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JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS,  
DEFENCE AND TRADE

(TRADE SUBCOMMITTEE)

**Reference: Australia's trade and investment relations with Central Europe**

WEDNESDAY, 23 OCTOBER 2002

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

**Trade Subcommittee**

**Wednesday, 23 October 2002**

**Members:** Senator Ferguson (*Chair*), Mr Brereton (*Deputy Chair*), Senators Bartlett, Bolkus, Cook, Eggleston, Chris Evans, Harradine, Hutchins, Johnston, Sandy Macdonald, O'Brien and Payne and Mr Baird, Mr Baldwin, Mr Beazley, Mr Bevis, Mr Byrne, Mr Edwards, Mr Laurie Ferguson, Mrs Gash, Mr Hawker, Mr Jull, Mr Lindsay, Mrs Moylan, Mr Nairn, Mr Price, Mr Prosser, Mr Scott, Mr Snowdon, Mr Somlyay and Mr Cameron Thomson

**Subcommittee members:** Mr Baird (*Chair*), Senator Cook (*Deputy Chair*), Senators Eggleston, Ferguson (*ex officio*) and O'Brien and Mr Brereton (*ex officio*), Mr Hawker, Mr Jull, Mr Moylan, Mr Nairn, Mr Prosser, Mr Scott, Mr Somlyay and Mr Cameron Thompson

**Senators and members in attendance:** Senators Eggleston, Ferguson and O'Brien and Mr Baird, Mr Hawker, Mr Jull, Mr Nairn, Mr Prosser and Mr Cameron Thompson

**Terms of reference for the inquiry:**

To inquire into and report on:

Trade and investment relations with Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, Slovenia, Romania, Bulgaria and Croatia.

Of particular interest are the opportunities that may emerge as these countries become market-based economies. The inquiry will also consider Australia's prospects as an alternative trading partner in the face of increasing market domination in this region by the European Union. The role of government in helping Australian businesses capture opportunities in Central Europe will also be reviewed.

**WITNESSES**

<b>DWYER, Ms Elizabeth Agnes, Project Manager, Europe Office, Austrade .....</b>	<b>1</b>
<b>HARCOURT, Mr Tim, Chief Economist, Austrade .....</b>	<b>1</b>
<b>KANE, Mr Peter Robert, National Manager, Central Europe, Austrade .....</b>	<b>1</b>
<b>O'HANLON, Mr Charles, Executive General Manager (Europe), Austrade .....</b>	<b>1</b>



**Subcommittee met at 11.05 a.m.**

**DWYER, Ms Elizabeth Agnes, Project Manager, Europe Office, Austrade**

**HARCOURT, Mr Tim, Chief Economist, Austrade**

**KANE, Mr Peter Robert, National Manager, Central Europe, Austrade**

**O'HANLON, Mr Charles, Executive General Manager (Europe), Austrade**

**CHAIR**—I welcome the representatives from Austrade to the hearing. Thank you for your hospitality in Frankfurt. We look forward to your presentation.

**Mr O'Hanlon**—Thank you, Chair. First, can I say how much I welcome the opportunity to be here and thank you for inviting me to do so, and also how much I welcome the committee's interest in central Europe. It is a part of the world which is not getting enough attention from Australia. As a result, I am delighted that you are casting some light in corners that are a little bit darker than they ought to be.

What I would like to do, if it is all right with you, Chair, is spend maybe 15 or 20 minutes giving you a very quick and light overview of central Europe and Australia's trade with that region and, with a bit of luck, we will have time for a bit of a chat at the end.

**CHAIR**—We should finish by five to 12 because people have other commitments. You will have the opportunity to see the *Hansard* as the proceedings are being recorded. I cannot imagine you would want to go in camera but, if you do, then please let us know.

**Mr O'Hanlon**—That is fine.

**CHAIR**—I would invite you to proceed.

*A PowerPoint presentation was then made—*

**Mr O'Hanlon**—First up, in terms of central Europe, the first slide shows some photographs of the region. One of the problems we have is that there is a perception that central Europe is one big communist monolithic bloc. There are traditional perceptions of central Europe, but it is not all dreary and cement apartment blocks and high-density dwellings. There are city scenes there that could be transposed and could be anywhere in the West. There is a nice mixture of keeping some of the old and lots of the new. One of the things that strikes one most about central Europe is the extent to which there has been major migration eastwards of the big supermarket chains. You will find that the French Carrefour, the German Aldi and the Dutch Royal Ahold groups are all over there in huge numbers. It is a very evident sign of changes in living standards.

