

"This area is being largely ignored under the poor excuse of lack of resources - more effort than money is required for the achievement of goodwill and trade at this point in time."¹

CHAPTER THREE

TRADE

3.1 Trade with Latin America amounted to A\$1.023 million or 1.0% of Australia's total trade in 1990-91.² As Table 3.1 shows, Australia's trade with Latin America has consistently been around the A\$1 billion mark for the last three years.

3.2 The trade balance has been in favour of the Latin American countries, with imports into Australia exceeding Australian exports to Latin America by an average of A\$213 million over the last three years.

3.3 Trade with Australia is an equally small part of Latin America's total trade. In 1989, Latin America's trade with Australia constituted US\$946 million out of a total foreign trade of US\$186.8 billion. Exports to Australia totalled US\$285 million (or 0.37% of total Latin American exports) and imports from Australia totalled US\$661 million (or 0.59% of total Latin American imports).³ For the past three years Australia has had a trade deficit with Latin America (see Table 3.1).

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1. PAZ International Marketing, submission, p. 6.
 2. Except where indicated, statistics used in this Report are on a financial year (1 July - 30 June) basis. Financial year and calendar year statistics on trade with Latin America are broadly comparable. For example, trade with Latin America in calendar year 1991 amounted to A\$1.06 million. Letter from Mr I. Wilcock to the Committee Secretary dated 24 April 1992.
 3. H.E. Mr J. Salazar, submission, Committee Hansard, p.1319.

Volume of Trade

Table 3.1

Trade Between Australia and Latin America, 1988-89 to 1990-91⁴

	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>
		(A\$ '000)	
Exports	358,679	552,287	453,183
Imports	697,133	736,113	569,937
	1,055,812	1,288,400	1,023,160
Trade Balance	-388,454	-183,826	-116,754

Source: Central Statistics Section, Department of Foreign Affairs and Trade.⁵

3.4 The Committee had some difficulty in determining Australia's total trade with Latin America from the information provided by the Department of Foreign Affairs and Trade (DFAT) and the Australian Trade Commission (Austrade). There were several discrepancies between the definitions and statistical information provided:

Attachment A to Austrade's submission "Australian Exports to Latin America" included countries in the Caribbean while DFAT defined Latin America as including countries in Central and South America but not the Caribbean.⁶

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4. Statistics on "Latin America" in this Report include the following countries: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Falkland Islands/Malvinas, French Guiana, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Suriname, Uruguay and Venezuela.
 5. Tables 3.1 to 3.6 in this chapter were compiled from *Direction of Trade, Australia: Time Series 1971-72 to 1988-89, Composition of Trade, Australia, 1990-91* and other statistics (unpublished) provided by the Central Statistics Section of the Department of Foreign Affairs and Trade.
 6. Austrade, submission, Committee Hansard, p. 335 and DFAT, submission, Committee Hansard, p. 10.

DFAT's submission placed the Falkland Islands/Malvinas in Latin America, while Austrade's list did not include them.

Mexico is defined in DFAT's submission as belonging to Latin America. However, DFAT's statistics for Central and South America do not include Mexico, which, for the purpose of trade statistics they classified as being part of North America.

3.5 Recommendation two: The Committee recommends that Australian Government departments and agencies put in place a common base for the collection and presentation of statistical information on Latin America.

3.6 As Table 3.2 shows, trade between Australia and Latin America has hovered around 1% of Australia's total trade for the last 20 years.

Table 3.2

Trade Between Australia and Latin America as a Percentage of
Australia's Total Trade, 1972-73 to 1990-91

<u>Year</u>	<u>Australia's trade With Latin America</u>	<u>Australia's Global Trade</u>	<u>% of Total Trade</u>
	(\$'000)		
1972-73	114,797	10,143,164	1.1%
1973-74	142,167	12,766,727	1.1%
1974-75	217,946	16,455,400	1.3%
1975-76	141,248	17,520,929	0.8%
1976-77	182,137	21,821,631	0.8%
1977-78	227,404	23,134,444	1.0%
1978-79	250,621	27,724,266	0.9%
1979-80	339,092	34,649,749	1.0%
1980-81	340,995	37,731,444	0.9%
1981-82	387,654	42,062,669	0.9%
1982-83	349,548	42,803,218	0.8%
1983-84	412,872	47,553,579	0.9%
1984-85	629,648	58,757,808	1.1%
1985-86	658,462	67,452,218	1.0%
1986-87	706,822	72,804,495	1.0%
1987-88	802,058	81,655,069	1.0%
1988-89	1,055,812	90,526,000	1.2%
1989-90	1,288,400	100,594,000	1.3%
1990-91	1,023,120	101,373,963	1.0%

3.7 As Table 3.3 shows, Brazil is Australia's largest trading partner in Latin America and ranks as Australia's 27th largest trading partner overall. Brazil is followed by Argentina (39th), Mexico (45th), Chile (50th) and Venezuela (62nd).

3.8 The top five Latin American trading partners occupy relatively low positions in terms of Australia's overall trade. For example, Venezuela is Australia's fifth largest trading partner in Latin America with a total trade of A\$48.4 million in 1990-91 but as Table 3.3 shows, ranks 62nd in terms of Australia's overall trade.

Table 3.3

Trade Between Australia and Individual Latin American Countries,
1988-89 to 1990-91

<u>Country</u>	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>	<u>Overall Rank</u>
	(A\$'000s)			
1. Brazil	547,943	476,591	444,812	27
2. Argentina	199,665	330,385	195,508	39
3. Mexico	133,769	209,065	159,944	45
4. Chile	65,826	96,893	91,326	50
5. Venezuela	30,574	79,173	48,955	62
6. Panama	774	1,217	26,650	75
7. Peru	28,445	26,066	23,735	76
8. Colombia	20,735	34,231	12,432	85
9. Ecuador	9,209	12,496	9,335	90
10. Uruguay	7,633	5,635	4,364	105
11. Costa Rica	2,769	2,083	2,280	120
12. Nicaragua	586	524	1,090	133
13. Guyana	373	424	957	136
14. Guatemala	3,422	1,390	791	141
15. Bolivia	219	327	750	142
16. El Salvador	116	412	585	146
17. Falkland Is/ Malvinas	9	167	343	152
18. Paraguay	83	747	320	154
19. Honduras	3,568	10,541	216	159
20. French Guiana	0	26	62	172
21. Belize	93	4	10	183
22. Suriname	1	3	6	188
TOTAL				
Latin America	1,055,812	1,288,400	1,023,120	
World	90,526,000	100,594,000	101,373,963	

3.9 Table 3.4 shows Australia's trade balance with its five leading trading partners in Latin America. Although the overall balance of trade with all the Latin American countries is not in Australia's favour, it is interesting to note that there is a trade balance in Australia's favour in three of the five countries.

