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Trade Subcommittee
JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS, DEFENCE AND TRADE

Wednesday, 17 November 1999

Members: ~~Senator Ferguson, O'Brien, Quirk and Schacht and Fran Bailey, Mr Baird, Mr Berston, Mr Laurie Ferguson, Mr Hawker, Mr Hollis, Mr Jull, Mrs De-Anne Kelly, Mr Lieberman, Mr Martin, Mrs Moylan, Mr Nugent, Mr O'Keefe, Mr Price, Mr Prosser, Mr Pyne, Mr Snowdon, Dr Southcott and Mr Andrew Thomson~~

Subcommittee members: Mr Prosser (*Chair*), Senator Brownhill (*Acting Chair*), Senators Chapman, Cook, Ferguson and O'Brien and Fran Bailey, Mr Baird, Mr Hollis, Mrs De-Anne Kelly, Mrs Moylan, and Mr Andrew Thomson

Senators and members in attendance: Senator O'Brien, Mr Baird, Mr Hollis and Mr O'Keefe

Terms of reference for the inquiry:

To examine and report on Australia's expanding trade and investment relationship with the economies of South America, in particular:

- .the nature of Australia's existing trade and investment relationships with the region;
- .likely future trends in these relationships, including:
 - .the possible impact of financial instability, particularly in Brazil, on Australia's trade and investment interests
 - .likely sources of future business opportunities for Australian companies;
 - .the extent to which services such as transportation, banking and legal systems impact on further expansion of trade and investment linkages;
 - .the role of Government, particularly DFAT, Austrade and EFIC, in identifying and assisting Australian companies to capture opportunities in South America as they emerge.

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Subcommittee met at 8.34 a.m.

ACTING CHAIR (Senator O'Brien)—I declare open this sixth public hearing of the Trade Subcommittee of the Joint Standing Committee on Foreign Affairs, Defence and Trade inquiry into Australia's trade and investment relationship with South America. To date the Trade Subcommittee has received some 35 public and confidential submissions to the inquiry. It will be taking evidence from a range of witnesses, including South American diplomatic missions, the Department of Foreign Affairs and Trade, Austrade, other government departments and agencies both at the federal and state level, chambers of commerce and a cross-section of companies with an interest in South America.

On behalf of the Trade Subcommittee, I welcome Professor Charles Mott. The subcommittee prefers that all evidence be given in public but, should you at any stage wish to give any evidence in private, you may ask to do so and the subcommittee will consider your request. Although the subcommittee does not require you to give evidence on oath, I should advise you that these hearings are legal proceedings of the parliament and therefore have the same standing as proceedings of the respective Houses. The subcommittee has a submission from you that is submission No. 35. I now invite you to make a short opening statement, if you wish, before we proceed to questions.

Prof. Mott—I am an adjunct professor at La Trobe University and adviser on international affairs to the Vice-Chancellor. I am also a former officer of the Department of Foreign Affairs as well as ambassador to Brazil and various other places as well. As you note, I have given a short preliminary comment in a letter to Ms Vincent which presumably has been circulated. What I could do now is to say a number of general points about trade which I think have all been probably brought out in the submissions put to you but, in my sense, probably bear some repetition, and then similarly a number of points about education.

Firstly, on trade generally, I think Australia is very little known in South America and we need to make quite an effort to make ourselves better known. We can place a positive emphasis on Southern Hemisphere partnerships across the Pacific Ocean. This is the sort of proposition that Latin Americans respond warmly to and it would be to our benefit. The second point is that North Americans and Europeans have put, are putting and will put tremendous effort into South America. When Clinton and Chretien visit, they come with plane loads of ministers, secretaries and business people, literally hundreds. There are strings of European delegations passing through Latin America all the time. Latin heads of state visit European capitals constantly and they reciprocate by taking their own ministers and business people with them. Contact is close and frequent, it has been for literally centuries, and there is a big dividend in trade from this sort of thing.

For Australia, Tim Fischer valiantly held the flag but he was pretty much alone, at least in my experience, and he is not any longer Minister for Trade and Deputy Prime Minister. Gareth Evans visited once or twice, I believe, and Bob McMullan, but as far as I am aware—and I may be corrected—Alexander Downer has not visited in the almost four years that he has been foreign minister. As far as I am aware, we have had no prime ministerial visit since Gough Whitlam dropped into Peru to visit Machu Picchu in 1975, a visit on which I was fortunate enough to accompany him. Several Latin American heads of state have visited Australia in that

time and various ministers have done likewise. Therefore I think there is a deficiency at the top. That would help us get better known if we could try to correct that.

Thirdly, I would say in Latin America, South America, language is very important—more important than may have come out in some of your papers. English is indeed spoken among the business community, but there are big gaps and very important people often will not speak English or, if they do, will not be confident with their English. That means that our representatives, business, diplomatic and other, need to make every effort to learn Spanish and/or Portuguese. After all, we expect them to speak English in our country and we should make a reciprocal effort in theirs. Likewise, if you want to establish business in South America, good representation is very important. Get a good agent, first rule, or join up with a local company. Do not try and wing it.

Next, I would like to argue for a considered process of decision making, establishment of objectives and careful pursuit of them over the longer term. I think the submissions put to you show progress in this direction, but perhaps more is necessary. The culture of immediate action and immediate results is very prevalent in Australia at present, excessively so in my view, and does not always repay attention in Latin America where the more considered approach will yield benefits. After all, as I have said, we are dealing with people who have been at the job for many, many years. If we cannot achieve, if our businesses cannot achieve immediate results, this would scarcely be surprising in the circumstances. Yet I think if we have something good to offer and if we pursue what we have that is good with care and determination, we can prevail in that market.

Turning briefly to education—and here there will be a little overlap with what I have said before—I point out that competition is severe from North America, Europe and New Zealand to attract students from Latin America. Australia is a new market, and I believe we get some 1,500 students from South America in a year. From the biggest market, Brazil, we get 800 to 900 students, and that is from among approximately 80,000 Brazilians who go abroad to study. I think this is an important statistic. It means that we get approximately one per cent of Brazilian students. Yet, on a worldwide basis, I believe it is a fact that Australia gets about 2.5 per cent of students who go abroad to study and, to me, that shows that we should be able to increase at least the Brazilian market quite easily, but this will require effort and investment over a long period. It is no good flying in and expecting immediate results.

I think the industry needs good support from government and the agencies of government to make our education better known. Yet, if we look at the submissions of DFAT and Austrade to this inquiry, we find only slight reference to education, more or less in passing, and not many ideas for action. I found DETYA's submission disappointingly negative in the sense that it tended to be giving reasons why perhaps Latin America would not be very prospective. Is it realised that education is a \$3 billion industry for Australia in fees, goods and services, or that Brazilian students, even in their smallish number of 800, apparently—according to figures—brought \$21 million to the country in 1998? Can you name five larger export industries than education? I doubt it.

Likewise, Australian universities and schools must expect to work harder and better to become better known in South America. When you get better known and you contribute your teaching and research in an even and cooperative way to South American universities and schools, you get a good reputation and you begin to attract students from there. This takes time and effort. It has been La Trobe University's objective in this regard. We have paid a number of visits in the last couple of years to try to settle and sort out agreements in cooperation with

various universities in South America. It has been hard going in some ways, but we believe that in the longer term it will open opportunities for our staff and students and add a new dimension to the intellectual life of our university, as well as yielding benefits in terms of an increased flow of students over time.

I think we need a whole of government approach to the promotion of Australian education in which government departments and agencies combine with universities and schools to make our capabilities known. This means DFAT, Austrade, ATC and DIMA, significantly DIMA, and also institutions like the IDP, the International Development Program. When I was there—and maybe it has changed—there was not much evidence of such pulling together, and I am informed—and I am indebted to a Brazilian contact in Sao Paulo who sent me a few thoughts for presentation to your inquiry—that for the first time in five years there was no 'Study in Australia fair' in Sao Paulo this year. I hope that next year the various agencies can combine to stage a successful fair from which Australian education will gain. I also think it would be a good idea if several scholarships for South Americans could be funded at Australian institutions, and this would help to make our education better known.

My contact in Sao Paulo informs me that visas remain a problem in the relationship, and this appears to me to be true throughout South America with only three visa issuing centres there. I think Australia should be striving to lighten the burden—and by the word 'burden' I mean the administration and the cost—of getting visas wherever possible. Other countries are doing this. I am told that New Zealand does not require visas for Brazilians visiting for up to three months any more, and that Canada issues all of its visas in Brazil in Sao Paulo which is, after all, the origin of 70 per cent of the country's tourists and most of its students, whereas we continue to insist on doing this in Brasilia, 1,200 kilometres away from the main population centres. With the best will in the world, this creates logistical difficulties for private individuals and for agents, and indeed for our own people who are trying to issue these visas at such a distance.

Perhaps DIMA could consider providing more resources for issuing visas in Latin America. I know 'more resources' is always a mantra, and it is always argued back that you take them from here, you provide them here and you do not have them there, but I think there is a case for doing better in South America. I also think there is a case for DIMA reviewing its procedures and requirements with a view to lightening the load of visas. After all, the DIMA submission says, 'Brazilians and Argentinians make up 65 per cent of South American visas and generally they comply with visa requirements,' so perhaps the risk may not be too great.

Those are the introductory remarks I wish to make, Mr Acting Chairman. Thank you very much.

ACTING CHAIR—Thanks very much, Professor Mott. Mr Baird, would you like to commence questions?

Mr BAIRD—Yes. Professor Mott, I think you made a lot of interesting points there. I suppose I would like to kick it off by saying if you had the world to look at, the question that we would need to consider is: with the resources that are available to Austrade and the Australian Tourist Commission, et cetera, and of course the promotion of our education services, do we get a better bang for our buck in Europe, North America and Asia, and are the returns not quite so high in South America? Is that part of the reason why not much has been spent there—just as your own assessment?

Secondly, in considering the countries in South America, which countries in particular do you believe represent the best potential for us in terms of Austrade, in terms of the Australian Tourist Commission and in terms of education services overall?

Are you aware whether we have a consul-general in Sao Paulo? I understand that Qantas had trouble establishing an office in that city, and I would be interested in your views on that.

Finally, I have to say that I agree with several of your points in terms of visas and also in terms of promotion of educational services. I am associated with an educational institution which went over and marketed in South America, and they found considerable success in doing so.

So, just generally, from your viewpoint, having been a senior person in foreign affairs, you know what these committees are about, so perhaps you could try and guide us. If you had the global responsibility for expenditure of funds, would you believe it worthwhile to put our funds there? And could you then turn to some of those more detailed questions that I asked?

Prof. Mott—That is the quintessential difficult question. I think it is worth putting more resources into South America. Mind you, your argument is quite right, it can be similarly made for other centres as well, and that is something that policy makers just have to wrestle with, trying to get the most value that they possibly can from the finite degree of resources that they have and trying to allocate them as between places which all may have valid claims. That just goes with the job.

If and when you visit South America, you will see that we are very thin there. Whereas our people do the best they can and very many of them do a very good job, I think it could be done better, and I think it could be done better if there were more cooperation among all of the various Australian agencies in a particular place. You notice here that there are lots of chambers of commerce that represent or speak for different regions and different countries in South America. I would like to see all them get together and pull together a bit and pool things. I think they could do better in that regard, in the same way, I think, that government agencies could.

The countries for you to take account of if you visit, and not necessarily in order of priority, would be Brazil, Argentina, Chile and, perhaps, Peru. I do not know about Colombia. Colombia is proving very prospective in regard to students. We have got some 70 or 80 students from Colombia at the moment and this staggered me when I found that out the other day. These students are not doing university courses but are language students. Language students significantly can often decide they would like to continue to do another course and that is why language is, for one reason, very important.

As for Sao Paulo, I am not quite sure I recall your question. We do have a Consul-General there and an Austrade representative.

Mr BAIRD—It is just that we understand that Qantas had troubles establishing an office there because of airline agreements, et cetera. I am just wondering whether there are difficulties for Australians setting up there, or was this an unusual case?

Prof. Mott—Yes, there may be problems in the airline world over a thing like that. I am not sure, but I do remember that for quite a while Qantas was uninterested in pursuing an air services agreement with Brazil. The Brazilians were interested, and now it could have turned round a bit, I do not know.

Mr BAIRD—As a final point in relation to visas which I think is a particularly interesting area, what impact do you believe it has, just speaking of Brazil alone? I was interested in your figure that Brazil represents 65 per cent of all international travel out of South America.

Prof. Mott—Brazil and Argentina. This was put in one of the submissions that I read—maybe it was DIMA's, I am not sure.

Mr BAIRD—Obviously it is difficult to quantify impact. What percentage of business does Australia lose, do you think, because of its current visa problem?

Prof. Mott—I think business is not so bad. There are these multiple entry business visas now which seem to work pretty well and which, in a way, are quite generous. I think they are a good innovation. In terms of business, if business people will get these multiple entry visas, there will be not much difficulty for them.

I think the difficulty perhaps is more for the personal tourist and maybe at student level in the sense that the visa offices are up there in Brasilia and most of the students are in Sao Paulo state and elsewhere in the country. Individuals find it very difficult to deal with a lot of our requirements. If they are students they may use agents to help them get the visas and the agents have to employ couriers up and down.

Unfortunately, in many ways, Brazilians often leave things to the last minute and decide they want a visa quickly. This then becomes difficult for them and sometimes they get a little bit irritated over this and ask, 'Why is it so difficult to do all this?' So this causes a bit of fretting. Very often when someone is going to a new country the visa representative is the person they first see and it can create a good or ill impression.

The Americans get terrible publicity in many parts of the world because of visa problems. We are not up there with them but we get quite a bit of aggravation from people as well. Added to that, because of the phone systems and things like that, contact with the embassy and the consulate-general is very difficult. I think contact to discuss visas is restricted severely in the number of hours by telephone per week. You may call up from somewhere distant in Brazil and find that the embassy is not discussing visas at this particular time and you have to call back on Monday between X and Y hours. You would have to confirm with the embassy whether that is still the case, but that is what I believe it is.

Mr BAIRD—Thank you.

Mr O'KEEFE—I am sorry, I was a little bit late so I did not pick up on it all. Most of what you were saying was consistent with the evidence that has been given to us to date and, you will be pleased to know, you are not out of step with anybody.

Prof. Mott—Is that good or bad?

Mr O'KEEFE—There are a couple of points which you did emphasise that were interesting in that regard. You mentioned that, whilst English is being spoken around Latin America, a lot of key people feel uncomfortable and we should make the effort to move into Spanish or Portuguese. That has not been emphasised so much to us. What has been said to us is that there are a lot of opportunities there and there is a common business culture. English is well spoken

and it is quite strange that we have not made the effort and the links to date. Given the effort in the 1980s, say, with the Asian focus on Asian languages being picked up in our institutions and kids being encouraged to learn Asian languages, do you think that they will get to English quickly enough so that we do not have to worry too much about it? Or do you think we should make a recommendation as a committee to give some focus to backing up this trade opportunity with some teaching of Spanish and Portuguese?

Prof. Mott—There are a lot of things that can be said in answer to that question. Latin Americans are very keen to learn English. They want to do it, and a lot of them will sacrifice to send their children abroad for that chance. If you were to go there you would observe there are many schools purporting to teach English in the country. It is recognised that English is the international language of business and technology. All of these points have been taken and many people are striving to get there in English and succeeding, too, to a point.

But, at the same time, whereas business companies will have interpreters and a number of people who would speak good English, you get an impression that in some cases this capacity is thin. If I went to call on members of parliament, I would have to talk to them in Portuguese. They may have spoken some English but they were uncomfortable with it and they did not like to talk to you in English. There may have been some national pride in this as well. After all, it is a proud culture and, even more with Spanish, it is widely spoken. They feel they have a language which is a valuable language in the world and which is gaining strength in the world, in the same way as English is gaining strength.

For these reasons I think our representatives must—the ones on the spot—strive to speak good Spanish or Portuguese, as the case may be. This is very difficult especially when you get to a certain age and others may have been doing it for life. If you cannot do it you have to have access to it. The person who talks to you may not be the person who makes the decisions and if you want to get to the person who makes the decisions that person may not necessarily speak English or may not speak it well.

Mr O'KEEFE—An education effort was made to get into some Asian languages in the 1980s. Do you think that these trade opportunities are significant enough with Latin America to be suggesting some focus on Spanish language teaching in Australian schools?

Prof. Mott—I think in time they could be, but it is not only Latin America, it is Spain in Europe and maybe Spain in North America that you are interested in as well. All of these things probably make it worth while to give greater emphasis to Spanish. That is what we have been doing over a long period at La Trobe, maintaining our Latin American capacity, and indeed increasing it, both Spanish and Portuguese. We have been pretty successful at that and we will try to keep on doing it.

Mr HOLLIS—As my colleague said, your submission and talk to us today is not at great variance with other things that people have said, especially about the visas. But tell me a little bit about the visas. Say I am in Sao Paulo and I want a visa to come to Australia. I do not actually have to go to Brasilia, do I? What do I do? Do I fill in a form?

Prof. Mott—I believe the situation is that you collect a form from the Austrade office, the Consulate-General, and that will tell you what you have to do, what papers you have to provide, what formalities you have to achieve. You will have to go through that and arrange to send the form up, perhaps by courier, to Brasilia where it can be processed. Once you have gone through

all these formalities and satisfied them and got your bits of paper and that type of thing and you have sent it there, the processing in the embassy is quite fast. They can turn around a visa application very rapidly, perhaps within a day if necessary. I think it is the actual procedures and the distances that are involved that make for the difficulties, and also perhaps the difficulty in accessing additional information if you need that.

Mr HOLLIS—I suspect that that would be the real problem. If it were straightforward it would be okay, but if there was a query arising from the form, I suspect that that is where the problem would come. Just about everyone who has appeared before this committee has raised the question of visas with us and we have, in turn, raised it with the department. I do not know what the committee will report on but I would be very surprised if we did not make some recommendation there because it has been such an issue with everyone who has appeared before us.

On another issue, at La Trobe, and generally in Australian universities, what do students from Latin America study? Is it mainly language? What proportion would be of language compared to other more general subjects?

Prof. Mott—There are two things I want to say. Firstly, the students we have begin mostly as language students. They come to learn English in our language school, which is part of the university. I think the English instruction is the most important aspect of education relations, seen narrowly. Secondly, at the moment I do not think there are many prospects of attracting a lot of Latin American undergraduate students because university education at a lot of universities in South America is free and so they might think, 'Why come and pay in Australia if I get it free at home?' But there is a tradition of postgraduate students going abroad to study. I think this is a prospective area.

As for the subjects that they may study at La Trobe, I think an important subject is probably business. Health sciences are really prospective because of the great needs that are being experienced in South America for improvements to their health systems. I do not necessarily mean medicine as such, but ancillary things such as how to run hospitals, nursing, physiotherapy and those types of aids where there may be weaknesses in a given system. Also, I think education is an important consideration for all countries in South America.

Mr HOLLIS—What is our comparative advantage? Suppose I lived in Argentina or Brazil and wanted to study English. Why would I go to Australia rather than go to Britain? Is it cheaper?

Prof. Mott—If you go to a language fair—which is a very popular way of showing ourselves off in the main centres of population—literally thousands and thousands of young people will attend and will go around the various stands trying to find out what the comparative advantages are. You will see dozens of language schools from the UK, the US, Canada, and to a lesser extent from Australia and New Zealand.

The advantages that we may have at present are, firstly, that our prices are probably better than those of the UK, the US and Canada because of currency movements. Secondly, there is a perception that Australia is a safe country where young people may not be open to the same problems and temptations concerning things like drugs and crime that may occur in the US. Thirdly, there is the sort of new frontier image.

Fourthly, there is a benefit that students can work for a certain number of hours in Australia, 20 hours per week, which would help to defray costs. That was a good selling point. This right to work used to be given with a visa but now a separate application must be made after arrival in Australia and an extra fee paid. Why do that? Also, the Olympic Games has put a focus on Australia in South America and that is making people think about us more at this stage.

Mr HOLLIS—And I suppose the Brazilians flogging us at soccer last weekend will also help boost our image there!

Prof. Mott—Yes, that will make us known.

Mr HOLLIS—Thank you.

ACTING CHAIR—Professor, we have taken some evidence from IDP Education Australia Pty Ltd, a non-profit company set up in the late 1960s and owned by 32 tertiary education institutions. There is some anecdotal evidence to suggest that IDP's promotions overseas do not necessarily translate into student numbers for various institutions. Can you give us the benefit of your knowledge on the role of IDP and the fact that La Trobe, as you have just mentioned, has its own facilitator? How much weight should we give to the role of bodies such as IDP in seeking students for Australia?

Prof. Mott—I think IDP is beginning to strive quite hard in South America, and they should be encouraged to do that. They will not achieve it overnight and they have a lot of learning to do. They too should send people who speak the language to the country. They have to work out where to base themselves and what to aim for. Apparently, at their initial student fair in Sao Paulo they had someone from Argentina organising it as far as I am aware. Maybe it was not that great a success but there is a learning curve and next year they can do a lot better.

