

**JOINT STANDING COMMITTEE ON FOREIGN
AFFAIRS, DEFENCE AND TRADE**

TRADE SUB-COMMITTEE

INQUIRY INTO

**AUSTRALIA'S TRADE AND INVESTMENT
RELATIONS WITH ASIA, THE PACIFIC AND
LATIN AMERICA**

24 September 2008

1. The Defence Export Unit (DEU) role is to support strategic defence industry through export facilitation and promotion into the international defence market place and to maintain identified defence industry capabilities within Australia. The DEU provides a whole of government approach to export initiatives, using the resources of State and Federal governments to support Australian defence industry in the promotion of their products internationally.
2. Asian Region – The DEU is active in seeking opportunities and promoting both large and Small & Medium Enterprise (SME) defence products in the Asian region. The DEU regularly engages with foreign procurement agencies and delegates in the region supporting Australian companies by the use of Military Specialists & Australian Defence Attaché's who are able to access Military contacts within the region. Promotion activities include leading international defence industry trade shows to Singapore, Malaysia and India under the Team Australia banner providing an opportunity for Australian companies to meet with foreign delegations and foreign suppliers to promote their products. The DEU is continuing to lead defence industry missions to countries within the region. The DEU is also providing support as required for individual company ventures into the region including recent support to companies entering the Vietnamese market. Malaysia and India have also been emerging interests in Australian Defence products. The ADF has strong ties with a number of the countries in the region and the DEU complements this with defence exports. There are a number of challenges with marketing in South East Asia, including undefined procurement processes, regular rotation of key defence personnel, requirement to use local agents, requirement to use local content or the need to partner with a local company and on occasion potential corruption involved in the procurement process.
3. The DEU makes Australian companies aware of all these points when they wish to enter this market. The close proximity of the region and the reputation of Australian defence products provide significant export opportunities for Australian industry.
4. Pacific Region – The Defence Cooperation Program and gifting provide a substantial amount of equipment. For this reason the DEU has not focussed any attention to determining what possible export opportunities would be available in the area as demand is very small.
5. Latin America - Australian defence industry has not focussed on the Latin American market, which has seen a steady increase in economic wealth and has seen countries in the region increase their defence spending. Chile is one such country with a progressive, successful and relatively open democracy, has substantial copper resources and the worldwide rise in copper prices has increased the countries revenue dramatically. The Copper Law, introduced in 1958 requires that 10% of the copper sales from the State owned copper mines must be given to the military. Therefore with the increase of the copper price, billions of dollars are being partitioned lawfully into the military. The Australian government has entered into Free Trade Agreement negotiations with Chile to ensure greater access into the region to reduce barriers to trade exports from Australia. Although the Chilean military may be at the end of its current defence procurements, other countries in the area are nervous at the arms build up conducted by Chile. This will invariably lead to the surrounding nations purchasing additional military equipment to protect their countries sovereignty. Such countries include Argentina, Bolivia, Paraguay and Peru. This now presents opportunities for Australia to expand its defence export relations into the Latin American countries including maritime, Land and Electronic systems.