Table 3.4

Australia's Trade Balance with Five Latin American Countries,
1988-89 to 1990-91

		<u>Exports</u>	<u>Imports</u>	<u>Total Trade</u>	<u>Balance</u>
(A\$'000)					
Brazil	1988-89	117,584	430,359	547,943	-312,775
	1989-90	124,663	351,928	476,591	-227,265
	1990-91	128,715	316,097	444,812	-187,382
Argentina	1988-89	95,920	103,745	199,665	-7,825
	1989-90	159,047	171,338	330,385	-12,291
	1990-91	125,961	69,547	195,508	56,414
Mexico	1988-89	53,259	80,510	133,769	-27,251
	1989-90	114,994	94,071	209,065	20,923
	1990-91	65,602	94,342	159,944	-28,740
Chile	1988-89	22,823	43,003	65,826	-20,180
	1989-90	32,294	64,599	96,893	-32,305
	1990-91	51,643	39,683	91,326	11,960
Venezuela	1988-89	27,198	3,376	30,574	23,822
	1989-90	66,519	12,654	79,173	53,865
	1990-91	27,514	21,441	48,955	6,073

Components of Trade

3.10 Over 75% of Australia's exports to Latin America comprise agricultural and resource commodities. However, exports of Elaborately Transformed Manufactures (ETMs) from Australia to Latin America have doubled from A\$ 3.8 million in 1989 to A\$ 7.7 million in 1990.⁷

3.11 Minerals dominate Australia's exports to Latin America. Coal has represented 30% of the total value of Australia's exports to Latin America over the past three years. Other mineral exports are gold, iron ore, zinc and alumina/bauxite.⁸ The main agricultural items Australia exported to Latin America in 1989-1990 were dairy products (A\$35 million), barley (A\$33 million) and wool (A\$15 million).⁹ Exceptions to commodities and primary products were Australian exports of pumps to Chile, mining machinery, Telecom equipment to Argentina and Chile, as well as inputs for local industrial activities.¹⁰

3.12 Imports from Latin America were more broadly-based and included value-added products such as computer equipment, machinery components, paper products, textile yarn, consumer items and medicinal products.¹¹

3.13 Despite stereotyped perceptions of Australia's imports from the region, it is interesting to note that in 1989-90, Australia imported more iron ore from Latin America than coffee. Table 3.5 shows the main items traded by Australia and Latin America from 1988-89 to 1990-91.¹²

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7. Department of Primary Industries and Energy (DPIE), submission p. 1 and H.E. Mr J. Salazar, submission, Committee Hansard, p. 1320.
 8. *Composition of Trade, Australia, 1990-91*. Over the period from 1988-1991 coal sales totalled A\$406.2 million out of total export to Latin America worth A\$1.3 billion.
 9. DPIE, submission, Committee Hansard, p. 1189.
 10. H.E. Mr J. Salazar, submission, Committee Hansard, p. 1322.
 11. Austrade, submission, p. 16.
 12. The table does not include items for which details are not separately available, such as alumina/bauxite.

Table 3.5

Main Items Traded, 1988-89 to 1990-91

Major Australian Exports	<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>
		(A\$ '000)	
Coal, coke and briquettes	121,720	127,529	156,942
Ships, boats and floating structures	-	-	24,350
Barley, unmilled	27,826	30,078	21,880
Machinery & transport equipment	5,999	11,738	19,804
Wool	27,227	23,027	19,353
Cereals (unmilled and flour)	24,955	25,169	7,177
Dairy	2,015	35,223	3,072
Major Australian Imports			
Iron or steel ingots	39,444	38,022	44,365
Paper and paperboard	39,258	31,439	26,966
Fish (fresh, chilled or frozen)	25,803	21,618	23,752
Iron ore and concentrate	3,712	29,097	21,713
Coffee and substitutes	37,849	28,016	22,345
Petroleum products	259	23,047	18,617

Main Items Traded with Individual Latin American Countries

3.14 Australia-Brazil two-way trade amounted to A\$444 million in 1990-91. Coal is Australia's largest single item of export to **Brazil**. Other significant exports are barley and metal working machinery. Australia imports substantially more from Brazil than it exports to that country. In the past year, the value of imports was three times greater than the value of exports. Australia imports a wide range of goods from Brazil,

including coffee, fruit and nuts, iron ore, paper, iron and steel ingots, machinery, aircraft, equipment and footwear.

3.15 The Committee was interested to find that Australia imports a considerable quantity of iron ore and iron/steel products from Brazil, despite being a net exporter of iron ore.¹³ In 1990-91 Australia imported A\$14.8 million worth of iron ore and concentrate, and A\$56 million worth of iron or steel ingots, bars, rods, tubes, plates and sheets from Brazil. Brazil presently supplies between 27% and 30% of Australia's import of fine printing and writing paper.¹⁴ Another interesting import from Brazil is aircraft and parts, which totalled A\$15.3 million in 1989-90 and A\$10 million in 1990-91.¹⁵

3.16 Australia's orange juice imports are nearly all sourced from Brazil, which dominates world trade in frozen concentrated orange juice. In 1988-89 Australia imported A\$31.6 million worth of "fruit preserved and prepared", much of it orange juice. This dropped to A\$6.1 million in 1989-90 and increased slightly to A\$8.9 million in 1990-91. The import of orange juice from Brazil has been criticised by citrus growers in Australia. The Australian Customs Service, however, found no basis for the claim that Brazilian orange juice is being dumped in the Australian market in contravention of the Customs Act and the GATT Anti-Dumping Code.¹⁶

3.17 Coal is also the most important single item Australia exports to **Argentina**. Australia imports from Argentina a wider variety of items, including fish and fish products, vegetable oils, leather, iron and steel items and computer machinery.

3.18 Australia exports to **Mexico** a large quantity of wool, ores and concentrates of base metals. There were also some dairy products and meat exported in 1990-91. Imports from Mexico include alcoholic beverages, medicinal and pharmaceutical products.

3.19 Exports to **Chile** comprise mainly coal, dairy products, machinery and equipment. Australia imports a wide variety of goods from Chile, including copper, fish products, fruit and nuts, ores and concentrates. Chile's representative to Australia pointed out that Australia ranks seventh in Chile's trade with the Asia-Pacific region, and Chile's trade with Australia is even less than its trade with Indonesia.

13. BHP's representative explained to the Committee that it is important to blend iron ore produced in Australia with ores from other parts of the world to produce steel of desired quality. Mr J. Ellis, Committee Hansard, p. 506.