I would like to take the committee through the following four points. First, I will give a quick overview of the recent history of our trade with the region. Second, I want to talk about the importance of accession of central European countries to the European Union. I will cover,

third, what all of this means and what the opportunities are for Australia in business terms and, fourth, what Austrade is doing about all of that. That is the agenda, if that is all right with you.

First, I will give a bit of a recap to position ourselves here. From the map I have shown you, you can see why this region is of such huge strategic importance to the west Europeans; why there is concern in western Europe, particularly in Germany, Austria and so on, about labour mobility and what it might mean; and why, when you look at the size of countries like Poland, they are so hugely important, particularly in terms of agriculture for the European Union and so on. That map actually picks up what we at Austrade refer to as central Europe, but it also covers countries that are not covered by the terms of reference of this committee's inquiry—Yugoslavia; Bosnia-Herzegovina; Macedonia—or the Former Yugoslav Republic of Macedonia, to give its full name; and Albania.

Slide 5 gives a quick overview of what has happened to us in that region in recent times. In the 1970s and 1980s, we had pretty good business with the region. It was particularly commodity based; it was mainly wool, and hides and skins. Indeed, the combination of central Europe and the former Soviet Union took as much as 20 per cent of our wool production. But in 1989, when communism fell apart, the Wall came down, the situation changed very dramatically for us. I will show you a slide which demonstrates that in a moment.

There were two main reasons why our trade collapsed. The first was that central purchasing stopped, and central purchasing was essentially well-funded central purchasing. Imports suddenly were left to a range of diversified, newly private individuals who did not have money, by and large. Additionally, the working capital and the capital for asset investment dried up, and the slack was taken up elsewhere. We saw a migration, if you like. The textile industry went to China, hides and skins processing went to Korea or Turkey and the end result was that our business in central Europe, which was heavily dominated by these products, just collapsed.

In the 1990s we have struggled to rebuild our business, with some modest success. I guess the situation in the 1990s significantly looked like a bit of a vacuum as far as both sides were concerned—a stand-off. We lost touch with central Europe and they lost touch with us. We were faced with a situation of classic market failure as a result. One of the challenges as we went into the next century was to broaden our export base and to replace the very narrow range of business we were doing in hides, skins, wool and so on with something a bit more sophisticated.

Slide 6 shows the dramatic drop in our business at the time that the Wall came down. In a period of a couple of years we lost 70 per cent of our business as central European economies were turned on their heads. From the trough of 1990-91, it has been a pretty bumpy, almost literally, recovery.

**Senator FERGUSON**—Was 1988-89 the peak?

**Mr O'Hanlon**—Pretty much so. That is when it was at its healthiest.

**CHAIR**—With respect to the big meat imports and so on, do they continue?

**Mr O'Hanlon**—Meat is a problem area for us. Meat is a significant element in that stuff there—that is, the right-hand end of the graph—but it is the cheaper grades of meat. It is essentially kangaroo, tripe and low-quality cuts that are used for manufacturing. That has been a

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significant part of our business, particularly in the Balkans and in the Czech Republic where it is used for salami manufacturing and that sort of stuff.

**Mr HAWKER**—On that point, a lot of the bills, particularly for wool, were not paid by Russia and so on. Have they all been cleared now?

**Mr O'Hanlon**—Yes, they have. It took a while.

**CHAIR**—When you are referring to the graph, for the purposes of the *Hansard*, could you mention the year so that when we go back and see these words of wisdom—

**Mr O'Hanlon**—You will know what I am talking about. I would also make the comment that, while the dollar figures there on the left-hand axis look pretty slim, they are ABS figures of Australian exports. The figures of imports from Australia that we get from the Poles, the Czechs, the Hungarians and so on indicate that a lot of our business to this region goes through the Netherlands and through Germany, particularly the port of Hamburg. A more accurate figure for our exports of goods to this region is about double that. So it is a significant difference, and one that we need to keep an eye on.

