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I. BRAZIL-AUSTRALIA BILATERAL RELATIONS

Diplomatic relations between Brazil and Australia were established in 1945. In 1946, Brazil opened a diplomatic representation in Canberra and Australia opened its Embassy in Rio de Janeiro, its first in Latin America. Bilateral relations have been excellent since then, with a few high level visits from both sides, a recent increase in trade and investments (mainly in the mining and renewable energy sectors) and perspective of scientific and technologic cooperation.

Although, so far, official visits at the highest level have not taken place, President Luiz Inacio Lula da Silva has already met Prime-Minister Kevin Rudd on two occasions, first in Washington, in November 2008, during the summit on financial markets and the global economy, and in July 2009, in L'Aquila, during the G8+G5 meeting. In Washington, both leaders examined the steps taken by the two governments to confront the international financial crisis, while the main topic discussed during their meeting in L'Aquila was the French proposal regarding the enlargement of the G8 with the inclusion of the G5 members plus Egypt.

Minister Celso Amorim has visited Australia twice, in 1994 and 2008. These were the only visits by a Brazilian Foreign Minister to Australia. Minister Stephen Smith visited Brazil in August 2009.

During his official visit to Australia in August 2008, Minister Celso Amorim was received by Prime Minister Kevin Rudd, by the Minister for Foreign Affairs Stephen Smith and the Minister for Trade Simon Crean (both authorities also met in June 2009, during the OECD Ministerial meeting in Paris, when they examined issues related to the Doha Round). In his audience with Stephen Smith, Minister Amorim examined the developing bilateral agenda and reaffirmed the similarities of the positions of both countries in most multilateral fora.

Aiming at further developing relations between Brazil and Australia, both authorities agreed to elaborate a Plan of Action with the intention of building an enhanced partnership, to be submitted to both Heads of Government.

During Minister Smith's visit to Brazil in August 2009, both ministers agreed that the Plan of Action should be submitted as soon as possible for the consideration of President Luis Inacio Lula da Silva and Prime Minister Kevin Rudd.

In the last few years, besides the visit of the Brazilian Foreign Minister, Australia had received a number of Brazilian authorities and official

visitors, such as the former Minister of Culture, Gilberto Gil (2004), the former Minister of Agriculture Roberto Rodrigues (2005), the Special Assistant for Foreign Affairs of the Presidency of Brazil Marco Aurelio Garcia, the Special Assistant for Asia, João Gualberto Marques Porto (2008), and the Under Secretary for Political Affairs of the Brazilian Ministry for External Relations, Roberto Jaguaribe (2008). A Brazilian parliamentary mission travelled around Australia in 2008, gathering information on mining and mineral resources in the country.

From the Australian side, besides the recent visit of the Minister for Foreign Affairs, Brazil has been visited by the former Minister for Agriculture, Fisheries and Forestry, Warren Truss (2003), by the former Minister for Trade, Mark Vaile (2004), by the former Minister for Education, Science and Training, Brendan Nelson (2005), by the former Minister for Education, Science and Training, Brendan Nelson (2005) and the former Minister for Industry, Ian McFarlane.

The Bilateral Political Consultations Mechanism, created in 1990, constitutes the main forum of analysis and exchange of views on issues of reciprocal interest. The last consultation meeting took place in Canberra in 2008, when a Brazilian delegation led by the Under Secretary for Political Affairs of the Ministry of External Relations, Ambassador Roberto Jaguaribe, examined various issues on the bilateral and multilateral agendas.

Brazil and Australia, together with New Zealand, as well as Argentina, Paraguay and Uruguay, take part in the MERCOSUL-CER dialogue. This mechanism was created in 1996 to stimulate cooperation in trade policy issues and to promote trade and investments among its members. The last meeting of the mechanism took place in Brasilia, in November 2004.

Australia and Brazil are both members of the Forum for East Asia-Latin America Cooperation (FEALAC), which aims at fostering mutual knowledge, reciprocal dialogue and cooperation between both regions. The third meeting of FEALAC took place in Brasilia in August 2007.

