

Senate Standing Committee on Foreign Affairs, Defence and Trade

**AUSTRALIA**

**AND**

**LATIN AMERICA**

June 1992

© Commonwealth of Australia 1992

ISBN 0 642 17547 0

This document was produced from camera-ready copy prepared by the Senate Standing Committee on Foreign Affairs, Defence and Trade Secretariat, and printed by the Senate Printing Unit, Parliament House, Canberra.

## TERMS OF REFERENCE

On 9 April 1991, the Senate directed the Senate Standing Committee on Foreign Affairs, Defence and Trade to undertake an inquiry into Australia's relations with Latin America, and to report to the Senate by 30 November 1991.<sup>1</sup>

The terms of reference for the inquiry were:

Australia's relations with the republics of Latin America with particular reference to:

- (a) extension of political and cultural exchanges;
- (b) the further development of trade and transport links;
- (c) the prospects for investment and joint economic ventures;
- (d) joint participation in multilateral and other international organisations; and
- (e) co-operation on matters of international law enforcement.

---

<sup>1</sup> Reporting date subsequently extended to 18 June 1992.

**SENATE STANDING COMMITTEE ON FOREIGN AFFAIRS,  
DEFENCE AND TRADE**

**MEMBERS**

Senator G.R. Maguire, South Australia (Chairman)

Senator B.C. Teague, South Australia, (Deputy Chair)

Senator B. Bishop, New South Wales

Senator B.R. Burns, Queensland

Senator S. Loosley, New South Wales

Senator I. Macdonald, Queensland

Senator S. Spindler, Victoria

Senator S. West, New South Wales

**SECRETARIAT**

Ms Ilze Svenne, Secretary

Mrs Kay Chee Lance, Principal Research Officer

Mr John O'Keefe, Senior Research Officer

Ms Rachael Kelly, Executive Assistant

Parliament House  
Canberra ACT 2600  
Ph: (06) 277 3535  
Fax (06) 277 5706

## PROFILES OF MEMBERS OF THE COMMITTEE



**Senator Graham Maguire (ALP - South Australia), Chairman of the Committee since 1987, Senator Maguire holds an Honours degree in economics from Adelaide University and a Masters degree in economics from the Australian National University. He worked as an economic adviser to the Premier of South Australia before entering Parliament in 1983. Senator Maguire is also a member of the Joint Standing Committee on Foreign Affairs, Defence and Trade. He has served on the Parliament's**

**Public Accounts Committee and the former Senate Standing Committee on Industry and Trade. He is a member of the National Economics Policy Committee of the ALP, and a former member of the National Foreign Affairs Policy Committee of the Labor party. Senator Maguire is also a member of the boards of the Centre for Soviet and East European Studies at the University of Melbourne and Evatt Foundation in Sydney.**

**Senator Baden Teague (Liberal Party - South Australia), Deputy Chairman: A Senator since 1978, Senator Teague is chairman of the Opposition Task Force on International Relations. He has served on many parliamentary inquiries, especially in the areas of Foreign Affairs, Defence and Trade and Employment, Education and Training. Graduating BA (Hons) BSc at Adelaide and PhD at Cambridge, he worked at Adelaide University from 1972 to 1978 where he was responsible for student**



**services and lectured in the history of ideas. Senator Teague visited Argentina, Uruguay, Chile, Peru, Venezuela, Colombia and Mexico in July-August 1991 to meet government, parliamentary and business representatives in these countries. In December 1991 Senator Teague represented the Australian parliament at the inaugural meeting of the Asia-Pacific Parliamentary Forum.**



**Senator Bronwyn Bishop (Liberal Party - New South Wales)** was elected to the Senate in 1987. Chairman, Opposition Committee on Trade, Trade Negotiations, Customs and Privatisation 1990; Secretary, Coalition Economics and Business Taskforce 1990; Deputy Chairman, Senate Standing Committee on Regulations and Ordinances 1987. Member: Senate Standing Committee on Foreign Affairs, Defence and Trade 1990; Joint Parliamentary Committee of Public Accounts

1989; Senate Estimates Committee A 1987; Opposition International Relations Taskforce 1990. Shadow Minister for Public Administration, Federal Affairs and Local Government 1989-90. Deputy Chairman, Pacific Democrat Union 1991; President, Liberal Party of Australia (NSW Division) 1985-87.

**Senator Bryant Burns (ALP - Queensland)** was elected to the Senate in 1987. He is a member of several Senate Standing and Joint House Committees, including Industry, Science and Technology and Foreign Affairs, Defence and Trade. He is currently chairperson of the Senate Standing Committee on Rural and Regional Affairs as well as Senate Estimates Committee B. Senator Burns has worked as a Stockman, Boilermaker and Trade Union Official. Before entering Parliament



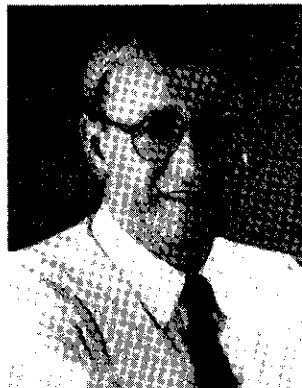
he was the State President of the Amalgamated Metal Workers Union, Queensland. He has held positions on various ALP and Trade Union Committees and was an Executive Officer of the Trades and Labor Council of Queensland.



**Senator Stephen Loosley (ALP - New South Wales)** is a Bachelor of Arts (First Class Hons) graduate in Political Science from the University of New South Wales and was General Secretary of the Australian Labor Party, New South Wales Branch, before being elected as a Senator from that State in March 1990. He has been a member of the Joint Statutory Public Accounts Committee. He is currently a member of several Parliamentary Committees, including the Senate Standing Committee on

Environment, Recreation and the Arts; Senate Standing Committee on Finance and Public Administration; Senate Standing Committee on Foreign Affairs, Defence and Trade as well as the Joint Committee on the National Crime Authority and the Select Committee on Community Standards Relevant to the Supply of Services Utilising Telecommunications Technologies. Senator Loosley was Chairman of both the ALP International Committee and ALP External Relations Committee and ALP Senior Vice President until June, 1991 when he was elected to the office of National President of the ALP.

**Senator Ian Macdonald (Liberal Party - Queensland)**, the Liberal Party's most Northern based Parliamentarian, was elected to the Senate in 1990 and appointed Shadow Minister for Local Government and the ACT in April 1992. Prior to his election, he practised as a solicitor in Ayr, North Queensland. He has held several executive positions in the Liberal Party's Queensland Division. Senator Macdonald was an elected Councillor on the Burdekin Shire Council between 1979 and 1990.



He is a member of the Senate Standing Committee on Transport, Communications and Infrastructure, Foreign Affairs, Defence and Trade and Scrutiny of Bills, as well as Senate Estimates Committee E. Senator Macdonald also serves on the Coalition Back Bench Committees on Tourism, Aviation, Local Government, Justice, Primary Industries, Transport and Communications, Resources and the Environment, Waterfront Reform and the Northern Australia Policy Forum. In early 1991 he was a member of the Parliamentary Delegation to Hong Kong, Singapore and Indonesia.



**Senator Sid Spindler (Australian Democrats - Victoria)** was elected to the Senate in 1990 and is currently the Australian Democrats' spokesperson on Attorney General and Justice, Trade and Customs, Defence, Ethnic Affairs. He is a member of the Senate Standing Committees on Foreign Affairs, Defence and Trade and Legal and Constitutional Affairs. He is also a member of the Joint Statutory Committees on National Crime Authority and Corporations and Securities, as well as the Joint

Select Committee on Family Law Act. Before entering Parliament, Senator Spindler, who holds an LL.B., M.A. (Prelim) Melbourne, was Senior Adviser to Senators Haines and Chipp. He was Deputy National President of the Australian Democrats from 1987-1990, and Victorian State President from 1985-1989. Previous experience includes a Youth Needs Survey for the Northern Territory Government, a five year development plan for the then Alice Springs Community College, UN consultancies in Tonga and Western Samoa, Social Planning work under the Australian Assistance Plan and extensive work in the Australian peace movement.

**Senator Sue West (ALP - New South Wales)** filled the casual vacancy created by the retirement of Senator Doug McClelland in 1987. Defeated in the double dissolution in July that year, she was re-elected to the Senate in 1990. Senator West is a qualified midwife, and has also worked as a community health nurse, a research officer and a ministerial consultant. She is a member of several committees, including the Senate Standing Committees on Environment, Recreation and the



Arts, Community Affairs as well as the Joint Standing Committee on the Australian Capital Territory. Most recently she became a member of the Senate Standing Committee on Rural and Regional Affairs. Senator West also served on the Senate Select Committee on Health Legislation and Health Insurance.





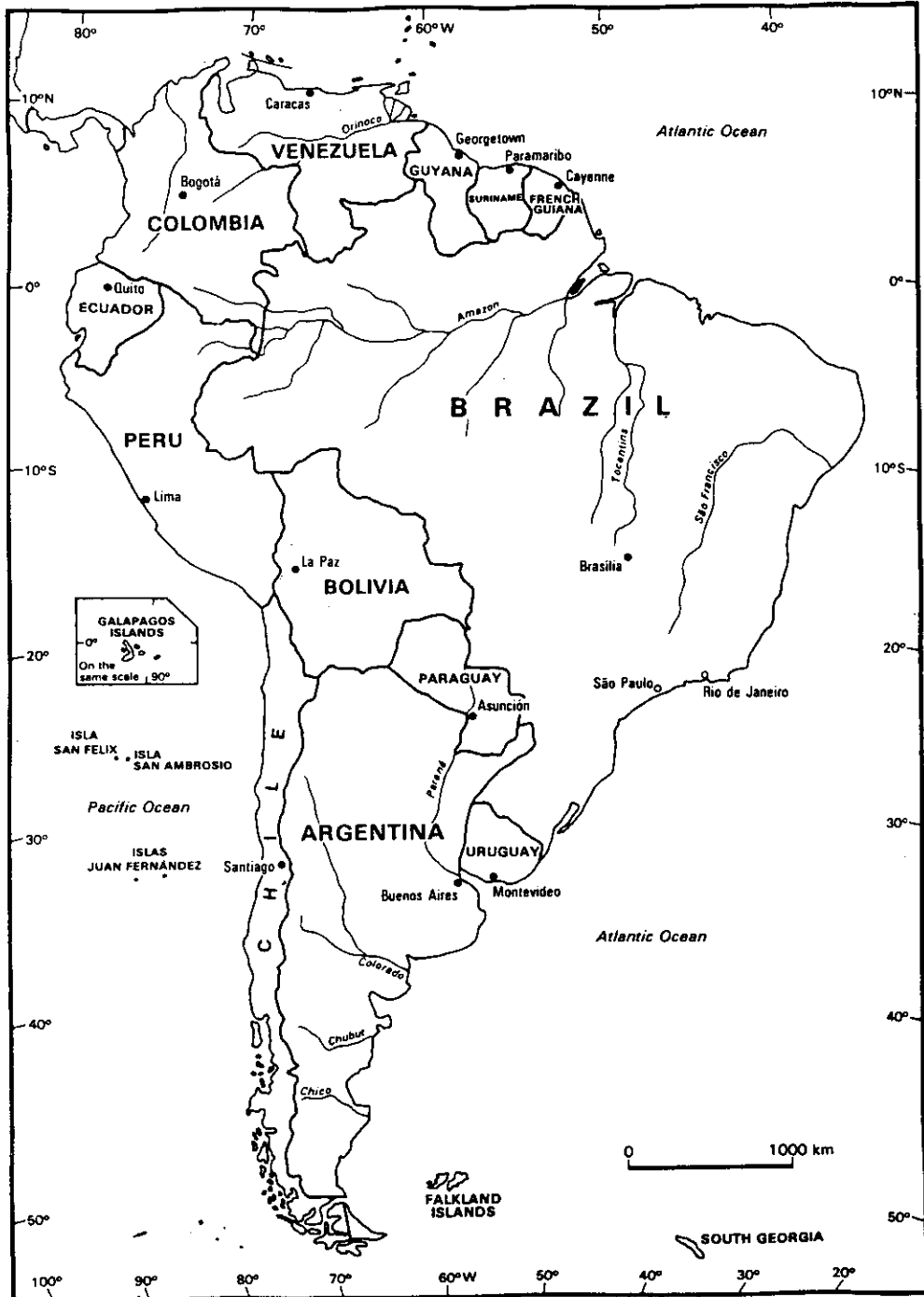
**Front Row (L to R):** H.E. Mr Fernando Navas de Brigard (Ambassador of Colombia); Senator Sue West; Senator Graham Maguire (Chairman); and Senator Baden Teague (Deputy Chairman).

**Back Row (L to R):** Mr Roberto Tourino (Charge d'Affaires of Uruguay); H.E. Mr Enrique J.A. Candiotti (Ambassador of Argentina); Senator Bryant Burns; Senator Bronwyn Bishop; H.E. Mr Gonzalo Bedoya (Ambassador of Peru); Mr Jorge Dupouy (Counsellor of Chile); and Senator Ian Macdonald.

