

Inquiry into Australia's trade with Mexico and the region

Australia's relationship with Mexico

- 1.1 Australia has a strong and progressive relationship with Mexico. High level political engagement in recent years has resulted in positive steps towards enhanced economic and trade relations, investment, political and inter-cultural links.
- 1.2 Mexico is one of the world's foremost developing countries and Australia's largest trading partner in Latin America. Its size and geographical proximity to the world's largest economy and North American Free Trade Agreement (NAFTA) partner, the United States, and substantial links to markets in Central and South America, make it an attractive trading partner for Australia.¹
- 1.3 Australian business' awareness of and interest in Mexico has been limited by distance, inadequate transport links, differences in language and culture, trade barriers, and unfamiliar business environments.² These limitations are reciprocated in Mexican business' perceptions of engagement with Australia.

1 http://www.dfat.gov.au/media/releases/department/d007_07.html 17 April 2007

2 DFAT, *Submission No 10*, p 135.

- 1.4 Despite these limitations, Mexico and Australia share complementary economic and trade profiles and there exist strong prospects for expanding trade and investment. Closer economic relations could provide a foundation for Australia and Mexico to become major political and economic partners in the Asia-Pacific region and the Americas.³

Australia's relationship with the region

- 1.5 Australia enjoys good relations with all the countries of Central America but political and trade links are currently modest. The countries cooperate on various multilateral issues and have a good relationship on issues such as trade liberalisation. As members of the Cairns Group, Australia cooperates with Costa Rica and Guatemala to promote our common commitment to agricultural trade reform.
- 1.6 Central American communities within Australia, such as the large El Salvadorean population, help promote links between our two regions. As fellow members of the Commonwealth, we share positive and friendly ties with Belize and work together in various Commonwealth organisations and events.
- 1.7 Australia also cooperates with Central American countries in the United Nations and a range of other international fora on important international issues such as the environment, whaling, fisheries management, human rights and security.

Conduct of the inquiry

- 1.8 In response to the interest of the Committee, on 11 September 2006 the Minister for Trade the Hon. Mark Vaile MP referred to the Committee an inquiry into Australia's Trade with Mexico and the region. The Minister agreed with the Committee that this inquiry would be relevant for Australia's trade interests and felt that this inquiry was particularly relevant as "Mexico is now Australia's largest trading partner in Latin America, growing at a rate of 21 per cent."⁴

3 http://www.dfat.gov.au/media/releases/department/d007_07.html 17 April 2007

4 Hon. Mark Vaile, Minister for Trade, *Letter to Committee*, September 2006.

- 1.9 The Committee advertised the inquiry in *The Australian* on 18 October 2006. Letters inviting submissions were sent to relevant Ministers, Commonwealth agencies and a wide range of organisations with an expected interest in Australia's trade relationship with Mexico and the region. A press release was widely distributed.
- 1.10 The Committee received 14 submissions (listed at Appendix A), 4 exhibits (listed at Appendix B) and took evidence from organisations and Government departments during 4 public hearings held in Canberra (listed at Appendix C).

Visit to Mexico

- 1.11 From 29 April 2007 until 4 May 2007 members of the Committee travelled to Mexico for meetings with Mexican Government Ministers and officials, and industry leaders.
- 1.12 Whilst in Mexico the delegation met with the following:
- Foreign Minister Patricia Espinosa
 - Vice Minister for the Economy (Trade) Beatriz Leycegui
 - Central Bank Deputy Governor Guillermo Gomez Garcid
 - Mexican Council on Foreign Relations
 - Education Department - Director General for International Affairs in the Education Ministry
 - Mexican importers of Australian Cattle

Structure of the report

- 1.13 Chapter 2 examines Australia's engagement with Mexico and the region. It looks at the growing number of meetings and forums in which Australia is able to strengthen its relationship with Mexico and the region.
- 1.14 Chapter 3 looks at the issue of exports to Mexico and the region. Australian companies are exporting many products to Mexico and the region. The chapter looks at export commodities, specialised niche opportunities being accessed by Australian companies and barriers to export trade.

- 1.15 Chapter 4 examines the issue of imports from Mexico and the region. The chapter necessarily focuses on Mexico as imports from the region are relatively small.
- 1.16 Chapter 5 examines the issue of services to Mexico and the region.
- 1.17 Chapter 6 looks at the potential of a Free Trade Agreement between Mexico and Australia. Removal of one of the greatest barriers to increasing Australian exports to Mexico — that of tariffs — would require the negotiation of a free trade agreement. The chapter looks at the benefits such an agreement would bring and the possibility of such an agreement being negotiated.
- 1.18 Chapter 7 provides a report on the Committee's visit to Mexico.
- 1.19 It should be noted that, wherever possible, the report provides sections on Mexico and sections on the region. In some cases this has not been possible — usually because of the way figures have been expressed in submissions.

A focus on Mexico

- 1.20 The Committee did not receive any submission from those countries defined as 'the region' (Belize, Costa Rica, Cuba, El Salvador, Guatemala, Honduras, Nicaragua and Panama) and most of the evidence given to the Committee related to Mexico.
- 1.21 Given the above and the fact that the Committee visited only Mexico it was decided that this report would focus on Mexico.