the flexibility to issue visas on its own.<sup>11</sup>

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10 High Commissioner of Pakistan, Committee Hansard, 28 November 2008, p. 25.

11 High Commissioner of Pakistan, Committee Hansard, 28 November 2008, p. 26.

7.12 The High Commissioner raised a number of other issues that, he said, would be of great assistance to Pakistan:

We also need to sign an agreement on the avoidance of double taxation. This is something of paramount importance for the business communities of the two countries. It would certainly send positive signals to the business communities of the two countries.

Establishment of an Australia-Pakistan business council is extremely important. Given the size of our trade and Australia's investments in Pakistan, the establishment of an Australia-Pakistan business council would be a step in the right direction.

Exchange of business delegations is another issue. While I am cognisant of the fact that it is the business community itself which has to take the initiative in visiting each other in order to establish contacts and that government can only act as a facilitator, but we can certainly do some things. We can encourage the chambers, the business community, Austrade and Australian investment to establish these linkages which are of great importance.<sup>12</sup>

7.13 Finally, the High Commissioner highlighted the opportunities for Australian companies in investments in Pakistan:

We have a bilateral agreement on promotion and protection of investments. We feel that there are tremendous opportunities for Australian companies to invest in Pakistan in the oil and gas, mining, coal, manganite, marble, gold, copper, uranium and power generation. We have the largest coal reserves. We can become a good competitor in the world.

We need hydrothermal coal, solar, wind and biogas energy in Pakistan. Australian companies can invest in Pakistan. Agriculture, dairy development, IT and telecom, shipping, fisheries and the auto sector are some of the sectors that are open.

We have a liberal investment policy whereby we treat foreign investors and local investors on a par. All economic sectors are open to foreign direct investment. Foreign equity up to 100 per cent is allowed. There is no government permission required.

We have a network of export processing zones and industrial zones with repatriation of 100 per cent capital. We have an attractive incentive package with zero to five per cent duty on imported machinery and no sales tax or withholding tax on

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12 High Commissioner of Pakistan, Committee Hansard, 28 November 2008, pp. 25-26.

imported machinery. We have also introduced a number of reforms and because of these reforms the World Bank has termed Pakistan as a model country which has introduced some of the best economic reforms in the financial, trade and taxation sectors.<sup>13</sup>

## The Philippines

- 7.14 The main change in trade relations between the Philippines and Australia in recent times has been the signing of the ASEAN-Australia-New Zealand Trade Agreement – discussed at length in Chapter 6.

## Trade and Investment

- 7.15 In evidence to the Sub-Committee, the Ambassador for the Philippines noted the leading role played by mining in the trade and investment relations between the two countries. He said that mining activities accounted for 65 per cent of all Australian investment in the Philippines.<sup>14</sup>
- 7.16 The Ambassador said that there is scope for these activities to grow and commented on the success of two firms in particular, CGA and Indophil. He added, however, that he had hopes also for strong growth in other areas, for example: in supply linkages with the automotive, transport and electronic sectors. The best prospects he said were in the services industries, particularly: IT services, education, financial services, health care and tourism.<sup>15</sup>
- 7.17 Total bilateral merchandise trade reached US\$1.372 billion in 2008; an increase of 10 per cent over 2007. The Ambassador indicated that the Philippines regards that as only a starting point and he said:
- We are certainly keen to work with the Australian Government in any initiative to enhance economic relations between our two countries, which clearly have much room for growth.<sup>16</sup>
- 7.18 Bilateral relations are assisted by the operation of the Philippines-Australia Ministerial Meeting (PAMM), which first met in 2005 and met again in October 2008. The Ambassador commented that:

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13 High Commissioner of Pakistan, Committee Hansard, 28 November 2008, pp. 26-27.

14 Embassy of the Philippines, Committee Hansard, 24 June 2009, p. 14.

15 Embassy of the Philippines, Committee Hansard, 24 June 2009, p. 12.

16 Embassy of the Philippines, Committee Hansard, 24 June 2009, p. 11.



The PAMM has become more than just an opportunity to dialogue. It has become an important venue to identify and work on specific courses of action that will encourage greater trade, investment and economic cooperation between the Philippines and Australia.<sup>17</sup>

7.19 The Ambassador made similar comments about the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA). He said the Agreement:

...provides a new avenue by which to approach our economic relationship with Australia. Being a comprehensive single-undertaking agreement, the AANZFTA provides a good framework for complementation and collaboration in specific industries, which have traditionally been of mutual importance to our respective economies, such as mining, agribusiness and food processing.

These initiatives give us much to look forward to in our efforts to expand our trade and investment relations.<sup>18</sup>

### **Strengthening Trade and Investment**

7.20 Like a number of the other countries giving evidence, the Philippines is placing a high priority on quarantine issues. However, in the case of the Philippines there is very active cooperation between AQIS and the authorities and exporters in the Philippines with the aim of "bringing our agricultural output up to international standards". This was happening, the Ambassador said with specific funding from Australia.<sup>19</sup>

7.21 However, one issue is still far from resolution. The Special Trade Representative for the Philippines said:

The only sticky issue right now is with Philippines bananas. We have been wanting Australians to try Philippines bananas for 20 years. You may be aware that the IRA was issued in November and the final policy determination was issued on 3 March, so I guess Australia is now waiting for the Philippines to respond to that.