I think IDP is to be encouraged to do better where this is possible, but from our point of view we have always done better where we have had agents ourselves, and good agents. In Colombia, for example, we have a good agent and that person has been doing a great job for us. I would like to see us get similar good agents elsewhere in the continent and I think we will do better there as well.

ACTING CHAIR—Is it a difficult task to find agents? Are there a number of people to choose from? How would you go about finding an agent?

Prof. Mott—Yes, there are a number of people to choose from. People come to you a bit. For example, if you go to Sao Paulo, this person who is my contact and good friend is in fact the biggest agent for sending students to Australia. I am sure he knows a lot about the business and he can advise people who want that. If you go there Austrade can help you to find an agent or if you put out feelers you will find plenty of people coming to you. The problem is to know who are the good ones and who have the contacts and who can deliver. That is the hard decision to make.

ACTING CHAIR—What role do the youth exchange or student exchange bodies play in terms of feeding people into Australian education? I know that there are a lot of international exchange programs where—

Prof. Mott—You mean things like Rotary and that sort of thing?

ACTING CHAIR—That would be one of them, but there are quite a number of them. I am not sure who operates in South America.

Prof. Mott—I am not aware of very much of a contribution. I may be quite wrong about that. You run across people from time to time who have come under these schemes but most of those that I have been involved in or dealt with have come through agents or through privately seeking to go to Australia.

ACTING CHAIR—Given that there is free education in South America, would there be any benefit in Australian institutions perhaps providing a focus for the services they provide by using some sort of scholarship scheme to draw people into the idea of attending Australian educational institutions?

Prof. Mott—One of the points I made briefly earlier was that I felt that we could try to fund a small number of scholarships for people from South America—perhaps the government could arrange it in some way through AusAID or DETYA—which would help to prime a pump of students from a number of institutions. I think that would be very well worth considering and recommending.

ACTING CHAIR—Should we do that in any particular country in South America? Do you think it should be targeted?

Prof. Mott—Yes. It could be done in almost any country, but I think it should be tried in maybe the major countries that I mentioned earlier. I think that would be the way to do it.

ACTING CHAIR—On the question of visas, DIMA tells us in their submission that 54 per cent of applications for visas are lodged in Brasilia. Do you have any information on what proportion are lodged in Brasilia by residents of Brasilia? Could you point us to any information that might give us a breakdown beyond the submission details?

Prof. Mott—No, I do not have statistics for that, I am sorry, but it would be very small. The actual numbers from Brasilia would be a small percentage compared with those from Sao Paulo state or Rio de Janiero state.

ACTING CHAIR—Perhaps we should go back to DIMA and see if we can get a little more information on that subject.

Prof. Mott—Yes, that might be useful.

ACTING CHAIR—Thank you, Professor. Your evidence has been very valuable. Thank you for your attendance today.

Proceedings suspended from 9.14 a.m. to 9.24 a.m.

\DB\WLBBARTLETT-BRAGG, Mr Angus, Director, Latin American Business, KPMG

ACTING CHAIR—Welcome. Do you have any comments on the capacities in which you appear?

Mr Bartlett-Bragg—As Director of the Latin American Business Services Group of KPMG, my work relates entirely to the development of business between Australia and the 22 countries of Latin America.

ACTING CHAIR—And you are appearing on behalf of KPMG?

Mr Barlett-Bragg—I am appearing on behalf of KPMG.

Mr Jacobi—In my capacity as the Latin American Liaison Manager for KPMG I work not only as a business development person but also as part of the audit and assurance group.

ACTING CHAIR—Thank you. The subcommittee prefers that you give all evidence in public, but should you at any stage wish to give any evidence in private you may ask to do so and the subcommittee will consider your request. Although the subcommittee does not require the taking of evidence on oath, these proceedings are in effect proceedings of the parliament and therefore have the same standing as proceedings of both houses and parliamentary privilege applies.

I invite you each to make a short opening statement. I understand you may wish to address matters which are separate and distinct. Mr Bartlett-Bragg, perhaps you might make yours first.

Mr Bartlett-Bragg—Thank you, Senator. First of all, I would like to thank you for having invited us to this inquiry. Actually, I just got off a plane from Latin America, so forgive me if I have not yet adjusted to the Melbourne time zone.

I have spent the majority of my life in Latin American markets. I can now say that it was over 50 years ago when I started working in Latin America because it was October 1949 when I first started in Peru. My whole work with KPMG is dedicated to Latin American business performance from an Australian perspective and to the development and assistance to our clients and non-clients in Australia in accessing the Latin American markets and in improving and extending their position within Latin America.

I believe that Australia's position with Latin America will increase. It is only a question of how that increase is managed and how we react to the changing circumstances which are taking place most dramatically in Latin America at present. In the long period of living and working in Latin America, I have seen enormous change; and the change continues, evolution continues. Going back a number of years, the Latin American structure was very nationalistic. It changed from being nationalistic to regionalistic, and now it is global.

I applaud the fact that you have established this inquiry into closer trading and investment relations with Latin America because I think Australia has a lot of headway to make up. I see it as positive, but I see us as starting at the back of the field and not at the front of the field. I think

that is regrettable. There are a lot of dimensions to be seen or to be considered with regard to government contact, FTAs, Australia's representation in the markets, business attitude and the appalling information gap which exists between the knowledge base in Australia and the knowledge base in Latin America—it works both ways.

I have just returned from Mexico City, where I delivered a paper to a conference on a topic which was intriguing to me, but might have been presented by others previously, and that was: where does Australia fit within the Latin American business orbit? I found it was very exciting to prepare a paper on those grounds and to judge the reaction of the Latin Americans to it. There was immense interest, but whether that interest can be translated into a direct response is something which certainly remains to be seen at this early stage. I do not think it will.

ACTING CHAIR—Mr Bartlett-Bragg, just before Mr Jacobi, you mentioned a paper you presented in Mexico. Is it possible for the committee to have a copy of that paper if it is in record?

Mr Bartlett-Bragg—I believe so. I should explain that it was a conference of the Latin American senior partners of KPMG so, to an extent, it was an in-house conference. My paper on Australia was something which was, shall we say, an extension of the Latin American agenda and, as I say, it produced a lot of interest and good reaction. There is nothing confidential in the report, and I see no reason why I should not allow you to see that.

ACTING CHAIR—Thank you very much. Mr Jacobi.

Mr Jacobi—Thank you. Firstly, I thought I might just speak about my background. I was actually born in Quito, Ecuador, but I have lived and been educated most of my life here in Australia. Now in my role with KPMG I do a lot of travelling into Latin America and especially Santiago, Chile, to assist numerous Australian companies that have businesses there.

I have also worked in Santiago for six months of this year in KPMG's offices so I believe I have got a fairly significant insight into the Latin American markets. I concur with Angus and strongly believe that there is a huge lack of knowledge in Australia and in South America regarding Australian businesses, and I think that is probably a detriment to more companies doing more business. Perhaps they are missing out on opportunities. I think that the information gap that exists is something that needs to be addressed. Thank you.

Mr O'KEEFE—I will just say at the outset that you will be pleased to know that the things you have just said, both of you—and I think reasonably strongly for a company like KPMG in putting those points—confirms what has been said to us by many others: that the opportunity is very strong; that the ignorance gap is something we really ought to not only address but also ask how it could be so. We are going to be very interested in your paper, Angus, not in terms of publishing it broadly and letting everybody know what KPMG thinks, but for the opportunity to see how Australia might fit into a global corporate strategy of a company like KPMG. If you had to prioritise and say, 'These are things Australia should do now to up the ante over here,' what would you say are the top three things we ought to do?

Mr Bartlett-Bragg—I think we have to increase the level of awareness amongst the business community. We do fight, whether we like to admit it or otherwise, against the obsession, if that is not too strong a word, with regard to our interaction with the Asian markets. Nothing that we would say should diminish that interaction with Asian markets. We are only

talking about broadening our vision. I have a strong belief that in the coming years there is going to be a much greater latitudinal east-west flow of business both in trade and in the investment sense between countries of the Southern Hemisphere and we are going to see ourselves becoming more involved with South Africa as well as with South America.

I always feel uncomfortable with our use of the term 'South America'. I do not want to digress, but the rapid change which has taken place in the Latin American region has been one of immense integration, harmonisation and cohesion, and I question—and I am sure you would have an explanation—why the inquiry is based on our relationship both in trade and investment terms with South America on its own. I personally feel uncomfortable with that.

The second largest economy in Latin America by far is not in South America; it is Mexico in North America. It is not in Central America; it is in North America. We in Australia have a lack of definition regarding Latin America, and even in speaking to senior business people I sometimes find we meet a small barrier when we talk in terms of Latin America. We are talking in terms of a region of 22 countries. It has a GDP of \$1.8 trillion. It has a population around the 500 million mark, and to separate North America—I am talking about Latin North America which is Mexico—Central America and South America seems to me to be doing us a disservice.

I have not answered your question. Your question is: what have we got to do in order to try to catch up with the field? I think that the information gap is the first that has to be bridged. I keep on repeating that this is both ways because, speaking for the Latin Americans, they feel sadly about the fact that they do not have enough information on Australia. They feel that Australia has a lot to offer but they are not sure what. They are not sure how it fits or where it is in economic terms.

Mr Jacobi—I think that just part of the problem is that in Australia you have never had another prominent politician like Paul Keating who was pushing Asia. I think Paul Keating had a tremendous amount of passion and pushed Asia. We have never had any prominent figure pushing Latin America. I think if you did have that you would probably make businesses sit up and think. Perhaps we should look into that area.

Perhaps a market such as Brazil with its population of 160 million people is something worth tapping into. Even though you might have 160 million people and, say, only 10 per cent of those people have incomes of over \$US20,000, that is roughly equivalent to the total of Australia's population. So I think that by bringing into terms the size of those markets and making people aware then probably people are going to see there are opportunities there.

Just digressing a bit, in our submission we were talking about making businesses aware of the numerous bilateral or regional trade agreements that exist there and the potential impacts that they could have to businesses' long-term strategies. One of the key issues there is having local content rules because, effectively, even though tariffs might come down, if you have got local content rules, that is another barrier if you are outside the region. The danger is that if our businesses do not enter those markets they might not be able to achieve global economies of scale and hence they might not be able to compete on a cost basis because they do not have those economies of scale. And even though, say, in the future those regional content requirements might disappear, the fact that our businesses are not globally cost competitive might mean it is too late. So what we were trying to draw in that submission was that there is a strategic issue happening here and perhaps it needs to be looked into by a lot of businesses. Ten years down the track it might just be too late—the horse might have bolted.

Mr Bartlett-Bragg—I would like just to add one word to what Andrew has just said. I, and certainly the Latin Americans, believe that Minister Tim Fischer made an enormous contribution to progress in Australia-Latin America relations. I had the privilege of accompanying a trade minister on a five-nation visit to Latin America some few years back. It was a very successful visit but I am not sure how much impact we made at the time. I think the impact which Tim Fischer has made has been appreciable and I hope his successors will be able to continue that.

Mr O'KEEFE—So you are saying that awareness is the biggest issue. There is an information gap and we need to look at political representation there at a high level because that matters in presenting ourselves.

Mr Bartlett-Bragg—Both in high-level and government terms and also in local representation terms, it is important that our people in the Latin American markets are highly qualified in order to progress our business relations. One thing which has brought about the cohesion, integration and harmonisation in Latin America has been the way in which they have developed their FTAs. We think of the large ones which are really customs unions, such as Mercosur and the Andean Community and Central America, and Mexico being part of NAFTA, but there are more than 40 multilateral and bilateral trade agreements. Not surprisingly, we in Australia find it difficult to see how the access for our goods and services and investment opportunities and potential can be related to this multitude of FTAs.

What are the best trading links and the best ways of penetrating a market when there are so many structures in place at the present and we are outside those structures? Apart from just providing confidence to Australian business to be able to go there and assess the situation with the help that other people can provide, we should also have an understanding of the pragmatic structures which either assist or act as a deterrent for us entering into the Latin American markets.

I do not think we should overlook trying to get Latin American business into Australia. We in Australia have a very critical link and that is our Asia link. KPMG have 47 offices in Latin America, so we have a very large network in Latin America. Reverting back to the paper I delivered in Mexico City, I thought about what really would impress these people and make them sit up and take notice and say, 'Australia is an integral part of our future.' The view I came to was that we should be trying to show how the nexus between Asia and Latin America is building. President Estrada, of the Philippines visited Santiago and Buenos Aires recently. Mahathir Mohamad has been across to Buenos Aires. Goh Chok Tong of Singapore was recently in Buenos Aires. There is a lot of presidential or prime ministerial contact taking place at the present time between Latin America and Asia.

The way we see it Australia has a fundamental part to play in establishing this linkage between the two major trading blocs. They are coming together. There was a setback last year, as we all know, but a lot of Asian product has gone into Latin America. With Asian product going in, Asian investment has gone in, and the Latin Americans see Asian countries as prime markets for their exports. There are many different industries which are crying out for assistance of the type which Australia can provide.

As I said earlier, Australia is at the back of the pack. We have ground to make up. We have a country like Mexico—which I know is outside your remit and your inquiry, but I do not know why—which has consistently since its devaluation in 1994 got foreign direct investment of

\$US10 billion and \$US11 billion. This has been not in ups and downs but consistently year by year. Over the last 5½ years, \$US65 billion has gone into Mexico, more than any country in the world after China. Why? Because Mexico, apart from having a strategic geographic position, has a number of assets in skills and technology.

Primarily, it is because NAFTA matures on 1 January 2004. The clock is ticking and companies around the world know that they have to get into Mexico before that maturity date in order to have the benefit of the United States market and the Canadian market. If they go in after that, they miss the boat. Everybody, including the Europeans, the Asians, the Latin Americans, the South Africans and the Kiwis are moving into Mexico. I only know of two or three up in the Maquilla area in Juarez who are operating with Australian assets.

Mr HOLLIS—Are the difficulties of getting visas from South American countries to Australia ever raised with you?

Mr Bartlett-Bragg—Continually, but that is with another hat. I am the honorary consul for Colombia. Regrettably, for many years since 1948 there has been turmoil of a social nature, for which we get headlines in the press. It has caused a social upheaval for many Colombians. Colombia is not the only country trying to enter Australia either under family reunion guidelines or with work permits. This is a continual pressure. I do not know whether I have answered your question. I get three or four approaches a week and that is from one country only.

Mr HOLLIS—What about the language? Is Australia's inability to speak Spanish or Portuguese a handicap to doing business? If so, what should we be doing to overcome this? Should we be teaching Spanish in the schools?

Mr Bartlett-Bragg—Decidedly so. I should let Andrew say something here. Speaking Spanish, or Portuguese in the case of Brazil, is more than conversing and a question of a translation of words. Even if they speak fluent English as well as ourselves, this is something which Latins prize. They will give more time to somebody who approaches them and speaks to them in Spanish than somebody who speaks to them in English. That is no reflection on their ability to speak English. You must remember that many Latin American businessmen, not only of seniority but in middle status, are US educated.

In business a lot of English is spoken, but I do not think that gives us the excuse of saying that you do not need to speak Spanish in Latin America. You do. It is certainly of great benefit to be able to go and speak to them in Spanish. It is a courtesy. Apart from translating words, by speaking Spanish or Portuguese, you have much greater access into their culture. They will open up much more freely, so it is a decided plus. It is a language which is within the top three or four languages of the world today. I am talking about Spanish in this case.

Mr Jacobi—I would totally agree with that. Having worked in Santiago, I would say the top firms have people that are English speakers. If you go to medium-sized firms, the chances of you finding senior management speaking English diminishes. So, it depends at which level you want to access. Australian firms might be wanting to access the medium to smaller firms for a lot of reasons. I think Spanish would definitely be a big asset there because you will fill that gap.

Mr HOLLIS—Yes.

Mr Jacobi—I would totally agree with Angus on this issue. If they know you have come from Australia and you speak Spanish, the door will open for you immediately. It is a lot easier and I think they also respect that you have made the effort.

Mr Bartlett-Bragg—One of the things that impresses me when I visit Latin America from Australia is that the access to senior people both in government and in the private sector is remarkable. This never used to be the case. To be able to see a minister 20 years ago was almost an impossibility. You would not even get to the back of the queue, but today, if you have business and if you present a case, you will have as much ministerial time as you would desire.

Mr HOLLIS—What has brought about this change?

Mr Bartlett-Bragg—What we have discussed before, the fact that they have opened up. Years ago, each Latin American country was introverted. It was closed, hostile to its neighbours and it had built barriers around it. It had spent most of its money on defence and the whole attitude was one of hostility to foreigners, as well as to neighbours. Now Latin Americans see themselves as a progressive region. You have got Chileans investing in Argentina and Argentines investing in Brazil and they are working closely together on boards. The integration is becoming widespread. The barriers have come down and Latin Americans see themselves as Latin Americans.

I should say that they are also offsetting the predominance of the United States in their economy, and the amount of effort which is reciprocated in working with the Europeans and the Asians is remarkable. Their trade with South Africa is increasing notably, particularly in areas such as automotive.

I know we have made an impact in Chile and there are more than 40 Australian companies working in Chile, which is to be applauded. It started, as we know, with the mining sector. If you go further afield in Latin America, you find that they have a great respect for Australia because they see Australia as being independent. But they know little about Australia and they do not believe that Australia has made any impression on their way of life. They would like it to happen. They have a lot of goodwill towards us, but it has not been translated into any economic terms.

Mr BAIRD—Mr Bartlett-Bragg, I am interested that the depth of your knowledge is greater than that of most Australians we will be speaking to. I am interested in a couple of things. Firstly, in order of importance on economic and trading grounds to Australia, how would you rank the top five countries in South America? We hear what you say about Mexico, and that is probably right. In terms of their interest in Australian trade and our trade with South America, if you had to rank the top five in South America, what would the order be?

Mr Bartlett-Bragg—Countries?

Mr BAIRD—Countries, yes.

Mr Bartlett-Bragg—In respect of small countries, Chile, with 14½ million people would have to be there. In respect of large countries, Brazil, with 160 million or 170 million people would have to be there with a GDP of \$800 billion, and Argentina, most decidedly so. Because of the changes in the political situation and the vast mineral wealth in Peru, where we have particular skills and technology, we would have to include Peru. The third largest country by population in Latin America is Colombia. Colombia is a case on its own because of security

problems, but investment is going into Colombia. That would probably be my fifth, prior to Venezuela.

Mr BAIRD—And in order?

Mr Bartlett-Bragg—Andrew would say Chile number one and I would say Brazil number one. What we have done in Chile is excellent, but if we are looking at how we can expand further, we are talking about where we are going to be in 2015 or 2020.

Mr BAIRD—Yes.

Mr Bartlett-Bragg—Decidedly, in my mind it is Brazil, Argentina, and—you will be surprised that I say it—Colombia. I do not say it for any personal reasons but purely because of the size of their economy. Then comes Peru and Chile. Andrew will say the opposite, probably. We have done so well in Chile; we have established a bridgehead there. President Aylwin and President Frei came here. Frei was talking about coming a second time. No Prime Minister of Australia has been to Chile, which is a regret. The person they dearly love is the minister we have just mentioned. We have done a great job in Chile, but I think we have to concentrate on the big fish.

Mr BAIRD—What are the top five on your list, Mr Jacobi?

Mr Jacobi—I would have said Chile, Brazil, Argentina, Peru and Colombia. I would say Chile first because their market is far more open. Australia might have a bit of trouble understanding and overcoming the bureaucracy in Brazil. It is coming down, but it is still there. Another thing in Brazil is that there is already substantial investment from the United States, Canada and the European countries. It might be a problem for us to find a niche.

Mr BAIRD—What do you see as being the major impediment? We have talked about several of them in terms of language et cetera. What do you see as the biggest impediments, very briefly?

Mr Bartlett-Bragg—When I talk to people in a serious manner, initially, before we have advanced the dialogue regarding Latin America, the biggest impediment that comes up is security. That is something that you cannot dispose of: you cannot say that it does not exist. It does exist in certain parts of Latin America. It is not throughout. Security has to be managed and the management of security is largely dependent on understanding it and understanding behavioural forms. I lived in the epicentre of the Colombian troubles for nine years and it was a question of both how you managed it and what your attitude was towards it. It should not be, to my mind, a restriction of entering into a market, because the market will only improve its security by the development of its economies and by the development of its cultural attitude. There are reasons for that lack of security and those reasons have to be understood.

It is not that the country or the people are bad. In fact in Colombia's case, the people are soft-spoken; they are intellectual and, by and large, amongst their peers in Latin America they seem to be the authors, the intellectuals, the academics, the writers and the Nobel Prize winners. And yet, they have this underclass which has been developed largely through external influences, but not solely so.

It relates back to the Cold War and Castro's attempts to establish a form of Marxism throughout mainland South America. There is a history to it. With a better understanding from the consumer end, as well as from the producer end, there is optimism in overcoming the security problem in that particular country. That is the major impediment, as I see it.