**Senators not present:** Senator Stephen Loosley, Senator Sid Spindler.

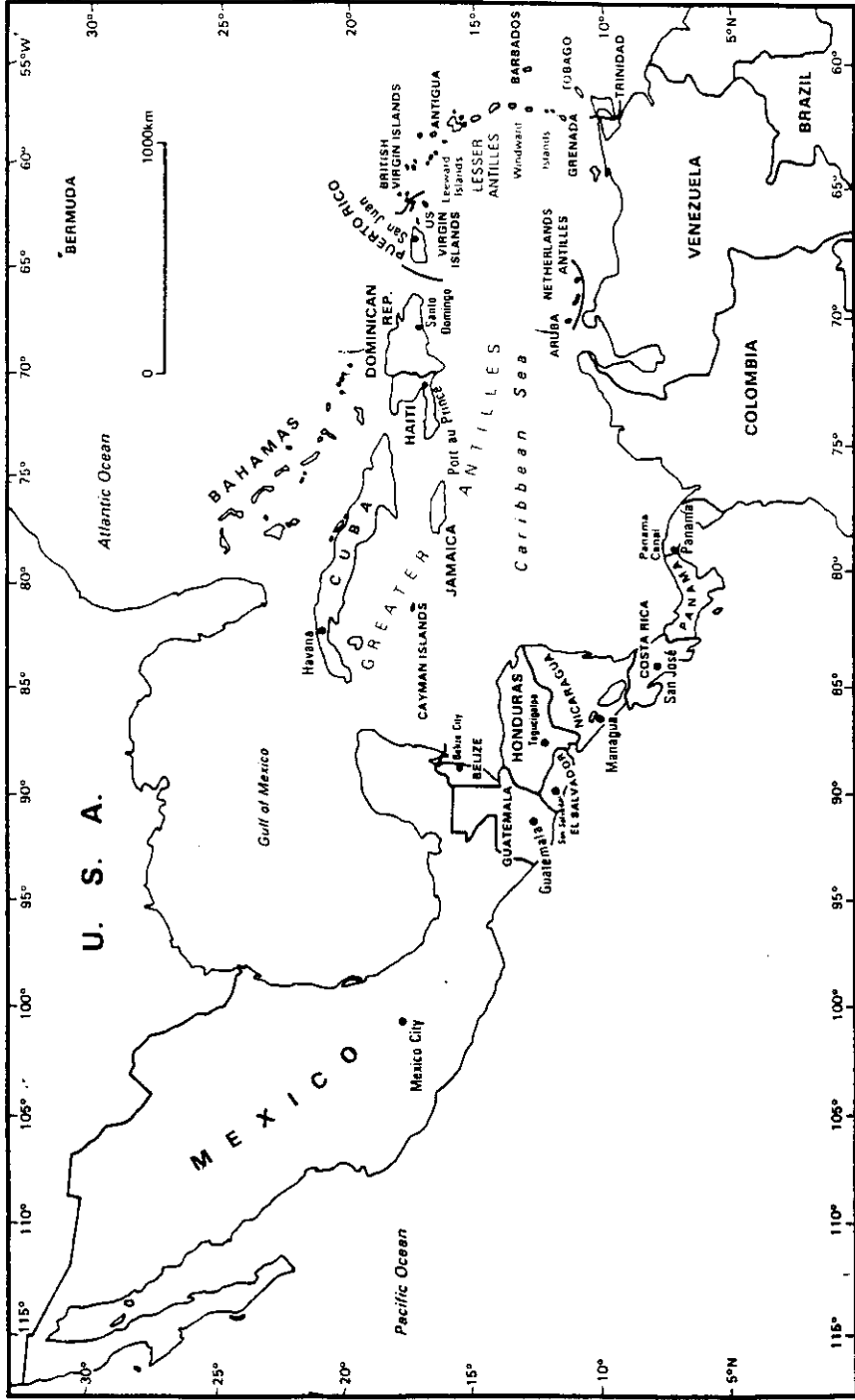
Photograph by: Garry Hanson, Government Photographic Service, Canberra, Australia.

# SOUTH AMERICA



Source: *South America, Central America and the Caribbean 1991*, 3rd Edition, Europa Publications Limited, London, p. xiv. Reproduced with the permission of Europa Publications Limited.

# CENTRAL AMERICA AND THE CARIBBEAN



Source: *South America, Central America and the Caribbean 1991*, 3rd Edition, Europa Publications Limited, London, p. xv. Reproduced with the permission of Europa Publications Limited.

## CONTENTS

	Page
Introduction	1
Recommendations	7
<b>Chapter 1 - AUSTRALIA - LATIN AMERICA RELATIONS - AN OVERVIEW</b>	<b>21</b>
Present Relations	24
Contacts in the 19th Century	31
Contacts in the 20th Century	34
Political and Economic Changes in Latin America	36
Development of Regional Trade Groups	40
Internationalisation of Australia's Economy	41
Future Relations	42
<b>Chapter 2 - LATIN AMERICA - A REGION TRANSFORMED?</b>	<b>47</b>
Latin America Today	48
The Foreign Debt Situation	52
Inflation	54
Country Snapshots	56
<b>Chapter 3 - TRADE</b>	<b>69</b>
Volume of Trade	70
Components of Trade	74
Regional Comparison	77
Trade Potential	77
Competing or Complementary - Does it Matter?	79
Specific Areas of Opportunity	81
Technology Transfer - Who Benefits?	103
Science and Technology Agreements	107
Downstream Sales	112
Long Term Harm?	114
Which Latin American Countries Offer Opportunities for Trade?	115
Tariff and Non-Tariff Barriers	116
Liability Conventions	124
Freight Tax	126
Customs	127
Export Finance	129

<b>Chapter 4 - INVESTMENT</b>	<b>137</b>
Which Latin American Countries Offer Opportunities for Investment?	139
Which Sectors Offer Opportunities for Investment?	140
Present Australian Investment and Future Prospects	147
Trailblazers	162
Personnel and Employment Matters	174
Comment	179
<b>Chapter 5 - TRADE AND INVESTMENT - STRATEGY FOR THE FUTURE</b>	<b>181</b>
Mutual Ignorance	181
Perception that Latin America is in the US Sphere	183
Whose Responsibility - Government or Private Sector?	184
The Policy Framework - the Role of Government	188
Identification and Development of Opportunities	196
Coordination and Information Dissemination	198
Level of Resources and Location of Personnel	200
Suitability of Austrade Representatives Overseas	209
Other Measures	211
<b>Chapter 6 - TRANSPORT LINKS</b>	<b>215</b>
Existing Transport Links Between Latin America and Australia	215
Aviation Links	217
Shipping Links	252
Which Comes First - More Trade or Better Transport Links?	261
Conclusion	264
<b>Chapter 7 - CULTURAL RELATIONS</b>	<b>271</b>
Cultural Contacts	272
Language	276
Export of Australian Educational Services	290
Academic Activities	303
Political and Parliamentary Contacts	310
<b>Chapter 8 - MULTILATERAL RELATIONS</b>	<b>315</b>
United Nations	316
Cooperation in International Law Enforcement	322
Antarctica	335
Nuclear Issues, Arms Control and Disarmament	336
International Commodity Agreements	338
General Agreement on Tariffs and Trade (GATT)	342
Regional Cooperation	349
North American Free Trade Agreement (NAFTA)	351
Latin American Involvement in the Pacific	358

## APPENDICES

- Appendix 1** Witnesses Who Appeared at Public Hearings
- Appendix 2** Individuals and Organisations Who Made Written Submissions to the Committee
- Appendix 3** Australia's Trade with Latin America, 1972-73 to 1990-91
- Appendix 4** Australia's Trade with Major Latin American Trading Partners, 1990-91
- Appendix 5** Australia's Trade with Eight Latin American Countries, 1972-73 to 1990-91
- Appendix 6** Economic and Population Changes in Latin America, 1970 to 1988
- Appendix 7** Latin America: Gross National Product per Capita, 1970 to 1990
- Appendix 8** Latin America: Average Annual Inflation, 1970 to 1991
- Appendix 9** Latin America: GNP and Foreign Debt, 1990
- Appendix 10** Statistical Profiles of Latin American Countries
- Appendix 11** Summary of Shipping Services to South America
- Appendix 12** Table 1: Australia's Liner Trade with Latin America, Liner Exports (Tonnes) by Country of Destination;  
Table 2: Australia's Liner Trade with Latin America, Liner Imports (Tonnes) by Country of Origin;  
Table 3: Australia's Non-Liner Trade with Latin America, Non-Liner Exports (Tonnes) by Country of Destination;  
Table 4: Australia's Non-Liner Trade with Latin America, Non-Liner Imports (Tonnes) by Country of Origin
- Appendix 13** A Selected Listing of Cultural Exchanges/Relations between Australia and Latin American Countries, 1990 - 1992
- Appendix 14** Recommendations of AGB Report
- Appendix 15** Bilateral and Other Visits
- Glossary**

## **TABLES**

<b>Table 3.1</b>	Trade Between Australia and Latin America, 1988-89 to 1990-91
<b>Table 3.2</b>	Trade Between Australia and Latin America as a Percentage of Australia's Total Trade, 1972-73 to 1990-91
<b>Table 3.3</b>	Trade Between Australia and Individual Latin American Countries, 1988-89 to 1990-91
<b>Table 3.4</b>	Australia's Trade Balance with Five Latin American Countries, 1988-89 to 1990-91
<b>Table 3.5</b>	Main Items Traded, 1988-89 to 1990-91
<b>Table 3.6</b>	Australia's Regional Trade 1990-91
<b>Table 3.7</b>	Export of Dairy Products to Latin America, 1990
<b>Table 3.8</b>	Export of Skim Milk Powder to Latin America, 1987 - 1990
<b>Table 3.9</b>	Malt Export from Australia to South America, 1986-87 to 1990-91
<b>Table 3.10</b>	Supply/Demand of Malting Barley in South America, 1992
<b>Table 3.11</b>	Total Australian Barley Exports to South America, 1986-87 to 1990-91

## **MAPS**

South America

Central America and the Caribbean

Direct Airlinks Between Australia and Latin America

Direct Shipping Links Between Australia and Latin America

## INTRODUCTION

On 9 April 1991 the Committee was directed by the Senate to inquire into Australia's relations with the Republics of Latin America with a view to recommending ways in which the relationships may be improved. Particular attention was to be paid to the matters outlined in the Terms of Reference.

On 13 April 1991 the Committee placed advertisements in major Australian metropolitan newspapers inviting submissions to the inquiry. In addition, the Committee wrote to a large number of individuals and organisations both in Australia and Latin America, drawing their attention to the establishment of the inquiry and inviting submissions on the matters specified in the Terms of Reference.

The response to the inquiry was strong. A total of 120 submissions was received. The following is a breakdown of the submissions received:

Origin	No. of submissions
Businesses and commercial organisations	27
Academics (both research institutions and individual academics)	25
Commonwealth Government Departments or Agencies	17
Private individuals	17
Non-commercial institutions and organisations (eg. AFS International Exchanges)	16
Peak bodies and umbrella groups (eg. Australia-South America Business Council)	9
Diplomats	6
State Government Departments or Agencies	3
	-----
	120
	-----



The Committee is pleased to note the following:

The greatest number of submissions was made by private commercial companies either involved or interested in trade with Latin America. They range from large companies such as Broken Hill Proprietary Company Limited, Western Mining Corporation, Mount Isa Mines, Australia and New Zealand Bank, Banco Santander and Davis Gelatine, to smaller companies such as Leighlands Pastoral Holdings, Mario Moreira Media Services International and Biogenesis Limited.

Six of the submissions received were from representatives of Latin American diplomatic missions in Australia. The Committee was pleased to receive the submissions of the representatives of Argentina, Chile, Colombia, Mexico, Peru and Uruguay. The Committee also received background information from the missions of Brazil and Venezuela.

Another six submissions were received from interested individuals and organisations overseas, namely, Mr James MacAonghus who told the Committee that he is a descendent of one of William Lane's "New Australians" (see para. 1.48 of this Report), the Brazil-Australia Chamber of Commerce in Sao Paulo, Brazil, the Institute of International Studies in Santiago, Chile, Central and Mayor Universities in Santiago, Chile, the Confederacion de Camaras de los Estaddos Unidos Mexicanos in Mexico, and the Australian Residents' Committee in Nicaragua.

By far the greatest number of the submissions dealt with two items in the Terms of Reference, namely the further development of trade and transport links (73 submissions) and the prospects for investments and joint economic ventures (58 submissions). Almost without exception submissions on transport links stressed the inadequacies of present air and shipping links between Australia and Latin America and cited poor transport links as an impediment to the development of trade between the two regions.

The Committee was pleased to receive 37 submissions dealing with political and cultural exchanges. There were fewer on multilateral and other international organisations (16 submissions) and international law enforcement (6 submissions).

The Committee received 13 submissions dealing either substantially or in passing with aid issues and the question of human rights abuses in Latin America.

The Committee held 12 public hearings, of which 7 were held in Canberra, two in Sydney, and one each in Adelaide, Brisbane and Melbourne. A list of the witnesses who appeared before the Committee at the hearings is at Appendix 1.

It quickly became evident to the Committee that it was dealing with a very broad topic. As the Committee pursued its inquiries and followed up leads, a large amount of detailed information on a great many aspects of the relationship between Australia and Latin America accumulated.

The Committee found the learning process of this inquiry valuable and fascinating. It emerged that links between Australia and Latin America were more extensive in the 19th century than at present. In fact, the early Australian colonists were largely sustained by wheat and flour from Chile in the 1850s.

It is fitting that in this year, the 500th anniversary of Christopher Columbus' voyage in search of the Indies and subsequent discovery of the New World, that we in Australia should strive to re-establish closer links across the Pacific with the republics of Latin America.

Many interesting and sometimes surprising facts also emerged from the evidence. For example, while Australians tend to see Latin America as a source of coffee, in 1990-91 Australia actually imported iron ore from Latin America worth more than coffee. Although Australia is itself a major producer and exporter of iron ore, a claim was made that ore from other countries, including countries of Latin America such as Brazil, must be blended with the Australian ore to make the best quality steel.