II. BILATERAL TRADE

1. Brazilian exports

Brazilian exports to Australia have experienced a relevant increase in recent years. This tendency was sustained in the following years, as shown below:

2003 = US\$ 305.5 millions

2004 = US\$ 370.1 millions

2005 = US\$ 464.2 millions

2006 = US\$ 512.2 millions

2007 = US\$ 614.1 millions

2008 = US\$ 1,252.8 billion

Despite the important increase registered in 2008, the financial crisis has reduced the amount of Brazilian exports into the Australian market by approximately 65% (until September 2009). In September, the amount exported by Brazil to Australia reached US\$ 347.7 million.

The main items exported by Brazil were: airplanes, tobacco, vehicles, coffee, soy, iron and industrial machines.

The airplanes amounted to 15.98% of the total of Brazilian exports to Australia in 2008. In 2009 the same item jumped to 36.25% of total Brazilian exports.

2. Brazilian imports

Australian exports to Brazil started to grow in 2004, when they reached US\$ 373.6 million. Since then, the bilateral trade was consistently favorable to Australia:

2005 = US\$ 628.2 millions

2006 = US\$ 737.8 millions

2007 = US\$ 775.8 millions

2008 = US\$ 1,229.8 billion

The international financial crisis of 2008/2009 has affected Australian exports to Brazil, registering a decrease of 19.68% until September 2009. Brazilian imports of Australian products had a smaller decrease than Brazilian exports to the Australian market. Brazilian imports of Australian products reached US\$ 584.8 (until September 2009).

The principal items imported by Brazil from Australia are coal, nickel, vehicles, carbonates, laminated iron and components and parts of refrigerators.

In 2008, coal was responsible for approximately 80% of the total of Brazilian imports from Australia. In 2009, the same item represented, until September, 59.2% of Brazilian imports from Australia.

III. BILATERAL INVESTMENTS

1. Brazilian investments in Australia

According to the Brazilian Central Bank, between 2001 and 2005 Brazil invested US\$ 36 million in Australia. In 2006 and 2007 there was no direct investment, but Brazilian indirect investments in that period were over US\$ 5 million. The Brazilian companies Vale and JBS have increased significantly their presence in Australia in the last three years.

In February 2007, the company Vale, (which already owned an Australian branch since 2005), announced the acquisition of AMCI Holding Australia for A\$ 835 million (around US\$ 668 million). Also relevant was the acquisition by JBS of American SWIFT for US\$ 1.4 billion, and by doing so also gaining control of Australia Meat Holdings (AMH).

Another important development regarding Brazil-Australia economic relations was the acquisition by *Virgin Blue* of 20 Embraer airplanes, which helped change the perception of the Australian business community about the Brazilian industrial capacity.

2. Australian investments in Brazil

According to the Brazilian Central Bank, in 2008 new Australian investments in Brazil amounted to US\$ 1,153 billion, the highest numbers since 2001. Australian investments started to grow significantly from 2005 onwards, albeit it should be said that these numbers are still below the real potential of Australia. In South America, Chile was, at least until 2008, the country that attracted most Australian investments.

Australian investments in Brazil (in US\$ millions):

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| 2001 | 10.68 |
| 2002 | 3.97 |
| 2003 | 43.92 |
| 2004 | 5.86 |
| 2005 | 926.04 |
| 2006 | 116.96 |
| 2007 | 493.77 |
| 2008 | 1.153.43 |
| 2009 (jan/april) | 235.47 |

Source: Brazilian Central Bank

Below are listed the sectors that most benefitted from Australian investments in Brazil since 2003. They include the sectors of metallurgy and mineral extraction, extraction of oil and natural gas, wholesale trade in live animals, feed and agricultural raw materials, manufacture of rubber and the manufacture of disinfectants.