The manner of business conduct, the judiciary system, the accountancy practices, legal frameworks in Latin America, have a great similarity with our own in Australia.

Mr BAIRD—What about you, Mr Jacobi, what would you see as being the major impediments for Australia doing trade with America?

Mr Jacobi—Obviously, as we stated, the knowledge base. I also think that Australia has not made enough effort to establish taxation agreements, and so forth.

Mr BAIRD—It does some. We have just recently done the one with Argentina.

Mr Jacobi—I believe it is not yet finalised.

Mr Bartlett-Bragg—It is not yet signed.

Mr BAIRD—It has been through the treaties committee—I thought it was through.

Mr Jacobi—As far as I understand, I thought it was not as yet. But that type of thing which maybe facilitates—

Mr BAIRD—You would know better than I would in KPMG.

Mr Jacobi—The type of thing that facilitates doing business is knowledge, for example the accounting treatment and so forth, are not so dissimilar. I recently had to do an exercise comparing Brazilian GAAP with Australian GAAP. There are differences but they are not hugely dissimilar. In Chile, also, the accounting standards are largely based on the American accounting standards. So in terms of companies knowing and perhaps having that reassurance that the financial records are not as bad as they might think, it is having that understanding that these countries have come a long way.

Mr BAIRD—My final question relates to resources. From a government viewpoint, in what areas do you think we should be putting additional resources to develop our trade with South America?

Mr Jacobi—In infrastructure.

Mr Bartlett-Bragg—I think our representation in South America suffers from certain impediments which we have imposed upon it. Our trade representatives there suffer from too great a degree of turnover and lack of experience. Many people in business would like to see more Latin Americans who have the qualifications and the understanding of the business culture—

Mr BAIRD—Mr Jacobi, you kind of wish—

Mr Bartlett-Bragg—Mr Jacobi is not resident in Latin America at the present moment—I think he may be tomorrow! It is a people question and we have got to get people there that understand the markets, understand the way business is conducted, understand the exchanges that take place. They have to have a nose for seeking out business opportunity.

Mr Jacobi—Being more aggressive, also.

Mr BAIRD—Having been a trade commissioner, I think the really aggressive ones are out there hustling for business for their own company. It tends to be the case. It has been a criticism that has been around for a while. They provide more the umbrella under which the Australian companies can go out there and hustle. It is my own view but we take on board what you are saying.

Mr Bartlett-Bragg—I think it also a question of whether it is proactive or reactive. Somebody sitting in Bogota, for instance—and I say Bogota because I do not think there is anybody sitting in Bogota so I am on safe ground—hears from Canberra, Sydney or Melbourne that such and such a company has a specific interest in entering into one of the Latin American markets—or the Colombian market if it is Bogota—and he reacts to that and tries to gather together the necessary information and put together a proposal. I think that there should be much more work done on what is happening in the country itself and where the opportunities are opening. These should then be flashed back to Australia and Australia should react to them.

There is fault on both sides. When I say 'fault on both sides', I am not entirely blaming ourselves here. I think the Latin Americans are not good at times at expressing what is happening in their markets and where their needs lie. For instance, a major area in Latin America, which almost eclipses every other need, is that of infrastructural development. How does the farmer in Santos in the south of Brazil get his product across to China or wherever he sees that he has a market? The infrastructure in Latin America has an enormous deficit. The World Bank, I think, has a figure something like \$US70 billion per annum and we are talking roads, communications, rail, airports—water, sewerage services, energy, utilities—in order to keep pace with their evolving and developing industrialisation.

They have got to improve their infrastructure base. This can be done. We have in Australia some of the technology, the expertise and the practices which can be applied to assisting in Latin America. We talk to companies in Australia that are proficient in that area and they say they are looking at X, Y and Z in Asia, and so on, which is fine—so they should be. But there are opportunities in Latin America and the opportunities are immense on BOT contract work. Latin America has enormous momentum at the moment, despite the currency crisis, and in part it is being held back by the lack of proper infrastructure to support that momentum.

There is an emerging middle class. The consumer base in Latin America is rising appreciably. Industrialisation is diversified and, as we said before, money is pouring in from all around the world. Latin America is being courted by the Europeans and by the Asians—Asians less so simply because of recent history, but the Europeans particularly. The Andean Community has just established a special cooperation program with the EU and it is my understanding that they have 10 years of priority access into the EU on everything except agricultural produce. This is reciprocated from the EU into the Andean Community. I am not mentioning this as one case; I am mentioning this purely as an example of the sort of thing that is taking place.

Going back to a point I mentioned earlier and adding to what Andrew Jacobi has just mentioned regarding the impediment, the one clarification I have in the way that the Department of Foreign Affairs and Trade and Austrade could assist business is trying to extrapolate and provide clarity on these FTAs. On the basis of that, more Australian businesses are going not only to form an interest, but also, hopefully, to form a commitment. For commitment, an interest has to be based on awareness. If we can get the awareness, we get the interest and then we get the commitment. Many Australian business people go over to Latin America and they come back and say to me and others, 'We did not know it was going to be like that. Why have we not been there before?' There are grounds for optimism.

Mr BAIRD—Thank you very much for your answers.

ACTING CHAIR—Mr Bartlett-Bragg, you started your presentation leading us to the view that the portents were for a stronger trading relationship. I think we have been touching on some of the negatives and impediments to such a relationship. I am not sure at the end of that that I am convinced that there are not significant hurdles for Australian business. Perhaps you would like to refresh us in detail with the portents that are there for a stronger trading relationship and the positives that can take us forward rather than inhibit us.

Mr Bartlett-Bragg—We used to talk in terms of sectors. We obviously used to talk in terms of the mining sector, the mining services sector and the support services which went with mining, which was where we made our first major impact in Latin America. Moving on from mining, there are very significant opportunities in technology and management systems in banking and financial services. We have talked about infrastructure in the terms of utilities and the provision of energy in the manufacturing service. Regionalisation is taking place in Latin America where very strong high market share brands in one country are now finding themselves with the opportunity and the risks of moving on a regional basis. In order to do so they need assistance in marketing, technology and management systems and so forth. In many cases, they look for opportunities for forming alliances with foreign companies, particularly in areas such as quality food, automotive and electronics.

We tend to focus on the positives. The negatives and the impediments are there, but they have not prevented our national competitors, including the New Zealanders, from moving in in a stronger force than we have been able to do ourselves.

ACTING CHAIR—On that particular point, what steps have the New Zealanders taken that we have not that have allowed them to gain access?

Mr Bartlett-Bragg—I cannot answer that, Senator. I cannot answer why they have been successful, but they have. You hear their presence noted to a much greater extent than you do our own presence.

ACTING CHAIR—That would imply that it is not a public policy driven initiative but rather an individual business driven initiative.

Mr Bartlett-Bragg—Yes. I think people like Fletcher Challenge have been very successful, just to name one. You can equally mention the efforts, successes and performance of single Australian companies. New Zealand has made a significant impact in the dairy sector, which my friend David Aarons will be able to explain to better effect than I can. But they have been successful, as indeed have the South Africans.

ACTING CHAIR—I am interested because what you have been telling us is that, in some respects, we are being left behind. You particularly mention Mexico. I hear your comments about whether we should or should not be inquiring into that but the fact is that we have our terms of reference.

Mr Bartlett-Bragg—We did discuss that before, Senator. May I put a question to the committee?

ACTING CHAIR—I cannot guarantee we will answer it.

Mr Bartlett-Bragg—You know what the question is before I have put it to you.

ACTING CHAIR—Yes.

Mr Bartlett-Bragg—Why is the focus of the inquiry based on South America and not Latin America? To my mind, that is illogical.

ACTING CHAIR—I think the answer to that is hidden in the mysterious processes we have of deciding these things and consulting with the minister. I think that is the best answer you will get.

Mr HOLLIS—It was a reference to the minister. There was some discussion about it. One issue that came out—and it was the same in an inquiry I was on some years ago looking at southern Africa—was that it was felt that if Latin America was emphasised it would have been an easier region to look at and then maybe go on and look at Mexico and all the other countries. That was one argument that was put. But this was a reference that we got from the minister who seemed keen on that area. I think that was part of the logic, that you look at the big economies, such as Brazil, Argentina and Chile and that area, that Mexico was a little different, and that the inquiry would be more cohesive and better able to come down with a recommendation if it was restricted to the countries of Latin America.

Mr BAIRD—Nevertheless, I would be interested in asking Mr Bartlett-Bragg where Mexico would be in relation to your list of countries of importance—would it be above them all?

Mr Bartlett-Bragg—The Mexican consul has just entered the room. If we were to talk in terms of the immediate future, over a time frame of five years, Mexico would be in the number one spot.

Mr BAIRD—Is that right?

Mr Bartlett-Bragg—If we are to talk of a time frame of 20 years, I would go back to the listing which I gave you earlier.

ACTING CHAIR—Without Mexico at all?

Mr Bartlett-Bragg—No, most decidedly not. I am sorry, we were talking within your terms of reference on South America.

ACTING CHAIR—Exactly.

Mr Bartlett-Bragg—Mexico would come in probably in second place, so they would all move down one place.

Mr HOLLIS—There is nothing preventing us from putting an addendum to our report mentioning Mexico and maybe making a recommendation for another inquiry in that area. We can always put an addendum to our report because you are not the first person who has raised that question with us and made comment or expressed surprise that Mexico was not included.

Mr Bartlett-Bragg—I thought Robert Hamilton would have raised it.

Mr HOLLIS—It has been raised with the committee before.

Mr Bartlett-Bragg—May I just say that the 1992 Senate inquiry was rightly applauded, and they addressed the very relevant issues at that time. I think everybody who participated or who read the conclusions and the response to the inquiry were gratified because it was well conducted. The only question one would raise is to what extent follow-up was carried out.

Mr HOLLIS—That is also a question that has been put to us. Some of the people who appeared before us have said, and it has also been in the opening paragraph of some submissions, that they hope this inquiry will have more results or will be better followed up than the previous Senate inquiry. None of us here was on that committee and it was a Senate committee, whereas this is an overall committee comprising members of the Senate and the House of Representatives. But it has been put to us by a lot of people that it was a very good inquiry, a very focused inquiry and a very good report which gathered dust.

Mr BAIRD—There has been a change of government, so you never know!

Mr O'KEEFE—I would not worry too much about the issue of the Mexico question in terms of the strength that you have put the case. It was very clear to us that the original terms of reference wanted us to get some focus on a specific region because there was clearly an opportunity Australia was missing. It is very clear to us now that Mexico is playing a much broader role as a gateway to NAFTA as well as its own relationship to Latin and South America. Certainly our report will reflect that the strategy for Australia has to be along the lines you have outlined. You are in there as a sector, in a sense, but KPMG is in there as a corporate assisting a broad range of clients, therefore with a broad strategy. We would be really interested to pick up on that internal report of yours which no doubt is a mini version of some of the things we should be focusing on.

Mr Bartlett-Bragg—As long as you understand the basis and the audience to which that report is directed.

Mr O'KEEFE—Sure, that's fine.

Mr Bartlett-Bragg—You did also mention that Mexico has very strong bilateral and multilateral relations with South America, which it does indeed. Its bilateral agreement with Chile, for instance, has a lot of strength to it.

ACTING CHAIR—In your submission you say:

It is considered that DFAT should address the task of promulgating to Australian business the major implications that the Latin American bi-lateral and multi-lateral trade agreements (RTAs) have for Australian business prospects.

Is Australia's pursued of multilateral agreements detrimental in the context of perhaps requiring an emphasis on the pursuit of bilateral arrangements with South American countries' taxation arrangements, as well as trade arrangements? There are many barriers to trade. We have been told, for example, of freight tariffs applying to product we export to Brazil which, given the distance, must be some sort of barrier to trade. Have you got any thoughts on whether our direction, pursuing the multilateral channel, has been detrimental to our opportunities which might have been maximised by pursuing bilateral arrangements?

Mr Bartlett-Bragg—I do not believe so. The multilateral arrangements under the umbrella of APEC have got Mexico, Peru and Chile as members of APEC at the present time. You have got the development on the multilateral basis of the new East Asian-Latin American Forum, which is very recent but which appears to be having support. There is talk of having the Asian-Latin American Summit in the year 2001. I think multilateral development has to take place as security for the more focused bilateral agreement. I think they are both essential to each other.

Mr Jacobi—I would agree, but you might lose a bit of focus with multilaterals, whereas in a bilateral arrangement you are more focused on specific issues and solving those issues. Perhaps that would be the only detriment, that you are not focused enough.

ACTING CHAIR—It is clear there are issues upon which we could focus and possibilities for bilateral agreements.

Mr Bartlett-Bragg—It is a question of balance.

ACTING CHAIR—As you say, it is a question of balance. And given that there are finite resources, Mr Jacobi, you are suggesting perhaps we should rebalance the resources and resourcing of the task?

Mr Jacobi—Perhaps. It depends really on your strategy. If you definitely make up your mind that Australia should home in on Brazil, then perhaps that is the way to go, but if your strategy is to go broader, then perhaps not. It comes down to which strategy you want to follow. If you want to concentrate on the Brazilian market and pursue opportunities there, then you would have to put your resources into that.

ACTING CHAIR—Mr Jacobi, you have a consular responsibility and I thought it might be good if you could put that on the record for us.

Mr Jacobi—Recently I have become the honorary consul for the Republic of Ecuador. That has happened in the last month or so.

ACTING CHAIR—Congratulations.

Mr Jacobi—Thank you.

Mr O'KEEFE—Mr Bartlett-Bragg, you mentioned earlier that in your role as honorary consul you would get three or four inquiries a week. If you get someone who you think needs to

go to Australia and you recommend that it be approved, what has been your general experience? Does that flow okay?

Mr Bartlett-Bragg—We had a very bad earthquake in Colombia on 25 January this year in Armenia in the Quindio and in Pereira in Risaralda. A lot of the Colombian residents in Melbourne come from that particular region and so I was very soon made aware of requests for family reunions on the basis of the fact that they were homeless and had suffered losses, both in terms of casualties and loss of a place to live. I therefore had a meeting with the Department of Immigration and Multicultural Affairs, and then with a member of the Senate.

This has been progressed through the office in Santiago and the people are now being given a certain degree of priority. However, I think they are still on something like a 12-month to 24-month waiting list. In a manner the problem has been recognised, but there is no question of getting a resolution with any degree of immediacy. It is not an easy question.

Mr O'KEEFE—Mr Jacobi looks like he is keen to say something.

Mr Jacobi—I am digressing here but I was reading in a recent submissions where someone asked a question concerning the number of hits on DFAT's web site. I just wanted to mention that at KPMG we had a Latin American web site established earlier this year and I think we—

Mr Bartlett-Bragg—We have had it since mid-February, and since mid-February we have had an average of 4,950 hits or visits a month, which takes it up to something like 60,000 per annum.

Mr Jacobi—That is substantial.

Mr Bartlett-Bragg—This is not just students doing projects. To me, and to Andrew, this reflects a latent interest in Latin America by members of our population. Having said that, the web site, by virtue of the fact it was only started in February, has not gathered the amount of information and material and data that we would like because this is an evolving process. Despite that, we are consistently getting just under 5,000 hits a month.

ACTING CHAIR—Thank you. As for the additional information that you are going to provide, you could provide it to the secretary, Ms Vincent. You will be given a copy of your *Hansard* evidence and you can make changes to grammar and errors of fact.

Mr Bartlett-Bragg—Thank you very much, Mr Chairman, for the subcommittee's time this morning.

ACTING CHAIR—Thank you for your time, and I hope you recover from your jet lag.

[10.36 a.m.]

ACTING CHAIR—Welcome. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private, you may ask to do so and the subcommittee will consider that request. Although the subcommittee does not require you to give evidence on oath, you should be aware that these proceedings are effectively legal proceedings of the parliament and have the same standing as such proceedings, including parliamentary privilege. I now invite you to make a short opening statement, if you wish, before we proceed to questions.

Mr Aarons—I had not planned to make a statement. I have made some short notes of subjects to raise, if they do not come up. I am not sure how you want to proceed.

ACTING CHAIR—If you are happy to proceed directly to questions, I will invite Mr Hollis to start.

Mr Aarons—I am quite happy to do that if I have the opportunity later to raise a couple of issues if they are not brought up.

ACTING CHAIR—I think we should have time.

Mr HOLLIS—I noticed from the group profile that you export a wide range of produce. What are the difficulties? We have been hearing in this inquiry about some of the difficulties—perhaps I should not be negative—or the challenges of doing business with Latin America. I see you have grain, seeds, metal, meat and dairy produce; you cover the whole lot. What are the challenges that you face?

Mr Aarons—I suppose I should have given an introduction. I would like to say that Latin America is not as difficult as many people make out and complain about. As a company with staff who are experienced in dealing with Latin America—and we are not Latin people; we are Australians—I would say that, like any other market in the world, if you know your market, understand your expertise and the way of doing the business there, it is no more difficult than trading in Asia or Europe or Africa—east or west, wherever it may be. So I would like to say that to start with. After that you can always sit and put a long list of difficulties in any particular part of the world. Latin America, for someone who understands what they are doing, is fine. There is nothing wrong with the place at all.

Number one, on the top of the list, in any part of the world, is culture and understanding the culture, the thinking and the mentality of the individuals and the clients, and the businessmen. It is different from Asia, Africa and Europe. People who go in there with knowledge or understanding of other parts of the world and think it is the same will come unstuck very quickly. As the previous witness said, in Latin America—Mexico—the culture is quite different from South America. The difference between being an American or a Latina is once again different. So I would say that is number one.

When we first started trading in Latin America, going back years ago, the difficulty was with shipping. Hence, we moved to the big business, which is mainly the bulk trade, where we could charter our own vessels. We put our own vessels in and we did not partake in small business

because we did not have shipping services. These days, shipping services are considerably better. However, I would suggest we have an unofficial monopoly on shipping from Australia to South America in that there are multiple services, but there is really only one shipping company that is probably carrying 80 per cent to 90 per cent of all cargo. That is a problem in competitiveness of freight rates.

Mr HOLLIS—Where do you mainly trade?

Mr Aarons—Going back over our trade, and we started in 1964, up until about five years ago we traded with all of the South American countries. I spent considerable time in all South American countries. Over the last four to five years we have concentrated our efforts on Peru as the key South American country. We moved our direction, about five years ago, to Latin America—mainly Mexico—and put a lot of concentration into trade there to the detriment of other South American and Latin American areas. As far as South America is concerned, the main country we trade with today is Peru and a little with Ecuador.

Mr HOLLIS—I was a bit surprised when you said that shipping had improved. I thought shipping was dicey, to put it at its best, between Australia and South America. When you say shipping, do you charter your own container ship?

Mr Aarons—We charter our own bulk vessels for grains and livestock. So that covers that and it is not an issue at all.

Mr HOLLIS—And where do they normally go—to Mexico?

Mr Aarons—They go wherever we send the vessel because we would take the vessel on contract and send it to a particular place. That is not an issue at all. For containers it is an issue, but you have three or four different shipping options into South America. The freight rates are not the best, but I would not have a problem moving cargo to South America at any time I wanted to. If I go back 10 or 15 years ago, we could not move containers there at all. Today we can. It is not a problem to get a container into South America. It might be a problem to sell there competitively because of the cost to get it there. But anyone with knowledge of freight or anyone who uses their own intelligence can get it there, either on a direct service out of Australia or by trans-shipping it through Asia. There are plenty of services around.

Mr HOLLIS—Do you think the government does enough to lift the profile of Latin America in Australia or is it the government's role?

Mr Aarons—I am not a great one on suggesting governments should be leading business by the hand, but the government has led business by the hand in pushing it into doing business strongly in Asia over the years. I have always continued to advocate that Asia is our next-door neighbour and an area that we should be trading in very strongly. But like any businessman or personal investor, I am sure most of you do not have all your eggs in one basket—you have them spread around. For Australia, Latin America is part of the basket as far as I am concerned. For 15 years, I have been giving seminars and talking to businessmen suggesting they spread their risks, markets and access, and Latin America is one of those areas where we have not done enough.

The Australian government has been improving considerably over the years in that area. The only suggestion I would make is that we are not getting the feedback any more. Unless you

happen to personally know people in various posts and staffing, whether it be DFAT or Austrade, I do not see the feedback coming to industry regularly enough. Having said that, we have a lunch today with all the Australian ambassadors over there. We are not getting regular information; there are no newsletters coming out any more. Trade inquiries are getting stifled into a little block somewhere in Sydney or Canberra. They are not getting out of there into Melbourne or other areas.

On the ground the spread is good at the moment, except for one area. We are missing out on information. I do not know what has happened over the last few years, but several years ago I used to have regular contact and get a lot of information on South America from DFAT and Austrade. Unless I know people personally, it is not coming through automatically.

Mr HOLLIS—What about the various Latin American chambers of commerce in Australia? Do they fill that role at all?