While Australia's economic relationship with the region as a whole is slight, there is at least one striking exception. Australian mining companies have focussed on Chile in a major way and Australian investment represents the third largest source of foreign investment there.

An interesting trend to emerge was the decision by many Australian companies to run their Latin American operations from offices in North America rather than from Australia or Latin America.

As one would expect, the countries of Latin America have very strong links with North America and continuing ties with Europe. However, in some areas, for example, sale of dairy products, competition in Latin America comes not only from the subsidised producers of Europe and North America. New Zealand dairy producers have provided strong competition and have substantially out-competed Australia in the Latin American market for dairy produce in recent years.

In presenting this Report the Committee has drawn on the information made available to it, using many case histories and specific examples quoted by witnesses to illustrate the broad assessments and trends that have emerged. The Committee has by no means been able to incorporate references to all the important details included in the submissions to the inquiry. With very few exceptions, this material is publicly available. To facilitate access it is being published in companion volumes to this Report. It is the Committee's hope that the material will be put to good use by those in both the public and private sectors interested in or tasked with carrying the recommendations of the Report forward.

The Committee would like to draw attention to an unusual, but very welcome feature of this inquiry, namely the close involvement of representatives of diplomatic missions in Canberra in the inquiry.

Representatives of the embassies and consulates of Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela were regularly present at the Committee's public hearings throughout the inquiry. Many missions kept the Committee up to date on developments in their respective countries. Committee members also had numerous informative discussions with the diplomatic representatives on an informal basis throughout the inquiry.

Of particular interest was the appearance of four Latin American diplomats before the Committee at public hearings. Only once before, since the Australian Parliament's comprehensive system of Standing Committees was set up (in the Senate in June 1970 and the House of Representatives in September 1987), has a foreign diplomat appeared before a Parliamentary Committee at a public hearing.<sup>1</sup>

On this occasion the Committee had the privilege of foreign diplomats from Chile, Colombia, Peru and Uruguay appearing before it as witnesses. Their participation underlined to the Committee the importance the Latin American representatives attach to relations with Australia, and their desire to assist the Committee to achieve substantive improvements in the relationships.

The Committee is also extremely grateful for the wholehearted support received from individuals and organisations and the many letters it received wishing the Committee well in its deliberations. The inescapable conclusion is that a concerted focus on Latin America through the avenue of a Parliamentary inquiry is valued by many in the community and regarded as a long-overdue development.

At the same time, the Committee detected considerably less enthusiasm and interest in some quarters. The Committee gained the strong impression that several Government departments and agencies are now so preoccupied with Asia that little thought is given to the far-away countries of Latin America. In the Committee's view, this is shortsighted.

The Committee is pleased with the response to the Latin America inquiry as well as the interest the inquiry has generated. It is also pleased to note the view expressed by the Department of Foreign Affairs and Trade (DFAT) that this inquiry has served to focus attention on Latin America "to an even greater degree than we had imagined possible."<sup>2</sup> The Committee notes that information collected during the inquiry has already been put to good use by DFAT and a number of Latin American missions in Australia in improving bilateral contacts.

The Committee is particularly pleased with some initiatives announced by Australian Government agencies during the course of the inquiry which reflect their new awareness of opportunities in Latin America. The Committee particularly welcomes

---

<sup>1</sup> The then Soviet ambassador Dr Evgeni Samoteikin made Australian Parliamentary history when he appeared before this Committee on 21 November 1989 during the Committee's inquiry into the implications of "Perestroika" for Australia.

<sup>2</sup> Letter from Mr I. Wilcock to the Committee Secretary, dated 21 April 1992.

the announcements that:

- . Austrade's Senior Trade Commissioner will be based in Buenos Aires instead of Miami;
- . an Austrade Specialist Trade Commissioner (Mining and Energy) will be based in the Australian Embassy in Santiago;
- . Austrade's Manager, Telecommunications, will visit Latin America to assess and report on telecommunications opportunities; and
- . a study on shipping links between Australia and Chile (and Latin America) is being undertaken by DFAT in conjunction with Chilean government agencies and private shipping companies.

The Committee is convinced that, while Australia's present emphasis on relations with Asia is correct - one might even say belated - this focus should not be exclusive. The Committee would not like to see very real opportunities in other regions foregone just as Australia is coming to grips with Asia.

If the Committee could draw one parallel, it would be this: the difference between a team of professional players and a team of amateurs is that the professionals play a thinking game where the players position themselves on the field and do not simply all run after the ball.

Even in the midst of pursuing opportunities in Asia, Australians must not lose sight of the fact that strategic planning and positioning regarding Latin America needs to be carried out now, not in the next century when the continent is expected to be a significant economic force.

Put simply, Australia must play a professional game. To survive in a highly competitive global economy Australia must grasp the best opportunities wherever and whenever they occur. The Committee is firmly convinced that valuable opportunities are rapidly appearing in Latin America today. Government and business must work together to ensure that those opportunities are not missed.

## RECOMMENDATIONS

**Recommendation one:** The Committee recommends that greater effort be made by the Australian Government to establish stronger links with the countries of Latin America across a wide range of economic, cultural and academic activities.

**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.

**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.

**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.

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.

Recommendation six: The Committee recommends that the Australian Government:

- . pursue without delay any expressions of interest in bilateral science and technology agreements by the governments of the major Latin American countries with a view to negotiating and signing such agreements; and
- . keep relevant organisations and companies, including those identified in this Report, informed of assistance available under such agreements as they come into effect.

Recommendation seven: The Committee recommends that the Australian Government, through Austrade and other representatives stationed in Latin America:

- . closely follow reductions in tariff and non-tariff barriers in the Latin American countries;
- . ensure that this information is quickly and widely made available to Australian companies that may have an interest in the relevant product areas; and
- . identify remaining tariff and non-tariff barriers that might be included in future representations by the Government.

Recommendation eight: The Committee recommends that the Department of Foreign Affairs and Trade and the Attorney-General's Department canvass with the business community the value of wider adherence to international transport liability conventions, with a view to taking up matters relating to international transport liability with Latin American Governments as necessary.

Recommendation nine: The Committee recommends that the Australian Government make representations to the Government of Brazil to remove Brazil's freight tax or to amend it so that it does not discriminate against goods shipped over long distances.

Recommendation ten: The Committee recommends that the Australian Customs Service continue to maintain a high level of scrutiny of inbound goods that may pose a drug risk, and at the same time take steps to ensure that goods from Latin America are processed as quickly as possible.

Recommendation eleven: The Committee recommends that EFIC examine financing problems faced by companies dealing with Latin America, taking account of the rapid political and economic changes that have taken place in that region in recent years. The Committee further recommends that EFIC review its existing rules and procedures with a view to facilitating the provision of credit for companies trading with Latin America. In particular, EFIC should look to:

- . providing more medium and long term credit to such companies; and
- . eliminating the need for companies to apply for insurance on a shipment by shipment basis.

Recommendation twelve: The Committee recommends that AOTC, with the assistance of DFAT and Austrade:

- . establish in greater detail what specific opportunities in the telecommunications sector are likely to be available in Latin America in the next three years;
- . develop cooperative arrangements to ensure that up-to-date information is available to AOTC and that AOTC has access to appropriate on-the-ground assistance; and
- . develop a strategy to establish a more substantial Australian involvement in the telecommunications sector in Latin America. This should include two-way visits by appropriate Ministers to increase awareness in Latin American countries of Australian capabilities in this field.

The Committee further recommends that AOTC include a progress report on this matter in its 1992-93 Annual Report.

Recommendation thirteen: The Committee recommends that:

the Department of Immigration, Local Government and Ethnic Affairs ensure that it has a set of concise, clear and accurate guidelines that may be applied consistently to the lodging of applications for temporary entry of skilled workers. The guidelines should include all relevant information relating to documentation requirements;

in addition to being generally available, a copy of these guidelines should be sent to relevant individuals and agencies, including heads of Latin American diplomatic missions in Australia, DFAT, Austrade, DITAC and DPIE, industry associations, including the Australia-South America Business Council, and companies identified in this Report as having trading or investment links with Latin America.

Recommendation fourteen: The Committee recommends that the Australian Government:

signal clearly its recognition of Latin America as a region offering significant trade opportunities for Australia;

state its intention to work towards an increased share of trade with Latin America. The goal could be to increase the share from the present 1% share of Australia's total trade to 3% by the year 2000;

amend the working paper *Australian Trade and Investment Development* to accord more significance to Latin America as a region of opportunity and incorporate this amended policy in the National Trade Strategy; and

ensure that this changed policy is fully reflected in the strategic planning of - and implemented by - all relevant Commonwealth Government departments and agencies, particularly DFAT, DITAC, Transport and Communications, DPIE and Austrade.

Recommendation fifteen: The Committee recommends that DFAT, in close collaboration with Austrade and relevant Commonwealth and State marketing bodies, undertake a substantial detailed survey and assessment of trading and business opportunities in Latin America along the lines of those on North East Asia and South East Asia. This analysis should preferably be tabled within the next year.

Recommendation sixteen: The Committee further recommends that the assessment in recommendation fifteen be put to potential user groups, including the various industry associations, to enable those bodies to be better informed and better placed to take more effective advantage of trading opportunities in Latin America. The



assistance of the Council for International Business Affairs should be sought in this regard. Care should be taken to ensure that small to medium-sized Australian companies are also involved in this process. It is also essential that the process of dialogue between government statutory bodies with marketing responsibilities and the private sector be a continuing one. Direct and frequent contact between officers with responsibilities in the various areas should be encouraged.

Recommendation seventeen: The Committee recommends that the Australian Government consider the appointment of a permanent representative in Sao Paulo in the context of an overall strategy to improve commercial and other links with Latin America.

Recommendation eighteen: The Committee recommends that DFAT takes steps to identify and appoint suitable Honorary Consuls in Latin American countries in which Australian diplomats are presently not based and which present significant trade and investment opportunities.

Recommendation nineteen: The Committee recommends:

- . that an Energy and Mining Trade Specialist be placed in Mexico City as soon as possible. The representative should:
  - be based within the Australian Embassy;
  - have expert knowledge of a range of mining and mineral technology matters. In particular, the representative should have expert knowledge of the types of coal that can be sourced from Australia, of port handling and of the construction of coal-fired electric power plants;
  - liaise with Government authorities and private enterprise in Mexico on energy requirements;
  - also have responsibility for identifying and developing opportunities in the energy and mining fields in Colombia and Venezuela;
- . that the appointment be made for a period of three years, at the end of which a review of the appointment be made.

Recommendation twenty: The Committee recommends that Australia's trade representatives in Latin America should:

- . be fully briefed on the capabilities of Australian industry before taking up their appointment in Latin America. This should include at least two months of induction in Australia with attachments to Austrade offices and to selected

Australian companies as part of the induction process;

visit Australia at least every other year thereafter.

Further, the Committee believes that consideration should be given to applying these principles to all Austrade postings.

**Recommendation twenty one:** The Committee recommends that the Export Access Program of the Department of Industry, Technology and Commerce be extended to include Latin America as a target area.

**Recommendation twenty two:** The Committee recommends that DFAT and Austrade initiate the negotiation of mutually beneficial bilateral relations agreements that are not at variance with GATT rules between Australia and the major republics of Latin America, either on a country or trade promotion agency level.

**Recommendation twenty three:** The Committee recommends that, in the light of the Committee's identification of Latin America as a potentially significant trading and investment partner, the Australian Government take appropriate steps to ensure that:

Double Taxation Agreements are concluded with the major Latin American countries within the next three years; and

the need for other relevant agreements, such as Social Security and Employment arrangements, is kept under review.

**Recommendation twenty four:** The Committee recommends that DFAT and Austrade take steps to assist in the establishment of industry bodies, such as business councils and chambers of commerce, linking Australian companies with an interest in Latin America, to supplement the bodies already in place. Priority should be given to those Latin American countries with diplomatic representation in Australia.

**Recommendation twenty five:** The Committee recommends that Austrade:

compile a list of major trade fairs, exhibitions, conferences and other events in Latin America which Australian companies could consider attending. In drawing up such a list, Austrade should consult with DFAT and relevant agencies, and also refer to the information provided to the Committee by the Latin American diplomatic representatives in Australia;

circulate the list to Australian companies through Austrade's State Offices, Client Support Units and Business Development Units;

- . indicate in order of priority, which events Austrade would most recommend for Australian participation and where Austrade could assist Australian companies to participate in these events;
- . actively assist Australian companies to be represented in selected events.

**Recommendation twenty six:** The Committee recommends that sympathetic consideration be given by the Department of Transport and Communications to any request by Aerolíneas Argentinas for a guarantee of longer-term access to a second weekly frequency. In the Committee's view this could be done without cutting off the option for Qantas to begin a Sydney-Buenos Aires service at any time in the future.

**Recommendation twenty seven:** The Committee, while regretting the Qantas decision to downgrade its service to Papeete, nevertheless recommends that Qantas actively pursue with Lan Chile the question of improving the connection between Lan Chile and Qantas flights at Papeete.

**Recommendation twenty eight:** The Committee recommends that DILGEA review the present method of recording destinations of travellers with a view to producing more accurate and more meaningful data on countries visited by Australian travellers.

**Recommendation twenty nine:** The Committee recommends that:

- . Latin American countries be included in the list of countries whose citizens do not require a transit visa;
- . streamlining of procedures for the issue of visas to visitors from Latin America be accelerated; and
- . all DILGEA staff in Latin America with authority to issue visas are made fully aware of the need to eliminate unnecessary delays in the issue of visas.