14. Letter from Mr G. Taylor to the Committee Secretary, dated 6 November 1991.

15. Australia purchases two main types of aircraft from Brazil - the Embraer Bandeirante which can carry 18-21 passengers, and the Embraer Brasilia which seats 30 passengers. According to the Civil Aviation Authority's Register of Aircraft, as at 31 December 1991 there were 20 EMB110 (Bandeirantes) and 2 EMB 120 (Brasiliacs) in Australia. There was also one EMB820, a Piper Navajo made under licence by Embraer.

16. DPIE, submission, Committee Hansard, p. 1191.

3.20 Australia exports cereal and flour, pumps, machinery and transport equipment to **Venezuela**, and imports petroleum products and coffee.

Regional Comparison

3.21 As Table 3.6 shows, Australia's total trade with Latin America is not significant compared to its total trade with other regions, for example, the ASEAN countries, EC, North America and North Asia.

Table 3.6

Australia's Regional Trade 1990-91

	(A\$b)
Latin America	1.020
ASEAN	9.782
EC	17.017
North America	19.148
North Asia	51.030

Trade Potential

3.22 It is clear to the Committee that the one percent of Australia's trade that represents its total trade with Latin America does not adequately reflect the strength of some of the Latin American economies, the opportunities there and the overall potential of the region. For example, in 1989, the GDP of the Latin America and Caribbean region was US\$809.2 billion, only slightly behind East Asia's US\$895.2 billion. However, Australia's trade with the two regions was 1% and 40% respectively.¹⁷ Even allowing for the particularly strong complementarities in trade

17. Although the countries of the Caribbean are not included for consideration in this Report, it is not always possible to separate "Latin America" and the "Caribbean" for statistical purposes.

between Australia and East Asia, the disparity seems to the Committee to be excessive.

3.23 The General Manager of Banco Santander¹⁸ pointed out the immense potential of the Latin American region:

Argentina, Brazil, Chile, Mexico and Venezuela have a combined population of 300 million and a GDP of US\$710 billion.

Mexico is the world's largest producer of silver (20% of global output), third largest producer of graphite, sodium sulphate, fourth largest for sulphur and for exports of oil.

Argentina is self-sufficient in oil and has the capacity to become "the world's largest agricultural economy."¹⁹ The amount of "flight" capital which is held offshore by Argentineans is estimated to be between US\$35-80 billion, which is equivalent to between 50% and 100% of Argentina's GDP.

Brazil is the fifth largest country in the world and has the eighth largest economy in the world. It is the largest producer and exporter of coffee and orange juice, and is the world's second largest exporter of iron ore, soya beans and sugar. In 1988 Brazil's trade surplus was the third largest after Japan and West Germany.

Chile is the world's largest and lowest cost producer of copper and is the lowest cost producer of pulp. It has a 4265 kilometre coastline and is the world's largest fish meal producer.

Venezuela has the largest oil reserves outside the Middle East and 75% of its electricity is produced from one hydro electric dam.²⁰

18. Banco Santander has been trading with Latin America since its founding in 1857 and presently has an extensive banking network in Latin America.

19. Mr J. Blanco, submission, p. 6.

20. *ibid.*, p. 7.

Competing or Complementary - Does it Matter?

3.24 Before considering specific opportunities for trade between Australia and Latin America, the Committee addressed the broader question of whether countries which have similar economies (in this case, agriculture and natural resources) have greater or less potential for bilateral trade. The Committee considered the views of a range of witnesses:

3.25 DFAT pointed out that Australia generally does not have trade complementarity with Latin American countries. However,

"... there are certain niche areas where we can be successful, particularly such areas as mining, telecommunications and transportation ..."²¹

3.26 Professor Rodney Maddock of La Trobe University also recognised that the products of Australia and Latin America are very similar. However, in his view, it is:

"... at the next level down of Australian companies, those which are concerned with carrying coal to a market or piping natural gas from somewhere to a market and all of those sorts of ancillary natural resource industries, where Australia really does have lots of expertise...it is really at that level of company that I think that we do have some significant failures, the value added elements of the resource based industries ..."²²

3.27 Two Latin American diplomats in Australia shared this view. The Ambassador of Mexico pointed out:

"Both countries are rich in natural resources and raw materials. However, they complement each other in providing goods that are necessary for the economy and which are not produced in sufficient quantities."²³

The Ambassador of Chile observed:

"Because of the similarities, Australia and Chile have been traditionally considered as competitive and non-

21. Mr R. Woolcott, Committee Hansard, p. 224.

22. Prof. R. Maddock, Committee Hansard, pp. 417-8.

23. H.E. Mr A. Morales, submission, p. 5.

complementary economies. It is generally supposed that they have limited possibilities of mutual trade.

Nevertheless, from a modern perspective, their basic economic interests lead them now to interact and cooperate in the development of common products and their joint international marketing. Additionally, if Australia has achieved more scientific and technological progress, Chile has become more competitive in some areas of international trade. Furthermore, although the Australian capital market is stronger, the supply of Chilean labour is cheaper, elements all of which if adequately combined can offer good business opportunities.¹²⁴

3.28 The ANZ Bank made a similar assessment:

"In the past, Australia may have looked upon Latin American countries as competitors in the international markets because of their similar natural endowments. However, it is these very competing industries which may provide opportunities for Australian companies."¹²⁵

3.29 Appearing before the Committee, Dr Christopher Findlay of the University of Adelaide and Mr Bijit Bora of Flinders University stressed that the thinking has changed from 25 years ago when the focus was exclusively on complementarity and specialisation to do with differences in factor endowments. Although that theory was not necessarily out of date - Dr Findlay pointed out that the history of our economic relationship with Asia is based on that proposition - there is now recognition that there is scope for trade between countries of similar income levels.²⁶ The key thing, according to Mr Bora, is that the gains from such a trading relationship arise from specialisation. The Committee also took particular note of Mr Bora's comment that:

"... the key thing is access - making sure that you can make that first entry into the market. After that it is a matter of sustaining it by being competitive and changing the composition of your trade."²⁷

24. H.E. Mr J. Salazar, submission, Committee Hansard, p. 1333.

25. ANZ Bank, submission, p. 7.

26. Dr Christopher Findlay and Mr Bijit Bora, Committee Hansard, pp. 1595-9.

27. Mr Bijit Bora, Committee Hansard, p. 1599.

3.30 These views are consistent with the findings of a discussion paper published by the Reserve Bank of Australia. Using resource data for 22 OECD countries over a 20-year period from 1965-85, the author tested and confirmed two propositions:

- . As a group of countries' resource endowments become more similar over time, the share of intra-industry trade in their total trade among themselves should increase;
- . The closer the two countries' resource endowments, the more important intra-industry trade will be in their bilateral trade.²⁸

3.31 Although the study was not specifically about Latin America, it suggests to the Committee that the scope for increased trade between Australia and Latin America should not be dismissed simply because of similarities in the economies and resource base.