**Mr NAIRN**—Are they current dollars?

**Mr O'Hanlon**—Yes.

**Mr NAIRN**—So they are in 2000-01 dollars?

**Mr O'Hanlon**—Yes, that is correct. Moving to slide 7, this slide looks at the economic performance of the 11 countries covered by the terms of reference of this inquiry. The decade is almost broken into two halves, with significant poor GDP performance through to 1993-94—but at a slowing rate of negative growth, if you like—through to respectable growth in the latter part of the decade of around four per cent as we move into the early part of this century. In other words, for the first half of this decade, given the links between GDP growth and business opportunity—and there is a very distinct link between the two—it has not been a happy hunting ground for Australia in the early 1990s. Things have looked up a bit in the period since.

There have been two particular drivers of this growth in central Europe: the first is preparations for European Union accession by the so-called 'first wave' countries—Poland, Czech Republic, Hungary, Slovenia, Estonia in particular—and the second has been, as a result of those preparations and looking over the horizon to EU accession, foreign direct investment. Really high levels of foreign investment are coming in to key countries in central Europe, and I will come back to those.

Slide 8 looks at the accession to the European Union. We see it essentially as positive. There will certainly be some exports, particularly meat, that will be subjected to European Union quotas in 2004 when the first wave of the accession takes place. But the current exports of meat to central Europe are not huge, and therefore it is not a major element. We see the good elements of accession far outweighing the bad. There are four issues up there that make accession particularly beneficial in our eyes. Essentially, it means that Australian business will have a lot more confidence in dealing with central Europe than has been the case in the past.

This, in turn, makes a big difference in terms of overcoming the market failure that we have been faced with for some time.

Next, on slide 9, going back to the issue of foreign direct investment, you can see that it has been growing in the closing years of the last century. Individual countries have benefited from that, particularly Poland, the Czech Republic and Hungary, at a rate of some \$US5 billion a year for a period of years. The sources of that have been, in the case of Poland, about 20 per cent from France, 15 per cent from the United States, 13 per cent from Germany and eight per cent from the Netherlands. For Hungary, the figures are: from Germany, about 25 per cent; from the Netherlands, 23 per cent; from Austria, 12 per cent; and from the United States, eight per cent. For the Czech Republic, 30 per cent is from the Netherlands, 25 per cent from Germany, 11 per cent from Austria and seven per cent from the US. In other words, it is heavily dominated by the EU member states but with the United States playing a significant role.

In the last few years, the Japanese have also entered the picture, especially in the Czech Republic, where they have been investing in the automotive sector quite significantly. Forty of the world's 50 top multinationals are in Hungary, for example. The FDI, or foreign direct investment, drives significantly the economic growth in the region.

Moving to the next overhead, slide 10, here we talk briefly about the opportunities that we see for Australia. Because we have limited resources, we are seeking to pursue a so-called strategic marketing approach. In other words, we look for areas of opportunity where the barriers to entry are reasonable—in other words, tariffs, quotas or non-tariff barriers—where the competition gives us a chance at the market and where we can, if you like, pick the eyes out of the opportunities that exist and match them with Australian capability.

Information technology is a very broad area but one of particular strength. We already are doing very well. I refer to companies such as Computershare, whose software drives the Budapest stock exchange, and you will find banking software being installed all over the region. Government services rely to a significant extent on information technology. We use a term called 'eGovernment' here. Australia and Canada lead the world in terms of the delivery of government services through electronic means, and we have a good track record in that area. There are good opportunities there; ditto in food and wine.

Education is important. We do run into problems with the visa issue where we need to balance national interests between selling education services, having students come out to Australia to study, and protecting the integrity of our borders. So we rub up against our colleagues from Immigration on occasions. Tourism, of course, is important.

**CHAIR**—Are there any Austrade offices in the former east bloc?

**Mr O'Hanlon**—Absolutely, and I will give you a map of those in a second. Tourism is the bailiwick of the Australian Tourist Commission, but they do not have representation in any of the countries we are talking about. So we are involved in the wholesale end of tourism, promoting Australia as a tourist destination to tour operators and what have you. We are currently negotiating an agreement with the Australian Tourist Commission that will make this a bit more formal.