**Recommendation thirty:** The Committee recommends that DFAT and Austrade act as catalysts to assist the Australian business community and the current and potential providers of direct shipping services between Australia and Latin America to identify ways and means of promoting and facilitating trading links. The participation of the Department of Transport and Communications and the Australian Chamber of Shipping should be sought as necessary. Discussions between the parties should be held both at overseas posts and in Australia.

**Recommendation thirty one:** The Committee recommends that a Task Force on Latin America be established, initially for a period of two years. This Task Force should be chaired by the Department of Foreign Affairs and Trade and should involve the following bodies:

Australian Trade Commission  
Department of Transport and Communications  
Department of Employment, Education and Training  
Department of Immigration, Local Government and Ethnic Affairs  
Department of Primary Industries and Energy  
Department of Arts, Sport, the Environment and Territories  
Department of Industry, Technology and Commerce  
Department of the Prime Minister and Cabinet

the objective of the Task Force in the first instance should be to examine what contribution each participating department or agency might make to increasing links with Latin America as set out in Recommendation one of this Report;

the Task Force should develop a clear strategy, identifying complementary action that must be taken by each party to achieve the objective of increasing such links;

in developing a suitable strategy, the Task Force should take account in particular of Recommendation fourteen of this Report and address in detail the issues identified in paragraph 6.207. On the matter of transport links between Australia and Latin America, the Task Force should seek improvements in:

- the frequency of services;
- the cost of services; and
- the ease of connections.

the Task Force should involve directly in its activities or working groups that might be set up under it, other interested parties such as the Civil Aviation Authority, Qantas and other Australian airlines interested in establishing international services, the Australian Tourist Commission and State Tourism Authorities, relevant Marketing Boards (such as the Australian Dairy Corporation, the Australian Horticultural Corporation, Australian Coal Board and various Barley Boards), and other relevant bodies such as the Australian Business Council, the various Chambers of Commerce and AILASA;

the Task Force should build on the findings of this Report and have ongoing responsibility for coordination of the Australian Government's policies in relation to Latin America. The Task Force should monitor implementation of the Recommendations of this Report;

the existence and role of the Task Force should be well-publicised and a position in DFAT clearly identified as a first point of contact and advice for

anyone interested in pursuing opportunities with the countries of Latin America;  
and

progress in implementing the Recommendations of this Report and the requirement for the Task Force should be reviewed in two years' time.

Recommendation thirty two: The Committee recommends that the Australia Council, DFAT, Austrade and DASET make every effort to coordinate their activities in Latin America so as to maximise the impact of both cultural and trade promotion activities. Since the lead-times for such activities are long, the Committee recommends that the Australia Council, DFAT, Austrade and DASET develop coordinated, three year rolling plans for mutually supportive projects in Latin America. The possibility of integrating such activities with Ministerial and Parliamentary visits should also be fully explored.

Recommendation thirty three: The Committee recommends that the responsibility for exchanging information on opportunities for cultural activities and exchanges should be more clearly identified and more widely shared between the bureaucracy and outside bodies. To that end the Committee recommends that the *joint responsibility* of key areas in the bureaucracy to keep each other - and bodies such as the Australia Council, and private sector organisations, companies and academic institutions with an interest in Latin America - *informed of opportunities* in the cultural exchanges field be *clearly enunciated*. In particular, this responsibility should be clearly identified in the objectives and work programs of the relevant Department of Foreign Affairs and Trade Branches (i.e. Americas, Overseas Information and Cultural Relations), Australian diplomatic missions in Latin American countries, and Austrade.

Recommendation thirty four: The Committee recommends that the Australian Government give consideration to, and actively explore with the Governments of the Republics of Latin America, the value and feasibility of cultural agreements as a means of facilitating cultural exchanges. Priority could be given to those with resident representation in Australia.

Recommendation thirty five: The Committee recommends that, in the implementation of the Government's Language Policy, the Federal and State Education Departments ensure that they themselves are fully aware, and ensure that potential students of foreign languages are made fully aware of the importance and value of Spanish as an international language.

Recommendation thirty six: The Committee recommends that in the implementation of the White Paper *Australia's Language: The Australian Language and Literacy Policy*, resources be allocated in such a way as to ensure that by the year 2000 the provision of Spanish language training in Australia brings the Spanish language more nearly

towards that attained by the French language, both in numbers of students and level of proficiency.

The Committee emphasises that, in the light of the extremely low level of foreign language study, particularly in the secondary education sector, in Australia today, the extra effort required for the Spanish language should *not* be at the expense of any of the other priority languages, but should be a net addition to current efforts.

Recommendation thirty seven: The Committee recommends that DEET, in cooperation with State education authorities, institute a scheme whereby native Spanish speakers who do not have Australian teaching qualifications may be employed as assistants in the teaching of the Spanish language in Australian schools.

Recommendation thirty eight: The Committee recommends that DEET in cooperation with State education authorities actively explore the possibility of arranging teacher exchanges between Australia and the countries of Latin America as a means of overcoming the serious shortage of Spanish language teachers in Australia.

Recommendation thirty nine : The Committee recommends that DEET institute a system whereby language skills developed outside the formal schooling system can be assessed and acknowledged as a recognised education qualification.

Recommendation forty: The Committee recommends that relevant Government Departments and authorities, such as DEET and Austrade, support, as a matter of priority, the inclusion of Spanish language training in the establishment and operation of Language Export Centres.

Recommendation forty one: The Committee recommends that the proposed Australian representative in Sao Paulo (see Recommendation seventeen):

- . evaluate the opportunities for marketing of Australian educational services; and
- . be in a position to issue visas.

Recommendation forty two: The Committee recommends that the Australian Government, and relevant authorities take note of the AGB report, *International Competitiveness Study*, particularly recommendations 3, 5, 6 and 7 and where possible implement these recommendation in respect to Latin America in order to promote Australian educational services in that region.

**Recommendation forty three:** The Committee recommends that action be taken by DILGFA, the Department of Foreign Affairs and Trade and Austrade to ensure that their officers located in Latin America are fully aware of the educational services available in Australia to overseas students and are in a position to give appropriate information and guidance to potential students.

**Recommendation forty four:** The Committee recommends that DEET and Austrade coordinate with educational institutions and relevant bodies in Australia to produce an information kit, in both Spanish and Portuguese, listing:

- . courses available in Australia and the institutions providing them;
- . the process for enrolling at the various institutions concerned;
- . costs involved;
- . the process involved in applying for visas to study in Australia; and
- . general information on living in Australia, particularly as a student.

These kits should be provided to Australian diplomatic posts and Austrade offices in Latin America for distribution to potential students on request.

**Recommendation forty five:** The Committee recommends that Austrade and the Department of Foreign Affairs and Trade in association with interested educational institutions in Australia mount a concerted campaign to promote the provision of educational services in Australia to Latin Americans.

**Recommendation forty six:** The Committee recommends that Government funding be provided for:

- . the appointment of a full time secretary to AILASA;
- . assistance with the publication of a regular AILASA Bulletin or Newsletter;
- . assistance to AILASA to complete a national inventory of specialist resources on Latin America; and
- . assistance to AILASA to hold a major annual Round Table on current issues in Latin American relations, involving AILASA and relevant business, government, migrant, cultural and community organisations.

Recommendation forty seven: The Committee recommends that, as one means of achieving the objective in Recommendation one of this Report the Department of Education, Employment and Training establish an institutional links program, based on the model developed for the Asian region, to assist universities to establish collaborative research and exchange arrangements with universities in Latin America.

Recommendation forty eight: The Committee recommends that:

- the National Library, in consultation with other major collecting institutions, examine the value of formalising the present informal agreement between these institutions to ensure a fair and effective allocation of material on Latin America among them and the development of appropriate centres of excellence for Latin American studies; and

- a feasibility study be carried out by the National Library, La Trobe University Library and the University of New South Wales School of Librarianship, into a program of exchange with appropriate libraries and universities in Latin America, whereby materials on Latin America might be made available to Australian libraries, and materials on Australia as well as technical and training assistance be made available to national library systems in Latin America.

Recommendation forty nine: The Committee recommends that Government Ministers with responsibilities in areas of mutual interest to Australia and to the countries of Latin America, such as mining, telecommunications, agriculture and agricultural technology, as well as Ministers with responsibility for Trade and Foreign Affairs seek out opportunities to visit Latin American countries to further the interests of Australia in the region. The Committee also encourages the Australian Government to continue to invite Latin American political leaders and Government Ministers to visit Australia.

Recommendation fifty: The Committee recommends that the momentum of political and parliamentary exchanges built up in the last two years be consolidated. The Committee also recommends that the Australian Council for Political Exchange look to expanding its program to include Latin America on a bilateral basis. The Committee suggests that the first country to be considered should be Mexico.

Recommendation fifty one: The Committee recommends that the Special Visits Program conducted by the Department of Foreign Affairs and Trade should include at least two visitors from the Latin American region each year.

Recommendation fifty two: The Committee recommends that Australia build on existing links with the Latin American countries on issues that come before the United Nations. Greater effort should be made to identify issues of common concern and a more regular pattern of pre-General Assembly consultation instituted. Such habits of



consultation would be facilitated if DFAT were to initiate a series of regular briefings of Latin American Heads of Mission in Canberra, two or three times a year, on issues of common interest. The basis would thus be more firmly laid for the Minister for Foreign Affairs and Trade to expand his contact with the Foreign Ministers of the Latin American countries in the bilateral round of negotiations traditionally conducted with Australia's more important international partners before each session of the United Nations General Assembly.

Recommendation fifty three: The Committee fully supports the Government's efforts to negotiate and bring into effect new extradition and mutual assistance in criminal matters treaties with Latin American countries and recommends that the negotiation of the treaties identified in para 8.42 be pursued as a matter of urgency with a view to finalising agreed texts by the end of the 1992-1993 financial year.

Recommendation fifty four: The Committee recommends that steps be taken without delay to enable Australia to proceed to ratification of the 1988 UN Convention Against Illicit Trafficking.

Recommendation fifty five: The Committee recommends that Australia continue to participate actively in the United Nations drug control program, including participation in elements of the program specifically directed to Latin America.

Recommendation fifty six: The Committee recommends that the level of police liaison with Latin American law enforcement authorities be regularly reviewed by the Australian Government in the light of any growth in interdictions or intelligence indicating an increase in direct importation of drugs into Australia from Latin America.

Recommendation fifty seven: The Committee recommends that the Australian Government give favourable consideration to providing modest and selective law enforcement assistance to countries in the Latin American region along the lines of some already delivered in South East Asia.

Recommendation fifty eight: The Committee recommends that scientific exchanges on Antarctic issues be considered for inclusion in the science and technology agreements proposed by the Committee in Recommendation six.

Recommendation fifty nine: The Committee recommends that:

dialogue of the kind initiated with Argentina on the implementation of a future convention on the Prohibition of Chemical Weapons be extended to other countries of Latin America; and

that Australia, as the sponsor of the Chemical Weapons Regional Initiative in its own region, maintain close contact with the regional initiative taken by Venezuela.

Recommendation sixty: The Committee recommends that the Australian Government, as a matter of utmost urgency, conduct, in close consultation with the private sector, a detailed study of the implications of arrangements that are likely to be included in any North America Free Trade Agreement (NAFTA), and which have the potential to have a significant impact on Australia. Particular sectors that might be the subject of such study include the steel, textile, dairy, meat and sugar industries. The purpose of the studies would be to enable the Australian Government to seek to influence, in a timely manner, the outcome of NAFTA negotiations.

Recommendation sixty one: The Committee recommends that the Government institute a detailed study of the implications of Latin American regional trade and economic groupings for Australia. The study should, as far as possible, draw on expertise available in both the academic and business world.

Recommendation sixty two: The Committee recommends that the Australian Government actively support the application by Mexico for membership of APEC.

Recommendation sixty three: The Committee recommends that Australia also encourage the favourable consideration by APEC members of applications by other Latin American countries for membership of APEC.

*"It is a shifting ground, and those who remain standing will be those quick on their feet ... If we want to be somewhere different in ten years, or even five, beyond where we are now, then we need to start taking steps in that direction."<sup>1</sup>*

## CHAPTER ONE

### AUSTRALIA-LATIN AMERICA RELATIONS - AN OVERVIEW

1.1 The task set for the Committee by the terms of reference is to examine relations between Australia and Latin America. In tackling the task set, the Committee was immediately confronted by a basic question. What is Latin America? Is it a clearly defined geographical region or political entity? From the very beginning of the inquiry it became evident that definitions of what constitutes Latin America can vary.

1.2 As a region "Latin America" was not even simple to define geographically. As the Chilean Ambassador, His Excellency Mr Juan Salazar Sparks, pointed out to the Committee, "Latin America", as a geographical region, is commonly regarded as the landmass encompassing South America, Central America, some Caribbean islands and Mexico.<sup>2</sup>

1.3 The Committee also adopted this broad definition which, in effect meant excluding most of the Caribbean countries from consideration in the Report. Not only were there geographical subtleties and complexities to accommodate,<sup>3</sup> individual differences between the countries that constitute Latin America became more and more evident as the inquiry proceeded. As Mr Jose Blanco, representing a Spanish bank which has been involved in trade with the Americas for over a century, pointed out:

"One of the major misconceptions which Australians have about Latin America [is] that Latin America is a region

---

1. Mr G. Smith, submission, Committee Hansard, p. 1098.

2. H.E. Mr J. Salazar, submission, Committee Hansard, p. 1314.

3. It was necessary, for instance, to consider whether the Falklands/Malvinas should be included as part of Latin America. Although many observers, for reasons of its history, language and political affiliation would not regard the Falklands/Malvinas as part of Latin America, the Committee has used statistical material that includes the Falklands/Malvinas. However, in view of the very limited nature of the relationship, the Committee did not address that relationship in any detail.

made up of many homogeneous countries."<sup>4</sup>

1.4 The Ambassador of Chile made the point:

"The concept of 'Latin America' has little meaning ... What does exist are twenty independent and highly individual countries which differ from one another strikingly."<sup>5</sup>

1.5 Similarly, the Australia-South America Business Council, recognising the diversity of the region, informed the Committee that it appoints individual executive members to be responsible for liaison with separate Latin American countries. This individual approach is regarded by the Council as vital to the development of the relationship between Australia and the republics of Latin America across a broad range of political, commercial and cultural matters.<sup>6</sup>

1.6 It became quickly evident that, while it is possible to generalise in some respects about the nations that stretch from the United States/Mexican border to the southern tips of Argentina and Chile, it is vital to take account of the significant differences between them.

