

Introduction

- 1.1 The Minister for Trade referred an inquiry into Australia's trade and investment relationship with South America to the Joint Standing Committee on Foreign Affairs, Defence and Trade (JSCFADT) on 31 March 1999. The Trade Sub-Committee of the Joint Committee conducted the inquiry. The formal terms of reference for the inquiry are listed on page xv.
- 1.2 In examining Australia's trade and investment relationship with South America, there were numerous inquiries as to the extent of the region that would be covered by the inquiry. The Committee took the view that the inquiry would focus on those countries within continental South America and not include Mexico and those Central American countries on the isthmus, such as Guatemala and Panama. To include Mexico and the other countries would have broadened the inquiry to one on Latin America. The Committee was conscious that South America as such is not homogeneous and the interplay of north – south bilateral relations between the USA and South American countries and the interplay of NAFTA were important considerations in themselves not to seek to expand the coverage of the inquiry.
- 1.3 A map showing the twelve countries and one territory of South America is provided at page xxv. In its study the Committee focused on eight countries, Argentina, Brazil, Chile, Colombia, Ecuador, Peru, Uruguay and Venezuela. All these countries have diplomatic representation in Australia – see Appendix G for list of South American diplomatic missions and consulates. Australia's trade and investment with the remaining five countries - Bolivia, Paraguay, Guyana, Surinam and the territory of French Guinea – is minimal.

Previous Focus on South America

- 1.4 In June 1992 the Senate Standing Committee on Foreign Affairs, Defence and Trade completed an inquiry into Australia and Latin America. The inquiry examined Australia's relations with the Republics of Latin America with a view to recommending ways in which the relationships could be improved. The Senate Committee made 63 recommendations and in summing up the Committee emphasised that:

Even in the midst of pursuing opportunities in Asia, Australians must not lose sight of the fact that strategic planning and positioning regarding Latin America needs to be carried out now, not in the next century when the continent is expected to be a significant economic force.

Put simply, Australia must play a professional game. To survive in a highly competitive global economy Australia must grasp the best opportunities wherever and whenever they occur. The Committee [Senate] is firmly convinced that valuable opportunities are rapidly appearing in Latin America today. Government and business must work together to ensure that those opportunities are not missed.¹

- 1.5 Unfortunately this advice has not been heeded to any great extent. Australian firms have *missed the boat* on a range of opportunities in South America especially in Brazil as that country sought to modernise its economy and develop its infrastructure.
- 1.6 In 1996 the Senate Committee followed up on its earlier report and reviewed the state of the air links between Australia and Latin America.² In its 1992 report the Committee had recommended that among other things consideration be given to improving the frequency of air services and the cost of air services and the ease of connections between Australia and Latin America.
- 1.7 The Senate Committee made 6 recommendations and its first recommendation was that:

... the Australian Government recognise that the opportunities for increasing business activity and investment in Latin America are very significant and that every effort should be made to remove obstacles for potential growth. Further, the Committee

1 Report of the Senate Standing Committee on Foreign Affairs, Defence and Trade, *Australia and Latin America*, Commonwealth of Australia, June 1992, p. 5.

2 The Senate report defines Latin America as Mexico, Central America, the Caribbean and South America.

recommends that the Government accept the view put forward by a variety of interests that inadequate air links are a major impediment to growth and believes that more frequent services would be a significant means of stimulating further commercial activity between Australia and Latin America.³

- 1.8 A number of initiatives have been taken since the report including the November 1998 launch by Qantas of direct services to Argentina and reciprocal code share services with Aerolineas Argentinas to Buenos Aires and with Lan Chile to Santiago.
- 1.9 In February 1997 the Federal Government launched the first of its annual Trade Outcomes and Objectives Statements (TOOS'97) with the latest, TOOS 2000, being tabled in the Federal Parliament in March this year. The TOOS establishes priorities for Australia's trade policies and provides benchmarks against which to measure performance. It identifies significant opportunities and barriers in both selected major and emerging markets. The different markets are dealt with over a two-year cycle with market reports being provided in the second year.
- 1.10 The South American markets of Chile and the Mercosur countries were profiled as emerging markets of importance in TOOS'97.⁴ The progress/outcomes achieved on the priority objectives set for both emerging markets were outlined in TOOS'99 along with new priority objectives for 1999/2000.
- 1.11 Furthermore the importance of South America as a region for trade and investment opportunities is again reflected in TOOS 2000 with the listing of Peru as an important emerging market. It is seen as having considerable potential for Australian exporters in the medium term.
- 1.12 The former Deputy Prime Minister and Minister for Trade, the Hon Tim Fischer, MP, worked tirelessly in promoting Australian exporters and their skills and expertise on the world stage. He recognised the importance of South America as a marketplace for Australian business. In 1997 he launched the study entitled *The Future of Australia's Trade & Investment Relations with South America*. Prepared by the Department of Foreign Affairs and Trade (DFAT) and AUSTRADE with the support of ANZ, MIM Holdings Limited and AMP, the study aimed to highlight the scale of economic changes that have occurred in South America, the then existing trade and investment patterns and the prospects and challenges

3 Report of the Senate Standing Committee on Foreign Affairs, Defence and Trade, *The Development of Australia's Air Links with Latin America*, Commonwealth of Australia, July 1996, Recommendation 1, p. ix.

