

House of Representatives, Monday 4 September 2000

COMMITTEES: Foreign Affairs, Defence and Trade Committee: Report

Mr PROSSER (Forrest) (12.50 p.m.) —On behalf of the Joint Standing Committee on Foreign Affairs, Defence and Trade I present the committee's report entitled *Building Australia's trade and investment relationship with South America*, together with evidence received by the committee.

Ordered that the report be printed.

Mr PROSSER —This report of the Joint Standing Committee on Foreign Affairs, Defence and Trade, *Building Australia's trade investment relations with South America*, has been eagerly awaited by the countries of South America, Australian business chambers and businesses themselves. There is little doubt that South America is dynamic and developing, leading to a multitude of business opportunities. This was reinforced when members of the Trade Subcommittee visited eight South American countries in March-April this year. The members came away with the view that Australian business is really well placed to move into the market and capture market share. One's perceptions of South America as being a place that would not be attractive to Australian business are dispelled when this report is read. There are powerful reasons for the market to be looked at seriously by Australian exporting firms. With South America emerging as a region of considerable economic significance, there is great scope for Australian companies to do business there.

The first focus on South America as a region of considerable potential for Australia was back in 1992. While Australia's trade and investment relationship has grown with South America, it has not been a high priority. Through the government's annual trade outcomes and objectives statements, there is now a focus on Chile, the Mercosur countries and Peru as important emerging markets for Australia. The direct air links with South America, established nearly two years ago, provide both the means and the catalyst for developing and improving business links. Time is of the essence. Australia's competitors, including New Zealand, are well and truly in the market. If Australia is serious about increasing its trade and investment relationship with South America then it must go beyond the promotional rhetoric and take positive action as its competitors are doing in the region.

The committee's recommendations are focused on putting legs under the relationship, with the ultimate aim of improving Australia's export performance. The CER-Mercosur dialogue, the central mechanism for progressing Australia's trade and economic relationship with Mercosur, must be reinvigorated. It is necessary for the Australian government to pursue, as a priority, the development of an Australia-Mercosur free trade agreement to allow Australia to tap into the Mercosur common market of some 215 million people. Australia's competitors are reaping the benefits of such trade agreements, with Australia losing any competitive edge. Australia has to be in it to win it and energise trade initiatives and trade activities. Australia has a critical link that is of significant value to South American countries; it is our Asia link.

Australia, as a bridge to Asia, is a concept that is big enough for the government to take seriously as an initiative, and the committee recommends that a strategy be developed to establish Australia as a bridge to Asia for the economies of South America.

The committee, as did the Trade Subcommittee on its visit to South America, found that awareness—or, more correctly, lack of awareness—is the single biggest issue impacting on the relationship. In Australia there is little awareness of South America, including the nature and the size of the markets there, the scope of the opportunities, the complementarities with Australia and the move by the South American countries to be more competitive in the global economy. To raise awareness and provide a long-term focus on South America the committee sees it as vital for the Australian government to establish a body that has the capacity to

deliver initiatives to build the relationship. The committee recommends that an Australia-South America foundation be established to initiate and support activities that promote substantial and enduring collaboration between Australia and the countries of South America, and serve Australia's long-term needs for the region.

The committee found it an anomaly that, within the Department of Foreign Affairs and Trade, South America and Canada are put together. The size and dynamism of the South American market warrant that it has its own focus and priority and that Canada is moved and made part of North America.

In all, the committee made 30 recommendations to build Australia's trade and investment relationship with South America. Other initiatives include the formation of a South American working group, high-level visits to the region, additional resources for our mission in Caracas, an exchange program for young executives, the development of a program to capture the expertise and skills of Australia's retired work force, an increase in the Australian Tourist Commission's effort, double taxation agreements with more South American countries, Australian membership of the Inter-American Development Bank and the provision of a budget allocation by AusAID for development projects in South America in cooperation with the World Bank and the Inter-American Development Bank.

It is important that there be a significant focus at government level on the South American region, as this will encourage people to go to South America and trade in South America. This strategy has proved to be very successful in relation to Asia and the same commitment is required to reap the benefits in the markets of South America. I commend the report to the House. (Time expired)

Mr O'KEEFE (Burke) (12.55 p.m.) —Mr Speaker, I enjoy this opportunity to support the tabling statement of the chairman, the member for Forrest, and advise you and other members of the parliament that, not only for myself but for other members of the Trade Subcommittee of the Joint Committee on Foreign Affairs, Defence and Trade, the inquiry was a valuable and rewarding experience. Awareness and finding out about something that you did not know about is rewarding in itself. We have become aware, through this activity, of the enormous potential that will open up for Australia in a future trading relationship with the South American countries. We have been aware, through our partnership over many years in the Cairns Group, of the potential of the area, but it has always been limited, in our thinking, to the agricultural partnership. What this subcommittee has learned and demonstrated unequivocally in its report is that the opportunities are across the complete range of activities that Australia would want to engage in in a trade relationship with any continent. I emphasise on behalf of the committee that we see this as a two-way street. There are many opportunities for South American countries and traders in Australia, just as opportunities exist for us in their region.

I would like to emphasise two points in particular made by the chairman. One is that time is of the essence. We have been talking about the potential of this region for many years. The former Deputy Prime Minister, Mr Fischer, as Minister for Trade, started to open it up with his own inquiry work. Previous to that, Labor trade ministers and primary industry ministers had identified the potential as well. But Australia has basically talked about it for the last eight years. We are saying time is of the essence. Our competitors are in there and they are developing strategies related to the whole region while we are still thinking about it. We make that point.

I also think that the chairman makes a key point when he talks about the concept of the potential bridge to Asia. The South American countries see the future of growth in the Asia-Pacific region, and they want to be part of it. For the first time, they are starting to see Australia as a potential partner or bridge in that dialogue. We should be pitching ourselves

specifically to it. I would like to make reference to three particular points that are made in the report about this. In section 2.37, we make the very clear and highlighted statement that: There is little doubt that South America is dynamic and developing, leading to a multitude of business opportunities.

No-one should underestimate the potential. I also refer future readers to section 3.41, where we say:

It is clear that if Australia is serious about increasing its trade and investment relationship with South America then it must go beyond the promotional rhetoric and take positive action as its competitors are doing in the region.

With particular reference to Austrade, in section 5.56 we make a particular comment about the practice of fee for service, putting the view that, particularly in emerging markets, this needs to be re-examined to give the opportunities more potential. I would also like to make a comment about a personal hobbyhorse, and that is—

Mr DEPUTY SPEAKER (Mr Nehl)—Order! The time allotted for statements on this report has expired. Does the member for Forrest wish to move a motion in connection with the report to enable it to be debated on a future occasion?

Mr PROSSER (Forrest) —I move:

That the House take note of the report.

I seek leave to continue my remarks later.

Leave granted.

Mr DEPUTY SPEAKER —In accordance with standing order 102B, the debate is adjourned. The resumption of the debate will be made an order of the day for the next sitting and the member will have leave to continue speaking when the debate is resumed.