Mr Aarons—They should. I am a vice-president of the Latin America Business Council. We are not sitting in a business role; we are sitting more in a macro position. We are doing what we can. The various bilateral chambers of commerce are very specific and probably suit the people who are running them for their own particular needs, which is understandable because they are honorary roles and positions. We have pulled out of most of those chambers over the years, predominantly because our company was always seen in Melbourne as the Latin American trading company. We found that all that happened in being members of those associations is that people just try to suck us dry of information. Whilst we love helping people, it got to a stage where all we were doing was helping people and getting no benefit out of those chambers ourselves. So progressively we have resigned from them all over the years. We attend the odd function here and there when they have a visit of some interest.

Mr HOLLIS—You said that you have been conducting seminars for business people over the last 15 years or so. What has the response been from them? Do they come along and express interest and nothing comes out of it or do they express interest and follow that?

Mr Aarons—It is very hard to put something on it but always the attendance is low to start with. I guess the interest is low to begin with—

Mr HOLLIS—The interest is low compared to what?

Mr Aarons—Low compared to seminars in other areas of activity, predominantly. I have not done any in the last couple of years because it seems that the organisations running these subjects have lost interest as well. But over the years interest continued to grow and the numbers would build up. I would suggest there was always a lot of interest, a lot of keen questioning and discussion afterwards. Whether it prompted people to go on and do business, I do not know. I would like to think that discussion groups and seminars are just putting thoughts in people's minds, and if they get the thoughts in their minds from enough directions over a period of time something suddenly tweaks and they think that maybe they should go and have a look and do something about it. So I think the necessity for people to do business in Latin or South America is hearing from multiples of angles, little snippets of information which one day will come to a reality. Maybe there is something there, they realise, that they do not know about and maybe they should have a look.

Mr BAIRD—What percentage of your business is actually concentrated in South America?

Mr Aarons—Turnover for South America today in dollar value is 30 per cent to 40 per cent—I am trying to discount Mexico—say, about 30 per cent.

Mr BAIRD—Is it growing?

Mr Aarons—In South America it is stable year by year. We have not expanded our activities greatly because we have put the effort into expanding Mexico considerably. Mexico is the growth area for our company. South America is a stable area of activity.

Mr BAIRD—So you would agree with the comments that were made by Mr Bartlett-Bragg that Mexico would be put up as number one for Australia in terms of trade potential over the next 10 years?

Mr Aarons—I would suggest there is no doubt about that. My comments are not to criticise. There is a committee to discuss South America and that is fine by me, whether they want to discuss South America or Latin America. But, yes, Mexico is the number one for a multitude of reasons: it is part of North America; it is part of NAFTA; it has bilateral agreements with nearly every South American country now or, if it does not have bilaterals, it will within the next five years finish and sign most of those agreements; it has excellent shipping services, direct and indirect; Australian businessmen know about it because it is attached to Los Angeles and California where every Australian businessman gets off a plane to go to the US, so, whether they go there for holidays or business, it is an easy access area; it is a large growth population area and it is an economy that is evolving, which has come out of being a closed shop when it joined NAFTA in 1988-89—it is still evolving from that; it is a very resilient country with a lot of resources and money. So I would say yes for all the above reasons. It is easy to get to, easy to work with, and right on the doorstep of North America.

Mr BAIRD—I heard your comments, Mr Aarons—I'm sorry, I missed part of your presentation—that you do not necessarily want a government-led environment. But, in terms of this committee—and you know the parameters within which the government operates—which things do you believe we should be highlighting in terms of impediments to be removed—actions, directions for the future? If you were laying out for the government your business plan for the future, what would you be concentrating on in terms of trade development between Australia and South America?

Mr Aarons—In regard to industry groups it would take me a few moments to put that together. But I believe that, to start with, Australia is in the right location on the ground everywhere except in Colombia, and for 15 years I have been suggesting that Australia should have a post in Colombia. Whilst it may have some economic problems at the moment, it is a massive country with a large population with two coastal areas, north and west. Our company has had great difficulty in trying to do business over the years in Colombia because we just could not find the right people on the ground. That is number one, and I think Australia is missing out in Colombia.

Secondly, I think we have the resources on the ground. We have the right location. We need to interact that better with business and have a lot more communication to get that information out. For example, just whilst sitting here, I was thinking that there does not seem to be a register at all in DFAT or Austrade of companies interested in Latin America. As I mentioned earlier, I get very little information.

I am going to a lunch today with the Australian ambassadors from Latin America. I received that invitation in my role as an honorary consul, not as a businessman. Whereas five or 10 years ago, DFAT would be passing information to me very regularly as a businessman and talking on the phone, on the fax, having meetings, briefings, getting feedback on a regular weekly or monthly basis. It just does not happen any more.

I would suggest there is no register, or if there is, it has been altered considerably. So I suggest regular feedback, starting with the direct feedback between businesses and Austrade and DFAT instead of it all being centralised and leaving it for people in Sydney or Canberra to decide who in Australia receives that data later on. It seems to us that a lot of trade inquiries come out of South America from either Austrade or DFAT; they hit Canberra or Sydney and they do not get to our companies. It is only when I visit them later on and they say 'How did you go with X, Y, Z business?' and I say, 'Sorry, no-one told us about that.' And they answer, 'We passed it back to Australia.' Obviously it is not getting through.

Our company has a history of trading in Latin America since 1964. Between 1964 and 1994 it would have been between 70 per cent and 80 per cent of our company's trade. So I would suggest that we do not necessarily need more resources with regard to properties and staff and locations but we need to look at the way we translate the information that is in the heads of the people over in South America to the Australian business community. I would suggest that that is the major change required.

Mr BAIRD—So what would that take?

Mr Aarons—That would take a redirection of the mechanism and the way of working within the departments and the way of translating data information. Firstly, a register of companies interested in information from Latin America would be a good start. I recall that we used to get newsletters on Latin America or South America but we do not get them any more. I do not know if it was a cost-saving measure or what it was. It is a start and once they have an interest group or database then at least they can start communicating directly. As I understand it, the post have to send their information to Australia where it is disseminated. If they send it direct to companies that had genuine interests you might find those companies being more active and aggressive and keen to do the business. We would love to expand our activities in South America but we are not at this time interested in putting in a lot of resources and starting from scratch and finding those activities all over again. That is a vital role that we can play on the ground.

There is one other side issue which is not related directly to our Australian trade that I believe our resources on the ground should be doing, and that is feeding information to Australia about its competitors in South America on Australian exports to Asia and Europe and North America. We have discussed this numerous times unofficially with many people. Australia and South America are like exporters in many agricultural areas, for example.

I believe that a positive role out of, say, the posts in Chile giving feedback to Australian exporters of fruit about Chilean fruit, crops, growth, direction, when they are moving, when they are going, pricing information, et cetera, would be valuable to Australian fruit exporters in timing their growing, their planning, their marketing, their exporting and hitting the markets at the right time.

Our company liaises directly in this example with a company in Chile to try and get that information as best we can without losing the relationship too much. But Australian officers are there reading the papers every day gathering that information, and I think that is as important to helping Australian trade to other parts of the world as helping Australians trade into that market and looking at that competitive data to help us grow our exports into Asia. The biggest threat we have, if we just look at fruit, is the Chilean competition against us. It is very hard for us to get that data here. It is very hard for us if we travel there to get it because the Chileans will not trust us. But if there is an embassy and a post there people who live there all day, every day, who read the papers, go to seminars, speak to people, et cetera, have got that knowledge, but I do not believe it is being used to help Australia. That is another role that can be very beneficial for Australia.

Mr BAIRD—Thank you. It is useful if you come across the other side of the table and then decide what you believe should happen. It is all very useful.

Mr O'KEEFE—I have just a couple of quick questions, David. Your Keys group of companies' schedule here is an August 1996 computer record. Is that still pretty much a fair representation? Are there additional products on it now?

Mr Aarons—Thank you for pointing out that the bottom has not been changed. It is a fairly good representation. What changes in our company is that some products grow and some reduce year by year. The reason we are so diversified is that we do not want to be vulnerable to the changes in one industry from one year to the other. If we have a drought in Australia and there are no grains, we still want to be in business with our meat, our metals or our dried foods, et cetera. The mix of products is the same and the percentages vary from year to year depending on competitive—

Mr O'KEEFE—If you happen to have a current one that is a little different, would you mind providing it for us?

Mr Aarons—Yes.

Mr O'KEEFE—Is the Keys group the only company in the field playing the kind of role you do, or how many of you are there if you are not the only one?

Mr Aarons—To our knowledge we are possibly the only one that is as diversified as a general trader. Most others are industry specific—dairy, meat or grain traders, et cetera—and they add Latin America or South America to their world portfolio, whereas we evolved as specialists in South America, understanding culture, banking, shipping and financing, et cetera, and we use that knowledge and say that we are professional traders adding service to the business. To us, the product knowledge and the technical knowledge become secondary to the ability to market and sell into that part of the world effectively.

That is probably the reason we have been the oldest and longest serving Australian company in that part of the world. There are certainly others today much greater than us in specific areas, but I am sure all records would show that we are probably the first-ever Australian company trading in South America and the longest stayer, despite the fact that it is reduced to one particular area now. We do sporadic business here and there, but as far as regular monthly business is concerned it is a concentrated area.

Mr BAIRD—In Mexico?

Mr Aarons—In South America in Peru and Ecuador, whereas historically we traded Chile, Argentina, Brazil, Venezuela and Colombia, and we still do from time to time. There was a small order in from Chile today. It is a very small thing we do a couple of times a year, and bits and pieces like that. We have been servicing that customer for 15 years to 20 years.

Mr BAIRD—We normally hear ABC—Argentina, Brazil and Chile.

Mr Aarons—We did a lot in Venezuela. We started to call them the used car salesmen of South America many years ago when we got ripped off by someone after a longstanding relationship. We found the difficulties of legally getting our money back impossible so we lost a lot of heart there. We travelled that area and we did regular business in Venezuela for 10 years. I probably used to go there two or three times a year for up to 10 years. It is a great part of the world as well. As I mentioned, Colombia is also a good part of the world where there is business.

These are very big countries; they are all bigger than Australia—you know more than I do about the standing of these countries. They are all big and they all consume many different products and there is business to be done in all of them. All you have to do is try. It is the education process which we have been talking about in Australia for the last 15 years to 20 years and it seems to have wound down, or maybe it has just done so in Melbourne. Maybe it is different in other parts of the country—I am not sure.

ACTING CHAIR—I have a couple of questions. Firstly, my attention is drawn to your comment that you used to trade in the larger of the South American countries and now you are predominantly trading in Peru—

Mr Aarons—Yes, and a little bit in Ecuador.

ACTING CHAIR—In relation to Ecuador, is your trading role inhibited by the lack of any bilateral arrangements between us, or would they be improved by pursuit of bilateral trading arrangements?

Mr Aarons—No, bilateral trading arrangements have not generally affected us as a real and active trading company. We do not worry about them too much at all. We deal with businessmen and if they want to buy from us, whether there are bilateral arrangements or not, they will do the business. Where we are affected by bilaterals is where there are bilaterals between South American countries where duties and tariffs are changing. For example, I was in Peru a couple of months ago and my customer said, 'It has been nice buying from you for the last 15 years but you do realise that in two more years we will not be able to buy from you again.' I asked him why not, and he said, 'Because we have signed a bilateral with Chile. There is 25 per cent duty for Australia in Chile now but in another two years theirs will be down to zero. Thanks for the 15 years business, but unless you are going to drop your price 25 per cent I doubt you are going to be supplying us any more.' Those sorts of things affect us greatly and hurt us, as NAFTA did considerably in Mexico in their trade. But the actual agreements between Australia and those countries have never affected the areas of trade we work in—or the lack of them.

ACTING CHAIR—Until they have been overridden by the sort of agreement that you just mentioned, which puts us at an added disadvantage.

Mr Aarons—Correct.

ACTING CHAIR—Going back to your criticisms of the communications between DFAT and Austrade and business, is there a relationship between the deterioration in communications and the rise in user-pays principles being applied within Austrade?

Mr Aarons—I had not thought about it that way. For Australian companies approaching Austrade, yes, there is no doubt. From memory, that started about eight to 10 years ago. In fact, as a company we took the view, from the few Austrade posts we have engaged to do reports, that whilst the reports may be wonderful for people doing studies and writing assignments they had not been useful to us as a company and we could get that information ourselves on the ground quite comfortably.

There is no doubt that companies that I know of, apart from big ones, do not like or do not have the resources to pay for a report when they do not know what the outcome of that report is going to be. Instead of paying a post to write a report for me that might take a couple of months, I would rather spend the same money on an airfare and hotel bills and go there and do the research myself. At least I know that, as I am going, I am looking for exactly what I want. It is very hard to brief a third party to find exactly what you want, commit to a price and then sit there and wait until you get the report. If it is not good enough you are still going to have to get on that plane and go out there and look for yourself, and take that report and see if it is accurate or not, so we tend not to do it. We have tried in a couple of places—not in South America, in other places—and cancelled each one. It was not a reflection on the staff doing the report; they were doing what they thought was accurate and correct, but there was just too much data that was not very relevant.

As a businessman or trader we are after direct buyers and we just want to sit down and start doing business with them. We are not interested in a lot of statistics that go back over the last five years. It is irrelevant to me as a businessman what the statistics were in a particular industry or product over the years. The interest is if this man wants to sit here and discuss business or not, today and for the future. And, yes, you are right—to my knowledge, people shy away from contact because of those reports. Our contact with the posts is more on a personal basis because we have the relationships. We will ask them for unresearched listings, rather than a report, and we will research those listings ourselves. To us, the information we are then getting is accurate. A lot of those posts—not today, but before—would just go to the local Yellow Pages to look for buyers. I can do that.

ACTING CHAIR—In terms of trade, is there any comment you would seek to make about difficulties with the current EMDG program, including access to and eligibility for assistance, or is that not relevant to your business?

Mr Aarons—It is very relevant—access to and eligibility is the biggest problem. I am not eligible for EMDG. I used to be. My competitors are. Staff can learn from me, go out and start business from home tomorrow, get EMDG and have half their costs paid for, whereas we do not. As you know, it is expensive to travel to and around Latin America. Yes, I am very upset about the non-eligibility. The eight-year period has pushed us backwards in some areas. We just do not go to new expensive areas because we cannot be bothered spending the extra little bit of money. Maybe that seems shortsighted.

The main thing is that the eligibility is about developing new markets. Our company, as a trading company, develops new markets, we would like to think, every day of the week. We put these arguments forward very strongly when they brought in this eight-year business. No company starts selling plastic cups, like this one here, to one country and continues to do it for eight years and their business is fantastic and keeps going. They start looking to develop other plastic items, if they have the machinery to supply this. That is a whole new business, starting from day one. We are doing completely different things all the time, trying to evolve new products and markets almost on a daily basis. From that point of view, we are doing the same as a new company outside does, but we do not have that ability to access the scheme. So we are very upset about that. There is nothing much we can do about it.

One, we are disadvantaged against some other Australian companies. Two, the scheme dropped the sponsoring of visitors coming out to Australia. For a small to medium sized company that is prohibitive. I have lost business when a multinational has paid for a buyer to come out here, which I cannot afford to do. A specific example was when a multinational brought three people out—one of my customers—a couple of years ago. I could not afford to bring out three people on business class airfares and put them in hotels for a week in Australia. I think it was going to cost us \$25,000 to \$30,000 to do that—that is more than we make on the business in a year or two. Yet the multinational did that and took away a very good customer of ours. They also undercut the business, et cetera, but it was a big selling point as far as the directors of the company were concerned that they had brought them out and I could not afford to. Had we been eligible for EMDG and that particular area was still in place, we would have looked at it and said, 'Okay, for half the price, let us do it—we can get half of that back.' That is important.

We used to bring a lot of customers out of Asia into Australia as well on EMDG because they paid half and it worked out for us. Today, we have to stop and look at the budget being a lot tighter to pay the full fare. So they are two areas that do concern us about EMDG. I have had staff leave in the last few years and go and compete against me, and they are all EMDG recipients today and we are not.

ACTING CHAIR—Thank you for your evidence today. If there is any additional material you wish to provide on any of those matters I am sure the committee will give positive consideration to receiving it.

Mr Aarons—Thank you very much for the time.

[11.08 a.m.]

ACTING CHAIR—Welcome. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private you may ask the subcommittee to do so and we will consider your request. Although the subcommittee does not require you to give evidence under oath, I advise that these hearings are effectively proceedings of the parliament and have the same obligations, rights and privileges, including parliamentary privilege, as proceedings of both houses. The subcommittee invite you to make a short opening statement, following which you may be asked questions.

Mr Robertson—Thank you very much. My chamber, for various reasons, did not make a written submission when you extended the kind invitation to a number of bodies to do so. Therefore, I think it is appropriate for me initially to say a little about the chamber and its present situation.

It was set up in 1993 with the objectives of promoting and facilitating trade and investment. That is a somewhat summary version of it but that is the main thrust. The membership, as is the fate, as is the story, of all voluntary organisations has fluctuated over time as to the number and identity of the membership. What has remained fairly constant is the existence of an active voluntary committee. The membership of that, too, has changed from time to time, bringing in new thoughts.

Since 1993, we have informally, and with the agreement of the Uruguayan authorities, added Uruguay to our focus and we have—and this is a fairly important point in view of our present situation—focused most of all on the facilitation to the best of our ability of Australian exports to the two countries, Argentina and Uruguay.

In 1997 we adopted a business plan which, as its main feature, incorporated an offer of a business matching program which would have existed in parallel with what Austrade in Buenos Aires—which of course also covers Montevideo—could do for Australian businesses. We are currently, and this is the point of the stress that I gave to the outward trade history of the chamber, examining expanding our coverage to assisting Argentine and Uruguayan exporters who are looking for markets, primarily in Victoria but also elsewhere in the Commonwealth given that we do have some coverage outside Victoria. In that examination we are receiving the encouragement, I might say, of the Argentine and Uruguayan embassies in Canberra and also of our own embassy in Buenos Aires, which does receive some inquiries from would-be Argentine and Uruguayan exporters.

It has to be said that the overall figures for Australia's trade with Argentina have always been, and still are, less than impressive in the global order of things. In 1998, the figures were \$167 million against \$77 million imports. They, too, have fluctuated somewhat, most importantly because a major commodity which was exported by us to Argentina, namely bauxite, disappeared from the figures essentially because Argentina was obliged under the Mercosur arrangements to get its bauxite from Brazil.

Despite the similarity of the economies of the two countries—and here you will notice that I do instinctively almost speak of Argentina and Australia rather than necessarily embracing Uruguay—the coals to Newcastle dictum does not necessarily apply and niches are possible. The

1998 figures, for example, do show one or two oddities of niche markets being found by both sides. Leather exports by us were worth \$10.5 million to Argentina and imports of Argentine leather to Australia in the same year were worth \$13 million. For medicaments, including veterinary medicine, we exported \$1.7 million and Argentina exported \$12 million to us.

I need to be totally straightforward about this: while the majors have been active and ready to support the chamber and have been active in developing their own opportunities in Argentina and in the rest of South America, the reactions of the small and medium enterprises, which are obviously the main sources of our membership, have been disappointing.

There is an historic familiarity between the Southern Cone of South America and Australia based on agriculture and sport based on the fact that both regions are outposts of European culture in the Southern Hemisphere, but—and here I would refer to something that David Aarons said just immediately before I was given the floor—we are specific in our focus. We focus specifically on Argentina and Uruguay, and it is my belief that, after quite a long experience of our relations with South America, this is a luxury that cannot be afforded.

For a number of bodies to be pulling separately, to be seeking to cultivate separate fields, is not practical and not economical given that the reservoir of potential interest is too small amongst the small and medium enterprises. In my view, the Latin American Business Council and its equivalent organisation in Western Australia—with which I imagine the joint committee does have contact and which bears the nicely chosen acronym WALABAI—bear an instructive contrast with the Argentina-Australia Chamber of Commerce of Victoria within its present mandate.

It is not necessarily—and here I qualify what Mr Aarons said—because it suits my chamber to concentrate. There is the other side to it. It may not suit the obvious additional partners to be lumped in with Argentina and Uruguay—and I speak specifically of Brazil. Brazil is very much the big boy in Mercosur and everybody acknowledges that—it is an obvious fact. They would not be particularly keen to be merged within a, shall we say, a Mercosur-Southern Cone Common Market chamber in Victoria. This is partly, as I have implied, because they are the biggest of the countries of Mercosur. It is also because they have certain existing obligations towards a commercial firm that is operating in this state.

Finally in this general introduction, the universality of approach to the region is implicit in this committee's 1992 report. More than implicit, it is explicit in the terms of reference of the current inquiry. It is also the approach, obviously, which successive governments have taken to the region and to the enhancement of Austrade representation in the region. And it is also the location of that representation.

There is for me, and I think for other bilateral chambers, a certain frustration at the moment because much has changed at the other end of the line. The economies are in a certain difficulty still but the politics are stronger and more democratic and the possibilities for productive dealings in both directions are greatly enhanced. But this has not impacted commensurately on the activity that is open to chambers like mine.

There is, in my view, a need for an up-to-date focus, obviously, and for a stimulus to get small and medium business going. We need to find ways to overcome distance and expense and the problem of the continuing stereotypes. I do have certain ideas on that and I will answer any question that may be put—

ACTING CHAIR—We will deal with those now.