4 Mercosur – the Southern Cone Common market – comprises Argentina, Brazil, Paraguay and Uruguay. Bolivia and Chile are associate members.

ahead. Moreover the study identified a range of policy challenges that would enable Australia to take best advantage of the promising trends in South America.

- 1.13 In referring the terms of reference to the JSCFADT, Mr Fischer noted that as Minister for Trade he was particularly interested in the opportunities that South America presented for Australian exporters and investors, particularly in the longer term.
- 1.14 When the reference was referred to the Joint Committee, DFAT and Austrade were working on a guide for businesses looking at entering the South American market. This resource booklet, *Doing Business in Latin America: An Introductory Guide*, was launched in November 1999 in Sydney and Melbourne with the Australian Heads of Mission in South America being present. As the Minister for Trade, the Hon Mark Vaile, MP, noted in the foreword, his visit to the region confirmed in his mind the substantial opportunities to expand and diversify Australia's trade and investment relationship with this region of growing global importance. Moreover in noting that Australia's trade with Latin America is modest, he says there are positive signs for an expansion of the relationship in the new millennium. From the Committee's work on the inquiry South America is definitely a region that must be entered on the export calendars of Australian firms.

The Inquiry Process

- 1.15 The inquiry was advertised in major Australian newspapers on 17 April 1999, outlining the inquiry and seeking written submissions. In addition, letters inviting submissions were sent to the South American Ambassadors and Chargé d'Affaires, relevant Federal government agencies, State governments, chambers of commerce and business associations, peak bodies, academic institutions and businesses with interests in South America.
- 1.16 The Committee held its first public hearing in Canberra on 13 August 1999, followed by hearings in Sydney, Canberra, Sydney, Canberra, Melbourne, Perth and Sydney from September 1999 to February 2000. The final hearing for the inquiry was held in Canberra on 8 May 2000.
- 1.17 From 17 March to 2 April 2000 five members of the Committee⁵ and the Trade Sub-Committee Secretary visited South America.⁶ In the space of

5 The Hon Geoff Prosser, MP, Hon Neil O'Keefe, MP, Hon David Jull, MP, Senator Alan Ferguson and Senator Kerry O'Brien and Ms Jane Vincent, Trade Sub-Committee Secretary.

two weeks Committee members visited Argentina, Brazil, Chile, Peru, Venezuela, Colombia, Ecuador and Uruguay.

Structure of the Report

- 1.18 Following the introductory chapter, the main body of the report has been structured to profile South America as an export destination, reflect the regional groupings of countries in South America and their interaction, and address the role of the Government in facilitating Australian firms to find and win business. South America is not a homogeneous market. The region offers enormous market potential for Australian exports and investment but in order to capitalise on the breadth of business opportunities, it requires specific regional approaches and a move to bilateral trade agreements.
- 1.19 Part One of the report provides an overview and takes in chapters one to three. Chapter 2 provides a SWOT⁷ analysis of the South American market and Chapter 3 looks at coalition building, Brazil's financial difficulties, regional trade agreements and Australia as a bridge to Asia.
- 1.20 Part Two of the report looks at expanding the trade and investment relationship with the economies of South America and covers Chapters 4 and 5. Chapter 4 discusses building a sound trade and investment relationship and Chapter 5 examines government support to Australian companies through the Department of Foreign Affairs and Trade, Austrade and EFIC.⁸
- 1.21 Part Three covers trade and investment with the countries of Mercosur and Associates. Chapter 6 looks at Argentina, Chapter 7 covers Brazil, Chapter 8 covers Uruguay and Chapter 9 looks at Chile that is an associate member of Mercosur.
- 1.22 Part Four examines the Andean countries encompassing Venezuela in Chapter 10, Colombia in Chapter 11, Ecuador in Chapter 12 and Peru in Chapter 13.

6 The Trade Sub-Committee Delegation was accompanied by Ms Sharyn Minahan, Director, Canada, Latin America and Caribbean Section, Americas Branch, DFAT.

7 SWOT – Strengths, Weaknesses, Opportunities and Threats.

8 EFIC – Export Finance and Insurance Corporation.