Automotive components has a question mark after it, because there are opportunities in central Europe for both OE—original equipment—component manufacturers as well as for the after-market people, but the return they get from central European markets makes it a little less interesting to them than the current flavour of the month, which is the United States market. So our automotive guys are looking at the US in particular, and Asia obviously; for fully built-up vehicles they are looking at the Middle East and after that western Europe. So central Europe is a little bit down the pecking order.

We invited out as a guest of ours last year the President and Chief Executive of Skoda, which is now wholly owned by Volkswagen-Audi. His eyes were out on stalks at our capacity and he is interested in following up. We have a follow-up delegation coming from Skoda to talk to us, so there are opportunities there. It is generating the interest at the Australian end which is a bit harder.

Moving on to slide 11, in 2000 we drew up quite a detailed strategy on central Europe, which is a nice thick document. In fact, it contains some very clever intellectual property. Chairman, if I may, I would like to attach that to our formal submission. It will be stamped commercial-in-confidence, and I would like it to be treated as a confidential exhibit to the committee, because it contains stuff that I would not want on the public record.

Resolved (on motion by **Mr Jull**, seconded by **Mr Prosser**):

That a copy of the slide presentation be incorporated into the Trade Subcommittee's records as an exhibit to the inquiry into expanding Australia's trade and investment relationships with the countries of Central Europe.

**Mr PROSSER**—And the confidential document?

**Mr O'Hanlon**—We will attach that to the submission that we put in on the 30th.

**CHAIR**—We need to suspend the proceedings so that members can attend the chamber for a division.

**Proceedings suspended from 11.26 a.m. to 11.40 a.m.**

**CHAIR**—We will resume the hearing. Would you like to proceed, Mr O'Hanlon.

**Mr O'Hanlon**—Thank you, Chairman. We have had a good discussion in the intervening period, and I have been commenting on the extent to which I think it is important that the committee visits central Europe to look at what is happening there, if that is at all possible.

**Mr PROSSER**—Can you repeat that for Mr Jull, please?

**CHAIR**—He would want to stay here, I am sure!

**Mr O'Hanlon**—I hope you will come over and see us in central Europe. I can talk to you until I am blue in the face but actually seeing on the ground what is happening over there is really very revealing and eye-opening. Obviously, Austrade would be only too happy to help, in terms of organising what you need to see and people you need to meet. We work hand-in-glove

with our colleagues in Foreign Affairs and Trade. Heads of mission in central Europe are very much involved in our trade activities, and I will talk about that in a moment.

During the suspension of proceedings, I was talking about our strategy. The reason we are keen that it be protected a bit is that it contains a fair bit of intellectual property in terms of our thinking. I would not want our competitors to see how we are tackling the market, but I think it would give you a pretty good idea of how we are approaching central Europe. We are in the process of updating that document at the moment. That is an ongoing work in progress, and we will be happy to keep you informed of the activities in terms of the update.

One thing that we did as soon as we formulated this strategy was put more resources into the region. We opened offices in Romania, and in Zagreb in Croatia. I talked earlier of market failure. One of the big problems we have is getting Australian companies interested in central Europe. They still think that it is an old communist monolithic bloc; that it is hard to do business, high risk and so on. That is all out of date. It is wrong.

One of the elements of the strategy was to create the position of a senior trade commissioner here in Australia, an experienced overseas hand, and have that person deliver these opportunities on a silver platter, if you like, to Australian businesses. That person is Peter Kane, who has had postings in different parts of the world and who worked in central Europe in his private sector days with Dalgetys. That has paid off. That has really led us to score some results. We also appointed a consultant in Skopje, in the Former Yugoslav Republic of Macedonia. We have a pretty good strategy, which you will have an opportunity to look at at your leisure.

**Senator FERGUSON**—Why Skopje?

**Mr O'Hanlon**—Because there were some opportunities in Skopje that we were not picking up and because there was a really good person who had some interesting Australian links that we wanted to grab. One of his first successes was to get QBE in there. They invested about \$48 million in Macedonia and, according to the QBE people, it could not have happened without this guy. It is nice to have that sort of feedback. However, it is not a market that is going to make or break the Australian economy, so I understand where the question is coming from. He is a good colt and he is doing a hell of a job for us in the market.