The operation is to start working on a work program. Our Department of Agriculture is consulting the stakeholders. There

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17 Embassy of the Philippines, Committee Hansard, 24 June 2009, p. 12.

18 Embassy of the Philippines, Committee Hansard, 24 June 2009, p. 12.

19 Embassy of the Philippines, Committee Hansard, 24 June 2009, pp. 12-13.

have been some areas of the IRA that the Philippines is not entirely in agreement with.<sup>20</sup>

- 7.22 Other quarantine issues for the Philippines have involved problems arising from past outbreaks of foot and mouth disease:

We have also been having difficulty with our ice cream products, anything related to meat products and dairy also. We have been trying to export ice cream to Australia and the problem there is with the lifting of the foot and mouth disease classification of the Philippines, which has to be done with the OIE in Paris.

That is something we are working on now. Hopefully we will get off the list this year, which would solve some of our dairy and meat related problems also.<sup>21</sup>

- 7.23 The Philippines is very interested in expanding services trade with Australia. It has particular interest in supplying Australia with trained nurses and other healthcare professionals, tradespeople and other skilled workers. The Special Trade Representative noted that these ideas had been discussed in the context of the AANZFTA negotiations.<sup>22</sup>

- 7.24 She also commented that there was considerable scope for cooperation with Australian Universities on this training:

There has also been a lot of interest from Australian universities – nursing schools, for instance – to work with universities in the Philippines.

A lot of registered nurses who come to Australia from the Philippines have to go through bridging courses for both English proficiency and clinical work. We are trying to get Australian universities to link up with their Philippine counterparts so that our nurses get a higher standard of training, which hopefully would be acceptable here.<sup>23</sup>

- 7.25 The Ambassador added:

Even at the state level, what we are looking at is for the activity to be more economical. Rather than taking the Philippine nurses, say, to Melbourne to do bridging courses, maybe we can get the technology from Melbourne to the Philippines and just get one or

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20 Embassy of the Philippines, Committee Hansard, 24 June 2009, p. 15.

21 Embassy of the Philippines, Committee Hansard, 24 June 2009, p. 16.

22 Embassy of the Philippines, Committee Hansard, 24 June 2009, p. 17.

23 Embassy of the Philippines, Committee Hansard, 24 June 2009, p. 17.

two heads to give out the standards and make sure that they are able to take the bridging courses right there at less of an economic cost for everybody.

From what we understand, it is really difficult for our nationals to be able to hurdle that 457 visa because of the standards required. But if they are your standards then they are your standards.

That is why we are looking for ways for, say, nurses on 457 visas to hurdle the requirements in a way that is less expensive for them. We are looking at specific trades capability.

I think even your VETASSESS and TAFE are looking at our own TESDA in the Philippines to crank in the technology right there in the country, rather than letting the guys come here and spend a lot of money to qualify. We are looking at some technical approaches on that at the state level.<sup>24</sup>

7.26 The Sub-Committee asked whether any Philippine workers had experienced difficulties in having 457 visas renewed. The Ambassador responded:

Yes, what is happening in very particular cases is that some employers stop employing because of economic difficulties. That is the reason we have our labour attaché in Australia trying to bridge the activities of these 457 visa holders to be able to move onto another job.

Since earlier this year, there have been a few instances where some Filipinos on 457 visas were terminated by their employers. We are becoming aware of the need to bridge them for the next 28 days so they are still supported by their employers until they are able to find other employment.

There are also cases where a few have had to go back to the Philippines because they were not able to find any other subsequent employment.<sup>25</sup>

7.27 The Special Trade Representative also discussed the possibility of increasing exchanges of business missions and participation in trade fairs. She said that several missions had been arranged recently and noted particularly the participation of the Philippines in the CeBIT fair in Australia:

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24 Embassy of the Philippines, Committee Hansard, 24 June 2009, pp. 17-18.

25 Embassy of the Philippines, Committee Hansard, 24 June 2009, p. 18.

That is another sector that we are constantly promoting from the Philippines. This included participating in the CeBIT fair, which is the largest technology event in Australia. It was the first time that the Philippines participated in that fair and the response from the participants – the business delegation – was very good. We are looking at doing that on a yearly basis.<sup>26</sup>

7.28 The Special Trade Representative added:

In the past we have also done missions with food exporters from the Philippines to look at Australia as a market. One of the areas we would like to work on now is a reciprocal mission.

We had exporters of automotive parts and components from the Motor Vehicles Parts Manufacturers Association of the Philippines visit Australia last year, Melbourne in particular. They had a dialogue with their counterpart, the Federation of Automotive Parts Manufacturers, and we are now looking at inviting FAPM for a reciprocal mission to the Philippines.

It is really focussed on specific areas where we want to show that there are opportunities for more trade between Australia and the Philippines.<sup>27</sup>

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26 Embassy of the Philippines, Committee Hansard, 24 June 2009, p. 19.

27 Embassy of the Philippines, Committee Hansard, 24 June 2009, p. 19.