3.32 Numerous opportunities for trade between Australia and Latin America were outlined to the Committee in over 100 submissions and in oral testimony by many of the 75 witnesses. It is the Committee's belief that the following are the most immediately promising areas for increase in trade between Australia and Latin America. The Committee wishes to emphasise, however, that this is not an exclusive list.

Specific Areas of Opportunity

Resource Sector

3.33 On the basis of the evidence before it, the Committee believes that there are important opportunities for increased exports to Latin America in the resource sectors.

Coal

3.34 Coal is the largest single commodity exported to Latin America and stands out as the dominant single item of trade between Australia and Latin America.²⁹ The main markets are Brazil (A\$87m in 1990), Argentina (A\$21.7m) and Chile

28. Philip Lowe, *Resource Convergence and Intra-Industry Trade*, Research Discussion Paper RDP 9110, Economic Research Department, Reserve Bank of Australia, November 1991.

29. As noted in para 3.11, coal has accounted for A\$406 million of our total exports of A\$1.3 billion to Latin America for the past three years.

(A\$18.5m).³⁰ The quality of Australian coal is highly regarded on environmental grounds.

3.35 Both Austrade and DPIE identified coal as a commodity where significant opportunities exist.³¹ In addition, the Committee was told that a strong increase in demand for steaming coal may be expected as other sources of electrical energy "run into trouble" around the world.³²

3.36 There are strong prospects for the sale of Australian steaming coal to Mexico.³³ There are signs that the import market in Brazil for steaming coal is opening up following the removal of transport subsidies for domestic coal; and there is potential for Australia to increase significantly exports of coking coal to Brazil for steel production.³⁴

3.37 The Chilean steel industry's coal requirements are also expected to increase substantially this year with the completion of a new coking plant. Exports of coking coal to Chile are expected to increase from around 190,000t to 270,000t/year.³⁵

3.38 Although there are undoubtedly attractive opportunities for Australian coal exports to Brazil, Chile, Argentina and other Latin American countries, it is the Committee's view that coal-related opportunities are presently most compelling in relation to Mexico. From the submissions and evidence provided by the Ambassador of Mexico³⁶, Elcom Services Private Limited (now known as Pacific Power (International) Pty Ltd)³⁷ and the Australia-South America Business Council³⁸, it is clear

30. DPIE, submission, Committee Hansard, p. 1191.

31. Austrade, submission, Committee Hansard, p. 328 and DPIE, submission, p. 3.

32. Professor R. Garnaut, Committee Hansard, p. 1489.

33. Elcom Services Pty Ltd submission, Committee Hansard, p. 927.

34. DPIE, submission, Committee Hansard, p. 1191.

35. *ibid.*

36. H.E. Mr A. Morales, submission, p. 8.

37. Elcom Services, Committee Hansard, pp. 923-44. On 1 March 1992 Elcom Services Pty Ltd changed its name to Pacific Power (International) Pty Ltd. Its functions and operations are unchanged.

38. Particularly its attachment *Report on CAI Mission to Mexico, April/May 1991*, Committee Hansard, pp. 1391-97.

to the Committee that there are significant opportunities in Mexico in three coal-related areas:

Export of Australian steaming coal. Mexico's electricity demand has increased at an annual rate of 10% over the last two years³⁹ and its present import of 2 million tonnes a year is expected to increase ten-fold to 20 million tonnes from all sources by the year 2000.⁴⁰ Despite the relatively long transportation distance between Australia and Mexico, Australian steaming coal can be competitive in Mexico because of its low sulphur content. Power stations using it do not need to install and maintain costly flue gas desulphurisation equipment.⁴¹ In particular, it is at an advantage on the west coast of Mexico where two power stations are being contemplated. It is less competitive on the east coast where low cost coal from Colombia is readily available.⁴²

Engineering expertise in the planning, design, construction, operation and maintenance of coal-fired power plants and systems. The General Manager of Elcom Services outlined to the Committee the opportunities offered by the sizeable Mexican expansion program in coal-fired power stations. According to Mr Hrdina the Electricity Commission of New South Wales has a very high level of expertise in coal combustion technology and is extremely strong in all environmental aspects.⁴³

Construction of ports and coal-handling facilities. The Committee's attention was drawn to the fact that ports and coal-handling facilities are planned by the Mexican Government to service the power stations, for which Australian expertise in design, construction and operation would be competitive. The facility that was specifically brought to the attention of the Committee during the inquiry was the port of Lazaro Cardenas, which is intended to have a coal-capacity of 6 million tonnes per year. Mr Hrdina related to the Committee Elcom's difficulties in submitting a tender for the Lazaro Cardenas operation as all specifications were in Spanish. Elcom had to translate them into English so its engineers could work on the specifications. The Elcom tender was submitted in English, which was acceptable to the Mexican Government. However, Mr Hrdina anticipated problems as future communications would have to be in English and Spanish. Mr Hrdina made the point that financial and

39. Elcom Services, submission, Committee Hansard, p. 926.

40. *Report on Cai Mission to Mexico, April/May 1991*, Committee Hansard, p. 1396.

41. Mr J. Hrdina, Committee Hansard, pp. 933-4

42. Mr R. Charlton, Committee Hansard, p. 1066.

43. According to Mr Hrdina, the Electricity Commission of NSW has in the last 10 to 12 years in NSW alone, installed more coal-fired power stations than anybody in the world except China and South Africa. Mr J. Hrdina, Committee Hansard, p. 943.

practical support by Government would assist industry and consultants in the packaging of such large tenders. However:

"When we approach the Australian Government, or those organisations that deal with grants and financing, normally they are receptive but procedures are very lengthy. So to have a project like that accepted and get funds for it could take years."⁴⁴

3.39 The Committee was interested by the proposition that coal sales can often lead to technical consultancies and related engineering work; similarly involvement in the construction of power plants and coal handling facilities can result in downstream sales of coal. Hence, increases in both coal exports or technical consultancies should be encouraged. Each tends to open up opportunities for the other.

3.40 In the Committee's view Australia is in a unique position to offer "integrated packages" combining technical and engineering expertise in the planning and construction of power plants and support facilities with the supply of good quality steaming coal.

3.41 The Committee is strongly of the view that there is a case for judicious Commonwealth Government involvement in assisting industry to put together and offer such integrated packages to Latin American countries planning on increasing electricity generation capacities.

3.42 The opportunities appear most compelling in Mexico at present, with major construction and overhauling of port facilities and at least eight power stations expected to be built over the next decade.⁴⁵ Hence, the need for Australian companies to be able to compete successfully is also most urgent in relation to Mexico.