1.7 Other submissions on the same theme came from Dr John Fogarty of the Economic History Department, University of Melbourne and from the former Chief Executive of Bond Corporation's Chile enterprise, Mr Mark Babidge.

1.8 The Committee noted that this was also the approach advocated by a former Australian Ambassador, Mr Hugh Dunn, who served in Argentina from 1973 to 1976, and who suggested that, if Australia was to deal effectively with Latin America:

"... we must start by accepting each country's individualism and defining what our interests, if any, are in each. This can only be done on the basis of first-hand knowledge, and of frequent re-evaluation of our interests, which will ebb and flow with our own needs and events within Australia and the other countries concerned."<sup>7</sup>

1.9 While the Committee had no doubt that the countries of Latin America required consideration as separate entities, it nevertheless recognised that they also share a number of similarities and it is valuable to identify these similarities when examining Australia's relations with the region. In this respect the Chilean Ambassador's

---

4. Banco Santander, submission, p. 5. Banco Santander is Spain's second largest bank.

5. H.E. Mr J. Salazar, submission, Committee Hansard, p. 1313.

6. Australia-South America Business Council, submission, Committee Hansard, p. 1386.

7. Mr Hugh Dunn, "Reflections on Service in Latin America 1973-76" in *World Review*, Vol. 28, No. 1, March 1989, pp. 14-15.

submission was most informative. The Ambassador pointed out that the countries of Latin America are "similar" to the extent that the Republics:

- . share a common historical and racial background, with a European-Mediterranean heritage and culture as a result of colonisation by Spain and, to a lesser extent, Portugal;
- . all speak a form of Spanish, except Brazil which speaks Portuguese;
- . have a system of ethics, social structure and religion and tradition that is in large part western;
- . are all economically underdeveloped with common experiences of great social disparities, economic disasters, high inflation, (including hyper-inflation), high interest rates, high foreign debt and huge trade deficits;
- . have in the recent past (1960s and 1970s) had common experiences of vicious cycles of populist regimes and authoritarian military rule; and
- . have all undergone varying degrees of political and economic changes in the last few years.<sup>8</sup>

1.10 The Department of Foreign Affairs and Trade (DFAT) classifies "Latin America" as comprising 20 countries and one dependent territory, French Guiana.<sup>9</sup> This list coincides with those in several authoritative publications on Latin America.<sup>10</sup> The 20 countries are:

Argentina	Guyana
Belize	Honduras
Bolivia	Mexico
Brazil	Nicaragua
Chile	Panama
Colombia	Paraguay
Costa Rica	Peru
Ecuador	Suriname
El Salvador	Uruguay
Guatemala	Venezuela

1.11 The Committee decided early in the inquiry that it would be impracticable to examine all 20 countries in equal detail. It resolved instead to concentrate on those

---

8. H.E. Mr J. Salazar, submission, Committee Hansard, pp. 1313-15.

9. Department of Foreign Affairs and Trade (DFAT), submission, Committee Hansard, pp. 10, 16. See also footnote 3.

10. For example, *The Latin America and Caribbean Review*, World of Information, 1990 and *South America, Central America and the Caribbean*, Europa Publications, 1991.

countries where economic activities, points of common interests and trade opportunities appear most numerous and most substantial. Inevitably this points to the countries that are relatively stable, where economic reforms are more advanced and where some political, commercial and other contacts already exist.<sup>11</sup>

1.12 Thus, while no Latin American country was specifically excluded from the inquiry, the Committee paid particular attention to relations with Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela, all of whom have missions located in Australia.

## Present Relations

1.13 The Committee was struck by the paucity of contacts between Australia and the republics of Latin America.

1.14 Without exception the 17 Federal Government departments and agencies<sup>12</sup> which provided information to the Committee on the present relationship conceded that trade and other relations with Latin America are presently insignificant. Most agreed that it would be desirable for relations to be strengthened, but offered no clear strategy or well thought out plan as to how that might be done. Submissions from Latin American diplomatic and consular missions in Australia, academics, business firms and various organisations also registered the rudimentary nature of contacts. Several advanced suggestions for improvements.

### Multilateral Contacts

1.15 It was clear to the Committee that, particularly at the governmental level there are fewer contacts between Australia and Latin American countries on bilateral issues than on issues dealt with in multilateral forums. DFAT confirmed the following multilateral contacts:<sup>13</sup>

- . Argentina, Brazil, Chile, Colombia and Uruguay are members of the Australian-initiated Cairns Group.
- . Australia is in contact with eight Latin American countries on Antarctic matters.

---

11. The Australian Trade Commission (Austrade) believes the best opportunities to be in Mexico, Chile, Brazil and Argentina (Committee Hansard, p. 343) while DFAT anticipates opportunities in Argentina, Brazil, Chile, Colombia and Venezuela (DFAT, *op. cit.*, p. 14).

12. For details refer to Appendices 1 and 2.

13. DFAT, submission, Committee Hansard, pp. 100-40.

Five of these - Argentina, Chile, Brazil, Uruguay and Peru - are members of the Antarctic Treaty Consultative Parties. Three others - Ecuador, Colombia and Cuba - are non-consultative parties to the Treaty.

Contacts are frequent at the United Nations (UN) where Latin American and Caribbean countries constitute nearly one quarter of the membership. Australia and Latin American countries participate in various United Nations forums, such as those associated with the United Nations Law of the Sea Convention.

Australia has contact with Latin American countries in multilateral forums on nuclear, arms control and disarmament issues.

Australia has had contact with Latin American countries on environmental matters, particularly in the run-up to the United Nations Conference on Environment and Development (UNCED) in Brazil in June 1992.<sup>14</sup>

Although Australia does not have bilateral aid programs with Latin American countries, it has contributed to emergency and disaster relief, helped to fund research relevant to Latin America, and has provided financial assistance to Non-Government Organisations (NGOs) active in the region. Over the past 12 years this aid has amounted to A\$10 million.<sup>15</sup>

1.16 While recognising the value of contacts at multilateral forums, the Committee is of the view that there is a good case for a more intensive development of bilateral relationships with commercial, cultural and other infrastructural underpinning. In other words, Australia would benefit from placement of the "ballast" to which the Foreign Minister, Senator Gareth Evans, has referred in the context of another relationship.<sup>16</sup>

### **Bilateral Contacts**

1.17 Very little "ballast" is present in the Australia-Latin American relationships. One submission characterised this as the "under-development of common interests."<sup>17</sup> Another submission aptly described Australia and the republics of Latin America as pursuing a "cordial and polite relationship of mutual disinterest".<sup>18</sup>

---

14. *ibid.*, p. 108.

15. *ibid.*, p. 133.

16. Senator Gareth Evans in his first official visit to Indonesia in October 1988 referred to the need to put more substance or "ballast" into the Australia-Indonesia relationship, *Australian Financial Review*, 3 November 1988. The same imperative is at the heart of Australia's relationship with Indonesia as outlined in the Foreign Minister's Statement on 'Australia's Regional Security' in December 1989.

17. Australia-Chile Friendship Society of the ACT, submission, p. 2.

18. Varig Brazilian Airlines, submission, Committee Hansard, p. 793.

1.18 Each executive Department cited resource limitations as the reason for its limited role in the development of the Australia-Latin American relationships. In addition, DFAT and the Australian Trade Commission (Austrade) told the Committee that their priority over the next five or 10 years would be the development of relations with Asia and the Southwest Pacific.<sup>19</sup>

1.19 This situation helps to explain the low level of bilateral relations, and why, nearly fifty years after the first Australian Embassy opened in 1945 in Rio de Janeiro (then the capital of Brazil), there are still only five Australian embassies in the region - in Brasilia, Buenos Aires, Caracas, Mexico City and Santiago. A sixth - the Australian Embassy in Lima - was closed in 1986. Between them, the five embassies are accredited to a further 16 Latin American countries. Australia has appointed four Honorary Consuls in Brazil, Colombia, Ecuador and Uruguay. Eight Latin American countries maintain embassies in Canberra and there are another 26 consular missions in various cities in Australia.<sup>20</sup>

1.20 The Committee is aware of efforts by DFAT to rationalise and improve the allocation of resources and dual accreditation arrangements in Latin America. For example, negotiations are under way for the Australian Ambassador in Santiago, rather than the Australian Ambassador in Brasilia to be accredited to Peru. The Committee sees mutual advantages flowing to both Australia and Peru from such an arrangement. Better transport links between Santiago and Lima, as well as the Spanish language proficiency of Australian staff in Santiago would ensure closer and more frequent contact between Australian representatives and the Peruvian authorities in Lima.<sup>21</sup>

1.21 DFAT informed the Committee that there have been more high level visits between Australia and Latin American countries during the past four years than in the preceding fifteen years.<sup>22</sup> These include visits to Australia by President Salinas of Mexico in 1990, a Colombian parliamentary delegation in 1989 and a Mexican parliamentary delegation in March 1992. Foreign Minister Senator Evans visited Mexico in October 1990 and Argentina, Brazil and Chile in March 1992. An Australian trade delegation led by the Minister for Trade and Overseas Development, Dr Neal Blewett, visited Mexico in May 1991. Visits to Latin America have also been made by former Australian Attorney-General, Mr Lionel Bowen, former Trade Negotiations Minister, Mr Michael Duffy, Resources Minister, Mr Alan Griffiths and a delegation from the Liberal Party. An Australian parliamentary delegation visited Chile and Venezuela in October 1991. Another Australian parliamentary delegation is due to visit Argentina and Brazil in June 1992.

---

19. Committee Hansard, pp. 198, 223.

20. DFAT, submission, Committee Hansard, pp. 186-7. See also Chapter 5 of this Report.

21. Letter from Mr I. Wilcock to the Committee Secretary, dated 21 April 1992 and Committee Hansard, p. 1850.

22. DFAT, submission, Committee Hansard, p. 75. See Wilcock, *ibid.* for further details of exchanges. See also Chapter 7 of this Report.



1.22 Even so, on a comparative basis bilateral contacts have been few and the present level of trade between Australia and Latin America can only be described as insignificant in the context of Australia's overall foreign trade. In 1989-90, trade with Latin America amounted to A\$1.3 billion or only 1.32% of Australia's total trade. Australian exports to Latin America amounted to A\$552 million.<sup>23</sup> Total trade with Latin America dropped to A\$1 billion in 1990-91.

1.23 The Committee was concerned to learn that, until very recently, Austrade had no Australia-based officers located in any of its Latin American offices. Its six offices there - in Rio de Janeiro, Buenos Aires, Caracas, Mexico City, Lima and Santiago were manned by locally engaged staff only.<sup>24</sup> With the exception of Mexico City, which was directed from Los Angeles, these offices were controlled by a management centre in Miami. Interestingly, the Australian Trade Commissioner Service had greater resources devoted to promoting trade and investment in Latin America in the 1960s and 1970s, but withdrew them in the 1970s when it concluded that trade prospects appeared unpromising.<sup>25</sup>

1.24 Several witnesses were critical of the location, staffing and management of Australia's diplomatic and trade offices in Latin America.<sup>26</sup> Former Australian Ambassador, Mr Hugh Dunn remarked:

"In the case of South America, it was unfortunate that we at one time ended up with missions clustered at the bottom end - in Argentina, Chile and Peru, and none early enough in, for example Venezuela, when trade prospects were good."<sup>27</sup>

1.25 Certainly, the poor level of trade suggests that there has been a need for an examination of Austrade's resources and modus operandi in Latin America for some time. In the event, Austrade informed the Committee on 12 August 1991 that, as part of a wider review of Austrade's resource allocation, a number of changes would be instituted, including the relocation of the headquarters for Austrade's South American network from Miami to Buenos Aires.<sup>28</sup> Austrade would also launch a three-year

---

23. Austrade, submission, Committee Hansard, p. 313.

24. Officers at an Australian post overseas may be A-based or locally engaged. A-based officers are Australians posted overseas while locally engaged staff (LES) are recruited where the post is located.

25. Mr D. Hunter, Committee Hansard, p. 342.

26. For example, Mr M. Babidge, submission, p. 5 and Mr I. Metherall, Committee Hansard, p. 545.

27. Mr H. Dunn, *op. cit.*, p. 15.

28. Austrade's allocation of resources in Latin America is dealt with in greater detail in Chapter 5.

trade promotion program to raise awareness of opportunities in the Latin American market as well as promote Australian exports, with particular emphasis on manufactures and services.<sup>29</sup>

1.26 The Committee welcomes the changes which it considers to be overdue. At the same time, it is of the opinion that Austrade is still overly cautious in its approach, and is underestimating both the potential for Australian exports to Latin America and Austrade's ability to help realise that potential.