Mr Robertson—All right. Might I just make two very quick comments on what was said by Mr Aarons because the points are ones on which I happen to know, not right up to date, but at least part of the answer. I am a former officer of the Department of Foreign Affairs and Trade. My last post was ambassador in Buenos Aires, from which I retired in 1992. Before that, I was the head of the administration in Foreign Affairs. I do know from comments by my then colleague the ambassador in Venezuela that a solemn choice had been made between Caracas and Bogota. The bigger trade interest would, said my colleague, have lain with Colombia as the site for the embassy, but certain factors which one does not need to go into did point to having the embassy in Caracas, despite the relative costs of living in the two cities. The other point I would like to make is that, at least when I was setting up the chamber in 1993, Austrade certainly did have a database of companies that were interested and had made inquiries about trade possibilities in specifically Argentina. I, using a certain amount of persuasion that was still open to me as a former officer, succeeded in extracting that list under various oaths of confidentiality, but it does exist.

Finally, Mr Aarons spoke in reply to a question from, I think Mr O'Keefe, and said that he was not aware of other trading into the area with as wide a range of products as Keys Trading were dealing with. This is very likely true, but one member of my committee is a commodity trader dealing extensively in South America and mainly in Argentina, where he had his education, but also right across the continent. So there are other people in parts of the Keys Trading area.

If I may go on, I finished the first part of what I said by saying that we needed to find a current focus and stimulus. It is obvious that both these factors do exist in spades for the majors: minerals—mineral extraction, specifically—ports, workers insurance, you name it. These do exist and they are, as I said, active. But for the small and medium enterprises the possibility of opening and extending markets in Argentina, and I imagine in the other countries, remains a marginal activity, something that is inquired about but then is not pursued. One must ask oneself why this is so. I think there are a number of factors, some of which remain material and some of which do not. I have spoken of the stereotypes: incessant instability—political, economic, security, you name it. I think these stereotypes are considerably less valid than they used to be, thankfully.

I think another one is language and culture. I believe that should not be a particularly significant deterrent to the opening of markets across the South Pacific. For instance, the language and culture of the Republic of Korea is considerably more different from ours than is that of Argentina, for instance. Transport is another one, and I know this is one in which the joint committee is very interested and has always been interested. That, I think, is a very valid deterrent that has to be, and is being, tackled. The Qantas-Aerolineas Argentinas arrangements which have increased the frequency of flights to South America, and specifically to Argentina, have met a recommendation that your committee made previously.

Sea freight is another issue. It is an old argument about whether the freighters will precede the existence of cargoes, or cargoes will be found for a more frequent schedule of trade by Mitsui or whomever. I think one of the issues that does limit what I can usefully say about this issue is that the majors have their own bulk carriers. The mining companies are dealing in bulk. That cuts them out, which does not leave significant quantities. The leather of which I spoke is not going to fill a cargo hold. So transport is a complicated issue—and it remains so. Services

are there if there is the demand for them—banks, insurance, Austrade. I think the biggest problem, however, must be the distance and the cost.

In a slightly different context, Mr Aarons spoke of the reluctance, the hesitation, of small and medium businesses to embark on an expensive fees-for-service investigation by Austrade of the market for plastic cups, or whatever it may be, when they do not know whether the outcome will be positive. I think that is a factor that Austrade has to be aware of. He had the answer that you need to go yourself in the end to have a look, and it is frequently simpler to have a look at the *Yellow Pages* yourself, because the cost of getting to Buenos Aires when you do not know if there is going to be any positive outcome of the visit is virtually prohibitive. You are talking of \$10,000 before you draw a breath.

With respect, on the basis of what I have described as rather frustrating experience over the past six years, I feel that despite the extraordinary efforts of the parliament through this committee and the best efforts of successive governments and of Austrade, to whom honour is not always given but I think should be given—all that well-intentioned background and machinery—we are still left with the basic need: to get the small and medium Australian exporters going, you need a catalyst, a positive bait. More programmed visits by Argentine companies and other South American companies to Melbourne, Sydney and Canberra would help. So would visits in the other direction which are oriented towards the needs of small and medium business instead of being oriented essentially towards the big boys and the companies associated with them.

You have spoken yourself, Mr Acting Chairman, of the possibility of the fees for service as being a deterrent to proceeding. With considerable respect for the doctrine of fees for service and likewise respect for Austrade, I wonder whether some sort of concessional rate or some graded rate related to the amount of input that Austrade was having to do following stimulus from the client at this end could be looked at. I think that is all that I would like to say at this moment and, as I said, I am open to questions.

Mr BAIRD—I am interested about the fees for service. Don't you think that, unless you have some form of fees for service, you are going to encourage a lot of the resources of Austrade to be taken up—as was the case in the past, having some familiarity with it—with the ugh boot suppliers and the opal distributors, so that 70 per cent of your time is spent on something which produces about one per cent of the income? One of the benefits, it would seem, of fees for service is that somebody has got to make their own assessment as to the likely benefits of doing so, rather than having the government pick up all the costs and the risks with very little return.

Mr Robertson—Yes, obviously I entirely agree with what you say. There has to be some winnowing of the harvest of inquiries. I have no real substantive answer to what you have said. I have my own experience of the issue in which one of my members was interested in going to Buenos Aires on a particular investigation of the market. He did not receive, in that instance, the sort of very simple support that would have induced him to go to Buenos Aires. I do not think I should go into details because the trade commissioner was away and the person who was handling the file obviously did not give it the right attention. My member was stuck with the *Yellow Pages* and no road map of Buenos Aires.

Mr BAIRD—I understand what you mean in terms of some basic advice. It may be useful. One of the important aspects of this committee is asking, 'Okay, if it is significant, where do we

put the resources?' I have asked various people who have appeared before the committee about their ranking of the countries in South America. Because of your own experience, how would you rank the top five as far as Australia's trade interest, in particular, is concerned because that is where our focus is? I know there may be a different view in terms of Foreign Affairs' reasons.

Mr Robertson—I would, I think, exclude Mexico from this. You have said South America, so let us leave Mexico to one side—and my experience gives me no capacity to make any judgment there at all. I will not be in any trouble with anybody if I say that, for very good reasons, Chile has been somewhat overrated, from my point of view—that is, the small and medium lot. It is the big placement for Australian investment. A lot of Australian companies associated with the big mining companies—the so-called piggyback traders and investment—have gone into Chile, but Chile's is a small economy. As Mr Aarons was saying earlier, it competes with a lot of the things that we can supply. It is important, but it does not have the overriding importance of the two big boys of the Mercosur grouping—Brazil and Argentina. I think they are the two biggest. Where you go next is rather out of my canvas. I suspect it is Peru because of mining—again, big boys.

Mr BAIRD—More than Chile?

Mr Robertson—No, I would think not. But certainly Colombia is important, but I can speak much more for the Southern Cone group. There is one other point that needs to be made there: if Mercosur emerges unscathed, and it is already somewhat ahead of schedule, from the present tribulations of the Argentine economy—which have been election-uncertainty induced, amongst other things—and if Brazil continues on its unexpectedly successful recovery from its most recent difficulties, Mercosur itself will become a very important factor for us to be looking at.

That means Uruguay, because Uruguay has the headquarters. It is obviously still the nascent headquarters of Mercosur. It has ALADI, an acronym the precise meaning of which I forget, but it is the regional development grouping. It sees itself self-consciously, as a small country, as a sort of Singapore, a conduit point, for getting at the others as a group. I think we do need to work on that. That does not answer you, it goes round a little bit, but that is—

Mr BAIRD—Yes, it is from a different perspective. If you had to take yourself out 20 years, would you think that the same grouping will still be important to us?

Mr Robertson—I think out five years, if Mercosur works, you are going to get others added to it. Chile will become a member of it almost certainly. Bolivia is set to go in. Others will be in. I do not think I would change very much my judgment there. The EU is taking Mercosur very seriously, and I think we should be as well. Obviously, this is not the moment, but the political commitment in Brasilia and Buenos Aires is quite definitely there for it to go ahead.

Mr BAIRD—Thank you.

Mr HOLLIS—Mr Robertson, is it all just too difficult? If I am a business person and I want to invest and I look at all the options available to me, isn't it much easier to go to Asia or Europe? Are the returns in Latin America so great that I am going to go into what appears a rather uncertain market where there are the problem of distance and language, despite your excellent comment about Korea? I took that on board. It has been put to us many times that there are problems with language and culture, but I think the distance and the cost are so great.

So if I am a small business person exporting something and looking for a market, I suspect I would have South America well down on my list, unless I had a specific reason to go there.

Mr Robertson—I think you are entirely right, Mr Hollis. If I were you in your hypothetical 'I', I would draw the same conclusion. That it can be done I would certainly insist. I would cite one particular case, and it may be that at some point the calling of this particular case would be worth thinking about. There is one particular engineering firm with its headquarters here in Victoria which has a very active export oriented group. Peter Lang, the export manager of this company and a member of my committee, enlisted the aid, for a fee, of a business matching company based in London. He was instrumental in launching us on our business plan back in 1997 on the basis of his experience.

With no Spanish, and armed with what the business matching boys had come up with for him from London, he went to Buenos Aires. He left 48 hours later with \$70,000 worth of business in his briefcase for the sale of a particular pitch of screws. I cannot be any more specific than that. I am no expert on how screws are manufactured, but this was what he was on about.

I think that it can be done. I think that the biggest practical difficulty—and I do not know if this applies to all of South America but I know that it does apply as far as Argentina is concerned, less with Uruguay—is that the Argentines like to see the colour of their partners' eyes across a desk before they will commit themselves to anything. They may vaguely commit themselves to an appointment, but we all know what the Latin approach to appointments is—it tends to be a somewhat moveable feast. But once people are there, like Peter Lang was, appointments will be made and it can be done.

Mr HOLLIS—We have spoken to people in this inquiry who either through their own entrepreneurial skill or their drive and vigour have achieved success. One of the real difficulties this committee is going to have to face is that we are going to have to make recommendations to government in a world of diminishing resources, as far as governments are concerned. Whether the government accepts them or not is another matter, but we have to make recommendations to the government.

We can be all hairy-chested and gung-ho and say, 'We should open a couple more posts in Latin America. We should have trade offices in various places.' If I am the minister I am going to have to weigh up what this committee is saying about the big emphasis on South America against what some other committee or some other people in the department are saying, that we should be closing here and opening there and things like that. Then again, perhaps we will just recommend to the minister that as everything seems to be going on its merry way we should leave it as it is. If you change your role from being a former ambassador to being a member of parliament making a recommendation to the minister, what would you be saying?

Mr Robertson—I would be starting from the premise, particularly given the background I have, that any diminution of representation would be very damaging because there are limits to what you can do by non-resident representation. I think that Austrade has been very wise in the reshuffle it has done in the location of its representation in the southern part. Concentrating on Buenos Aires, with its excellent communications within the region, instead of Santiago, which is pretty thin from that point of view, was wise.

I do not think any further posts should be opened. The question is where the heck would we put them. Quito really does not qualify. La Paz, no. These places can be covered. Austrade does have an office in Lima. I think this was a very necessary thing to do.

There is one thing that I would like to say about Austrade, and it will be evident I do have respect for Austrade. To an extent, they follow in the train of what is already established without giving as much time to the possibilities. They are very supportive indeed of the mining industry, and with their participation in that expo in Santiago they did a lot not only for the miners but for the people who are related, be they computer programmers or whoever. They have done a lot in the past with agricultural exports, but it is for the people outside the traditional and established that they might, by a little bit of diversion of resources, be able to be bit more helpful.

Mr HOLLIS—Nevertheless, it has been put to us that Austrade is too thin on the ground and that staff turnover is too rapid—that by the time they have made their contacts they have moved on. It has also been put to us that one way of alleviating that would be to have more locally engaged staff, not just at the junior level but at quite senior levels.

Mr Robertson—That has been done from time to time, specifically in Buenos Aires. It is no longer the case but Cesar Fernandez, who was the senior local staffer, became the trade commissioner at one stage before Buenos Aires became the concentration point for Austrade representation, when they put in an Australia based one. That, of course, does go to the guts of the issue. How long do people usefully spend in a post, be they diplomats or trade officers? I was lucky enough to spend four years in Geneva for a particular reason, but I think that three years is for the professional an optimum time. As the foreign office rather indelicately puts it, 'Beyond that, you begin to go native.' I think that it does have to be borne in mind.

Mr BAIRD—Very valid.

ACTING CHAIR—One of the issues I have pursued with other witnesses is the relevance of our pursuit of multilateral trade agreements, compared to what seems to be a suggestion from some of the diplomats who have appeared before this inquiry that perhaps we should be pursuing bilateral trade arrangements with particular countries, certainly tax arrangements for example, but also general trade agreements. Have you got any comments you wish to make about that?

Mr Robertson—I would certainly hesitate to make the comments. I am not a specialist in that area. One example you mentioned—taxation agreements—obviously has to be handled bilaterally. We have done that, I think, with Argentina—I am not absolutely sure on that—but double taxation agreements are a sovereignty issue. It is a specialist question and one I would rather duck, if I may.

ACTING CHAIR—In terms of the example that you gave of the person without language skills who could successfully set up trade arrangements in a very short space of time for metal screws, should we dismiss the evidence that we have received from others that for a serious trading relationship language is important and that we should, in fact, be promoting by recommendations of this committee the studying of particularly the Spanish language in Australian schools as a precursor to developing the skills necessary to get full access to South American markets?

Mr Robertson—I think that is the counsel of perfection. I know it is a view that your previous witness Mr Aarons adheres to very strongly. I have heard him express it. He has good

Spanish and he uses it. It is not absolutely essential, I suggest. It can be done. If the spirit of enterprise is there, interpreters can be found. Moreover, agents can be found. Not having a business background myself, I should not perhaps get too deep in this, but agency arrangements are what, as I understand, businesses end up by entering into. They do not always return to deliver their load of screws to their purchaser. They work through an agent, which is very deeply a matter of mutual confidence—of competence and confidence. Perhaps this is something that Austrade could help with—looking at valid, reliable agents. They could help the small exporter.

ACTING CHAIR—Are you saying that they do not do that now or they do not get it into focus?

Mr Robertson—I do not know. I think they are looking more, as I understand it, to identifying business partners and identifying peak bodies in that particular business but I am not absolutely sure.

ACTING CHAIR—Thank you very much for your attendance here today. If there is any additional material that you would like to provide, I am sure if you forwarded it to the secretary, the committee will consider it.

[11.52 a.m.]

ACTING CHAIR—Dr Read, on behalf of the trade subcommittee I welcome you. The subcommittee prefers that all evidence be given in public, but should you at any stage wish to give any evidence in private, you may ask to do so and the subcommittee will give consideration of that request.

Dr Read—I am here representing Dr Colin Adam our deputy chief responsible for minerals and energy at CSIRO. I believe you have those details.

ACTING CHAIR—Thank you. Although the subcommittee does not require you to give evidence under oath, the proceedings of the committee are in effect legal proceedings of the parliament and have the same obligations and privileges as proceedings in the respective Houses. We have your submission which is recorded as submission No. 2 in the submissions before the committee. I invite you to make a short opening statement following which there may be questions.

Dr Read—Thank you. I do not particularly wish to add to the statement we have already made, except to note that CSIRO actively entered into South America in 1994 specifically to back up Australian mining companies that were active in the area, to add to our own intellectual and business capital, to lead South American operators towards Australian technology, to bring them to our education system and hopefully, in that way, to add to Australia's export capabilities.

I must say also that I am talking here specifically about the minerals industry and the exploration and mining industry, rather than other parts of CSIRO. Apart from that, I really do not wish to add anything. I am a little bit, to be honest, intrigued as to why I am here. I presume that you have some specific questions of me about CSIRO's role in South America, because we are not what I would call your regular business agency as usually defined within the terms of this operation.

I would say no more. I await questions from you. I would only add that I came early this morning to hear what was going on and possibly could add comment to some of the questions which have arisen this morning with respect to Austrade resources and some of those matters.

ACTING CHAIR—Feel free to do so now if you wish to.

Dr Read—Concerning the last witness's remark that if they stay more than three years they go local, it is my belief from our own observations there that people move on too quickly. They just arrive there, they become familiar with the people and, from our point of view and I think that of the locals, become very active and very trusted colleagues and partners. And then they are gone at just about the time they are starting to be useful.

The previous speaker referred to the three-year period being optimal. That may be true for that person's career within that particular industry, but I am not so sure that it is true for Australia's needs in trade. I would think a period more like maybe four years or five years would perhaps be more useful, and certainly that is our experience, and I mean that not just from the point of view of Austrade but also from our own point of view. If I was to put someone into that

market I would expect them to be there that long as well. I think three years is counterproductive. That is a personal opinion, but I really do believe it is so.

ACTING CHAIR—What is your personal opinion about the need for the Spanish language?

Dr Read—That is necessary. I have been visiting Chile since 1983. My knowledge of Spanish is minimal. I can read fairly fluently but my spoken language is very poor, yet I believe we have operated—in a life prior to CSIRO and in CSIRO—very successfully without that ability. However, I do take care to support myself with Spanish-speaking people, both in the Austrade situation and in the people that I do business with. In the mining industry most of them speak good English anyway but, if you are on the ground there full time then, yes, you do need to be able to speak Spanish. In a business discussion such as we may be in now, it is obviously preferable to be able to understand what is going on. But you can survive if you operate with the right proportions. My secretary at work has her first language as Spanish. She is a very important part of the way we do business.

Mr HOLLIS—Can you give us a bit of a run-down of the CSIRO activities? You mentioned Chile, and I see here that you have been very involved in Mexico.

Dr Read—Not in the minerals and exploration and mining area.

Mr HOLLIS—That is in Chile, but what about Peru?

Dr Read—Perhaps I could go back to how it all started.

Mr HOLLIS—Yes.

Dr Read—The first visit was made really in 1993 by the then director of the old Institute of Minerals and Energy in CSIRO, Dr Alan Reid, and two other colleagues of his, who went to Chile to look over the mining industry in particular. There was particular interest expressed by people there for the support of CSIRO from the R&D point of view. That led to us putting in a booth at the next mining trade exhibition in May 1994, a booth which both exposed our mineral processing expertise and our exploration and mining expertise. We had a very strong reaction to that and we decided that, yes, we needed to have a presence there. We then looked at forming a CSIRO Limitada, a CSIRO company there, but regulations at that time were kind of difficult. That led us into the relationship described in here with Austrade where, to avoid having to form the Limitada and all the costs associated with that, we entered into a contract with Austrade where they provided us with office space in their building. They helped us locate and paid for a marketing officer for us who was specifically local and a mining engineer whom we employed and put into place early in 1995.

We used Austrade as a partner, if you like, and then proceeded from there to develop our business which, as you are aware, is mainly in research and development but specifically chasing Codelco, which is the largest company in Chile—in fact, it is the world's largest producer of copper—and other companies, Chilean, North American and, specifically, Australian to develop our business both in marketing technologies that we had developed and also doing research projects that were beneficial to both parties. That has taken us probably, in a business sense, three years to develop and it is just now actually coming to great fruition where we are entering into specific research projects with Codelco and one or two other mining companies.

Mr HOLLIS—Will they be joint ventures?

Dr Read—Yes. We have formed a research agreement with Codelco as an umbrella, taking them as the example, and then underneath that we put in a specific research project addressing a particular topic. We had three Chileans in our office in Brisbane where we are refining that process just this last week. These are research projects aimed at specific aspects of underground mining.

Mr HOLLIS—Does the CSIRO plan to develop their interests in South America—in Peru, as I mentioned before?

Dr Read—Yes. I am taking Chile as the natural base because, despite the comments of the previous speaker, that is the centre of the mining industry in South America. At the time we entered there was a good communication system. But from there we were looking outwards to Argentina, Peru, and Bolivia. We already worked independently in Brazil and we have also looked at the possibility of doing work in Colombia. But the next major targets would be specifically Peru and Argentina, if you want a pecking order, because that is where, again, there is more mining activity.

Mr HOLLIS—Without breaking any confidentiality—we do not want to do that—could you tell us a little bit about competition challenges? I would imagine that you just don't walk in there as an Australian research organisation and say, 'Here we are; use us.' I would imagine that there would be a lot of competition. There would be other people there trying to offer the services you are offering.

Dr Read—Yes.

Mr HOLLIS—What particularly does the CSIRO offer that, say, a Canadian company or a research organisation or someone else does not offer?

Dr Read—You have hit on our No. 1 competitor. It is, in fact, Canada, in the mining industry. Although there is a lot of competition—and money flows into the country from Germany, in particular, and also from France in the research area—the CSIRO is one of the world's few remaining research organisations as such. We offer particular skills in mineral processing and exploration technologies which other countries have not developed and do not offer. In fact, many of the skills which Canada is offering back into Chile are actually technologies which the CSIRO had developed in our onward marketing.