3.43 For this reason the following recommendation is directed in the first instance at the power industry in Mexico. Similar projects relating to other Latin American countries should be encouraged where opportunities present. There is much to be said for an all-out effort to assist an Australian bid at this early stage of the likely explosion in energy demand in Latin America in the next decade. An early demonstration of Australian expertise and ability in the coal and coal-related industries could be invaluable in gaining further business in Latin America. The initiative by the Department of Primary Industries and Energy to bring three key officials from the Mexican Electricity Commission to Australia is a good step in that direction.⁴⁶

44. Mr J. Hrdina, Committee Hansard, p. 940.

45. H.E. Mr A. Morales, submission, p. 8 and Elcom Services, submission, Committee Hansard, p. 927.

46. Letter from Mr I. Wilcock to the Committee Secretary, dated 21 April 1992.

3.44 Recommendation three: The Committee recommends that Austrade:

- . actively investigate and identify significant infrastructure projects likely to be built in Mexico and elsewhere in Latin America over the next decade relating to coal-based electric power industries;
 - . ensure that information about these projects is regularly updated and communicated to relevant Australian companies;
 - . bring together Australian companies with expertise in:
 - planning, design, construction, operation and maintenance of power generation and transmission plants, incorporating features that meet environmental concerns;
 - planning, design, construction, operation and maintenance of ports and coal-handling facilities; and
 - supply of steaming coal
- in order to put together attractive "packages" for the development of coal-related facilities in - and sale of coal to - Latin America;
- . provide practical support, including where relevant, assistance with finance, insurance, feasibility studies and translation, to companies submitting integrated proposals to the relevant Latin American governments.

Dairy

3.45 Latin America is an important import market for milk powders. According to the Australian Dairy Corporation, Latin America accounts for around 20% of all international dairy trade on a milk equivalent basis, and around 40% of the trade in skim milk power (SMP). However, it is a relatively minor market for other products such as butter and cheese.⁴⁷

3.46 In 1990 Australia exported 11,000 tonnes of dairy products to Latin America. The main destinations in Latin America are Mexico and Peru, and the main dairy products exported are skim milk power (SMP) and cheese.⁴⁸ The Australian Dairy Corporation told the Committee that the 11,000 tonnes exported in 1990 was the highest recorded for "several years".⁴⁹ As Table 3.7 shows, Australia's share of Latin

47. Australian Dairy Corporation, submission, p. 3.

48. *ibid.*, p. 5.

49. *ibid.*

America's dairy imports in 1990 was only 2% compared with the EC (54%), New Zealand (22%) and North America (11%).

Table 3.7

Export of Dairy Products to Latin America, 1990

Product	EC	Australia	NZ	North America	Total ¹ Exports	Share ² World Trade
	(000t)	(000t)	(000t)	(000t)	(000t)	(%)
Butter	9.5	-	17.2	5.3	36.5	6.6
SMP	161.7	10.2	43.8	40.9	268.9	41.4
WMP	41.1	-	41.8	1.5	96.3	12.5
Cheese	8.8	.8	1.6	2.2	29.5	3.9
Condensed Milk	33.5	-	-	2.3	35.8	9.3
Total Dairy Exports to Latin America	252.6	11.0	104.4	52.2	468.0	
Share of total Dairy Exports	54%	2%	22%	11%		
Percentage ³ of each country's/region's dairy exports to Latin America	20%	6%	26%	60%	-	19%

(1) Includes unidentified exports from other European sources

(2) Dairy Exports to Latin America as a percentage of all dairy export trade (excluding intra-EC trade)

(3) Exports converted to a milk equivalent basis

Source: Australian Dairy Corporation, submission, p. 5.

3.47 The Committee was alerted to the possibility of dairy exports to Latin America by a submission from Dr John Brotherton of the School of Spanish and Latin America studies, University of New South Wales. Dr Brotherton said in his submission:

"For the enterprising businessperson niches in Latin American markets abound and can be easily identified. Dairy products such as cheeses, for example, are in limited supply in the andean and tropical nations of Latin America. Both the cheaper Australian cheddar style cheeses and the more expensive cheeses could find buyers among the middle and upper classes of these countries."⁵⁰

3.48 Further testimony came from Mr Greg Smith, an agribusiness consultant who has lived and worked in Mexico and Colombia. According to Mr Smith, the demand in Latin America for Australian dairy products is considerable.

"We are not just talking about Mexico, but El Salvador, Nicaragua, Guatemala and other countries - 10,000 to 15,000 tonnes a year for some of these countries. It is a very good market ..."⁵¹

Mr Smith gave an account to the Committee of his unsuccessful efforts to fill significant orders for milk powder from Latin America countries. The orders could not be filled from Australia as Australian dairy producers did not have the stock.

"The most that we could get for milk powder to fill an order into El Salvador was one container load and we needed 15,000 tonnes. One container load every two or three months - that is all we were able to coordinate."⁵²

3.49 The Committee invited the Australian Dairy Corporation, which has statutory responsibility for marketing of dairy products, to comment on the matter. Comments were also sought from DPIE.

3.50 The Australian Dairy Corporation submitted that comments by others to the effect that the Australian dairy industry has failed to exploit dairy opportunities because of lack of awareness and/or marketing deficiencies are based on "superficial" understanding of the industry.⁵³ The Corporation explained that Australian

50. Dr John Brotherton, School of Spanish and Latin American Studies, University of New South Wales, submission, p. 6.

51. Mr G. Smith, Committee Hansard, p. 1104.

52. *ibid.*, p. 1107.

53. Australian Dairy Corporation, submission, p. 1.

producers target markets which offer the highest returns and/or the best prospects of establishing a strong long term market. In the Corporation's view, "the Latin American region does not meet either of the criteria."⁵⁴

3.51 According to the Corporation, Australian firms target countries other than Latin America because of:

- the nature of the current import trade in Latin America;
- the extent of competition from subsidised exports; and
- Australian freight differentials relating to other suppliers to Latin America."⁵⁵

Latin American Market for Dairy Products

3.52 The Dairy Corporation explained that Latin American demand for dairy products was "lumpy" as Latin American countries import dairy products through periodic official tenders involving large volumes, typically the equivalent of a year's consumption. The import agency is usually Government-owned or one nominated by Government as the sole import agency. The import agency then stockpiles supplies for release to local processors according to domestic need. Additional tenders are only called when the stock falls below targeted volumes.

3.53 The Corporation further explained that Australian dairy producers and exporters do not find this arrangement attractive because it means that they:

- are unable to develop long term marketing strategies for these markets as they do not know when tenders and additional tenders may be called;
- have no control over their long term market share in particular Latin American countries even if they were successful in a tender, as tender results are based on minimum pricing;
- would have to hold long term stocks for import tenders held intermittently for which there is no guarantee of a successful sale; and
- cannot carry out direct sales of branded product as the tender process calls for unpackaged bulk quantities.⁵⁶

54. *ibid.*

55. *ibid.*, p. 6.