- Plastic bags
- Iron ore production
- Extraction of precious metal minerals
- Extraction of other non-metallic minerals
- Insecticides
- Soy
- Agricultural services
- Oil and natural gas production
- Non- iron metal minerals
- Other non-iron metal minerals
- Aluminium and alloys
- Wholesale trade of agricultural products ‘ in the raw’
- Wholesale trade of livestock, animal provisions and agricultural products except coffee and soy
- Database
- Other rubber products
- Tools and materials for the production of optical and odontological goods
- Sanitary disinfectants
- Non-life insurances
- Office and administrative services

According to the Brazilian Central Bank, Australian investments in Brazil grew from US\$ 64.56 million in 1995 to US\$ 166.93 million in 2005. According to the same source, Australian investments in Brazil reached the amount of circa US\$ 900 million in 2009, representing an increase of 500% compared to 2001.

3. Australian companies in Brazil

The main Australian companies present in Brazil are:

- Agrichem
- Amcor
- Ansell
- Ashburton
- BHP Billiton
- Carnavale Resources

- Centaurus Resources
- Cougar
- Elkedra
- Gold Aura
- Mincom/Maptek
- Mirabela
- Mundo Minerals
- Nufarm
- Orica
- Pacific Hydro
- Redox Diamonds
- Resources & Investments NL
- Rio Tinto
- Troy Resources

IV. PROPOSALS TO EXPAND THE ECONOMIC AND COMMERCIAL RELATIONSHIP BETWEEN BRAZIL AND AUSTRALIA

Brazilian and Australian ministers responsible for Foreign Affairs and Trade met in Australia during a visit of the Brazilian Minister of External Relations, Celso Amorim, in August 2008, and agreed that bilateral relations should be strengthened by a Plan of Action to achieve an Enhanced Partnership.

In the context of that visit, a Joint Ministerial Statement dated 27 August instructed officials of both Governments to identify elements of a Plan of Action to explore options for closer cooperation in the areas of trade and investment, climate change and the environment, development cooperation (including trilateral cooperation with East Timor and Mozambique), agriculture, mining and energy (including biofuels), science and technology, education, sports and culture.

Based on that Joint Statement and the documents drafted to date about the Brazil-Australia Enhanced Partnership, this document outlines Brazil's views on the possible elements of a Plan of Action to be considered in the context of our shared goal of developing an Enhanced Partnership between both countries.

It is envisaged that the Plan of Action should implement mechanisms of regular consultations meetings on a ministerial level as well as on a senior officer's level, with the aim to establish new patterns for the bilateral relationship and to discuss outstanding items on the international agenda.

It is also foreseen that the Plan of Action should also contain a list of actions to be implemented in future years in priority areas such as: Energy and Mining (cooperation in renewable energies and bio-energy), Agriculture (sanitary and phytosanitary matters), Trade and Investment (with the implementation of a bilateral “Trade and Investment Monitoring Group”), Sports, Science and Technology, Education and Tourism.

1. The Brazil-Australia Foreign and Trade Policy Ministerial Consultations

A mechanism of bilateral consultations, the **Brazil-Australia Foreign and Trade Policy Ministerial Consultations**, held by ministers with responsibility for foreign and trade policy, will be considered under the Plan of Action.

Such ministerial meetings would alternatively be held in Brazil and Australia at least every two years or at any opportunity provided by international events, on dates and with agendas which shall be mutually agreed on through diplomatic channels.

In order to ensure closer policy coordination on international issues and to enable senior officials to closely monitor the progress of the implementation of the Plan of Action, Senior Officials in charge of foreign and trade policy of both governments would hold Senior Officials’ Meetings on any issue of mutual interest.

2. The Australia-Brazil Dialogue

Bearing in mind the opportunities that a stronger bilateral relationship would provide for collaboration on diverse issues of mutual interest, the two governments could agree, under the Plan of Action to establish the **Australia-Brazil Dialogue**;

The Australia-Brazil Dialogue would aim to provide an opportunity for specialised high-level discussions involving relevant ministers and officials of both countries and, where appropriate, business representatives, civil society and academics;

Meetings related to any of the areas of mutual interest identified by the two governments would be held under the appropriate chapter of the Australia-Brazil Dialogue. Such meetings could alternatively be held in Brazil and Australia every two years or at any date deemed appropriate.