1.27 The Committee was disappointed that the Department of Industry, Technology and Commerce (DITAC) displayed little knowledge of the overall opportunities for industrial collaboration and investment in Latin America. In fact, senior DITAC officers admitted under questioning that DITAC did not have a strategy for lifting levels of Australian investment in Latin America, nor any plans for "investment activity prepared for or operating in the Latin-American countries".<sup>30</sup>

1.28 There is an encouraging degree of cooperation between Australia and some Latin American countries on law enforcement matters. A number of treaties providing for extradition and mutual assistance in criminal matters have been negotiated and signed in recent years. Since 1 April 1989 an Australian Federal Police liaison officer with responsibility for Latin America has also been based in the Australian embassy in Buenos Aires to work on matters associated with the supply of cocaine to the Australian market.<sup>31</sup>

1.29 The Department of Defence in its submission stated that it did not consider Latin America to be directly relevant to Australian defence planning. There are minimal defence contacts between Australia and Latin America. In the last five years there have been five instances of contact, the highest level being by the Argentine Chief of the Air Staff accompanying President Alfonsin on a stop-over visit to Australia. The Department believes that only Brazil is in a position to offer defence goods for sale to Australia. Even then, inter-operability concerns would limit both imports and exports.<sup>32</sup> Defence exports from Australia to Latin America are insignificant, with A\$730,550 worth of defence related products approved for export to Latin America in the last five years.

1.30 Latin America has not figured prominently in Australia's overall migration program. The Department of Immigration, Local Government and Ethnic Affairs (DILGEA) estimates that there are presently 60,000 persons in Australia of Latin

---

29. Mr D. Hunter, Committee Hansard, p. 343.

30. Department of Industry, Technology and Commerce (DITAC), submission, Committee Hansard, p. 234, and Committee Hansard, p. 249.

31. DFAT, submission, Committee Hansard, p. 116 and Attorney General's Department, submission p. 4.

32. Department of Defence, submission, pp. 1-2.

American origin, most of whom have come from Chile, El Salvador and Nicaragua under the refugee and humanitarian entry programs. Skilled/business migration is the least significant category in relation to Latin America. DILGEA maintains offices in Mexico City, Santiago and Buenos Aires to facilitate processing of migration applications.<sup>33</sup>

1.31 Only one airline - Aerolineas Argentinas - operates direct flights between Australia and Latin America. Aerolineas Argentinas operates one flight a week between Sydney and Buenos Aires with a second flight added during the peak travelling period from December to March. Qantas has rights to a weekly service which it has not utilised; instead, it purchases a block of 50 seats on the weekly Aerolineas flight. Two shipping lines - Mitsui OSK Lines and Barbican Marine (Agencies) Pty Ltd - provide a direct service between Australia and Latin America. Mitsui OSK Lines' agent in Australia, Union Bulkships, announced in January of this year that it would introduce an additional direct shipping service between Australia and Latin America specifically for bulk commodities.<sup>34</sup> The Department of Transport and Communications does not believe Latin America to be a region to which more frequent regular flights or shipping services could be commercially sustained.<sup>35</sup>

1.32 Australian NGOs have been working in Central America since 1983. There are presently eight Australian NGOs working in four countries in Central America on various community aid projects and another 15 NGOs working in six countries in South America. In addition, five volunteers are working in Central America under the auspices of Australian Volunteers Abroad.<sup>36</sup>

1.33 The Committee found that a few Australian companies have been involved in trade with Latin American countries for many years, either directly or through trading companies. One company has been distributing green (raw) coffee beans from Colombia, Brazil, Costa Rica, Guatemala and Mexico.<sup>37</sup> The Australian Barley Board informed the Committee that the South American market has been important to the Board since 1978-79 when exports of barley to Europe and the United Kingdom declined.<sup>38</sup>

1.34 A few universities, in particular La Trobe, Flinders and the University of New

---

33. Department of Immigration, Local Government and Ethnic Affairs, submission, Committee Hansard, pp. 1227-8, 1241.

34. Letter from Mr G. Andrews to the Committee Secretary, dated 10 December 1991. See also Chapter 6 of this Report.

35. Department of Transport and Communications, submission, Committee Hansard, pp. 261-3, 268.

36. Australian Council for Overseas Aid (ACFOA), submission, p. 1.

37. Witham & Company Pty Ltd, submission, pp. 1-2.

38. Australian Barley Board, submission, Committee Hansard, p. 1623.

South Wales, have specialist collections of printed materials on Latin America. From time to time academic debates have flourished on aspects of the relationship. The Committee followed with interest a series of articles in various academic journals from 1986-90 on the similarities between Australia and countries in Latin America, especially Argentina.<sup>39</sup> Two Australian specialists in Argentine political and economic history have made an extensive comparative study of Australia and Argentina from the time they were two new worlds in the Antipodes in the early 19th century, to the challenges of economic development in the late 20th century.<sup>40</sup>

1.35 A Consortium for Iberian and Latin American Studies in Australasia (CILASA) was set up in July 1991 comprising academics from various Australian universities.<sup>41</sup> Spanish studies are available in the Universities of New South Wales, La Trobe and Flinders although funding is minimal. The courses, according to one submission, are often threatened with extinction.<sup>42</sup>

1.36 Some organisations, like the Julius Kruttschnitt Mineral Research Centre in Queensland and the South Australian Department of Fisheries, largely on their own initiatives, have established useful contacts with their counterparts in some Latin American countries, notably Chile.

1.37 The Australian Government has made representations to Latin American Governments on general and individual cases of human rights abuse and has also expressed its concerns in multilateral forums such as the UN Commission on Human Rights. In 1990, Australia made 167 representations to Latin American governments on human rights matters. This represents one-third of all human rights representations made by the Australian Government in 1990.<sup>43</sup>

1.38 According to the Australian Tourist Commission, 10,200 tourists from Latin American countries came to Australia in 1989-90. This represents less than 1% of total visitors to Australia that year.<sup>44</sup> Some 10,540 visitors from Latin America came to

---

39. See for example, Claudio Veliz's "The Latin-Americanisation of Australia? Down Argentina Way" in *Quadrant*, Vol. 30, No. 4, April 1986; John Fogarty's "Can Australia Still Learn from Argentina?" in *Policy*, Vol. 6, No. 3, Spring 1990; and James Levy's "Argentina, Consensus and Equity: A Response to John Fogarty" in *Policy*, Vol. 6, No. 4, Summer 1990.

40. See Tim Duncan and John Fogarty, *Australia and Argentina: On Parallel Paths*, Melbourne, 1984.

41. Professor R. Ireland, submission, p. 7. CILASA has since been renamed the Association for Iberian and Latin American Studies in Australia (AILASA).

42. Mr O. Florez Marquez, submission, p. 3.

43. ACFOA, submission, p. 1.

44. Australian Tourist Commission, submission, Committee Hansard, p. 699, for more details on visitor numbers see Chapter 6.

Australia in 1990-91.<sup>45</sup> Estimates of the number of Australians visiting Latin America vary very widely, from 5,700 to over 20,000 in 1989-90.

1.39 In general, contacts are minimal and are seldom conducted through formal political channels or even formal programs. Not surprisingly, Latin American representatives are of the opinion that the entire region is being neglected. In June 1991, the then Ambassador of the Republic of Colombia, His Excellency Dr Antonio Puerto, pointed out that Latin America is not even mentioned in DFAT's Corporate Plan for 1990-1993. Ambassador Puerto put it succinctly:

"Latin America constitutes a huge hole in Australia's foreign policy. There is an almost non-existent interest in Latin America."<sup>46</sup>

### Contacts in the 19th Century

1.40 The Committee received a number of submissions suggesting that contacts between Australia and the countries of Latin America have not always been at the present low level. From the Chilean Ambassador, the Australia-Chile Chamber of Commerce and Professor Grant McCall of the University of New South Wales, the Committee heard of a "frequent and brisk" trade in the 19th century between Australia and Mexico, Peru and Chile, the principal countries facing Australia across the Pacific. Merchants from Sydney travelled regularly to and from Valparaiso in Chile.<sup>47</sup> Australia's first Labor Prime Minister, John C. Watson (April-August 1904) was born in Valparaiso in 1867.<sup>48</sup>

1.41 There were several earlier contacts. The first Governor of New South Wales, Admiral Arthur Phillip, "served with distinction in South American waters"<sup>49</sup> from 1774-1778 as a captain in the Portuguese navy. The Committee learned that Admiral (then Captain) Phillip had been given permission by the Admiralty to serve with the Portuguese navy following the outbreak of the Spanish-Portuguese war. Early in his Portuguese service Captain Phillip played a key role in obtaining clemency for some of the 400 Portuguese convicts he was carrying on his vessel, and assisting them to

---

45. Australian Bureau of Statistics, Table PMTP 006A (unpublished).

46. H.E. Dr A. Puerto, submission, p. 11.

47. H.E. Mr J. Salazar, submission, Committee Hansard, p. 1334; Professor G. McCall, submission, p. 1.

48. Australia-Chile Chamber of Commerce, submission, Appendix II.

49. *Australian Dictionary of Biography*, Volume 2: 1788-1850, Melbourne University Press, 1967.

obtain small grants of land around Buenos Aires where they later settled.<sup>50</sup>

1.42 The Committee was fascinated to learn of other historical connections. The English pirate, William Dampier (who in 1688 came upon the north-west coast of Australia), was pilot of the ship that in 1708 rescued a fellow pirate, Alexander Selkirk, who had been marooned on the island of Juan Fernandez off the coast of Chile for four and a half years. Alexander Selkirk's adventures on Juan Fernandez later formed the basis of Daniel Defoe's novel *Robinson Crusoe*.<sup>51</sup>

1.43 Another connection was provided by the English naval surgeon and explorer, George Bass, who in 1798 discovered what is today called Bass Strait.<sup>52</sup> In 1799 Bass was invalided from the *Reliance* at Port Jackson and returned to England. Bass left England a year later as a trader and undertook several voyages between New South Wales and various South Sea islands acquiring salt pork for sale to the early Australian colonists. On 5 February 1803 Bass left Australia on an expedition to Valparaiso in Chile. In a letter written three days before his departure Bass said that he intended to go "in search of provisions for the use of His Majesty's colony." According to the *Australian Encyclopaedia* however, Bass went to Chile "probably with the idea of running contraband into South American ports."<sup>53</sup> Bass disappeared on that journey and was never seen again.

1.44 The Committee sought further information on some of these early contacts. From the few written accounts available, the Committee learned that in the 19th century whalers from Europe and North America bound for the South Pacific regularly came around the Straits of Magellan or Cape Horn. Valparaiso was a focal port and there was much contact between Chile and the eastern Pacific Islands. In fact, the Chilean silver coin, the peso, was the most common currency in much of the southern

---

50. A more detailed account of Admiral Phillip's service with the Portuguese navy may be found in *Admiral Arthur Phillip: Founder of New South Wales 1738-1814*, Angus & Robertson Limited, Sydney, 1937.

51. Accounts of the rescue may be found in *The Life and Adventures of William Dampier*, London, pp. 214-21 and George Wycherley, *Buccaneers of the Pacific*, Bobbs-Merrill Company, 1928, pp. 241, 264-6. The *Australian Encyclopaedia's* entry on William Dampier (pp. 923-4) also refers to the rescue.

52. Bass was one of the earliest maritime explorers in New South Wales. With Matthew Flinders, Bass explored various parts of the New South Wales coast between 1795-96 in two boats, both called the *Tom Thumb*. They explored the Georges River and discovered and named Port Hacking. In a subsequent voyage in 1797 Bass discovered Twofold Bay and Wilsons' Promontory, reported on Jervis Bay and Bateman's Bay and named the Shoalhaven River. *Australian Encyclopaedia*, 5th edition, p. 385.

53. *ibid.*, p. 386. Bass' letter and an account of his life and work may be found in Keith Macrae Bowden, *George Bass 1771-1803: His Discoveries, Romantic Life and Tragic Disappearance*, Oxford University Press, London, 1952.

Pacific ocean in the mid-1800s.<sup>54</sup>

1.45 Many of the early initiatives in trans-Pacific trade, and the greatest proportion of Chile's trade with Australia, were undertaken by English firms in Chile with contacts in Australia.<sup>55</sup> By the late 1820s Chile was supplying wheat to the early Australian settlers. Between 1840 and 1842 more than 370,000 bushels of wheat worth more than £500,000 were imported from Chile to meet the needs of the early colonists.<sup>56</sup>

1.46 The Committee was interested to learn of Chile's prominent role in providing food to the early colonists and prospectors during the Gold Rush of the 1850s. The unprecedented demand for food had created a "niche" which the farmers and merchants of Chile filled, and a significant trans-Pacific trade in Chilean wheat and flour took place from 1854-1856. Exports to Australia - which averaged 1% of Chile's total exports up till 1853 - increased to 6% in 1854 and 14% in 1855 before falling to 6.3% in 1856. In 1855 alone Australia imported more than 16,000 tons of Chilean flour worth at least two million dollars, and more than 1.2 million bushels of Chilean wheat.<sup>57</sup>

1.47 This trade was short-lived and by 1857 it had returned to the pre-Gold Rush average of 1% of Chile's total trade. Although ships carrying Chilean wheat and flour continued to sail across the Pacific, by 1857 the heyday of the great Australia-Chile wheat trade was over.<sup>58</sup>

1.48 The Committee also recalled that an Australian socialist commune settlement existed beside the Alice River in Paraguay in the late 19th century. The settlement consisted initially of some 220 followers of William Lane who had sailed from Sydney for South America on 16 July 1893. The settlement at "New Australia" failed, as did the subsequent settlement at Cosme, 72 kilometres to the south. The Australian colonists dispersed and some returned to Australia, the most prominent of whom was Dame Mary Gilmore. A few descendants of the original colonists remain in Paraguay even today.<sup>59</sup>

- 
54. Ron Crocombe, "Latin America and the Pacific Islands" in *The Contemporary Pacific*, Vol. 3, No. 1, Spring 1991, p. 120; and James Jupp, *The Australian People: an Encyclopedia of the Nation, Its People and Their Origins*, Angus and Robertson Publishers, 1988, p. 296.
55. John Mayo, "Rich in Hope: The Chilean Grain Trade and the Australian Gold Rushes" in *Great Circle*, Vol. 12, No. 1 1990, p. 43.
56. *ibid.*, p.44 and Thomas M. Bader, "The Roaring Days: Trade and Relations Between Chile and Australia, 1849-1860" in *Journal of Australian Studies*, No. 23, November 1988, p. 30.
57. Figures cited by Bader, *ibid.*, p. 30.
58. Bader, *ibid.*, p. 43.
59. Accounts of the "New Australia" and "Cosme" settlements may be found in Brian Turner, "Paraguayan Aussies: Article on History of the 'New Australia' and Cosme Colonies in South America" in *Geo*, Vol. 9, No. 1, March/May 1987; and Andrew Peake, "New Australia: A Colony in Paraguay" in *First International Congress on Family History and Fifth Australasian Congress on Genealogy and Heraldry: Papers*, Sydney, October 1988.

