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**Embassy of Uruguay  
Australia**

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Canberra, March 9, 2010

Janelle Saffin MP  
Chair of the Trade Sub-Committee  
Joint Standing Committee on Foreign Affairs, Defence and Trade

Dear Ms Saffin,

I would like to refer to the inquiry into Australia's trade and investment relations with Asia, the Pacific and Latin America undertaken by the Trade Sub-Committee.

In this regard, I am pleased to herein enclose a submission which will address three aspects:

- Brief description of Uruguay.
- The current situation of trade and investment between Uruguay and Australia.
- Ways of enhancing the bilateral relationship.

I am confident that the final result of this inquiry will pave the way for the enhancement of Australia's trade and investment relations with Uruguay and the other countries of our region.

Yours sincerely,

A handwritten signature in blue ink, reading "Alberto L. Fajardo".

**ALBERTO L. FAJARDO**  
Ambassador



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### A brief description of Uruguay

Uruguay is located on the Atlantic coast of South America, on the northern bank of the River Plate between Argentina and Brazil, with an area of 176,215 km<sup>2</sup>. 94% of its 3.350.000 inhabitants live in urban areas. The largest city, and capital, is Montevideo, which has a population of approximately 1.3 million.

It has a strong democratic tradition with a solid and stable institutional, economic, and social framework. The Legislative and Executive branches operate in an appropriate manner and judicial institutions act independently.

Uruguay has a long-standing tradition of recognizing citizens' rights with regard to social security and labour relations. The literacy rate is very high and nearly all of the population has access to education, health services, potable water, telephony, and electricity.



Recently, Uruguay has completed the implementation of an innovative program in IT education, known as the Plan CEIBAL (Basic Computer Technology Educational Connectivity for Online Learning). The program's objective is to promote social justice through equal access to information and communication tools for all of society. With this objective, internet-connected laptop computers have been given to all school children in the public school system throughout the country, thus helping our youngest citizens overcome the technology gap. Internationally, the project is known as “One Laptop per Child” and was designed and championed by Nicolas Negroponte of the Massachusetts Institute of Technology (MIT).

In Uruguay, people can live safely, peacefully, healthily and pleurably. There are no ethnic or religious conflicts and public safety indices are far better than the regional average. The country has the lowest victimization rate in South America (source: Latinobarómetro, 2008).



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In environmental matters, Uruguay has quality standards recognized the world over. According to the Environmental Performance Index, created in 2008 by Yale and Columbia Universities, Uruguay was ranked 36th out of 149 countries.

Some indicators that reflect the quality of life of Uruguayan society are as follows:

- Uruguay has the most progressive income distribution in Latin America.
- Life expectancy: 75
- Qualified labour force: 1 in 3 workers have technical or university training.
- Literacy rate: 98%
- Doctors per 100,000 inhabitants: 365
- Infant mortality per 1,000 births: 13
- Uruguay is tobacco smoke free (6th in the world and 1st in South America).

Uruguay's open export-based economy reached a GDP of USD 32,850 million in 2009, representing a GDP/capita of nearly USD 10,000. Agriculture, including livestock and forestry, is one of the most important contributors to the Uruguayan economy, with agricultural-related products, including those processed by industry, accounting for more than half of the country's exports. The main export industries are:

- Agriculture / livestock products (meats, grains, dairy, wood and wood products, wool, leathers)
- Manufactured products (plastics, pharmaceuticals, chemicals, textiles, clothing, cellulose)
- Tourism, software, logistics and other services.

Drawing on a favourable world context and on prudent macro-economic management, the economic activity in Uruguay entered an extraordinary phase of growth in 2004, with the economy receiving unprecedented foreign capital inflows destined to various productive activities. The country achieved a sustained 6.7% average annual economic growth rate between 2004 and 2008, with a significant reduction of potential vulnerabilities: lower fiscal deficit levels, reduced debt-to-GDP ratios, and historically low levels of inflation.

Despite the negative effects of the global financial crisis –first felt towards the last quarter of 2008 mainly through a slowdown of exports and lower commodity prices– annual growth reached 8.9% during 2008, significantly above the regional average. A lower GDP growth rate of 2% was achieved in 2009, although significantly, Uruguay avoided entering into recession. An increase of 4-5% is expected this year.