56. *ibid.*

3.54 The Committee has some sympathy for the submission of the Australian Dairy Corporation that Australian dairy exporters do not find the present practice in some Latin American countries regarding importation of dairy products to be commercially attractive. Mention was made of controls over importation of milk powder by Mexico, Brazil and Venezuela through official tenders held by nominated import agencies which have the sole authority to import milk powder in bulk quantities.⁵⁷

3.55 The Committee is of the view that more open and deregulated importation processes would assist trade in dairy products between Australia and Latin America. The current procedures have the effect of discriminating against Australian suppliers. The Committee would wish to see the governments concerned examine ways to remove the disincentives in the way of Australian exporters. The Committee is particularly keen to see Australia meeting a greater part of the substantial demand for milk powder in Mexico.

Subsidised Competition

3.56 Whereas DPIE and the Australian Dairy Corporation cited Latin America's proximity to major suppliers such as the US and EC as reasons why Latin America has not been a significant destination for Australian dairy exports, Mr Greg Smith was emphatic that, where Australia is concerned:

"The biggest competitor is the New Zealand Dairy Board."⁵⁸

3.57 Mr Smith indicated to the Committee his belief that Australian producers had lost the Latin American market to New Zealand because of the New Zealand Dairy Board's superior marketing power and control. This is due to its size, financial resources and the joint ventures the New Zealand Dairy Board enters into in Mexico and other countries.⁵⁹ Where milk powder opportunities are concerned:

"... there is no reason why you cannot take some of that market share from the New Zealand Dairy Board. We need one or two bodies to coordinate that international marketing."⁶⁰

57. The milk powder is stockpiled by the import agencies, and released to local processors as demand requires. Additional tenders are called when the stock of the import agencies falls below targeted volumes. Australian Dairy Corporation, submission, p. 6.

58. DPIE, submission, Committee Hansard, p. 1190 and Mr G. Smith, Committee Hansard, p. 1101.

59. Mr G. Smith, Committee Hansard, p. 1104.

60. *ibid.*, p. 1105.

Mr Smith suggested that Australian milk producing entities, cooperatives and corporations consolidate into one or two operations, possibly with initial Commonwealth financial support⁶¹.

3.58 The Dairy Corporation is technically correct in pointing out that the bulk of Latin America's demand for dairy products is met from EC and North American suppliers. As Table 3.7 shows, in 1990 Latin America met 54% of its demand for dairy products from the EC and 11% from North America. However, the fact remains that 22% of Latin America's dairy imports in that year were from New Zealand compared to 2% from Australia. Moreover, New Zealand has succeeded in establishing a greater market share in several previous years. In the case of skim milk, it may be seen from Table 3.8 that whereas 135.5 thousand tonnes of Latin America's demand for skim milk powder were met by New Zealand from 1987-1990, only 16.2 thousand tonnes were provided by Australia.

Table 3.8

Export of Skim Milk Powder to Latin America (1987 to 1990)

Source	1987	1988	1989	1990
			(000 tonnes)	
EC	80.1	106.2	163.5	161.7
USA & Canada	192.5	139.6	123.6	40.9
New Zealand	23.4	22.4	45.9	43.8
Australia	-	-	6.0	10.2
Other	7.1	3.5	3.4	12.3
Total	303.1	271.7	342.4	268.9

Source: Australian Dairy Corporation, submission, p. 8.

61. *ibid.*, p. 1101.

3.59 There is no question that the Dairy Corporation is right when it says that:

"The willingness of the EC and US to use Latin America as a dumping ground for domestic surpluses remains a major impediment to the development of greater trade flows between Australia and this region."⁶²

However, it does not adequately explain why Australia's share of the Latin American market for dairy products should be so disproportionately small.

3.60 The Committee notes the Dairy Corporation's assessment that the "lumpy" nature of the Latin America demand for dairy products favours suppliers from countries which have large Government-financed stocks. This applies to the EC, and US. However, it also applies to New Zealand where the costs associated with stockpiling and tendering are borne by the New Zealand dairy industry itself.

As the Corporation explained:

"With its monopoly control over exports the New Zealand Dairy Board is also able to stockpile product for anticipated tenders ..."⁶³

Freight Costs

3.61 It came as no surprise to the Committee that freight costs to Latin America were cited by the Australian Dairy Corporation as an impediment to dairy exports. It was also to be expected that freight costs incurred by the Australian suppliers should be higher than those faced by suppliers in the EC and North America. What the Committee found disturbing was that it is more than twice as expensive to ship Australian dairy products to Latin America as it is to ship the same quantity of New Zealand products. As an example, in late 1991 it cost roughly A\$200 to ship a tonne of skim milk powder to Mexico compared to less than A\$100 per tonne each for EC and New Zealand shipments.⁶⁴

3.62 The South American Trade Manager of Mitsui OSK Lines Limited and Union Bulkships, Mr Bunny Hayward, told the Committee that the New Zealand Dairy Board occasionally charters a vessel to carry a block of cargo to a Latin American country such as Peru or Mexico.⁶⁵

62. Australian Dairy Corporation, submission, p. 8.

63. *ibid.*, p. 6.

64. *ibid.*, p. 9.

65. Mr E.L. Hayward, Committee Hansard, p. 1886.

Future Directions

3.63 Much of the information obtained from the Department of Primary Industries and Energy on dairy opportunities in Latin America was along similar lines to that put forward by the Dairy Corporation. Neither was optimistic about the market in Latin America for Australian dairy produce, the Corporation pointing out that no further large scale Mexican purchases of skim milk powder are expected in 1992. It was also of the view that any additional import trade would be dominated by US supplies.⁶⁶

3.64 The Committee considered the views put by DPIE and the Dairy Corporation carefully. It remains to be convinced that the obstacles presently preventing Australian suppliers from meeting the declared and continuing need for dairy products in Mexico and other republics of Latin America on a competitive basis are insurmountable.

3.65 Under the current arrangements the Australian Dairy Corporation, under Section 7 of the *Dairy Produce Act 1986* has the responsibility to:

- control the export from Australia of dairy produce;
- control the marketing of dairy produce that has been exported from Australia; and
- advise the Minister on matters relating to the marketing of dairy produce including matters related to the export from Australia of dairy produce.

3.66 Although the Corporation has the statutory powers to control all aspects of the marketing of dairy exports, it currently exercises its powers only in respect to the European Community, United States and Japan.⁶⁷

3.67 The Industry Commission's report in September 1991 on its inquiry into the Australian Dairy Industry⁶⁸ was critical of the Corporation, particularly the market support levy imposed by the Corporation (and collected by the Department of Primary Industries and Energy). The Commission argued that, this effectively constitutes a subsidy to dairy exports, with consequent distortion of domestic prices.