I mentioned a minute ago heads of mission. When we finalised this strategy document, I invited the heads of mission, the Australian ambassadors in central Europe, to come to a meeting with all of my Austrade people, which was held in Heidelberg about 18 months ago. The object of that exercise was to have us singing from the same proverbial. We jointly worked out—that is, head of mission and senior trade commissioner—what order of priority we would give to these markets, what product areas we thought had particular prospect, what activities both Foreign Affairs and Austrade would engage in jointly and severally to deliver the results, and that has worked pretty well.

I have invited them to come back again, and this time we are having the meeting in Prague, at the end of January. If any of you are in Europe in the dead of winter, the meeting will be held on 20 and 21 January. The heads of mission responsible for central Europe and my Austrade heads of posts from there will be meeting to review the strategy to look at how jointly we can work at achieving our objectives.

The other thing I should mention in terms of the strategy is the extent to which we are seeking to utilise bilateral chambers—‘bilateral’ meaning the Australian-Romanian Chamber of Commerce, the Australia-Czech Chamber of Commerce and so on—or ethnic communities in Australia. It is significant that some of the investment that is going into this region is coming from ethnic central Europeans who are going back there now that the situation is stable. A prime example is in Romania where an Australian Romanian, a fellow called Nick Cojocaru, has invested significantly in a pig farming operation in Timisoara in the—

**Mr Kane**—North-west.

**Mr O’Hanlon**—I was going to say the left-hand side of the map as you face it. He had a big function there to open the operation, attended by the President of Romania and the Australian ambassador. I see some of our better prospects in Croatia being driven by Croatians in Australia, and so on.

**Mr JULL**—Just on that point, do we know with any certainty just how much of that investment is going on? I was on that delegation that went through the Czech Republic, Slovakia and Croatia last year. I was absolutely amazed at the number of little Australian outfits that were going into Croatia, mainly families, and families sending their families over there to start businesses, to try and get the thing going.

**Mr O’Hanlon**—The short answer is no. I suspect we do not know. We do not know it either by specific case or in terms of total value. It is hard to get the statistics and certainly it is difficult also from the Australian end. We know anecdotally, rather than from any sort of formal source. But it is important.

**CHAIR**—Is it possible that you could ask the various posts to try; they must turn up probably to the Australian free drinks—

**Mr O’Hanlon**—That is right, they do. It would be a good one to get a handle on. So we will have a go at that.

**CHAIR**—And the areas in which they are investing.

**Mr O’Hanlon**—Yes. Some of it is almost ‘off the wall’ although I would not describe it like that. There is an interesting guy in the Czech Republic in the automotive business. Tell that story. The committee would be interested.

**Mr Kane**—This fellow’s father was Czech but he was born in Australia. Tony—his surname escapes me for the moment—was in the used car business in Australia, tried his hand in the States and then moved on to Prague about 10 years ago. He has now established what is by far and away the biggest used car operation in the Czech Republic—I would say the biggest in central Europe. He is selling cars online as well as from his yards. He has brought in a Western sales operation that is entirely different from walking into other traditional central European businesses.

**Mr O’Hanlon**—Very slick.

**Mr Kane**—When I met with him two years ago, he was already selling 500 cars a week—substantial business.

**Mr O’Hanlon**—In a market that did not have much of a second-hand market before that.

**Mr Kane**—He learnt how to finance and provide other products that were of interest to the customers.

**Mr O’Hanlon**—I thought I would outline, just to show that we are not sitting on our buttocks over there, some of the activities that we are doing to try to capture these opportunities. Peter Kane mentioned a while ago the eGovernment mission to Poland and the Czech Republic which is on at the moment. CeBIT is a big IT fair that takes place in Hanover every February or thereabouts, and there is now an equivalent in Australia. We are bringing delegations out from these countries to that promotion. I was recently in Bulgaria and Romania and identified an opportunity for eGovernment services. Austrade is paying a consultant to go in and talk to the Romanian and Bulgarian government people involved. That is happening in the first week of December.