## Contacts in the 20th Century

1.49 In general, contacts between Latin America and the South Pacific were minimal in the 20th century. With the partial exception of Chile:

"... the Pacific Islands and South America each forgot that the other existed."<sup>60</sup>

1.50 The Committee sought to discover why, after such a promising start, the relationship fell away and remained insubstantial for the major part of the present century. From submissions, oral evidence and available written records it was able to construct the following picture:

The Australian colonies quickly became self-sufficient in grain. Significant changes in land use and agriculture occurred during the last days of the Gold Rush and by 1857 South Australia was able to supply wheat and flour to the gold fields. Also, by that time vast amounts of American wheat and flour from California had started to arrive in Australia.<sup>61</sup>

Australia did not have suitable products to send to Chile, and it was normal for ships that brought grain to Australia to return to Chile with empty holds.<sup>62</sup>

The early trade relationship of the 1850s was not accompanied by settlement in Australia on a significant scale, although some Chileans settled in Australia during the Gold Rush.<sup>63</sup>

With the development of the steamship at the turn of the century, the opening of the Suez Canal in 1869 and the Panama Canal in 1914, trade through the ports of Chile and Peru was no longer essential.<sup>64</sup> The development of international air routes to the Northern Hemisphere further contributed to Latin America's isolation as the air routes tended to bypass the region.<sup>65</sup>

---

60. Crocombe, *op. cit.*, p. 122.

61. Mayo, *op. cit.*, p. 43.

62. Mayo, *op. cit.*, p. 51. See also Chapter 3 for parallels today.

63. There are conflicting accounts on the extent of Chilean participation in the Gold Rush and the number of Chilean who settled in Australia. See for example, Bader, *op. cit.*, p.37; Mayo, *op. cit.*, p.51; and Jupp, *op. cit.*, p. 296.

64. Crocombe, *op. cit.*, p. 121.

65. Dr J. Fogarty, submission, p. 3.



Both Australia and the countries of South America developed relationships along the North/South rather than the East/West axis.<sup>66</sup> The "pull" of familiar European/American culture led Australia to look to traditional markets in Europe and the US. More recently the focus has shifted to Asia.

There is a perception among many Australians that Latin America is so dominated economically and politically by the United States and culturally by European countries, particularly Spain, as to leave little scope for substantial relations with other countries.

Until recently chronic instability in some, and restrictive policies in most Latin American countries - for example, import substitution, high protection regimes, investment restrictions, hyper-inflation and debt - have meant that Latin America did not feature as a region with which a relationship could usefully develop.

1.51 An important impediment to the development of more substantial relationships has been the poor level of information about Latin America. The absence of Australian media representatives based in Latin America until very recently<sup>67</sup> has meant that the media coverage in Australia has come almost exclusively through American television networks and journalists. Often, the focus is on the negative, for example, drugs, human rights abuses and indebtedness. Not surprisingly, as a number of submissions have pointed out, perceptions of Latin America have been dominated by stereotypes. In Australian eyes, the most salient features of Latin America have been revolution and poverty.<sup>68</sup> The Managing Director of one company referred to Colombian novelist Gabriel Garcia's observation that:

"To the European, South America is a man with a moustache, a guitar and a gun"

and pointed out that this perception is also shared by Australians. To that image is added:

"Dictators in dark glasses and Carmen Miranda ..."<sup>69</sup>

---

66. Australia-South America Business Council, submission, Committee Hansard, p. 1392.

67. Stuart Heather was appointed as the ABC's correspondent in Latin America in March 1991. He is based in Buenos Aires.

68. Mr O. Florez Marquez, submission, p. 1.

69. Mr J. Macdonnell, Macdonnell Promotions Pty Ltd, submission, p. 2. Carmen Miranda (1914-1955) also known as the "Brazilian Bombshell" was born Maria do Carma Miranda da Conha. She was a celebrated cabaret dancer and actress. Among her films were *Down Argentine Way* (1940), *Week End in Havana* (1941) and *That Night in Rio* (1941). She is perhaps best known for her head-dresses, often featuring gigantic arrangements of bananas, apples and cherries. *Biographical Dictionary of Dance*, Collier Macmillan Publishers, London, 1982, pp. 619-20.

1.52 This stereotyping has so blinded Australians to the opportunities for political, social, cultural and economic association with Latin America

"... that we fail to recognise even the growth in our own trade with some of the countries of Latin America, that we fail to take account of the vast and significant changes that have overtaken the region over the past ten years, that we neglect comprehensively to perceive, and thus to take advantage of, the opportunities that these changes have created ..."<sup>70</sup>

1.53 Should Australia be looking to expanding the range and depth of contacts with Latin America? Is there good reason to believe that opportunities are opening up now that did not exist before? This is the fundamental question that the terms of reference require the Committee to address. Other relevant questions include: What benefits might flow from such contacts? Would any benefits obtained exceed the costs involved in pursuing opportunities? Should Government become directly involved in identifying such opportunities and promoting contact? Or should it be left entirely to market forces and private initiatives to take the bilateral relationships forward?

1.54 In seeking answers to these questions the Committee paid particular attention to the accounts and assessments it received in many of the submissions, of radical changes in the character of both the political processes and economic policies of virtually all the Latin American countries in recent years.

1.55 Of these developments, the impending inclusion of Mexico in the North American Free Trade Agreement (NAFTA) is of major significance. The other major regional economic issue is the participation of Latin American countries in the Asia Pacific Economic Cooperation (APEC) process. Both these issues are dealt with in greater detail in Chapter 8.

## Political and Economic Changes in Latin America

1.56 The 1980s have often been described as Latin America's "lost decade." Many submissions made the point that the economic disasters they went through in the 1970s and much of the 1980s forced Latin American countries to come to grips with their basic structural problems and to take radical steps to correct them.<sup>71</sup> In short, largely unreported and unnoticed, Latin American countries have been undergoing their own versions of "perestroika," the implications of which Australia is yet to

---

70. Mr J. Macdonnell, Macdonnell Promotions Pty Ltd, submission, p. 2.

71. Dr M. Scurrah, submission, Committee Hansard, p. 1660.

their own versions of "perestroika," the implications of which Australia is yet to understand.<sup>72</sup>

1.57 The following picture of the changes in Latin America over the last five years has been drawn from the submissions of DFAT, Banco Santander, the ANZ Bank and the representatives of the Governments of Chile, Colombia, Mexico and Peru:

Over the past five years the military governments in Latin America have been replaced by civilian governments. The trend is now towards orderly transfer of power, and consolidation of democratic institutions and pluralistic democratic processes. There appears to be a new willingness to respect basic human rights and work towards alleviating excesses, although many in Australia including the Australian Government, remain concerned about human rights situations in a number of countries in the region.<sup>73</sup>

Since the 1980s, a new class of technocrats has been coming to power. These new leaders are typified by Presidents Carlos Salinas of Mexico, Cesar Gaviria of Colombia, Fernando Collor of Brazil and Patricio Aylwin of Chile.

The previous policies, marked by tolerance of high inflation, championing of import substitution rather than export-led growth and adoption of a large role for the state, have been abandoned.

Taking the lead from the Asian "tigers"<sup>74</sup> and their successful export-based economies, wide-ranging economic changes have been instituted. The new governments have adopted new economic policies, cut tariffs, welcomed foreign investments, and started to dispose of unprofitable state corporations. Measures have been put in place to deal with inflation, with varying degrees of success so far.

The severity of the foreign debt problem has been reduced in many countries through debt-equity swaps and debt reduction schemes.

1.58 The Committee is of the view that the significant economic potential of many Latin American countries has not been realised in part because their reputation for political and economic difficulties still lingers. The republics will be a significant economic force when they have restructured their economies, rescheduled their external debts and revitalised their economic infrastructure. The Committee recognises that not all markets in Latin America will present attractions on the same scale.

---

72. H.E. Mr J. Salazar, submission, Committee Hansard, p. 1316; H.E. Dr A. Puerto, submission, p. 9; and Mr J. Macdonnell, submission, p. 2.

73. DFAT, Committee Hansard, pp. 212-3.

74. The Asian "tigers", or Newly Industrialising Economies are South Korea, Hong Kong, Taiwan and Singapore.

However, as the Latin American economies internationalise and open themselves to foreign trade, opportunities in many markets will become evident.

1.59 Even though DFAT and Austrade maintained that they were monitoring developments in Latin America, the Committee is not convinced that any of the Departments has studied the implications for Australia of a vibrant and competitive Latin America in any depth.<sup>75</sup> One submission sounded a word of caution in this regard:

"I think there could be more research into the effect on Australia of the leading primary producing nations of Latin America, including Argentina, becoming more competitive. We should know where we might be going, and what path we want to follow."<sup>76</sup>

1.60 As an illustration of the potential size of the market and the wealth of some of the Latin American countries, the Committee noted that:

The land area of Latin America and the Caribbean is one-sixth of the world's total<sup>77</sup> and Brazil, the fifth largest country in the world, is larger than Australia.

Latin America has a population of 450 million. The combined population of eight countries - Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela is 353 million, with a total GNP of US\$754 billion in 1989.<sup>78</sup> Of the three largest cities in the world, two - Mexico City and Sao Paulo - are in Latin America.<sup>79</sup>

Latin America produces 25% of the world's copper, 20% of its iron, 40% of its silver, 12% petroleum, 18% meat and 10% fish products<sup>80</sup> It has the world's largest resources of petroleum, after the Middle East.<sup>81</sup>

---

75. DFAT, submission, Committee Hansard, p. 72 and Committee Hansard, p. 227.

76. Ms G. Osborne, submission, p. 3.

77. Robin Chapman, "Latin America and the Caribbean: Economic Problems" in *South America, Central America and the Caribbean, 1991*, Europa Publications, 1990, p.3.

78. On a comparative basis, Australia's GNP in 1989 was US\$242.13 billion, roughly equal to the total GNP of the ASEAN countries (US\$260.16 billion). The GNP of the NIES (Hong Kong, Singapore, South Korea and Taiwan) in 1989 was US\$423.99 billion. *The World Bank Atlas 1990*, the World Bank, Washington D.C., pp. 6-9.

79. Crocombe, op. cit., p. 136.

80. H.E. Mr G. Bedoya, "Australia and Latin America" 17 December 1990.

81. Chapman, op. cit., p. 3.

Individual countries in Latin America are significant world producers in their own right. Mexico is the world's largest producer of silver; Argentina has the capacity to become the world's largest agricultural economy; Chile is the world's largest producer of copper and Venezuela has the largest oil reserves outside the Middle East.<sup>82</sup> Many Latin American countries also have substantial and diversified industrial bases.

1.61 Some submissions, such as that of Banco Santander, expressed concerns as to whether:

Latin American democratic institutions are strong enough to sustain the pain associated with dramatic economic re-adjustment;

the commitment to change being proclaimed by democratically elected leaders is shared by the bureaucracy and the general population;

technical expertise is available to initiate and carry out the programs;

political stability will continue where it presently exists; and

major problems with foreign debt and high inflation can be overcome.<sup>83</sup>

1.62 The Committee recognises that the pace of reform in Latin America is uneven, with some countries more advanced than others. For example, Chile, whose reforms started earlier, is further down the reform path while some countries are yet to take any significant steps down the economic reform route. In all the Latin American countries there remain infrastructural, monetary, regulatory and other problems.

1.63 However, dramatic economic and political changes have been taking place at an astonishingly rapid rate with the potential to revive some of the Latin American nations both as important markets and competitors.

1.64 In this regard, the Committee notes the positive assessments of Latin America by major institutions and banks. The International Monetary Fund (IMF) expects Latin America to "rebound" in 1992 and average inflation to decline.<sup>84</sup> In a survey of current trends and policies in the world economy in 1991, the United Nations Secretariat also forecasts continued growth in 1992.<sup>85</sup> In addition, Mr Louis Emmerij (President, OECD Development Centre) and Mr Enrique Iglesias (President, Inter-

---

82. Banco Santander, submission, pp. 6-7.

83. Banco Santander, submission, p. 13.

84. *World Economic Outlook October 1991*, International Monetary Fund, Washington D.C., 1991, p. 23.

85. *World Economic Survey 1991*, United Nations, 1991, p. 47.