I guess it is a matter of how we present ourselves. An example I can use is the University of Chile. Its mining department was looking to expand, and also form an association with another university or another series of researchers whom it could best do business with. It did a survey and wound up deciding that it wanted to be with Australia. We have in fact gone into a relationship teaching and doing research projects with the university, and we are also looking at ways that we can bring Chilean graduate students back to this country. It is a matter of presentation and giving the point of view that in fact we actually have the specific skills that are required by those industries in those areas and more so than any other country. I think, without pushing the barrow, in those areas that actually is correct at this point in time.

Mr HOLLIS—Can you see the possibility of research students coming here to Australia from Chile?

Dr Read—Yes. And that is written into our—

Mr HOLLIS—In mining?

Dr Read—In mining and mineral processing which, from that point of view, is the physical grinding up and separation of the mineral from the rocks. In our own area, in exploration mining, we do a lot of work in technologies—airborne technologies for looking for mineral deposits. The projects that we have going with Codelco at the moment, the ones that we are fine tuning this week, are to do with specifics of underground mining. They will involve project staff from CSIRO, Codelco and from the university all working together. That can be done either in Australia or in Chile. So, from the Chileans' point of view, particularly the university, it is to enable them to use and do course work that is available to them in Australia that is not available elsewhere.

Mr HOLLIS—Where is that aspect of it based—here, in Melbourne?

Dr Read—No. To go back to our previous speaker, I also ask that people visit Brisbane occasionally. The operation in Chile is headed up basically by myself. Our corporate headquarters is in Canberra. But the office in Chile and the person we support there is the responsibility of my division—exploration and mining—and specifically me. We run that in cooperation with people from our division of minerals who have staff both here on these projects in Melbourne and in Brisbane and also, potentially, from some aspects, in Perth.

Mr HOLLIS—So you will be in the new building that has been built in Brisbane?

Dr Read—We are already. There is a new building, the Queensland Centre for Advanced Technology.

Mr HOLLIS—Yes, but—

Dr Read—Yes. I am the executive manager of that particular building. That is where we reside in Brisbane.

Mr HOLLIS—Thank you, Chair.

Mr BAIRD—I am interested in the value of the contracts that you have achieved to date. How much would that be worth in dollar terms?

Dr Read—I am not too sure that I am free to divulge most of that but I will put it this way: we have expended, over the last three or four years, probably \$600,000 or \$700,000 in setting this up. We are now entering into contracts with Codelco through their research agency where they have a budget of \$18 million over three years. We will have four projects associated with that. We were working on projects last week which will probably have three-year budgets in the vicinity of \$4 million to \$5 million. Do not ask me at the moment exactly what proportion of the money comes to specific parts of CSIRO because I actually cannot answer you. But we are looking to develop projects of that order.

The minerals division will be working with Codelco and they will have a budget of a similar order. They will develop three or four projects so there will be another \$2 million, \$3 million or \$4 million worth of projects developed there. I am personally involved in projects at the Chuquicamata mine where we are looking at a single project with a half-million dollar budget over two years. So we are looking at money which, not so much in terms of cash return to CSIRO, enables us to employ specific staff which will enhance our intellectual capabilities.

Mr BAIRD—How many staff are working in South America?

Dr Read—On those projects, the three that we were investigating last week will involve at least two, possibly three, from our Perth office, and at least another six or seven from our Brisbane office in the first instance, plus two or three others from the Codelco site as well.

Mr BAIRD—Are you the main research group for the mining industry in Australia?

Dr Read—The answer to that is yes, either directly or indirectly through CRC structures working in association with universities and other bodies. There are probably six, seven or eight CRCs that I can think of at the moment that CSIRO participate in which are either in coal, metalliferous mining or exploration.

Mr BAIRD—Are you in contest with the private sector in relation to this or not?

Dr Read—Not really. In fact, that is probably developing in our favour. We do not compete as such—we are specifically not allowed to—but there has been a big change in the industry over the last few years. Are you familiar with the AMIRA system—the Australian Minerals Industry Research Association—which has been operating since the mid-1960s? They, if you like, broker research projects. We have something that can be done and then they will bring in maybe five, six or seven different mining companies to put into that over a two- or three-year period.

But over the last couple of years in particular, the big companies that used to do a lot of their own research, like BHP or Rio Tinto, have in fact moved those people off their staff. We have entered into relationships with those companies to be a provider of their research and development. Plus there is a developing interest. A lot of our business is now not coming from the larger companies but the small and medium providers in the industry, people who provide surveying capabilities, mine planning capabilities and these types of people. There is a big connect. A lot of our money now is coming from those types of organisations.

Mr BAIRD—But you are 100 per cent government owned, aren't you?

Dr Read—We are, except that each division of CSIRO is meant to earn at least 30 per cent of its operating moneys from external sources. Some of that is recycled government money, I guess, but in my particular area, exploration and mining, of our budget—and my division's budget this year is about \$30 million—approximately \$14 million comes directly from industry. And the QCAT which I mentioned before—the building that Mr Hollis referred to—has a research budget of about \$50 million this year, and about 45 per cent of that also comes directly from the mining industry in terms of cash or in-kind support.

Mr BAIRD—And do you find the fact that you are a government agency assists you with getting the opportunities in South America?

Dr Read—Not so much that I am aware of. No, I do not think so. CSIRO is a fairly good brand name, and we have a name overseas—again I have to talk about the mining industry—that is well regarded for the technologies we have developed in that area, so they tend to want to come to us. I think that is quite a separate matter from whether or not we are a government owned entity.

Mr BAIRD—I just wondered. I remember the old proposals for the Australian Overseas Projects Corporation where they had the government that was supposed to be the lead body because of credentials and so on. I was just wondering whether this was a factor that you saw in South America as being important.

Dr Read—It helps. Politically it helps tremendously—there are no two ways about that—but it would not help if you did not have the services to provide. You have to be seen to have the skills. But I would add to that what has been particularly useful to us in Chile is the strong support we have had from the government or from the embassy and Austrade staff. I do have to say that we are stopping our contract with Austrade at the end of this year, not for any disagreement with Austrade—we are still going to maintain a close relationship—but the time has come to move on beyond that. But they have been fantastic for us, despite other comments I have heard this morning. They have been good for the mining industry anyway—very focused and very helpful. And the embassy staff—I have been involved now with three different ambassadors in the office in Santiago—have all been extremely supportive, which gives us that extra clout and introduction we may need in certain places.

Mr BAIRD—Thank you.

ACTING CHAIR—Given the projects that CSIRO is engaged in for Codelco, if I have got it right, I take it that they are effectively research and development grants for particular projects. I wonder what issues arise in terms of intellectual property rights on those projects.

Dr Read—Yes. And that is always where the battlefield is because CSIRO likes to own everything, as does Codelco which is also a large conglomerate. The arrangements we are seeking basically are where we try to maintain or own as much of the intellectual property as we can, particularly our skills. The contracts that we are writing say in a sense that both parties bring pre-project intellectual property to the table. Then, with things which are developed as part of that project, ownership is between the two. Then we write agreements as to how we may onward licence that afterwards, but both parties retain initially what they brought to the table and then make these other agreements about widgets that may be developed.

What we have to be careful of here is the issue which often gets raised, which is selling the farm, I guess. We have to be very careful that we are not aiding Codelco develop something which may give them a competitive advantage against, say, an Australian company. We have been through this very thoroughly with Australian industry and government, so we have to be careful how we write those contracts. It is an issue which has to be managed.

ACTING CHAIR—I was just thinking that perhaps you might have wished to have said that off the record rather than on the record but—

Dr Read—No, I think we are fairly—

ACTING CHAIR—It is a matter for you. I thought I might have asked a question which led to something which might not be helpful in your discussions with Codelco.

Dr Read—No. It has taken us 2½ years to bring these discussions to fruition with Codelco. As you can imagine, about one year of that was spent discussing probably three words in the intellectual property agreement. In essence, the agreements are fairly standard now. In CRCs it is the same thing—the parties bring in their intellectual property and then decide how they are going to split it between them for onward development. Obviously, we are trying to do as well as we can for our team.

ACTING CHAIR—Would CSIRO involve other Australian information resources? For example, from my state, the University of Tasmania has got a lot of geological information. Would the CSIRO consider involving any other organisations from Australia for add-on skills, consultancies for projects, et cetera?

Dr Read—Yes, absolutely, depending on the need for that project. We have been talking about Codelco this morning. Other Australian companies that come to mind are BHP and Rio Tinto, Mt Isa and North's, for example. But the example in this case I would give, again, is the University of Chile where we are working with them and their interest is in the project we are developing on block caving which will involve probably staff and graduate students from the University of Western Australia. People from the JKMRC, the Julius Kruttschnitt Mineral Research Centre, in Brisbane will also be involved with us in projects in Chile. Often it is better, if you do not have the skills, to get them from where they are appropriate.

ACTING CHAIR—I was going to ask some questions about the part of the submission that you are here representing which talks of viticulture research in Chile, but I take it from what you said earlier that you are not in a position to answer those questions today.

Dr Read—No, I am not the right person to talk to, except to say that we have a person on the ground representing our industry but he also represents the whole of CSIRO, and there are other interesting areas there, particularly in fisheries, viticulture and forestry. They are not activities which I get specifically involved in, although, thinking about one of the comments from the speaker before last—I gather he was in agriculture or food or some related area—those opportunities do exist. His comment was that sometimes information, or not the right information, is forthcoming from Austrade, particularly with respect to the user-pays system. I would suggest that is a two-way street.

People in Austrade just do not sit there all day and read the papers and have bright ideas. They actually do—certainly in the Santiago office—things which we ask them to do and we pay for; it is done on a specific brief when we ask them to go and look for specific things. I would think other industries could get themselves organised along those lines. If they are not getting what they desire, I would suggest perhaps they are not briefing their client very well.

ACTING CHAIR—Going back to the viticulture area and the other areas that you mentioned, is there some documentation that your organisation could supply the committee on that role or, alternatively, could you take the issue of providing some additional material on notice?

Dr Read—I have with me a listing of the projects which are under way in South America which involve not just viticulture but all those areas. I can leave that behind. The listing is of

what is known as CSIRO activities in South America and Mexico other than mining and mineral exploration. It gives where it is happening, what it is, the description of what it is and also the contact person.

ACTING CHAIR—Could we have a copy of that?

Dr Read—You can take this copy.

ACTING CHAIR—The committee will receive that as an exhibit.

Dr Read—There is nothing that is specifically commercial-in-confidence in there. That is all published. Actually I think that is probably all available on our web site. Some of those involve India and other countries and it just so happens that Brazil or Chile are part of the projects, and certainly CSIRO. Colin Adam, my chief, has recently been in Uruguay for discussions there about how government scientific organisations can work for each other.

ACTING CHAIR—Would all of these projects be income earning projects for CSIRO?

Dr Read—I doubt it. You would have to speak to those people. My guess would be that they would not be losers but they would not be profit makers.

ACTING CHAIR—Income earners, not necessarily—

Dr Read—They would be income earners, yes. They would be listed projects. We are not allowed by charter to compete, but we do provide specialist services when the individual is the only person qualified to work in that particular area. We do charge fees and obviously we charge high fees because we invest that money in our research.

Mr BAIRD—Do you work on a full cost recovery basis?

Dr Read—Absolutely.

Mr BAIRD—Salaries?

Dr Read—Salaries, all overheads—everything goes in. We have had to do this as part of our charter. We are absolutely full cost recovery. When we are costing our projects we have the costing and pricing issues, we fully cost and then we look at the price as a way of developing business in the normal manner. If you want a top of the head figure, it is a multiplier of three point whatever, very similar to what you will find in any engineering or other type of consulting agency.

ACTING CHAIR—We will have a look at this document. I wonder if you might convey to your colleagues that the secretariat might ask for some additional information just for clarity's sake, and hopefully we will receive it.

Dr Read—Can I point you in a particular direction?

ACTING CHAIR—Yes, please.

Dr Read—There is a particular person, Peter Martin, who is the deputy manager of CSIRO's international section in Canberra. Afterwards I can give you his email and telephone addresses. We have two people, Ta-Yan, who is the manager, and Peter Martin, and I am sure they would be able to answer any of your specific questions.

ACTING CHAIR—That would be very helpful. Thank you very much for your evidence, Dr Read. You have been very helpful in providing us with sources for additional material.

Dr Read—Thank you very much.

Proceedings suspended from 12.24 p.m. to 2.33 p.m.

**\DB\WLBCONROY, Mr Garry, Ambassador to the Federative Republic of Brazil,
Department of Foreign Affairs and Trade**

**FRANKEL, Mr Roger, Ambassador to the Republic of Venezuela, Department of Foreign
Affairs and Trade**

**HAMILTON, Mr Robert, Ambassador to Mexico, Department of Foreign Affairs and
Trade**

**LETTS, Ms Martine, Ambassador to the Argentine Republic, Department of Foreign
Affairs and Trade**

**SMITH, Mr Paul, High Commissioner to Barbados, Department of Foreign Affairs and
Trade**

ACTING CHAIR—Welcome to the Australian heads of mission from Latin America. Can you add anything extra to the capacity in which you appear?

Ms Tanner—I am also accredited to Peru and Bolivia.

Ms Letts—I am also ambassador to Uruguay and Paraguay.

Mr Frankel—I am based in Caracas and also ambassador to Colombia, Ecuador and the Dominican Republic.

ACTING CHAIR—There will be a period for short statements and then questions.

Ms Tanner—Mr Chairman and members of the committee, I believe that you have already received fairly comprehensive briefing material for Chile and Peru from a number of sources relevant to the terms of your inquiry. In the short time available I would like to highlight some of the issues that I see of particular importance.

In terms of the environment for doing business in my countries of accreditation there will be, as you know, presidential elections in Chile on 12 December. The two principal candidates have made clear their intention to maintain and encourage policies which promote business and the stability and growth of the Chilean economy, so there is very positive news there in terms of future directions in the Chilean government. If no candidate wins an absolute majority in these presidential elections, there will be a second round on 16 January, and the new government will take office in early March. We are looking at a period of some uncertainty for the next few months, but after March the new Chilean government will be in place and will continue to govern for a six-year term.

After several quarters of negative growth, due to the effects of the Asian crisis and a Brazilian devaluation, the Chilean economy is again moving into periods of positive growth, with around five per cent GDP growth predicted for next year. The government has for some years had in place policies to encourage a stronger export culture amongst Chilean business and primary producers, one result of which has been that in the past about a third of Chile's exports

have been directed towards Asian markets. While Chile's exports to these markets dropped significantly last year and this year, they are expected to rise again in the coming years. The price of copper has also had an effect on the reduced value of Chilean exports to Asia.

Looking at opportunities for Australian business, the Chilean market is a relatively small one at a population of around 14 million. On the positive side, this provides particular opportunities for small and medium-size enterprises with high quality or differentiated products or services targeted towards an emerging middle and professional class of consumers or relevant areas of industry. Chile's web of free trade agreements with the region also provides openings for our market to not just 14 million people but around 400 million people.

There is a very positive view of Australia in Chile. Perhaps it is based on a stereotypical tourist point of view rather than on Australian industry capability, but that is something that we, as the Australian mission, are working to change with Austrade. Australia and Chile have similar Southern Hemisphere resource based economies, which cause us to be competitors in a number of areas, but they also provide opportunities for Australians to supply goods and services and technology to Chile in those same areas. The classic example, of course, is the mining industry.

Our business styles are quite compatible and the Australian companies based in Santiago can attest to the generally positive experience of doing business in Chile. Improved air transport links have helped enormously in this.

Particular sectors where there are good opportunities for Australian companies to do business are mining suppliers. We are already quite well-established in that market, but there is still potential for more companies to enter environmental management, agricultural technology, specialty foods, information technologies, education and tourism services and other niche markets.

Any product or service which is of high quality and differs from its competition in some important way has a clear chance of success in the Chilean market. The companies already in the market provide good examples of the keys to success there. They have high quality products or services meeting a particular need, commitment and persistence in entering and staying in the market, good reliable local partners or representatives, local inventory or expertise—which means no delays in delivering product or services—and Spanish language capability, whether that be from the firm itself or its staff.

While there are not any real market access barriers in Chile working against Australian companies, Chilean perception is that Canadian, US and Spanish companies in the region are really the natural and principal commercial partners of Chile. And of course there is a perception on the part of many Australian companies that Latin America is just too difficult a region to get involved in. The reality is that Canadian, American and Spanish companies do indeed provide very intense competition in a whole range of areas that we are interested in, but Australia does have a number of advantages that we really need to push. Other possible barriers include difficulties resulting from difference, distance and time zones—sometimes it can be difficult making contact. But, as other people have expressed in earlier seminars today, this is really a challenge rather than an insurmountable difficulty. So the basic message I would like to give is that there are some very positive opportunities in Chile. It is a market where a number of Australian companies have had a lot of success, and certainly, as a government, we are trying to encourage more Australian companies to become familiar with the market.

Perhaps I might briefly mention Peru. In terms of the environment, there will be presidential elections in April 2000. President Fujimori has not yet announced whether he will stand for the presidency, whether he will be a candidate again, but there is a general expectation that he will do so. Economic conditions have been improving in Peru after a couple of relatively bad years due to the El Nino effect and of course the Asian crisis. Peru is the second country in Latin America after Chile with a largish proportion of its exports going to Asian markets. Peru is moving ahead with economic reform, and continuing economic growth will ensure increasing opportunities for Australian companies in many of the similar areas as we can see in Chile. The establishment of the Australian Consulate General in Lima will help Australian companies on the ground very much in establishing themselves and investigating the market there. So I think the news with Peru is very positive as well. Thank you.

Mr Frankel—Thank you. I think you have had the Latin American ambassadors—the ones based in Canberra—make presentations to you, and no doubt they will have made some positive presentations about their countries. The common thread which runs amongst the countries with which I am involved is that they are all experiencing some very difficult times economically and politically. Venezuela, which is where I am resident, has gone through a year of political turmoil. The election of the Chavez government was the beginning of a process of radical political reform which is being undertaken peacefully through a constituent assembly which is about to present its report. That process has gone on for the last three months or so and it has been very controversial. Nonetheless, the government enjoys some very significant public support. Something in the order of 80 to 90 per cent of the population continues to support the government, notwithstanding the fact that there have been some very difficult economic times there with unemployment growing from around 14 to 20 per cent and with negative growth in the order of four to five per cent.

The welfare of Venezuela hinges on the price of oil. At present oil is going up—it is around \$25 a barrel. The budget was predicated on a \$14 or \$15 price, and that means that they have a fairly considerable windfall and some margin to manoeuvre. Fortunately the government has not been tempted to use that money to splurge and reserves have actually grown. So, Venezuela is having difficulty, is too dependent on oil, but is saved precisely by the price of oil.

In terms of Australia, despite the fact that in all of these countries there have, as I said, been difficult economic times, Australian interests and successes have actually been as great as, if not greater than, any time previously. We have managed to have an Australian ferry begin operating between the mainland and Margarita Island. In Venezuela, but especially in Colombia, the number of students coming to Australia has grown exponentially from something in the order of 30 or 40 a year to what promises to be a platform of about 500 a year, which is quite remarkable.

There are opportunities there in mining. BHP has a very significant investment in a \$830 million project to produce hot briquetted iron, and that will be commissioned early next year. It has gone very well. They are experiencing a very slight delay at the moment of a month or two but, by and large, it is on time and on budget, which is quite a remarkable achievement in that kind of general environment. There are tremendous opportunities for Australia in supplying the petroleum industry, first and foremost, and that means our environmental technology and anything to do with pumps, hydraulics and pipes and engineering expertise. Increasingly, Australian companies are visiting. There are opportunities also in telecommunications and electricity ports as privatisation happens. The concern and the downside is that there is a tendency at present under the new government to move towards more centralisation and bigger government. That is something we need to watch very carefully. That is Venezuela.

Colombia's underlying trend has been for positive growth in the last 50 years. It is, I think, the only country in the world that has experienced a continuous 50-year period of consecutive positive growth averaging 4½ to five per cent. Last year they almost blotted the copybook; they are down to 0.6 per cent. Part of that is the general conjuncture of the international economy and the regional economy—Brazil, Argentina. But part of that is the fact that the security situation has worsened significantly. The peace process broke down. The paramilitary groups, which up till about a year ago had been relatively dormant, have increased the tempo of their activities in response to the breakdown of peace talks and are in fact attempting to make their claim to participate in any settlement between the government and the guerilla groups on the other side. That has created a lot of concern about any investment or commercial activity which requires substantial on the ground presence. Nonetheless, Colombia does provide opportunities. There are Australian companies there: QNI, which I believe is no longer Australian as of fairly recently, has a fairly major nickel investment there; in the agricultural sectors, in hydroponics and the flower sector; in infrastructure development and electricity; and, again, ports and privatisation thereof. Education I mentioned before. Probably our fastest market growth in education in the whole world is in Colombia.