We also talked during the suspension of proceedings about land administration, land titling, where there is a huge opportunity in central Europe and where we have skills. It is a very competitive, tough nut to crack. We have a mission going in there, which Peter Kane will lead, together with a fellow called Don Grant, a former Surveyor-General from New South Wales. We have him on a consultancy.

**Mr PROSSER**—Isn’t Western Australia doing some land titles work in central Europe as well?

**Mr O’Hanlon**—I think that is right.

**Mr Kane**—They are certainly in the market.

**Mr NAIRN**—Australia is the best in the world.

**Mr O’Hanlon**—We think that.

**Mr NAIRN**—No, undoubtedly, having come from the industry.

**Mr O’Hanlon**—But we have some pretty tough competition. Of course, we are heavily into food and wine in different parts of the world. Slide 13 shows more initiatives. Education, as I mentioned earlier, is important. We run programs of seminars and promotions to students and agents throughout the region.

**Senator EGGLESTON**—Do you mean that is education about Australia?

**Mr O’Hanlon**—No, that is the education sector, so it means attracting students to study here. Europe is increasingly important. We have a joint venture running with Australia Education International, the international part of DEST, the department of education. They give us three-quarters of a million dollars to do a whole range of stuff in western Europe and a bit of stuff in

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central Europe—in Poland, the Czech Republic and Hungary particularly. Our target was to double the number of European students within three years. We did it in 2½ years. We have just renewed the contract, and it is going really well.

**Senator EGGLESTON**—What are the numbers?

**Mr O'Hanlon**—Sixteen thousand, or 17,000 actually now, from west Europe are studying in Australia. That is student visas. There are a lot more that come out to do ELICOS, English language stuff, on a tourist visa that we do not track. People who get student visas pay big money, so that is several hundred million dollars worth of exports to Australia. It is good value.

**Senator EGGLESTON**—We only have 18,000 from Indonesia, so it is very good.

**Mr O'Hanlon**—It is good. Mind you, we will never supplant Asia as the prime source and, of course, Australian education institutions could fill their rooms, their lecture theatres, with students from China alone. What they seek to do is get a balance. Students do not want to be stuck next to other Chinese students or Indonesian students; they want the mix. So we are helping that to happen.

I mentioned tourism earlier. We are putting together a group to come out here in that area. We are looking at the formation of business clubs in Croatia and in Poland.

**CHAIR**—Just on tourism, the ATC does not have a formal presence, does it, in central Europe?

**Mr O'Hanlon**—Sorry, I am getting confused with what I said during the session and what I said when you were away. We tend to operate in areas where the Australian Tourist Commission is not present. We are currently negotiating an MOU with them to formalise this arrangement. Our activities are at the wholesale level where we are seeking to educate tour operators, bring in people from Australia and facilitate their activities in markets.

**CHAIR**—Are there many coming through?

**Mr O'Hanlon**—The numbers are pretty small.

**Mr Kane**—Twenty-three thousand, I think, from the region.

**Mr O'Hanlon**—Small but growing. Going back to that GDP growth chart, we are seeking to position Australia because, as disposable incomes increase, one of the first things that benefits is tourism, certainly out-of-country tourism. So we are hoping that in five, seven or 10 years time our numbers will swell as a result of the increased disposable income in these markets.

**Mr Kane**—If I could correct that figure, it was 25,000 last fiscal year.

**CHAIR**—That is not bad.

**Mr O'Hanlon**—Slide 14 shows where we are present. We are present, in most cases, as the commercial section of Australian embassies, which is the case in Warsaw. In Prague, we do not

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have an embassy, of course. The honorary consul is also the Austrade head of post—a Czech national.

**Senator FERGUSON**—It is not Emile Vorchitski, is it?

**Mr O’Hanlon**—No, not for some time. The head of the operation there is a bloke called Petr Vodvarka. In Bucharest, we operate what is in fact a consulate general, with the senior trade commissioner being the consul general. The accredited ambassador is in Belgrade. In Budapest, we are the commercial section of the embassy and in Zagreb it is the same. We have consultants, as I mentioned earlier, in Skopje and in Bulgaria.

In conclusion, Chair, the message I would like to leave with this committee is that our trade and investment links with central Europe are weak. They are not nearly as strong as the business opportunities that are there would enable us to be. Essentially, we are not on each other’s radar screens and, as a result, we are not ‘front of mind’ business partners for either side. While that is understandable, this market failure means that we have a job ahead of us.