3. Trade and Investment

In addition to the existing close cooperation on multilateral trade issues, particularly through the WTO and Cairns Group, both governments could decide under the Plan of Action to establish a bilateral **Trade and Investment Monitoring Group**. The Trade and Investment Monitoring

Group could explore possibilities for trade and investment promotion and identify trade and investment opportunities in both countries; it could also explore measures in facilitating trade and investment flows.

The Group could discuss issues related to: customs cooperation; harmonization of trade statistics and cooperation between normalization, metrology and regulatory agencies.

During the visit of Minister Stephen Smith to Brazil in August 2009, it was also discussed that both Governments might want to encourage the private sector of their countries to consider the creation of an “Australia-Brazil Business Council” where representatives of businesses would meet and discuss initiatives to strengthen bilateral commerce.

4. Science and Technology Agreement

An agreement on Science and Technology could open important possibilities of future cooperation between Brazil and Australia in areas such as nanotechnology, biotechnology, energy, agriculture and geology/mining.

Both Governments could agree to explore the possibility of developing common projects on research and development, in areas such as Agriculture, Mining and Energy.

Both Governments could also envisage pursuing the conclusion of a Memorandum of Understanding (MoU) on expanding cooperation on science and research between the Australian Research Council (ARC) and its Brazilian counterpart, the National Council for Scientific and Technological Development (CNPq);

Both Governments could also envisage pursuing the conclusion of a Memorandum of Understanding (MoU) on expanding cooperation on science and research between the Commonwealth Scientific and Industrial Research Organisation (CSIRO) and EMBRAPA;

5. A Consultative Committee on Agriculture between Brazil and Australia

Brazil has now developed this mechanism of cooperation with other agricultural goods exporters, such as the USA, Canada, Ukraine, Indonesia and South Korea. The objective of a Consultative Committee on Agriculture between Brazil and Australia would be to promote mutual understanding between sanitary authorities of both countries, in order to provide a forum for discussion not only of current themes and issues of mutual interest, but also agricultural policies and trade-related agricultural policies. It could be particularly useful to try to harmonize, where possible and considered needed, aspects of trade on agricultural goods.

6. Working Group on Sanitary and Phytosanitary Matters

Bearing in mind the Memorandum of Understanding between the Government of the Federative Republic of Brazil and the Government of Australia on Co-operation in Sanitary Matters, signed in Sydney on April 2, 1998, the Governments of Brazil and Australia could establish a permanent Working Group on Sanitary and Phytosanitary Matters whereby experts of both countries would discuss issues such as:

1) Animal sanity; 2) Plant sanity; 3) inspection of animal and vegetable goods; 4) Inspection of fertilizers of animal and vegetable origin; 5) Surveillance of points of entry; 6) Official laboratories; 7) residue and contamination control; 8) bio security on Genetically Modified Organisms (GMOs); 9) measures related to the exports of food for cattle and other animals; and 10) Traceability.

The working group could also work with a view to achieve an agreement on mutual recognition of Sanitary and Phytosanitary measures and regulations in the immediate future, which could boost agricultural exports and imports on both sides.

7. Mining and Energy (Bio fuels)

The Governments of Brazil and Australia could strengthen existing cooperation on Mining and Energy issues, and deepen the dialogue on renewable energy sources, including bio energy. This dialogue could encompass policy options to promote the increase of their share in the global energy mix.

Brazil is the world's bigger producer of ethanol and it sees Australia as a natural partner in the development of a world market for that commodity. A MoU on bio fuels and investment between both countries could help strengthen and develop the bilateral relationship in this field.

Recently, contacts have been intensified between the Brazilian sugar cane industry representatives and Australian sugar industry representatives.

8. Climate Change

The establishment of a dialogue on Climate Change could provide an incentive to cooperation between agencies and institutions of both countries specialized in matters related to the issue.