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Uruguay is a founder member of MERCOSUR, the Common Market of the South, along with Paraguay, Brazil and Argentina. Montevideo is considered the Capital of MERCOSUR, where its Secretariat and Parliament are located. Uruguayan exporters thus enjoy privileged access to these markets and through MERCOSUR'S Free Trade Agreements, with Israel (in force only for Israel and Uruguay), Chile, Bolivia, Peru, Ecuador, Colombia, and Venezuela, while Uruguay also has (through a waiver) an FTA with Mexico.

Uruguay offers clear competitive advantages to the investor, including a privileged geographic location and a suitable and rapidly developing support infrastructure for passenger and merchandise transport by sea, air and land. The country is ranked second in infrastructure development in South America (The Global Competitiveness Report 2008-2009, World Economic Forum).

More importantly, Uruguay is the ideal location to distribute merchandise to the most affluent region of South America. The strategic location of the country signifies that the main business and population centres of the region are within easy reach. In this regard, approximately 73% of GDP in Brazil, 71% of GDP in Argentina, and 60% of GDP in Chile is generated in the continental band surrounding Uruguayan territory.

Economic stability, adherence to general economic principles, transparency, and respect for contracts are the traditional qualities of the Uruguayan political system and transcend the specific programs of the various administrations. According to the 2009 Corruption Perceptions Index developed by Transparency International, Uruguay shares first place with Chile as the most trustworthy country in Latin America (and 25rd in the world).

The country has an attractive investment promotion system that grants specific guarantees to the investor, denoting a high degree of commitment by government officials. Domestic and foreign capital are treated equally and both types can receive the same incentives. There are no limits for foreign capital in companies. Foreign investors may carry out any type of activity under the same conditions as local investors. In certain industry sectors, foreign investors can perform activities under public concession agreements.

There are no limits on capital repatriation or profit transfer and no permits are required. The currency exchange market is free and has no limits on foreign currency trading. Investments can be made in any currency. The tax system is neutral with respect to foreign investment. No prior authorizations are required to make investments, except for environmentally-related permits.

Uruguay respects international intellectual property standards. Copyrights, brands and patents are expressly protected by law. Studies by international organizations show the



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country has the best intellectual property protection in South America (source: The Global Competitiveness Report 2008-2009, World Economic Forum).

Finally, it should be noted that a new Uruguayan Government took office on March 1<sup>st</sup>, headed by President José Mujica and the former Minister of Economy Danilo Astori as Vice President. They are expected to continue policies which led the Executive Board of the IMF in November 2009 to praise “in particular Uruguay’s sound macroeconomic policies, its robust and well-regulated banking system, its solid external position -underpinned by a flexible exchange rate regime- and its advances in poverty alleviation.”

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***Uruguay-Australia***

***Political Relations***

Uruguay and Australia are two long-standing democracies with similar views and positions on the vast majority of international issues. In this regard, we agreed in 2008 to exchange support for our respective United Nations Security Council candidatures in 2016-17 and 2013-14, respectively.

Although there are no major foreign policy differences between Uruguay and Australia, the different geopolitical realities both countries face and the geographic distance between them have limited high level official visits. In this sense, there have not been visits by Heads of State or Government and official missions presided by other authorities have been rare.

As Foreign Minister Stephen Smith recognized in a meeting with Latin American Ambassadors in Canberra last year, Latin America as a region has not received the attention by Australian authorities that it merits, unnecessarily limiting the significant opportunities that exist for mutually beneficial bilateral cooperation in all areas. As this Ambassador has observed in the year and a half he has been in Australia, our region rarely appears on Australia's international agenda and this is even more apparent regarding the Atlantic coast countries of MERCOSUR, which have not benefitted from Australia's increased focus on Asia-Pacific integration.

Uruguay is one of ten countries in Latin America and the Caribbean that have a resident Embassy in Canberra, with a permanent presence since the 60s, but there has never been an Australian Embassy in Montevideo. We also maintain a Consulate General in Sydney.

***Economic and Trade Relations***

Trade between Uruguay and Australia is modest and investment flows have been limited. The only bilateral treaty in force is the Agreement between Uruguay and Australia on the Promotion and Protection of Investments, done in Punta del Este on 3 September 2001.



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**Bilateral merchandise trade Australia-Uruguay  
(Australian Dollars)**

Year	2006	2007	2008	2009
Australia's exports to Uruguay	18.092.730	19.754.720	21.775.790	10.114.850
Australia's imports from Uruguay	15.465.210	25.416.290	15.848.230	18.223.130
Balance of trade	2.627.520	-5.661.570	5.927.560	-8.108.280

Sources: ITC calculations based on COMTRADE/ABS statistics

Uruguayan commodity exports to Australia for the year 2009 totaled A\$ 18.2 million, an increase from the A\$ 15.8 in the year 2008. The main items were preparations for making non-alcoholic beverages (A\$ 13.2 million), articles of iron (A\$ 1.3 million), and tanning substances (A\$ 1.3 million).

