

---

The Parliament of the Commonwealth of Australia

# Australia's trade with Mexico and the Region

**Inquiry into Australia's trade with Mexico and the Region  
Trade Sub-Committee**

House of Representatives  
Joint Standing Committee on Foreign Affairs Defence and Trade

August 2007  
Canberra

---

© Commonwealth of Australia 2007

ISBN 978-0-642-78992-1 (printed version)

ISBN 978-0-642-78993-8 (HTML version)



# Contents

Foreword .....	vii
Membership of the Trade Sub- Committee.....	ix
Terms of reference .....	xi
List of abbreviations .....	xii
List of recommendations .....	xiv
<b>1 Inquiry into Australia's trade with Mexico and the region .....</b>	<b>1</b>
<b>Australia's relationship with Mexico .....</b>	<b>1</b>
<b>Australia's relationship with the region .....</b>	<b>2</b>
Conduct of the inquiry .....	2
Visit to Mexico.....	3
Structure of the report .....	3
<b>2 Engagement with Mexico and the region .....</b>	<b>5</b>
<b>Mexico.....</b>	<b>5</b>
Joint Experts Group .....	5
Parliamentary cooperation .....	6
Asia Pacific Economic Cooperation (APEC) .....	6
World Trade Organisation (WTO) – Doha Round .....	7
Scientific and Technological Cooperation .....	7
<b>Cooperation and friendship in agriculture and livestock .....</b>	<b>9</b>
The Double Taxation Performance Agreement.....	9
The Australia Festival in Mexico.....	10
The Committee's view .....	10
The region.....	10

---

Council on Australia-Latin America Relations (COALAR) .....	11
Forum for East Asia – Latin America Cooperation (FEALAC) .....	12
Other global organisations .....	13
The Committee’s view .....	14
<b>3 Exports to Mexico and the region .....</b>	<b>15</b>
<b>Mexico.....</b>	<b>15</b>
Agriculture.....	16
Dairy.....	16
Meat.....	17
Livestock.....	19
Wine.....	20
Technology .....	20
<b>Trade opportunities in Mexico .....</b>	<b>21</b>
Mining .....	21
Energy.....	21
Wine.....	22
Infrastructure.....	22
<b>Impediments to trade.....</b>	<b>23</b>
Tariffs.....	23
Payment risk .....	24
<b>The region.....</b>	<b>24</b>
Dairy.....	25
Wine.....	25
<b>Impediments to trade.....</b>	<b>26</b>
Biosecurity .....	26
The Committee’s view .....	27
<b>4 Imports from Mexico and the region .....</b>	<b>29</b>
<b>Mexico.....</b>	<b>29</b>
Engine and automotive imports.....	30
<b>Agriculture.....</b>	<b>31</b>
Horticulture (fruit and vegetables) .....	31
Alcoholic Beverages.....	32

	The Committee's view .....	32
	<b>The region.....</b>	<b>33</b>
	Cuba .....	33
	Costa Rica .....	33
	Guatemala .....	33
	Honduras .....	34
<b>5</b>	<b>Services to Mexico .....</b>	<b>35</b>
	<b>Education.....</b>	<b>35</b>
	Government engagement .....	36
	Australian Education International.....	38
	Tertiary cooperation .....	39
	Future initiatives .....	40
	<b>Tourism and travel .....</b>	<b>42</b>
	<b>The Committee's view .....</b>	<b>43</b>
<b>6</b>	<b>Australia – Mexico Free Trade Agreement .....</b>	<b>45</b>
	The possibility of a Free Trade Agreement (FTA) between Australia and Mexico.....	46
	Strategic benefits to both countries:.....	47
	Specific benefits to Australia .....	47
	Specific benefits to Mexico .....	48
	Sensitive issues in possible FTA negotiations .....	49
	Other views on FTA negotiations .....	49
	Australia's approach to FTA negotiations .....	50
	The Committee's view .....	51
<b>7</b>	<b>Committee's visit report .....</b>	<b>53</b>
	Overview .....	54
	Key appointments .....	54
	Key Functions .....	54
	<b>Outlook for Australian Trade - Overview.....</b>	<b>54</b>
	<b>Potential Free Trade Agreement .....</b>	<b>56</b>
	<b>Appointment Summary.....</b>	<b>57</b>
	Minister for Foreign Affairs, Patricia Espinosa.....	57

Vice Minister for the Economy, Beatriz Leycegui .....	58
<b>Ministry of Education</b> .....	<b>59</b>
Carlos de Alba, Director General for Internal Affairs in the Education Ministry .....	59
<b>Bank of Mexico (Central Bank)</b> .....	<b>60</b>
Guillermo Gomez, Deputy Governor of Bank of Mexico.....	60
<b>Mexican Council of Foreign Affairs</b> .....	<b>62</b>
<b>Mexican Senate</b> .....	<b>63</b>
<b>Embassy Reception</b> .....	<b>63</b>
<b>Visit to Quetetaro</b> .....	<b>64</b>
<b>Appendix A – List of Submissions</b> .....	<b>65</b>
<b>Appendix B – List of Exhibits</b> .....	<b>67</b>
<b>Appendix C – Witnesses appearing at public hearings</b> .....	<b>69</b>



## Foreword

Since the commencement of diplomatic relations in 1966, Australia and Mexico have developed a modest yet important economic relationship. Mexico is Australia's largest trading partner in Latin America and our thirty-third largest trading partner. Australia is Mexico's twenty-sixth largest trading partner.