Importantly, countries of the region will assume increased strategic significance. They are joining NATO; they are joining the European Union; and already they offer good opportunities for Australian business. A point I should emphasise is that, in terms of developing our links with this region, there is no time limit. It is not as though Australian companies have to have their presence there before they join the European Union. It can happen at any time but, of course, the sooner the better as far as the national interest is concerned. But the door will not shut when they accede to the European Union.

Finally, let me say again how much I welcome the interest and involvement of this committee and hope that we might see members of it over in the region to continue the process that started today. Thank you for your time.

**Senator FERGUSON**—Can I ask that a sheet which dealt with the individual countries’ economic performance in central Europe, which we talked about during the break, be tabled because I think it would help us in our inquiry.

**Mr O’Hanlon**—We will put it in our submission.

**Senator FERGUSON**—Okay.

**CHAIR**—I will ask my colleague Senator Ferguson if he will take over now as acting chair as I have another committee that I am meant to be chairing.

**ACTING CHAIR (Senator Ferguson)**—If we have further questions, I think we should deal with them now so that they are on the record. Mr Jull, do you have any questions?

**Mr JULL**—I was interested to note that you did not write off places like Slovakia, which is really virgin territory. What is interesting is that we had a huge investment, didn’t we, with Coca Cola with Amatil, which was then sold? I think QBE is in there but not much else. It would seem to me that some of those quirky little markets are really wide open for all sorts of things that nobody has discovered yet.

**Mr O'Hanlon**—I will get Peter Kane to comment on that because he was there a couple of weeks ago and visits the region three or four times a year. It is a market where there has been some instability. The rule of law is not particularly well entrenched, but it is coming good and looking healthier. Peter, you were there—

**Mr Kane**—I was in the Ukraine.

**Mr O'Hanlon**—I am sorry, so you were.

**Mr JULL**—My understanding is they are sending some high-level trade delegation out here, either in November or in February next year, with trade ministers et cetera. So they are obviously looking for a bit of action.

**Mr O'Hanlon**—I was talking about the Ukraine when you were talking about Slovakia. Are you aware of the delegation?

**Mr Kane**—I am unaware of that.

**Mr Harcourt**—Traditionally, Slovakia did not have any foreign investment after the Wall came down. It is an interesting case study of what happens when you have foreign investment and when you do not, if you compare the Czech Republic's economic performance with Slovakia's.

**ACTING CHAIR**—Can I take it that your comments about instability related to the Ukraine and not Slovakia?

**Mr O'Hanlon**—They were.

**Mr NAIRN**—There is probably no one answer for all of these countries, but what sort of change will take place with respect to Australian businesses doing business in that area now compared with being part of the EU? Are there requirements to be in joint ventures with local companies and those sorts of things?

**Mr O'Hanlon**—The main implication for business will be the fact that European legislation, European standards and European marks, such as the CE mark which has to be on every piece of electrical apparatus, will come into play. There is no requirement that you be in joint venture other than market sense or common sense. It would be a brave company that set up in some of these markets and tried to go it alone.

Normally, your joint venture partner is there not only to share the financial investment but also to represent the local knowledge and provide local navigation assistance. It will be mainly in the area of EU standards and marks and the benefits that go with being a member of the European Union, an area where Australian business is comfortable doing business. So all of that helps.

**ACTING CHAIR**—Because the time is nearly up, I think we had better stop.

Resolved (on motion by **Senator Ferguson**, seconded by **Mr Prosser**):

That this subcommittee authorises the publication of the evidence given before it at public hearing this day.

**ACTING CHAIR**—On behalf of the subcommittee, can I thank you very much for appearing today. We needed an insight at the start of this inquiry as to where we were going and a general overview. It has been excellent. The fact that you are on the ground there and have a first-hand understanding makes so much difference, just as you can understand why it is so important for the committee to get a first-hand look there as well. I am sure that some members will; hopefully as many as possible but we do have restrictions. That is a difficulty in conducting this sort of inquiry. I thank all of you for coming. We appreciate it very much. I declare this hearing closed.

**Subcommittee adjourned at 12.05 p.m.**