3.68 In its response to the Industry Commission's report on 30 April 1992, the Government indicated that, while the Government had "given due regard to the Industry Commission's recommendations", it had decided to retain the majority of the existing mechanisms for assisting the dairy industry.⁶⁹ Legislation is presently in the

66. Australian Dairy Corporation, submission, p. 4.

67. *Australian Dairy Industry*, Industry Commission, Report No. 14, 26 September 1991, p. 104.

68. *Australian Dairy Industry*, Industry Commission Report No. 14, 26 September 1991.

69. *Crean Announces New Dairy Plan*, Press Release by the Minister for Primary Industries and Energy, 30 April 1992.

Parliament to extend the life of the Corporation, which, under existing legislation, ceases on 30 June 1992.

3.69 The Committee is particularly interested to note that the dairy industry's promotion levy is being increased from 5.5 cents to 8 cents per kilogram butterfat. The stated purpose of the increase is to allow the industry to increase its promotion and market development effort. In addition, industry funds held in trust by the Australian Dairy Corporation may be used to support market development.⁷⁰

3.70 The Government's response indicates that the measures now being proposed are intended "... to achieve a more productive, internationally competitive and export-focussed sector." Amongst the measures proposed is "... a review of the industry's statutory marketing and research activities to redirect efforts to further enhance the industry's export marketing and market development ..."⁷¹

3.71 **Recommendation four:** The Committee recommends that the review of the Australian dairy industry's statutory marketing activities, which is to be undertaken in co-operation with the Australian Dairy Industry Council, include a thorough exploration of market opportunities in Latin America with a view to devising a long-term strategy to increase Australia's market share in that region. The review should also:

- consider whether the Australian Government should enter into discussions with relevant Mexican authorities about the existing tendering process for dairy products in Mexico in order to improve access for Australian producers; and
- explore whether there are opportunities for Australian companies to participate in the development of the Mexican dairy industry.

70. *Summary of Dairy Industry Arrangements* in Minister for Primary Industries and Energy's Press Release, 30 April 1992.

71. *ibid.*

Grains

Table 3.9

Malt Export from Australia to South America, 1986-87 to 1990-91

	Brazil	Colombia	Peru	Venezuela	Total
	(tonnes)				
1986-87	25,139	7,500	-	6,300	38,939
1987-88	22,337	10,000	15,500	-	47,837
1988-89	-	9,508	16,000	6,000	31,508
1989-90	25,231	21,000	-	5,700	51,931
1990-91	-	-	5,300	6,300	11,600
5 Year Mean	14,541	9,602	7,360	4,860	36,363

Source: Australian Barley Board, tabled document, Committee Hansard, p. 1629.

3.72 In Australia, barley is a "vested crop". The representative of the Australian Barley Board told the Committee that this means that the respective State Authorities and their agencies have compulsory acquisition rights and are also responsible for all aspects of export activities such as marketing and handling. The biggest such State agency is the Australian Barley Board, which operates in South Australia and Victoria. The next biggest is the Grain Pool of Western Australia. In Queensland a new structure called Grainco has been formed from the amalgamation of the Grain Handling Authority in Queensland, the Barley Board and the Sorghum Board. In New South Wales barley is marketed by the New South Wales Grain Corporation.⁷² The Committee is aware that Australia also sells a small quantity of oats to Latin America. Sales are coordinated by the respective State barley boards.

3.73 Barley is Australia's main grain export to Latin America, where the estimated annual barley requirement is 545,000 tonnes. Of this, about 300,000 tonnes can be expected to be met by Argentina and Uruguay, which are net barley exporters, leaving about 245,000 tonnes to be imported from elsewhere.⁷³ As Table 3.9 shows, Latin American barley importers are Brazil, Colombia (which buys for Ecuador as well), Peru, and Venezuela.⁷⁴

72. Mr M. Iwaniw, Committee Hansard, p. 1624.

73. *ibid.*, p. 1626.

74. Australian Barley Board, tabled documents, Committee Hansard, p. 1629.

Table 3.10

Supply/Demand of Malting Barley in South America, 1992**

Country	Production (tonnes)	Demand/Consumption (tonnes)	Imports (tonnes)
Argentina	500,000	230,000	*(270,000)
Brazil	50,000	300,000	250,000
Chile	20,000	40,000	20,000
Colombia	80,000	290,000	210,000
Peru***	15,000	60,000	35,000
Ecuador	5,000	35,000	30,000
Uruguay	200,000	170,000	*(30,000)

* Argentina and Uruguay are exporters of malting barley.

** Data is approximate as average production and demand is indicated.

*** The Committee notes that the figures for "Production" and "Imports" do not add up to "Demand/Consumption".

Source: Australian Barley Board, tabled document, Committee Hansard, p. 1631.

3.74 The following summary of opportunities for barley sales to individual Latin American countries is based on the evidence of the Australian Barley Board and Table 3.10.⁷⁵

- Brazil** - Brazil imports 80% of its requirements and hence is regarded as a major importer. However, it is not a major market for Australia as it mainly imports from its neighbours, particularly Argentina. Australia is likely to export some 80,000 tonnes of barley to Brazil in 1992.
- Colombia** - Colombia is a significant importer of malt and barley and buys for both Ecuador and itself as malt houses in Ecuador are Colombian owned. Most of its barley is from Canada, which is cheaper than Australian barley due to market practices.
- Peru** - Peru is the Board's best customer in Latin America. Mr Iwaniw explained that although the Board does not have a long term arrangement, it does have "an understanding" with a malt house in Peru and has 30,000 tonnes of Peru's business which it hopes will continue on a regular basis.

75. Mr M. Iwaniw, Committee Hansard, pp. 1625-6, 1631.

- Venezuela** - Only imports barley irregularly. The last time Venezuela imported barley was from Argentina in 1988-89.
- Chile** - Very price sensitive. Not a promising market because it has its own barley and is also building a new malt house.
- Mexico** - Purchases malting barley, but buys mainly from the US and Canada.

3.75 The largest malt producer in Australia, Barrett Burston (International) Pty, believes that Australia has the opportunity to continue to supply malt to Latin America.⁷⁶

Table 3.11

Total Australian Barley Exports to South America, 1986-87 to 1990-91

	SEASON 1990-91	SEASON 1989-90	SEASON 1988-89	SEASON 1987-88	SEASON 1986-87
('000 tonnes)					
Australian Barley Board	21	51	0	39	62
Grain Pool WA	80	140	48	88	101
Grainco Co-operative Queensland	28	0	8	0	0
NSW Grain Board	31	6	6	22	0
Total	160	197	62	149	163

Source: Australian Barley Board, tabled document, Committee Hansard, p. 1630.