In examining the state of economic relationships between Australia and the other nations of the region, the Committee noted the growth of trade and investment ties, albeit from very small bases. Whilst there was little conclusive data available to the committee, encouraging expansion potential and progress has been identified in areas such as agribusiness, food commodities and the provision of professional services.

Increasing imports and a burgeoning education sector have seen the Australia-Mexico bilateral relationship grow significantly in recent years. The Joint Experts Group established in May 2006 to explore possible directions for economic relations, including the possible negotiation of a Free Trade Agreement, has reinforced the importance of this relationship to both nations.

There are approximately 30-40 million members of the 'middle class' in Mexico which provide a significant potential buying power for Australian products. Australia's main exports to Central America are dairy products, in particular milk, cream, butter and cheese. Whilst still modest, two-way merchandise trade with Central America has increased significantly over recent years.

In summary, the Committee has concluded that despite the challenges of distance, poor transport links, language and cultural differences and unfamiliar business environments, there is significant and unbridled potential within the Australia-

Mexico trade relationship. As such it became clear to the committee that a Free Trade Agreement (FTA) with Mexico is a highly desirable outcome to the Australian and Mexican governments' quest to progress and strengthen this relationship.


For both countries there are challenges involved in pursuing a free trade agreement. Agriculture for example is a sensitive area and the committee recommends that issues relating to agriculture should be determined at an early stage of any negotiations. The Committee also acknowledges that the current political and business conditions in Mexico are not ideal for an FTA and some time maybe needed to develop such conditions.

In conclusion, the committee would like to extend sincere thanks to all the officials of the Australian Embassy in Mexico City that assisted the delegation with the visit by the Trade Committee to Mexico. The visit proved very successful in terms of contacts made, opportunities identified and challenges addressed.

The committee would also like to acknowledge and thank the officials and business people in Mexico for their hospitality and input.

Hon B G Baird, MP  
Chair





## Membership of the Trade Sub-Committee

Chair Hon B G Baird, MP

Deputy Chair Hon W E Snowdon, MP

Members Senator A Bartlett

Senator A Eggleston

Senator A B Ferguson (*from 1/12/04 to 14/08/07*)

Senator M A Payne (*ex officio*)

Mr P A Barresi, MP

Mrs T Draper, MP

Hon G J Edwards, MP (*ex officio*)

Mr B W Haase, MP

Mr M J Hatton, MP

Hon D F Jull, MP

Hon J E Moylan, MP

Hon G D Prosser, MP

Hon B C Scott, MP

Mr R C G Sercombe, MP

Dr A J Southcott, MP

Mr C P Thompson, MP

Mr B Wakelin, MP

Ms M Vamvakinou, MP

Mr K W Wilkie, MP

## Committee Secretariat

Secretary	Dr Margot Kerley
Inquiry Secretary	Mr Robert Little
Research Officer	Ms Allison Spies
Administrative Officers	Ms Emma Martin
	Ms Sonya Gaspar



## Terms of reference

The Joint Standing Committee on Foreign Affairs, Defence and Trade shall examine and report on expanding Australia's trade and investment relations with Mexico and the region with particular reference to:

- the nature of Australia's existing trade and investment relations;
- likely future trends in these relations; and
- the role of the government in identifying and assisting Australian companies to maximise opportunities in Mexico and the region.



## List of abbreviations

ADIC	Australian Dairy Industry Council
AEI	Australian Education International
AFTINET	Australian Free Trade Investment Network
AMWU	Australian Manufacturing Workers Union
APEC	Asia Pacific Cooperation
AQUIS	Australian Quarantine and Inspection Service
BSE	Bovine Spongiform Encephalopathy / Mad Cow Disease
COALAR	Council of Australia-Latin American Relations
CONACYT	Mexican Council for Science and Technology
DAFF	Department of Agriculture, Fisheries and Forestry
DEST	Department of Education Science and Technology
DFAT	Department of Foreign Affairs and Trade
DOTARS	Department of Transport and Regional Services
ELICOS	English Language Intensive Courses for Overseas Students
FEALAC	Forum for East Asia - Latin America Cooperation
FTA	Free Trade Agreement

GDP	Gross Domestic Product
JEG	Joint Experts Group
LNG	Liquefied Natural Gas
MLA	Meat and Livestock Australia
MoU	Memorandum of Understanding
NAFTA	North American Free Trade Agreement
SEP	Mexican Ministry of Education
TAFE	Technical And Further Education
TCF	Textiles, Clothing and Footwear
UNSW	University of New South Wales
UQ	University of Queensland
WTO	World Trade Organisation



# List of recommendations

## 2 Engagement with Mexico and the region

### Recommendation 1

The Committee recommends that the Australian Government, through the Department of Education, Science and Training, reactivate scientific and technological cooperation with Mexico.

### Recommendation 2

The Committee recommends that DFAT review the viability of FEALAC and, if it is determined to be viable, ensure a greater effort is made fulfil its potential.

## 3 Exports to Mexico and the region

### Recommendation 3

The Committee recommends that the Australian Government initiate or continue ministerial discussions with officials of Mexico and the region to address technical market access issues.

### Recommendation 4

The Committee recommends that more resources be provided to Australian Government representatives in Mexico for promotional activities such as trade fairs and exhibitions to capitalise on the strong interest in Australian products.

## 6 Australia – Mexico Free Trade Agreement

### Recommendation 5

The Committee recommends that the Australian Government move forward with a high quality comprehensive FTA with Mexico. In any negotiations, issues relating to agriculture should be determined at an early stage.