In 2009 Australian exports to Uruguay totaled A\$ 10 million, a significant decrease from the A\$ 21.7 million in the year 2008, and mostly included leather, wool, and raw hides and skins.

Both countries are efficient agricultural producers and exporters and this reality has allowed Uruguay and Australia to regularly coordinate positions in the Cairns Group and the agricultural negotiations of the Doha Round in the WTO. The next Cairns Group Ministerial Meeting will be held this year in Punta del Este, the premier summer resort of Uruguay, from the 19<sup>th</sup> to the 21<sup>st</sup> of April and Australia's delegation will be headed by Minister Simon Crean.

However, at the bilateral level, the facts that both countries are exporters of similar agricultural based goods; that Australia has very strict AQIS and Biosecurity regulations (questioned by some members at the WTO as unnecessarily protectionist); and that long distances separate Uruguay from Oceania (affecting sea freight transit time and cost), have made it very difficult to open the Australian market to our main exports.

***Agribusiness sector***

Notwithstanding the similarities in the export products of Uruguay and Australia, opportunities exist for joint ventures in the agribusiness sector, with Australian companies exporting the technology and the marketing know-how to exploit the resource. One strategy for Australian companies looking to invest and trade in Uruguay would be to take advantage of existing trading interests and investments they may have in Argentina, Brazil and Paraguay, our MERCOSUR neighbours.





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As an example of a successful foreign investment in the agribusiness sector, the New Zealand company PGG Wrightson has raised NZ\$300 million for its venture in Uruguay, developing dairy farms using New Zealand farm and pasture management techniques, managed by the company New Zealand Farming Systems Uruguay. In the past two years, it has purchased 36,000 ha, 50,000 livestock, built 11 dairy sheds and aims to be milking 14,000 cows by June 2009.

In 2008, the Macquarie Group started a process of developing a fund that would invest in farms in South America (Uruguay and Brazil). A delegation of the company visited Uruguay between 19-22 January 2009 and met with a local farm management company and visited beef and cropping farms. However, the global financial crisis apparently delayed this project.

According to a related report from the Macquarie Group “the agricultural opportunity in Uruguay is to raise cattle on natural pastures and to grow feed crops. We believe that Uruguay offers an excellent opportunity to do this through its abundance of good arable land, temperate climate, strong agricultural sector, educated labour and farm management markets, and respect for private property rights”.

***Mining sector***

The Uruguayan mining sector has traditionally been based on the extraction of non-metallic minerals for the construction, glass and ceramics industries, as well as for other industrial applications.

Over the last few years, the Uruguayan mining sector has begun to reawaken and gold, diamond and iron ore exploration have been added to the list of existing and prospective ventures. The country has opened its doors to new investment inflows, which are bolstered by both national legislation and the prevailing favourable business environment.

Uruguay is an attractive market for Australian mining companies wanting to explore new opportunities in South America. Our mining industry presents foreign investors with sundry business opportunities, both in exploration for new minerals or in production of those already existing.

These opportunities range from the possibility of making direct investments to entering into partnerships with local corporations to explore joint undertakings. One example of this was the launching in 2008 of the “Uruguay Round 2009”, the first ever offshore licensing of oil and gas in Uruguay. At the end of the qualifying period, the





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interested companies were: BHP Billiton (Australia), GALP (Portugal), PDVSA (Venezuela), Petrobras (Brazil), Repsol (Spain), and YPF (Argentina).

Finally, in 2010 the bidding process was completed and Petrobras, Repsol, YPF and GALP signed deals with Uruguay to explore for offshore oil and gas. The companies signed production-sharing agreements with Uruguayan state oil company ANCAP.