76. Barrett Burston (International) Pty Ltd, submission, p. 2.

3.76 On the basis of the evidence before it, the Committee is of the view that while there may be opportunities for sale of Australian barley to Latin America, these opportunities are not being fully utilised and will continue not to be fully utilised unless improvements are made in the following areas:

Production

3.77 While there is naturally a limit on the amount of available land that might be available for production, the Committee would be concerned if Australian farmers are not receiving the right information and signals that would enable them to make a decision whether to plant more barley, or to plant barley instead of other crops.

3.78 Increased production is, of course, inextricably tied to the availability of barley for export markets.

3.79 Australian Barley Board Manager, Mr Michael Iwaniw explained that the growth of the Australian domestic market, as well as the need to supply the growing Chinese market, has meant that less barley has been available for other markets.⁷⁷ The Committee sought to find out whether the Board has advised farmers on growing barley for export to Latin America. Mr Iwaniw told the Committee that advice would not be provided on a destination basis.

"All we can advise is that there is a market, that we can sell more malting barley if it is delivered to us, and that it will be sold at such and such a premium above feed barley."⁷⁸

Mr Iwaniw was of the view that the Australian farmer "is getting updated signals."⁷⁹ Mr Iwaniw attributed the problem primarily to the price factor - "If the prices were right ... our growers would grow it."⁸⁰

3.80 This led the Committee to consider the question: Is the price right? In other words, are Australian growers getting the best price in Latin America for barley? While the Committee is not in a position to arrive at a definite conclusion either way, it seems that the chances of getting the best prices would be assisted if the best marketing infrastructure and operations were available.

77. Mr M. Iwaniw, Committee Hansard, pp. 1637.

78. *ibid.*, p. 1650.

79. *ibid.*, p. 1644.

80. *ibid.*, p. 1641.

Marketing Infrastructure and Operations

3.81 The Committee was concerned at the degree of fragmentation in the barley marketing apparatus. As noted above, the Australian Barley Board has responsibility only for South Australia and Victoria. Queensland, Western Australia and New South Wales have their own State barley marketing operations. These State boards compete with one other for export markets even in the face of a world wide trend towards centralised buying. As Mr Iwaniw pointed out:

"... the barley market no longer is a free market, in a sense. South America, for malting barley, is an exception. But generally our main markets are all centralised buying authorities. You have got a Japanese food agency, you have got Cerafood in China; even Saudi Arabia now buys through one authority, the Grain Silo and Flour Millers Organisation ..."

"Every country is now waking up. The buyers said, 'We are not going to buy. They are going to split us and sell again. We are going to buy as one group'. Even with the Taiwanese, who are basically individual processors of barley into feed, when you negotiate a contract you negotiate with all 10 of them at the same time in a room and they buy through one association."⁸¹

3.82 In the case of Latin America, sales are made through international grain trading companies as the State boards do not have the infrastructure or network of contacts to deal direct with buyers. As Mr Iwaniw put it, to deal direct:

"... you have to have a South American agent and then that agent has a mode of behaviour with the breweries which we just would not be into. Also we could not put together combination freights."⁸²

3.83 In the Committee's view, a single national organisation representing Australian barley exporters would be better able to represent their interests in export development, marketing and sales.

81. *ibid.*, p. 1643.

82. *ibid.*, p. 1644.

3.84 Recommendation five: The Committee recommends that the Commonwealth Government, through meetings of the Federal and State ministers for agriculture, encourage the respective State barley boards to consider:

- . merging into a single National Barley Board; and
- . developing a long-term strategy to increase barley export to Latin America.

Technology and Services

3.85 Apart from continuing the established trade in commodities, technology and services were the two areas most frequently identified by witnesses as holding promise. The Ambassador of Chile stressed that, in his view, Australia should concentrate on those exports in which it has comparative advantages:

"In the case of Australian products, they are mainly industrial inputs, technology and services, as well as mining machinery and telecom equipment."⁸³

Another witness put it in these terms:

"They [Latin America] need modern technology to go with this boom, and Australia is well placed to be an active participant. Further, Australia should be able to contribute to both fodder conservation and animal husbandry methods, as well as to pasture improvement programs. This I see as the large growth area for Australian agricultural exporters."⁸⁴

3.86 The Australia-Brazil Chamber of Commerce outlined to the Committee some of the opportunities in Brazil in this regard. The list includes telecommunications and software, medical services, agricultural products and techniques, biotechnology, optical equipment, financial services, mining equipment and technology.⁸⁵

3.87 The submission of the Ambassador of Mexico contained details of specific Mexican infrastructure projects and industries where opportunities for Australian technological participation would be mutually most beneficial. In general,

"... there are specific possibilities in some sectors where Australia has comparative advantage, specifically in the agricultural, livestock, mining, energy and forestry sectors.

83. H.E. Mr J. Salazar, submission, Committee Hansard, p. 1338.

84. Mr I. Metherall, Committee Hansard, pp. 548-9.

85. Mr J. McGruther, Committee Hansard, pp. 633, 660-1.

Likewise, in the commodities field, there are plenty of possibilities, specifically in dairy products (milk and cream), coal, meat, aluminium, nickel, uranium, grains, ores and concentrates of base metals, raw skins, etc.⁸⁶

Mining

3.88 The compelling arguments for coal and coal-related technology exports put to the Committee by the General Manager of Elcom Services, Mr Jorge Hrdina have already been examined earlier in this Chapter.

3.89 The Committee was equally impressed by the submission of the Julius Kruttschnitt Mineral Research Centre (JKMRC) which has since 1983 developed a remarkable degree of technological cooperation between itself and institutions in Chile. For example, JKMRC has a senior engineer permanently stationed in Santiago and JKMRC technicians regularly exchange visits with Chilean mineral experts and postgraduate students. The Director of JKMRC, Dr Don McKee told the Committee:

"... the links become fairly natural. They grow out of a very close association between our people and the mining operations and their technical requirements and the technical opportunities which exist in Australia."⁸⁷

3.90 The Committee was also told of similar technological cooperation between a Chilean company, Biogenesis Limited, and an Australian company specialising in biotechnology which has enabled the two companies to utilise their skills in the most professionally and financially profitable way. In this instance, it was to manufacture in Chile, new products from ideas conceived and developed in Australia.⁸⁸

Fisheries

3.91 In its submission the South Australian Department of Fisheries outlined the valuable research cooperation between the Department and Mexican biologists under the Australia-Mexico Science and Technology Agreement. The Department reported that, as a result of the contacts made, further export of Australian abalone aquaculture technology to Mexico and Chile is likely.⁸⁹

86. H.E. Mr A. Morales, submission, p. 5.

87. Dr D. McKee, Committee Hansard, p. 1138.

88. Dr Heraldo Povea-Pacci, submission, p. 1.

89. South Australian Department of Fisheries, submission, Committee Hansard, p. 1545.