9. Cooperation on Sports and Sport Events

The Governments of Brazil and Australia could also negotiate a Memorandum of Understanding on Sports Cooperation. That cooperation could encompass exchanges regarding Brazil hosting the 2016 Olympic Games and Australia's bid to host the 2018 FIFA World Cup, as well as the

organization of the 2014 FIFA World Cup in Brazil; possible cultural exhibitions/exchanges during those events and other sport exchanges.

The Brazilian Ministry of Sports would envisage cooperation with Australian bodies such as the Australian Institute of Sports (AIS), the Australian Sports Commission (ASC) and the Australian College of Physical Education (APCE).

10. Cooperation on Education

Both Governments could identify further cooperative activities to be undertaken through the Memorandum of Understanding on Cooperation in the field of Education and Training (signed 2005);

Australian institutions receive a constantly growing number of enrollments of students from Brazil (15,000 enrollments as of August 2009)

11. Air Services

The absence of a direct flight between Brazil and Australia remains a challenge to strengthening the bilateral ties in trade and investment. Qantas is presently flying to Buenos Aires, in Argentina, and has showed some interest in the possibility of extending that flight also to Brazil.

12. Dialogue on Human Rights

During Minister Stephen Smith's visit to Brazil in August 2009, the possibility of a Brazil-Australia Dialogue on Human Rights was discussed as a way to strengthen bilateral coordination on related issues.

V. OTHER PROPOSALS RELATED TO TRADE AND INVESTMENT BETWEEN BRAZIL AND AUSTRALIA

1. Cooperation on agricultural trade liberalization (WTO, G-20, CAIRNS GROUP)

Both countries share the view that there would be relevant gains in the liberalization of trade in agriculture, especially under the Doha Round.

The Cairns Group has been tabling proposals at the sessions of the WTO Committee on Agriculture regarding three strategic aspects on trade in agriculture: market access, domestic support and export competition.

The dialogue between Brazil and Australia at the G-20 has been instrumental in lowering the differences between the two groups and concentrating on efforts to achieve maximal benefits for their common interest: the elimination of subsidies that disrupt trade flows.

2. VISA Agreements

Brazil and Australia could examine the possibilities of negotiating agreements on business and tourist Visas to facilitate exchanges and promote trade and investment between both countries, promote integration and mutual knowledge between our peoples.

An agreement for Cooperation on Tourism could be also negotiated.

3. An agreement to avoid double taxation

The negotiation of an agreement to avoid double taxation between Brazil and Australia could also promote bilateral flows of trade and investment.

VI. SUGGESTIONS FOR FOSTERING BILATERAL TRADE

Coal is Australia's main export to Brazil. In the other direction, except for the recent purchase of airplanes by Virgin Blue, Brazilian exports to Australia are miscellaneous items shipped in relatively small quantities.

Bilateral trade could be fostered in the following segments:

- 1) services and equipment related to oil and gas
- 2) machines and equipment related to agriculture;
- 3) fashion (textiles, shoes);
- 4) food;
- 5) furniture;
- 6) tourism.

Promotional actions could be undertaken in both directions, such as providing incentives for entities and representatives of the business communities of both countries to engage with and also visit their counterparts respectively in Brazil and in Australia.

VII. SUGGESTIONS FOR FOSTERING BILATERAL INVESTMENTS

Australian investments in Brazil concentrate on the metallurgy and mining sectors, and tend to grow and diversify.

Between 2002 and 2008, Australian investments in Brazil grew significantly, reaching US\$ 1.153 billion in 2008. In that year, Australia became the 9th biggest investor in Brazil.

Recently, Australian businesses have developed an interest in the production of pest control products (insect killing products), rubber, plastics, oil and natural gas. Joint ventures in those sectors could provide an incentive for exports to third markets as well.

Brazilian investments in Australia, a very recent trend, amounted to US\$ 9 million in 2004. Brazilian businesses investing in Australia are Vale and JBS Friboi.

The organization of high level visits, accompanied by business delegations, could provide opportunities for the exploration of new areas for reciprocal bilateral investments.