Ecuador is another country where difficulties have been very significant. They had President Bucaram expelled from the country three years ago for corrupt activities—he was deposed—and subsequent governments have not really been able to address the very significant gap which Bucaram left in the public sector deficit. They are experiencing negative growth of about four per cent. They have had droughts and they have had floods, and they have recently reneged on their Brady bond. Nonetheless, there are some niche opportunities for Australia there: prawn farming; the banking sector, which is being reformed; and telecommunications as well. But it is a matter of really watching that market. It is a very small market. It is a small country of 11 million people with some significant difficulties still ahead.

We have a unidimensional relationship with the Dominican Republic. We established ourselves there not just to complete our communications and diplomatic networks in the region but primarily to help Australian companies bid for a gold deposit there which was on offer for privatisation. Unfortunately that has not occurred—the privatisation has not gone ahead. There is a prospect that it might happen this year. So we have not focused very closely on the Dominican Republic and I would not add anything to what is the stock of public knowledge on it.

Mr Conroy—In just making a short presentation on Brazil, I want to avoid repeating basic information that has already been put on record in the departmental submission. There are other issues about the challenges facing us in Latin America, which I think my colleague Ms Tanner has explained. I will just talk very briefly about some of the latest data on the Brazilian economy, because the Brazilian economy is just so important to the overall economic situation of Latin America. It is also our largest market by far, twice the size of our exports to Chile and something like three times the size of our exports to Argentina. So, what happens in Brazil is pretty crucial for the whole trade and economic environment for the region.

It is quite clear that the Brazilian economy has come out of its economic crisis much faster and much better than was previously expected. I think everyone is now in the business of revising some of the projections that were made—and some of those were quite extreme—that the Brazilian devaluation would send Brazil into a very deep recession and hyperinflation might be an outcome. That is quite clearly not true.

The economic team in Brazil has inspired confidence and has been very successful in quickly recovering positive sentiment abroad, such that capital inflow is now returning to Brazil in large order. We have an IMF agreement in place and, particularly under the leadership of Arminio Fraga, the head of the Central Bank, things are progressing quite well. After devaluation, inflation in the first three months was only 3.25 per cent which, given the scope of the depreciation of the currency, is really quite remarkable. By year's end, the figure could be as low as 9 point something per cent. The outer estimate is something like 14 per cent. Given the scope of that depreciation, that is really quite a remarkable outcome.

The GDP contraction is likely to be, at the maximum, minus 0.9 per cent and possibly better. The previous rates of interest, which had been crippling the economy, have been reducing very steadily, from 45 per cent at the time of the crisis down to the low 20s. The prognosis now is so very much better.

The Economist Intelligence Unit is forecasting that growth will resume in 2000 at a level of 2.7 per cent and in the out years will move up to an average level of growth of about four per cent. That provides a good basis for growth in the whole Latin American economy. Inflation next year will be single-digit, possibly 6.8 per cent, in 2000 and brought back to figures of between three and four per cent in the out years. The rate of interest will go from the current 23.9 per cent down to 15.4 per cent. That is still high in comparison to, say, rates in North America, but it is a substantial improvement. The exchange rate will be relatively stable but will probably drift out a bit from 1.89 now to something just slightly above two next year.

Imports in 1999 contracted down to \$US51 billion from \$US57 billion in the previous year. That a pretty clear indication of one of the effects of the Brazilian economic crisis. But they are predicting for the year 2000 that imports will surge back up to \$US58.2 billion, so that is pretty substantial growth. Brazilian exports will continue to climb. Their exports are principally based on agricultural products, and they will continue to find markets. The price of sugar has risen from 4c to 7c, and that is going to be a particularly strong stimulus to the Brazilian export effort. So we expect exports to be up to \$US58.2 billion by the year 2000.

What this means for Australia is that—and we are observing this—companies are now revising substantially their attitudes to this market and are starting to look at many of the projects that were on hold after the economic crisis. Some pretty substantial investments, particularly in the mining sector, are in prospect.

In terms of our trade, it has been a very tough year. There were some casualties of the devaluation of the real. Our milk product trade, our exports of milk powder, were a particular casualty—they have been displaced by Argentina. From exports of the order of \$30 million, they are virtually down to nothing now. That is one particularly clear casualty. With the growth in the Brazilian economy we can expect a much better environment for sales of coal, which has always been a mainstay of our trade, contributing always in excess of 50 per cent.

We are seeing new products. The Holden Commodore is a new item of trade to Brazil. We are exporting \$30 million worth of Holden vehicles into that market. We have a number of success stories in the information technology area, including major sales to Brazilian banks of flat screens and key pad equipment. There are pretty substantial sales also of telecommunications equipment as a result of the privatisations that have taken place in the Brazilian economy. There is a new market there for new technology. Australian companies have been providing switch gear

and other items like that. So, after some pretty tough times during this last year, it is full speed ahead for us. We are very optimistic about the potential in this market at the current time.

Ms Letts—I too want to be a bit wary about going over the ground that has already been covered in other submissions to you, but I thought I might give you a quick overview of the political situation in Argentina in light of the recent elections there, something about our trade and investment relationship with Argentina, and perhaps a couple of words about Uruguay at the end.

As you know, there was an election on 24 October in Argentina. It was a major event from the perspective of Argentine politics, in the sense that it confirmed the basic political stability that Argentina has now enjoyed since the mid-eighties, since Alfonsín came to government, which was very much consolidated by the Menem government. Menem's coming to power also heralded the complete opening up of the Argentine economy to investment and a lot of privatisation. Menem himself called it 'surgery without anaesthetics'. This certainly opened enormous opportunities for outside investors but also had some economic and social consequences, which I will come to in a minute.

In any event, the opposition alliance has won government and won it handsomely. There were some initial concerns—in particular because they have a slightly left of centre partner—about the commitment of an Alliance government to continuing the programs of economic reform that had been introduced by Menem. But those concerns were pretty much and very quickly put to rest. In fact, the pronouncements of the opposition during the campaign were far more reassuring to foreign investors than those of the Peronist candidate, Duhalde, who was talking about things like debt forgiveness and even going to see the Pope about this which was raising a fair bit of concern in the markets.

The Argentine economy has been through some pretty big lows and big highs over the last 20 years. Argentina suffered the most of all of the Latin American countries from hyperinflation in the eighties—some say there was up to 5,000 per cent inflation in the mid-eighties; it was certainly extremely high. When the convertibility plan was introduced in 1992, which pegs the Argentine peso to the dollar, that certainly brought about a considerable amount of fiscal stability in Argentina. Every peso that is in circulation in the Argentina economy is covered by a US dollar and more.

The biggest problem Argentina faces now is debt, which is officially at \$5.1 billion. But, in truth, the deficit is going to be much higher. It is probably going to be closer to \$8 billion. There is growing unemployment—which is officially now at 14.5 per cent but, in truth, is probably somewhat higher—and a growing problem of some social unrest associated with unemployment. There are also problems in the education sector, which for Australia also presents some opportunities.

That being said, going from negative growth in 1999 of minus 0.3 to 0.4 per cent, growth predictions for Argentina are at around 2½ per cent for the year 2000. They have very low inflation. They had negative inflation this year, and inflation is predicted to be around 0.9 per cent next year. As I said, they have a very stable fiscal sector. The banking sector is basically in very good shape. Convertibility is going to be maintained, at least for the short term—not least because hyperinflation was experienced under an Alliance government and it realises it cannot afford to change, because that will cause a lot of money to leave the country.

I might add also that Argentina only exports eight per cent of its GDP. Given the fact that it has a relatively high public debt, if it were to devalue, that would increase its debt repayments and also cause a great deal of concern in the international financial sector.

The Australian trading relationship with Argentina is not very good. I think they are our 48th trading partner. But on the investment side of the equation it is a pretty impressive story. We are now the ninth largest investor in Argentina. Figures vary, but let us say that our total investment is about \$US1.5 billion. Of course the largest single investment is in the mining sector. The gold and copper mine in Catamarca province is 50 per cent MIM, 25 per cent North Ltd and 25 per cent owned by a Canadian company. That was a very large investment. They have gone into full production and, unless there is a terrible drop in copper prices, this mine will do particularly well.

But our investments are not just in the mining sector. We dominate the multiplex cinema market. Village and Hoyts, for example, have 60 per cent of the cinema market in Buenos Aires province alone, which is where 36 per cent of the Argentine population lives. We are the largest port operator in the port of Buenos Aires. P&O runs the two major container terminals and is poised to purchase a third container terminal in Buenos Aires port.

We also provide things like workers compensation cover and health services through HIIH. We have sold sophisticated equipment to Argentina, not the least four INCAT ferries to the company Buquebus, and other sorts of agricultural equipment. AGSO has been doing some major research projects in Argentina for the minerals sector and now has a major project in San Luis province examining underground water resources. We also have a small entry into IT and communications. Andersen Consulting provided the billing system for the entire telecom system in Argentina.

So the investment picture is growing in diversity. There are some considerable opportunities offered there, particularly as the investment climate is a very good one and a very open one—possibly one of the most open in Latin America. Also, we must not forget that the Argentine per capita GDP is the highest in South America. It did go as high as about 9.5 thousand last year. Given the recessionary conditions, it has gone down to about 7.8 thousand this year. But still it is the highest in Latin America, and it is a relatively big market. We must not forget also that Argentina is part of Mercosur, a market of at least 200 million people, in addition to its association with Bolivia and Chile, with a combined GDP of \$1,000 billion.

The sorts of issues that we have been having to deal with in Argentina in the last couple of years have been continuing growing pains experienced in legal stability, which have affected a number of our investments. In particular, when the new federal mining law came into force in Argentina in the mid-nineties it had a built-in fiscal stability regime, which has been unfortunately undermined through tax reform, which has levied higher charges on mining operations in a situation where commodity prices are quite low.

We have also been trying to deal with the fairly slow bureaucracy in bringing to closure the double taxation agreement, which mercifully has now been signed. It took us four years to draft and get the agreement signed but, given the circumstances of the election, unfortunately we will probably not be able to get it ratified by the Argentine congress in time for the DTA to come into force in the year 2000. We will have to wait until 2001. But I think there is a very strong recognition in all political circles in Argentina that this is an agreement which is actually more in their interest, given our high investment profile in the region, and so we will continue working on that. There are also severe labour market rigidities still in the Argentine system which need to be

reformed, the taxation system in particular. Getting people to actually pay their taxes is still a big challenge for Argentines.

Because it is an issue that is mentioned, particularly in the Argentine press, let me touch on the whole business of what we euphemistically call transparency and others call corruption. I think that one of the major points for the De la Rúa government is that they have a mandate to reform the situation on corruption in Argentina which is something that the previous government did not really tackle particularly well and in some cases perpetuated.

The biggest problem still—and this applies to all of Latin America—is getting noticed or getting the Argentines and to a lesser extent the Uruguayans and others in the region to recognise that we have expertise that we can bring to them that is not just limited to the United States and Europe—they are still very US and Europe focused. The picture is slowly changing. Things that have helped us are the increased Qantas flight services. The reduced distance has increased the level of knowledge on both sides about what we have to offer each other.

Overall, given the process of recovery in Argentina and the ever-increasing presence of Australian expertise and know-how in the region, I think the picture is a fairly positive one for Argentina, and equally for Uruguay. Sectors where there is some work being done and there are prospects for Australian investments in Uruguay include port development, transport solutions and also the possibility of a large bulk transport operation originating in Brazil coming down the Paraguay Parana River system, with the possible construction of a major bulk handling facility port in Uruguay in prospect.

Major sectorial opportunities in Argentina apart from mining are agribusiness, education, IT and communications, health services, medical insurance, environmental technologies and the marine sector, which applies I think across the entire region.

Mr Hamilton—Thank you, Mr Chairman, and members of the committee. I am conscious that Mexico, as a member of Latin America but not South America, is not formally covered by the terms of reference of your committee—or at least that is my understanding—but I understand that you are, nevertheless, interested in Mexico.

The most significant event there recently has been the election of the candidate for the ruling party to stand in the presidential elections that will take place in Mexico next year. One could see that as, in effect, the decision on who is likely to be the next president, since the candidate from the ruling party is commonly seen as the most likely person to win. That is a man called Francisco Labastida. He has some connections with Australia, having set up the original live sheep trade when he was agriculture minister. His policies are generally free marketeering—a globalised sort of approach to economic policy—which will make him a worthy successor to the current president of Mexico and would be consistent with Australia's broad interests in seeing Mexico as a free and open market.

The election nevertheless will go ahead next year. His two main candidates who, at the moment, look unlikely to beat him are, first, a man called Vicente Fox who comes from a party called the PAN. If he were to be elected—and he is the second most likely candidate—he has economic policies that again should not cause Australia any particular problems in terms of its broad economic relationships with Mexico, nor should it cause Mexico any particular problems in continuing its essentially free market operations.

The third candidate, Cuantehmoc Cardenas, is very unlikely to win, if we are to believe the polls. It is not entirely clear what sorts of policies he would have in those areas but since he is unlikely to win it probably does not particularly matter.

Other recent areas of interest for Australia in Mexico include an investment by Evans Deakin, or a subsidiary of Evans Deakin called Walkers, who have bought 49 per cent of a manufacturing company in Mexico that is in the sugar industry, as you would expect from Walkers' role here. That has only recently been concluded and will give Australia, through Walkers, and indeed through other Australian companies in the sugar equipment industry, very good access to that market. I am sure that that will be the first of other investments, if not sales, to Mexico.

The Australian company Orica has taken a position in Mexico this year, particularly with the company called Grupo Acero del Norte. There are certain problems that Orica is facing. The embassy has been very heavily involved in trying to assist Orica to resolve the problems which relate partly to banking issues and liquidity problems of some of their partners there but also to gas prices in Mexico. We have made what seem to have been successful interventions on their behalf with the Mexican government.

There is a tender coming up in Mexico for 3½ million tonnes of coal. This will be to a power plant on the Pacific coast of Mexico. This is starting to get near the end of a long—four years at least—process where Australian companies have been trying to establish themselves in Mexico as major suppliers to that power plant, which is called Petacalco. We are not sure yet how that will go. There has been a certain amount of confusion in the early tenders for that power plant but this one of 3½ million tonnes will be an important indicator of the likely prospects for Australia over the next few years there. The total demand in that power plant will be of the order of five million tonnes of coal per year and we would hope to get not all of it—that is unrealistic—but a good share of it.

We have coming up next month in Mexico City the next meeting of the Joint Trade and Investment Commission, which is a bilateral commission between Australia and Mexico which provides us with an opportunity to talk to the Mexicans about a number of bilateral issues but particularly about market access questions. It also allows the Mexicans obviously an opportunity to talk to us about the same sorts of things. That has worked reasonably well in previous years. It has been the medium through which we have negotiated better access for coal and wool into Mexico and tariff reductions in both of those areas.

Other successes that we have had in the last few years which have improved Australian competitiveness and access into Mexico have included canola as well as wool and coal. In the last two years, the exports of canola from Australia to Mexico have risen rapidly and it is now our largest single export to Mexico. Every now and again phytosanitary agreements in something like canola can pay real dividends.

We have made some progress on access of cattle and we are hoping to make more some time soon. We are constantly promised that it will be very soon but we have heard that a lot now. Sorghum, cotton seed and barley are other areas where there are strong potential access opportunities for Australia into the Mexican market and where the embassy, indeed the Australian government, are working to try and improve our access, essentially through the negotiation of acceptable phytosanitary agreements with the Mexicans.

There are a couple of problems that we face in terms of access to the Mexican market. One of them is that in some areas Australian exporters pay tariffs whereas quite a lot of others have free trade agreements with Mexico. NAFTA is obviously the major one of those but there is quite a network of others. We face a barrier that many other alternative suppliers do not face into the Mexican market. More recently Mexico has put a three per cent tariff on to just about all imports from countries where there is no free trade agreement or preferential trade agreement. The reason for that was essentially revenue raising—not essentially but absolutely revenue raising. There was a shortfall in the domestic budget. For domestic political reasons, no other alternative could be found. My concern at the moment is that the tariff was supposed to be lifted at the end of this year but in the last few months on the Mexican side they have been suggesting increasingly strongly that it will continue into next year. At the moment I would have to say that that is probably what will happen. We have been lobbying very hard in Mexico to have that tariff lifted. I hope and expect that it will not become a permanent feature of their tariff regime, but one cannot be sure at the moment, particularly with the likely change of government coming up in Mexico.

The opportunities are very great for Australia in Mexico. We have a potentially strong commercial relationship. Mexico is the second largest trading partner for Australia in Latin America. I believe that Mexican total international trade is larger than the rest of Latin America put together. Mexico is a major trading country and has a major market. Its position within NAFTA is of critical importance for Australia in providing opportunities for access for Australian manufacturers, if they invest in Mexico, into the North American market of Canada and the United States. Mexico itself is a destination of some importance to us. It has a population of about 100 million, of whom half are consumers. Many of those people are quite wealthy and consumers of quite considerable proportions. It does have a consumer culture for about half of its population so it is an important player there.

Mexico plays an important role in the world in other areas too. It is a major player particularly in the international disarmament debate. We have considerable bilateral dialogue with Mexico over disarmament issues and also over environmental issues and quite a range of other things. Increasingly it is a destination for Australian travellers. Mexican figures show that about 12,500 Australians went to Mexico last year. I was a bit surprised at that but those are the figures the Mexicans gave us. With that goes the responsibility that missions and governments face in providing services to those itinerant Australians. We also run the risk of fairly major problems arising and leading to controversial cases in the future and difficult cases for us to handle but we deal with them as they come along.

Mr Smith—Mr Chairman and members of the committee, I should explain that, although I am located in Bridgetown, I cover the whole of the English-speaking Caribbean pretty well. I am accredited to a total of 13 countries. I could read the list out to you if you want it but it is rather long. I also cover Suriname, which is the only non-English speaking country, although I have general supervisory responsibilities also for the French territories of Guadeloupe, Martinique and French Guiana, and incidentally four or five British dependencies, so it is a very large area that I cover. The Caribbean has been tacked onto Latin America for purposes of administrative convenience—it is very close to the region and there are also some logical reasons for it.

The total market of the countries that I cover is about \$US15 billion, of which Australian exports account for about \$A100 million. It is a pretty small market taken as a percentage of our total exports, but it is one that is growing very rapidly, although from a small base.

It is a very varied group of countries. A lot of them are very small. St Kitts and Nevis for example, one of the countries I am accredited to, has 46,000 people, which is a very small market. Nevertheless, like all the countries of the region, they import an awful lot of the things they need, especially for things like their hotel and hospitality and tourism industries.

A bit at the other end is Trinidad and Tobago, which is our largest market in the Caribbean, importing \$A35 million worth of goods and services. BHP has an office in Trinidad and that accounts for quite a lot of the export figure there. BHP has spent \$US50 million in developing a well in the offshore oil drilling area of Trinidad which is very busy. They are in a consortium with a French company and a Canadian company. I was talking to them not long before I came here. They told me that they have firm plans to spend another \$US50 million and expect to be in Trinidad and Tobago for the reasonably long haul.

The market opportunities are very interesting throughout the Caribbean. Some of them are very small but they add up. They are quite a good size for an Australian company—not so large so that one bites off more than one can chew. The Port of Spain is close to Latin America. For example, a company headquartered in the Port of Spain is well located to move from there and do business with the northern part of South America, and the Trinidadians have been very active in promoting Port of Spain as a centre from which to move into South America.

CARICOM, the regional organisation to which just about every country that I cover belongs, is making active progress working very hard on developing a single market, a single economy, which is making uneven progress, I would have to say. Some of the smaller, poorer countries of the CARICOM region are concerned about the implications of a single economy for their competitiveness in the global village. For example Colgate-Palmolive has a manufacturing company in Dominica—which, incidentally, is run by an Australian—and that company alone is about 34 per cent of the Dominican GDP. Were the CARICOM single market to come to fruition soon, it would very likely close down because it would lose its comparative advantage in Dominica, and overnight 34 per cent of the Dominican GDP would disappear. So there are problems in the single market in the Caribbean region, but we have to assume that, ultimately, it will come into existence—indeed, it will start to come into existence quite soon—and it could mean that it could be quite important for Australian exports.

Links with Australia are not as great as one would like, I suppose. There is a historical link going back through the British past that we all seem to share, with the exception of Suriname and, of course, the French colonies. The common English language is a great asset. On legal institutions and legal proceedings, our legal laws in general are very similar. One can do business in the Caribbean very easily if one is an Australian who understands the political and social system quite well. The Caribbeans see Australia as being friendly like them, albeit a long way away and in a rather inconvenient direction from them. They tend to look to the US, Canada and the UK, but I think that they will increasingly be willing to look to us if we work on it. But we are going to have to work on it because it is not going to happen easily.

There are a couple of areas where Australian exporters have a particular advantage, or could exploit a particular advantage, in the Caribbean region—our food and wines, and beer in particular. Fosters has been doing some tremendous business in the Caribbean, and Australian wines are increasingly popular and are to be seen in the supermarkets of countries like Barbados. The hotel and tourist industries present a very tempting target for Australian exporters—not just, I might say, for our food and wines but also for our expertise. You find Australians working all around the Caribbean in the hospitality industry.