***Agricultural biotechnology cooperation***

Australia is renowned for its innovation and development of technology in the agricultural field. For that reason, there is a clear interest of INIA (National Agricultural Research Institute of Uruguay) in developing its relationship with public and private Australian organizations working in the field of science and technology applied to the sector. In this regard, INIA has already concluded several agreements with Australian institutions, such as:

- The Department of Primary Industries of Victoria (PIRVic): Memorandum of Understanding in the fields of agricultural and biological sciences and related technologies; Agreement for the incorporation of genomics technology into pasture and forage plant breeding programs; The Chief Scientist of PIRVic is German Spangenberg, a Uruguayan-Australian.
- Phytogene, a company set up by PIRVic to develop, manage and commercialise intellectual property generated by PIRVic's R and D: Materials Evaluation and Licensing Agreement for the evaluation of GM White Clover in Uruguay (genetically modified legume for temperate pastures).
- University of New England / Agricultural Business Research Institute (ABRI): Agreement on genetic evaluations for Hereford Cattle in Uruguay.
- University of Western Australia: Agreement for the transfer to the Salinity Cooperative Research Center (CRC) of the Lotus germplasm developed through INIA's breeding program. Through this agreement, Uruguay's INIA is assisting Australian researchers in the search for a perennial pasture legume that can survive in the Mediterranean environments of southern and eastern Australia and cope with droughts, acidic soils, water logging, and salinity. An essential aspect of this collaborative breeding program is that the agricultural areas of both countries are located at similar latitudes.

While existing agreements have produced positive results, there is still further scope for R & D collaboration between Australia and Uruguay. Both countries should actively explore the possibilities for joint research and development activities, making use of best practices in this field and encourage, facilitate and support the development of direct



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contacts and cooperation between government agencies and organizations, universities, science and research centres, private sector firms, etc.

***Suggestions for strengthening cooperation, trade, and investment relations***

***Visas***

Since 2001, as a unilateral measure meant to encourage people to people contacts, Uruguay has not required tourist or business visas for Australian citizens, even though Uruguayans need visas to travel to Australia or even to transfer through an Australian airport.

One fact to take into account is that the Uruguayan community in this country comprises more than 10,000 citizens of Australia who were born in Uruguay, plus their descendants. Most have lived in this country for more than three decades. With their children and grandchildren, we consider that the Uruguayan community exceeds 40,000.

In this context, to get an Australian visa is a costly and often lengthy process for Uruguayan passport holders. A Uruguayan interested in visiting Australia (holidays or business) must send his passport, application form and payment of the visa application charge (A\$ 105 which is not refunded if the application is unsuccessful) by courier (an additional expense) to Buenos Aires from Uruguay.

This situation has discouraged many Uruguayans from applying for this type of visa, limiting tourism and business and being a source of aggravation for Australian Uruguayans and their families.

All attempts by this Ambassador to suggest a way forward with Australian officials have been rejected. In particular, **extending the Electronic Travel Authority to Uruguayan passport holders would be the single most important decision that Australia could take to promote its links with Uruguay.** Other suggestions have been to include Uruguay in the Work and Holiday program, such as we have successfully implemented with New Zealand; to eliminate transit visas; and to permit electronic student visas.

***High official visits***

High level official visits can enhance understanding between two countries and promote the growth of bilateral relations, trade, and investment.



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The last visit to Uruguay by an Australian parliamentary delegation took place in July 2007. The delegation held discussions with the International Affairs Committee of the House of Representatives, and senior Uruguayan Government authorities, including the Foreign and Agriculture Ministers. Further visits by parliamentarians of both countries would certainly be beneficial.

Next month (April 2010) Minister for Trade Simon Crean will visit Uruguay to attend the Cairns Group Ministerial Meeting. He will also hold bilateral talks with Uruguayan authorities and hopefully sign a Memorandum of Understanding on Strengthening Trade and Investment. This will be an important step forward as Article 6 (Implementation) of the proposed MOU calls for annual meetings of the representatives of the Parties to discuss all issues that would promote cooperation.

This Embassy has also proposed an MOU between Austrade and Uruguay XXI, our trade and investment promotion agency. Trade missions and participation in trade fairs are fundamental ways to promote bilateral relations. Cooperation between these two agencies would be a cost effective way to assist businessmen and women from both countries.

***CER-MERCOSUR Dialogue***

Australian and New Zealand Ministers responsible for the trans-Tasman trade and economic relationship met in Wellington on 9 August 2009 for the annual Closer Economic Relations (CER) Ministerial Forum. They agreed that Australian and New Zealand officials would further discuss the potential for a reconvened CER-Mercosur Dialogue with a reinvigorated agenda including trade facilitation, investment and behind-the-border issues.

The presence of the Ministers of Trade of both Australia and New Zealand at next month's Cairns Ministerial Meeting in Punta del Este, as well as those of MERCOSUR members, presents an excellent opportunity to restart the Dialogue after many years of inactivity. A tentative meeting has been scheduled by MERCOSUR on April 19, which if confirmed would send a very positive signal to the bi-regional public in general and economic agents in particular.

**Canberra, March 9, 2010**