Regarding professional services, an Australian business which some of you may know of—Australian Legal Resources International—has done wonderful things in the Caribbean and continues to receive our very active support in developing links with the Caribbean. That company—if that is the right term for it—lends judges to various jurisdictions in the English speaking world where they run into problems with backlogs of cases and the local judges for some reason or other cannot keep on top of the workload. This service has been tremendously well received by regional governments, and I hope it will lead to a greater awareness of and an interest in Australian exports of professional services.

Disaster preparedness is another area. The region suffers from regular hurricanes, but also, not so well known, volcanoes—some of them underwater—pose a continuing threat to the region. There is a volcano rumbling, even as we talk, outside the capital of Dominica and it is thought to be ready to go off any year now.

Force 10, a company which some of you may have heard of, has been tremendously successful in marketing its hurricane resistant building technology in the region. In fact, they are building something like 100 houses in Montserrat. Montserrat would have about the smallest economy one could get in the world, yet we have 100 Australian houses being built there by an Australian company after being prefabricated in Queensland and exported to the region. I have visited two buildings—a school and a government department—that are being built by the company in nearby Nevis. The junior minister who showed me around was absolutely fascinated by this technology. They had never realised that there was another way of building other than just sticking concrete blocks together. They have never seen—it seems—metal joists or roofing materials before in their lives. They really think it is just fantastic and are very keen to buy more.

Sports goods and expertise is an obvious one. We hope to work quite hard on encouraging Caribbean governments and sports bodies to look more to Australia for training facilities, sports goods and expertise and items in general.

I will finish by briefly mentioning the drug problem. Many, if not all, of the countries that I cover appear to have a reputation—or do have a reputation, in some cases well deserved—for being trans-shipments points for drugs. There is a lot that we could contribute in the area of selling law enforcement equipment—things like patrol boats and so on—to help the regional governments combat this problem.

To conclude, the Caribbean, although it is a long way away and not often thought of, is a very worthwhile area for our interest. Our commercial interest, in particular, is doing well there and showing signs of making quite significant inroads into the markets.

Mr O'KEEFE—My questions are not specific. We do not very often get a collection of witnesses like this in one hit, so let us see if we can get some group ideas out of you. Three themes keep coming through to us. The first is a lack of awareness in Australia of the opportunity. But the opportunity is very real. Do you have any suggestions as to what ought to be done on the ground to improve that awareness?

The second really picks up on some of the points Paul was making about quite strange but very successful little examples. I will preface my next question by saying that I am probably a bit out of the mainstream here. I am never very much interested in profitless volumes that seem to come from large commodity exports; I would much rather know about net worth of investment

and effort. Has any work been done collectively by you as a group on where Australia ought to be prioritising and what kind of value-adds produce the best net worth for the investment?

It has been put to us—and Robert, you have emphasised, as is your duty, Mexico—that Mexico, both north of Mexico and south of Mexico, ought to form a central part of our strategy and thinking, even though it is not in our terms of reference. What do the rest of you think about the role of Mexico and what we ought to think about Mexico? So my questions relate to awareness, net worth and Mexico.

Mr Conroy—I will start, and perhaps my colleagues can join in and we can construct something in total. On the first point, awareness really is a problem. Australian companies have conquered many of the difficult market areas of the world before—when the Middle Eastern market opened up, we were there in force; we have entered the Asian markets with considerable success—and I think Latin America should not be any exception. We battle against a perception of the state of Latin America—the state of their economies and the situation of their societies—but many of those perceptions are outdated. It is our objective, and the objective of the departmental publication that was launched today, to try to change perceptions. It is not something you can do overnight; you have to just chip away at it. One of the best things—and I think the thing that galvanises most attention—is the success stories, examples like those you heard from my colleague Paul of individual companies making a success. We have plenty of examples of that, and some of them are included in the back of the book.

The second point you raised was about the net value trade and profitless commodity trade. Austrade have already made a pretty well-focused presentation to you about their priorities in this market. They are concentrating in none of those areas that you talked about. We have a system of trade priorities, but it is very difficult to look at the region as a whole, because each of the markets are really—and this is my opinion; my colleagues may have their own views on this—very different. Brazil, for example, is an island of Portuguese in a sea of Spanish, but its economy is also unique and the opportunities there you cannot necessarily extrapolate to the rest of the continent. We tend to look at the markets, but there are some general priority areas. Mining, oil and gas, IT equipment, transport equipment, ports, coal storage and transport infrastructure are the priorities that are outlined in the Austrade submission. If you wanted to make some continent-wide stabs at where our priorities are, I would look at these areas in terms of the best bang for the buck in terms of effort in promoting new entry of Australia into this region.

That is a difficult question about Mexico. I must say my own perception is that Mexico is very important to Australia and very important in the context of basing yourself for NAFTA. If you are talking about a free trade agreement in the Americas, that is some way off. It is being negotiated as a single undertaking. The Brazilian point of view is that nothing is negotiated until everything is negotiated. They are not going to give major concessions of access into their market until they see what they get from the North Americans, who have been particularly tough on access for their products, which are mainly in the agriculture area. So we will have some pretty intense negotiations over many years before you would see that whole hemisphere wound up in a free trade agreement. I must say my initial response to that is that it is a northern focus—Robert, you may disagree with that—and that Mexico is very important in terms of looking at strategy for the North American markets. But can you yet extrapolate that down to favourable positioning for the South Americans? I cannot draw that line myself at this moment.

Mr Hamilton—I can comment on that. If you look at Mexican trade figures, it is quite clear that their single largest trading relationship is with the United States. About 85 per cent of their exports and more than 75 per cent of their imports are to and from the United States. That said, they do look in other directions. They are currently negotiating a free trade agreement with the EU, which has the potential for opportunities for Australia in terms of investment or activity in Mexico. But it will depend very much on what the final agreement says, and that is not concluded yet, so we do not know.

They have a network of free trade agreements into South America and, to some extent, into Central America; not with every country by any means. But, where there are free trade agreements, the trading relationships are particularly strong. Indeed the Mexico-Chile free trade agreement is often used—at least at the Mexico end—as an example of an extremely good free trade agreement. The trade between those two countries has risen dramatically since that came into play. I cannot give you any figures off-hand, but it has gone up very dramatically indeed. So, while the rest of the world is battling away for that 20 per cent share of Mexican trade, it does very much flow along lines of where the free trade agreements are. It can be expected to do that to some fair degree. It is an area of connections in the southerly direction. There are plenty of other connections in South America too. It has a spin-off in terms of Australians that are looking at NAFTA in that you can also look south—and potentially east, towards the EU, as well—even though your primary focus may be NAFTA.

Mr Frankel—It is important that awareness be spread in a very targeted kind of way and not just a general diffused way. In that sense, we at our embassy have put out a very targeted newsletter to something like 600 Australian addressees, spelling out developments in each of the countries and also very specific opportunities. There is a lot of room for Austrade, through its national specialists or sectoral specialists—automotive, agribusiness—to convey opportunities very specifically to their clients here in Australia that we might feed to them. There is probably room for more work in that sense in making Australian business more aware through the sectoral specialists of the opportunities in Latin America.

Mr HOLLIS—Do you generally get the transcripts of evidence of hearings?

Ms Tanner—We will have access to them.

Mr HOLLIS—If you do, you will see that the collective image of Austrade and our diplomatic representatives ranges from one of criticism to one of high praise. I do not know if that means you have struck it about right or what, but it goes the full gamut. Mr Frankel, you made mention of quite rapid and staggering growth in education and students coming here. What do you put that down to? Did a university send a mission over there?

Mr Frankel—A number of factors have come into play. First of all, Colombia and Venezuela, in particular, already have a tradition of sending students overseas. That has predominantly been to the United States. We identified that as an area where Australia could make some inroads, and began to participate in different fairs—in Bogota, up-country in Colombia, and in Venezuela. We managed to talk a couple of institutions from Australia into coming along. The response was overwhelming. We had thousands of people coming to Australian stands. That led to word of mouth bringing other institutions from Australia.

Now, if there is a fair in Colombia or Venezuela, instead of one or two, we might have 15 or 20 Australian institutions. Those that have started this process have been handsomely rewarded.

IDP has now established an office in Bogota as a result of all of this, and they are about to establish in Caracas as well. There is a snowball effect there. Part of it is due to the very severe anxiety which exists in these countries about, A, the security situation or, B, the economic situation and people wanting to leave. That, combined with an existing tradition of studying abroad, has provided us with an opportunity, which we have managed to exploit successfully.

Mr HOLLIS—Mr Hamilton, is it you or Mr Smith who has responsibility for Cuba these days?

Mr Hamilton—Mexico does.

Mr HOLLIS—I do not want to pursue that. It is a little bit outside the committee's terms of reference; I was just asking out of interest. The other thing constantly being put to us by just about everyone who comes before this committee is that there is an image problem. They say it is two-way. We do not have a strong enough image or a high profile image in those countries and those countries do not have one here. Has cost cutting gone so far now that we no longer engage in cultural activities, film festivals, theatre—things like that?

Mr Conroy—Yes, we do. We had an Australian film festival in Brazil this year. We held a week-long series of Australian films in both Rio and Sao Paolo which were quite well attended and stimulated a lot of interest.

Mr HOLLIS—Is that the same with all the countries?

Mr Frankel—We have all had Aboriginal art exhibitions. Next year we have two Australian theatre groups going to the Caracas International Theatre Festival. Every year we have had at least one major activity and perhaps two or three other smaller ones.

Ms Tanner—Every mission in South America has its own cultural or public diplomacy program. So we all try to do similar things, I suppose. What we have done at our recent meeting is to agree to coordinate a bit more so that our scarce resources can go further by perhaps using some of the same resources. For example, if a cultural event came to one post, then we would try to communicate to make sure that, if possible, if the people were able to, it could go to more than one post. This has happened in the past, and it makes our scarce resources go further. The target audiences are the same in our countries.

Mr HOLLIS—I hope you never get into the situation that occurred in India a couple of years ago. The post there put on a huge festival, and to make sure there were enough attendees they put out a whole lot of tickets. Everyone it seems who got a ticket turned up, and there was only about a quarter of the number of seats there. So it got a lot of publicity, but most of it was quite negative. That is just a comment.

Mr BAIRD—I am a little frustrated that we have not got much time for questions. It may have been useful if we had come along to your presentation at lunchtime. We could have had this as a question session. Were you showing overhead slides at lunchtime? I notice that Garry has a big supply. That would be useful in terms of this type of presentation.

Mr Conroy—I am happy to provide a copy of these if you want information on Brazil. The session over lunchtime was just questions and answers.

Mr BAIRD—When you have a presentation of this length from everyone, the reaction even from members of the panel is to fall asleep. It is difficult to concentrate. I think it is something we should look at when Foreign Affairs and Trade put on such seminars in the future. Even though we are parliamentary committees, it might be nice if these overhead slides were available. We could maybe extend the time and break it up so we could have some questions.

We have the commitment. You guys are out in the field. We have the responsibility of talking to people in the wider community about what we can do for Australian trade. That is what it is about. We really do not need to have a rivers and streams analysis of what we are doing. What we have to do is front up to the problems to make this session meaningful. What are we doing that we should not be doing, and what should we be doing more of? Maybe this is outside your brief. We want to know whether we should be doing more in terms of multilateral agreements. We just had the agreement in terms of Argentina, but there was criticism this morning that we did not have other tax agreements in place. Should we be doing more? This is not a criticism of anybody; I am just trying to take us further from here. How many tax agreements have we got? KPMG said that is a problem of doing business in—

Mr Conroy—We have one with Argentina.

Ms Letts—It is not yet in force.

Mr Conroy—No, it is not. They are quite difficult agreements to negotiate. The ATO prioritises them. Where you have very substantial trade and investment relationships, they get the priority. I regard a double tax agreement as one of the pieces of basic architecture of a trade and investment relationship that we have to put in place. That is a clear objective.

Mr BAIRD—It is important, if we make that as a recommendation, that you would agree with it.

Mr Conroy—Yes. However, the Brazilians, for example, are in the process of trying to revise their taxation system, and they have said to us, 'Please, go away. We are not in a position to negotiate with you.' That was a year or two ago. You

would probably say that the Australian taxation system is under a process of substantial revision. With two moveable systems which have not been bedded down, it is very difficult to enter into negotiations, even with the best will in the world. I cannot speak for my colleagues, but there is an issue of priority and there is an issue of complexity.

Mr BAIRD—You guys are in the field and you know more about it than we will know in our lifetime. I just wanted to check that with you. Another thing that was mentioned was the information database. There was a criticism again that, for people who have an interest in South America, the information is not flowing through in terms of companies that have an interest here. It used to happen and Foreign Affairs now do not send it out. Is that valid? Do you feel there is a sufficient information flow happening?

Ms Letts—With all the advanced information technology solutions that are open to us, we are establishing web sites, the department has established a web site, Buenos Aires has a web site and we are in the process of establishing a regional web site. So this is work in progress which is improving all the time. It is important for those companies that have information to give to contribute that information to the web sites that we are developing. Again, that is a two-way street.

I would like to make a plea about awareness. The main thing that has been discussed among us and in our discussions with other companies and with government representatives is that in Latin America ministerial contacts, senior official contacts and contacts between business people are still very, very important. Not only do they like signing agreements; high level visits can be very helpful in terms of building the relationship.

Mr BAIRD—We have heard that message.

Ms Letts—It is not just travel for the sake of travel; it really does still mean something. That is one way of building awareness. The point about language is important. The question has been asked: why was it that when the Middle East opened Australia went into the Middle East? We have taken a lot of advantage with Asia. With Asia you have the proximity factor but you also have English as a common language, as you would in dealings with the Middle East. There are a lot of people that speak English in Latin America but there are a lot that still do not. I think overcoming that language barrier, which we are in the process of

overcoming, is very important. Our original web sites are in Spanish. This is also something that is relatively new and that will help us a great deal.

Mr BAIRD—I think it was Keys Trading which made mention of it. If you look at the transcript from this morning, they were quite critical about the lack of information flow. It may be wrong, but in terms of our recommendations it would be interesting to have some feedback.

Mr Conroy—DFAT is quite responsive to that. It is currently in the process of reconstructing a Latin American web site within DFAT which has the objective of not only putting out lots of up-to-date general information but also trying to bring some of the material that we are providing in our reportings and in our work back out into the wider business community. Each of us has developed client relationships. I have direct lines of communication back to nearly all the key players in my market through email to let them know what is going on.

Mr BAIRD—What about the visa situation? There was some criticism, particularly about Brazil. In Sao Paolo the immigration office is not there; it is in Brazil. Some 75 per cent of the travel market is in Brazil and Argentina, I think they said, and it is not very well serviced.

Mr Conroy—Correct.

Mr BAIRD—It is not your call anyway; it is DIMA's.

Mr Conroy—But it is a matter that I take great interest in. There are very serious issues of control. We do have some problems with overstay rates, but we do have difficulties in providing what I would call a quality service to our clients. We now have a dialogue with DIMA focused on solutions. That process is now under way. We never had a visa form in Portuguese but we now have it. They could use English or Spanish, but we now have it.

Mr BAIRD—What about the problem that a lot of your competitors for visitors and so on do not have visa requirements at all? Do you think it impacts on travel to Australia?

Mr Conroy—I am sure it does, to be quite honest. I get phone calls saying, 'Sir, I was thinking of bringing my wife and five children to Australia for a holiday on the Barrier Reef for three weeks, but if you think I'm going to provide my bank statement, my tax return and what have you, we're off to Disneyland.'

Mr BAIRD—Plus \$60 bucks each.

Mr Conroy—No, but every country has a right to control its visa requirements.

Mr BAIRD—Did Qantas have problems establishing their office in Sao Paolo?

Mr Conroy—Yes, but we solved that last week. It took 11 months. My embassy was personally involved in getting that through. It was just a little quirk. There is something in the Brazilian constitution that requires an airline company, if it wants to be registered in the market, to have a presidential decree authorising it. The bureaucratic processes were quite complicated and involved, and it took 11 months of solid work but we got it through.

Mr BAIRD—What do you believe are the initiatives that we should be looking at within the constraints of budgets, et cetera to improve our trade position in South America? Secondly, if this committee goes to South America, which market should we hit?

Mr Frankel—On the first one, in an ideal world Austrade would have a representative in the northern part of South America, Caracas or Bogota, to complete its network in the continent. It does not have anyone at the moment, and we do feel it. Their marketing strategy virtually excludes our part of the world because Austrade has not got anybody there. In an ideal world it would have someone.

Mr BAIRD—Are there any further things that come to mind? This is a good opportunity.

Mr Hamilton—The point that Martine made needs to be made in the context of the significance of visits at all levels. Your visit next year, to whichever countries you go, would be an important visit in terms of helping all sorts of issues, including the trade relationship. Having ministers visit any of our countries would be a definite step forward. It would always be beneficial, no matter what the ministers' portfolio responsibility.

The same thing applies to senior business people, if we can get them there—they have a narrower focus but any attention is good attention. Anything else that

can be done to promote Australia would help. I am sure that we are all dealing with the media to the best of our ability. We get a fair bit of coverage on some of the TV stations, particularly Discovery Channel, Wild Channel and various things like this. We need to see that in the context of any publicity is good publicity.

Mr BAIRD—Is there an advantage in having some of the business community join us if this subcommittee mission goes overseas? Are there advantages in that or should we confine ourselves?

Mr Frankel—It depends how long you have. If you have only 18 hours in a country, it is a bit hard to make it meaningful, but if you have two or three days that would be great.

Ms Letts—We have not spoken much about this, but it is a constant for all of us I think. With the two sectors, education and tourism, we are starting from a pretty low base but we have quite a lot to offer. This is no secret, and I have made this point to John Morse myself: a lack of physical presence in the region, particularly in a place like Buenos Aires, where Qantas and Aerolineas now fly in and out of, is not proving particularly effective in trying to grow what is potentially an important tourist market for us.

Similarly, very specifically in education, we have a situation in Argentina where the Americans, the Canadians and the Brits are there with all guns blazing and with incredible resources. That said, we have sufficient advantages for Argentines to be able to promote education very effectively. Again, we need a permanent presence there but we also need a few carrots like scholarships. There has to be something to bring more people, and then word of mouth will take care of the rest. There are not sufficient incentives yet being offered for those who want to come for education opportunities in Australia.

Mr BAIRD—Where do you think we should go on such a mission?

Mr Conroy—There is a timing problem in Brazil, because Carnavale holiday is 4 to 7 March and that marks the end of the holiday period. A visit any time from 21 February to that period is like visiting Australia between Boxing Day and New Year's Day.

Mr BAIRD—Is it normally the ABC that we should be doing—Argentina, Brazil and Chile?

Ms Letts—Can I make a general comment about whom you should be seeing before you talk about where. As I mentioned, there is a new government in Argentina. Apart from speaking to some of the industry sectors, such as mining, agribusiness, information technology and marine, I think it is very important that you speak to a couple of key players in the new government. Interestingly, some of them are aware of Australia. In fact, in the election campaign Australia was used as an example of what sort of country Argentina ought to be. Some of them are interested in Australia. To build that relationship also at the political level I think is important.

Mr Frankel—I think your visit could coincide with the commissioning of a \$800 million BHP plant in Venezuela. I think that is happening towards the end of February. I would need to check on that. If that were the case, your visit would certainly serve a dual purpose—not just to do research but also to add some profile to that event. You would be very welcome.

Mr Conroy—We have an IT plant being commissioned at about the same time. They are interested in having you officiate at that.

Mr BAIRD—We are available for Carnavale, though, aren't we, Colin?

Mr HOLLIS—We might even participate if necessary.

Mr BAIRD—Mr Chairman, I am sorry for taking too long.

ACTING CHAIR—You have just about used up all the time, but I want to ask a couple of quick questions, firstly of Mr Smith. We do not have any information about trade opportunities with French Guiana or Suriname, though they may be limited. I wonder whether you could assist the committee by giving us a sketch of the opportunities and limitations of trade with those particular countries. In terms of all of the missions, presumably there is an annual reporting process to the department.

Mr Smith—Yes.

CHAIR—I wonder if, even if it is on a confidential basis, the committee could have a look at the historical record of the work of the missions and its reporting process, and perhaps even some planning outlines for the future so that the role of the missions and ideas for the future can at least be in the minds of the committee

as we look at this issue and perhaps take matters that are not sensitive forward into any report.

Mr Conroy—It is a matter for DFAT. Yes, we do have an annual reporting process, a rigorous one. The question is on record. It is one for DFAT to consider.

ACTING CHAIR—I accept that you ask that it be taken on notice. I think we have used the allocated time.

Mr BAIRD—I will give you an extension.

ACTING CHAIR—There are a lot of people who want to pack up to catch planes, because we are on our way to Perth this evening and I am not sure of the constraints of the committee. I am satisfied to get that information on notice. Thank you for your evidence. You will all get a chance to look at the *Hansard* and correct any grammar or matters of fact. That concludes the evidence for today.

Resolved:

That the subcommittee authorises the publication of the evidence taken by it at the public hearing this day.

Subcommittee adjourned at 4.00 p.m.