American Development Bank), in a joint preface to a major OECD/IDB report, stated in February 1991:

"In the 1990s, there is again reason for optimism about Latin American affairs. Latin America seems to be set for a promising decade of economic growth within a framework of political and economic democracy."<sup>86</sup>

## Development of Regional Trade Groups

1.65 In addition to the case put to the Committee by witnesses that restructuring Latin American economies present valuable opportunities for Australia, several witnesses alluded to the broader global developments in international trade that give further support to the proposition that Australia should be pursuing opportunities in Latin America more vigorously.

1.66 A number of submissions pointed to the increasing trend towards polarisation of economies within large economic groups and the spectre of emerging regional economic groups and trade blocs from which Australia could be excluded.<sup>87</sup>

1.67 Certainly, a "worst case" scenario cannot be ruled out. The Committee is of the view that, notwithstanding the continuing intensive effort that needs to be put into maintaining and improving the framework for a liberal global trade regime, planning must also include other steps Australia must take now to ensure that its national interests are protected.

1.68 In this respect, the Committee considers that Australia would be well served by complementing its efforts in Asia with increased bilateral contacts with other regions, including the republics of Latin America. It should also be paying very close attention to the renewed enthusiasm for and proliferation of attempts at Latin American regional integration in the last few years.

---

86. *Restoring Financial Flows to Latin America*, Development Centre for the Organisation for Economic Cooperation and Development, and the Inter-American Development Bank, 1991, p. 7.

87. For example, Mr R. Nickolds, submission, p. 1 and Mr G. St. J. Barclay, submission, p. 1.

## Internationalisation of Australia's Economy

1.69 If they are to be successful, Australia's present efforts to develop an internationally oriented export economy must be complemented by the pursuit of economic opportunities wherever they occur, including in the markets of Latin America. A number of submissions, for example from the Ambassador of Chile, made the point that a "new" approach needs to be taken towards political, economic and cultural links with Latin America, with a new emphasis on bilateral relations.<sup>88</sup>

1.70 While the Committee concurs that:

"For most of our history the Pacific has been a barrier rather than a means to communication"<sup>89</sup>

it notes the many submissions urging Australia to look on the Pacific as a means of connecting Australia and Latin America rather than dividing the two regions. Mr James MacAonghus puts it rather well:

"Although Latin America might seem far away from Australia, the Pacific Ocean can be regarded as the natural boundary between both and, in this sense, they are neighbours."<sup>90</sup>

1.71 Other submissions such as that of Professor Rowan Ireland of La Trobe University, Dr Estela Valverde of the University of Western Sydney, and the Australia-Chile Friendship Society of the ACT, pointed out that developments around the Pacific Basin region are prompting Australia and Latin American countries to renew interest in one another.<sup>91</sup> He urged Australia not to lose sight of the potential of Latin America. In his view Australia cannot afford to ignore an emerging market of its size and diversity.<sup>92</sup>

1.72 Several submissions made the point that it would be very much in Australia's interest to "get in on the ground floor" of Latin America to seek out markets now rather than at some later stage when others had already established themselves there.<sup>93</sup>

---

88. H.E. Mr J. Salazar, submission, Committee Hansard, p. 1322.

89. Dr M. Scurrah, submission, Committee Hansard, p. 1662.

90. Mr J. MacAonghus, submission, p. 1.

91. Professor R. Ireland, submission, p. 1; Dr E. Valverde, submission, p. 1; Australia-Chile Friendship Society of the ACT, submission, p. 6.

92. H.E. Mr J. Salazar, submission, Committee Hansard, pp. 1321, 1323.

93. Australia-Brazil Chamber of Commerce, submission, Committee Hansard, p. 630.

1.73 A number of other submissions agreed that Australia should target the Latin American countries as part of a strategy of forging Pacific Basin regional cooperation. The Committee was urged:

"... to consider couching its recommendations in a wider Pacific Rim and Pacific Basin strategy, especially for those Latin American countries sharing with us this immense region. Rather than Latin America being added on to other equally pressing priorities, incorporation into Pacific cooperative schemes and the forthcoming "Pacific Century" would be more efficient and logical."<sup>94</sup>

1.74 The Committee agrees that there are advantages for Australia in broadening its view of the Asia Pacific to include those Latin American countries that border the Pacific as part of the Pacific Basin with which Australia has common interests. Certainly, the Latin American countries are interested in developing wider and more substantial ties.

### Future Relations

1.75 The Committee was struck by the absence of strategies and plans on the part of Government departments and agencies regarding the development of relations with Latin America. The Committee recognises that a degree of caution is necessary as the pace of reform in Latin America is uneven and the success of the political and economic reform process in Latin America not assured. Indeed, the presence of democratic governments does not in itself assure the success of economic reforms.<sup>95</sup> There are continuing problems and strains in many Latin American societies. However, on balance the Committee is optimistic that the Latin American nations will, in the next century, play an active and significant role in the Pacific and global economies.

1.76 A number of submissions suggested that Australia might be at an advantage in seeking to expand its commercial and cultural involvement in Latin America:

some Latin American countries, especially the countries of the "Cono Sur" (Southern Cone) - Uruguay, Argentina, Chile, Brazil and Paraguay -and

---

94. Professor G. McCall, submission, p. 3.

95. It is also true that the presence of autocratic military governments does not mean that reforms will not take place. In this respect it should be noted that significant economic reforms were carried out in Chile even under the repressive military rule of General Pinochet. The Committee believes, however, that in the long run, such economic reforms can only be sustained if they are accompanied by genuinely democratic political processes.



Australia share a common background in terms of colonial experiences. They also experienced a development process which closely parallels Australia's own;<sup>96</sup>

the countries of Latin America have a business culture and environment similar to Australia's. English is widely used throughout Latin America; most technical books are in English; and the environment for business is substantially anglophile;<sup>97</sup>

the attitude of Latin Americans towards Australia is free of the long-standing resentment which has arisen towards countries such as the United States;<sup>98</sup>

most Latin Americans perceive a growing cultural affinity with Australia, due in part to their common European colonial heritage. This "cultural affinity" is reinforced by the large numbers of Latin American refugees who have been accepted by Australia;<sup>99</sup>

Latin American countries are presently undergoing similar experiences to Australia as they are all trying to develop outwardly oriented, more competitive economies;

Spanish (the common language of Latin America with the exception of Brazil) is easier to learn than Asian languages as the sounds used are a subset of English sounds and it is completely phonetic.<sup>100</sup>

1.77 Certainly, the existence of opportunities in Latin America is recognised by the major Australian Government agencies concerned - DFAT, DITAC and Austrade. At the same time, all three agencies have stated that their priority is and will continue to be Asia and the Southwest Pacific. The Committee concurs that Asia and the Southwest Pacific must be a high priority for Australia. However, the Committee would be concerned if these priority relationships are pursued while the development of other worthwhile relationships is neglected.

**1.78 Recommendation one: The Committee recommends that greater effort be made by the Australian Government to establish stronger links with the countries of Latin America across a wide range of economic, cultural and academic activities.**

---

96. Swinburne Centre for Housing and Planning, submission, pp. 1-2.

97. *ibid.*, pp. 1-4.

98. Mr O. Florez Marquez, submission, p. 2.

99. *ibid.*

100. Ms G. Osborne, submission, p. 1.

1.79 Specific recommendations on how this might be achieved are made in the following chapters of this Report.

1.80 From statements made by Latin American ministers,<sup>101</sup> from the large number of submissions received by the Committee, from Latin American diplomatic representatives and from formal and informal meetings with individuals and organisations with an interest in Latin America, the Committee is convinced that there is a great deal of potential in closer relations with Latin America.

1.81 The Committee is of the view that Australia's policy towards Latin America should focus on the long term - the twenty-first century - when the countries of Latin America are expected to be a considerable economic force. In order to prepare for this, clear, deliberate, far-sighted, long-term policies and strategies must be put in place now, before the Latin American countries fully emerge from their longstanding economic difficulties. The Australian Government must take the appropriate steps to position Australia to participate in the mainstream of a revitalised Latin America.

1.82 The submissions the Committee received from all sectors have all been emphatic on this point. For example, from an economics professor:

"The best time to enter these markets is precisely at the time they are opened up, later the fight for market share will be far harder. If Australia is to make the best of these opportunities it must be well informed and ready to act."<sup>102</sup>

From a leading bank:

"Unless Australia takes immediate steps to forge close political, economic and cultural ties with the region it will miss out on these opportunities and on the possibility of establishing strategic alliances which it will need if it is to survive the challenge posed by the creation of regional trading blocs."<sup>103</sup>

From a commercial organisation:

"Given ... the amount of time Australia has had to prepare itself, it would be regrettable ... if we failed once again to be in on the ground floor as Latin America awakens in the

---

101. For example, in July 1990 the Argentine Minister of Agriculture and Fisheries called for economic cooperation among Argentina, Uruguay, Chile, Australia, New Zealand and South Africa.

102. Professor R. Maddock, submission, Committee Hansard, p. 398.

103. Banco Santander, submission, p. 7.

21st Century and thus be left - as we have been so often in the past - on the sidelines lamenting missed opportunities when they were there for the taking."<sup>104</sup>

1.83 It is against this background - of fundamental changes in the international economic scene, in Australia and within the Latin American countries - that this inquiry has been conducted. In the following chapters of the Report, the Committee will examine the potential for increased relations between Australia and the republics of Latin America over a range of matters, particularly trade. It will seek to identify the impediments to increased trade and other contacts, and to put forward useful, practical and positive recommendations for improvements in the relationships.

---

104. Macdonnell Promotions, submission, p. 4.

*"Next century, Latin America could become the next 'Asia' of the world as many of the countries of South and Central America overhaul their economies and become more international in their trade and political dealings."<sup>1</sup>*

## CHAPTER TWO

### LATIN AMERICA - A REGION TRANSFORMED?

2.1 The overwhelming message the Committee received during the inquiry was that the Latin America of the 1990s is a vastly different region from the Latin America of the previous decade.

2.2 For Latin America, the 1980s has often been described as a "lost decade." While the magnitude of the problems varied from country to country, the following summary by the President of the OECD Development Centre, Mr Louis Emmerij, and the President of the Inter-American Development Bank, Mr Enrique Iglesias, is particularly apt. To them, the label "lost decade" was justified by the following features:

- . the decade was a time of severe economic recession in which economic growth stood at a low 1.3%;
- . accompanying the region's drop in production, real per capita income shrank by more than 20% between 1980 and 1989, and the average per capita income at the close of the decade was at the 1978 level;
- . in parallel with the contraction of Latin America's economies, capital formation fell, both for production infrastructure and for the social sectors. On average, the investment rate fell to 19% of GNP in the period 1983-89, compared to 28% in the latter half of the 1970s; and
- . widening inflationary imbalances contributed to Latin America's dire economic situation. The disruptive effects of increases in domestic and external debt service further accentuated fiscal deficits.<sup>2</sup>

---

<sup>1</sup> Mr G. McKanna, submission, p. 1.

<sup>2</sup> Louis Emmerij and Enrique Iglesias, "Latin America at the Crossroads", *Restoring Financial Flows to Latin America*, Development Centre of the Organisation for Economic Cooperation and Development and the Inter-American Bank, 1991, p. 12.

2.3 The Committee was interested to discover that the difficulties Latin America experienced in the 1980s were apparently atypical. A historical perspective was provided by Mr Emmerij and Mr Iglesias, who pointed out that for much of the 20th century, Latin America has had the highest rate of economic growth (3.8%) compared with the OECD (3%) and Asia (3.2%). In addition, until 1982, Latin America had four decades of virtually uninterrupted growth.<sup>3</sup>

## Latin America Today

2.4 The changes in the 1990s that have been cited by witnesses include implementation of political and economic reforms, reduced levels of debt, lower inflation rates and dismantling of trade barriers. The Committee sought to establish a clearer picture of where changes have occurred, how extensive they are and how much they add to the attractiveness of Latin America as a region with which Australian companies could pursue economic and commercial ties.

2.5 Both DFAT and Austrade acknowledged that profound changes have taken place. DFAT set the tone of its submission in stating that "Changes of historical importance are sweeping Latin America" and describing the changes which have occurred in the past five years as "extraordinary."<sup>4</sup>

2.6 Austrade considered that, whereas in the 1970s and 1980s nearly all of the Latin American countries experienced considerable economic difficulties, "the decade of the nineties is witnessing a sea change in the thinking of Governments in the region."<sup>5</sup>

2.7 A good idea may be formed of how wide-ranging the reforms have been when one considers that:

in a little over a decade (1979-1991), at least a dozen Latin American countries replaced military dictatorships or regimes dominated by the military with elected governments;<sup>6</sup>

---

<sup>3</sup> *ibid.*, pp. 12-3.

<sup>4</sup> DFAT, submission, Committee Hansard, p. 13.

<sup>5</sup> Austrade, submission, Committee Hansard, p. 311.

<sup>6</sup> According to one US author there were 13 countries: Ecuador (1979), Peru (1980), Honduras (1981), Bolivia (1982), Argentina (1983), Uruguay (1984), El Salvador (1984), Guatemala (1985), Brazil (1985), Paraguay (1989), Panama (1989), Chile (1990) and Nicaragua (1990). Paul W. Zagorski, *Democracy vs National Security: Civil-Military Relations in Latin America*, Colorado, 1992. The Committee disagrees with respect to Nicaragua and believes that the former Sandinista regime did not easily fit either of the categories.

in the 1980s the economies of the region were characterised by import substitution, high tariff barriers, hyper-inflation and massive external debt. Today, the predominant features are privatisation, liberalisation and restructuring.<sup>7</sup>

2.8 The Committee sought further details regarding the performance of the Latin American economies in the past year. The most recent surveys are those by the United Nations' Economic Commission for Latin America and the Caribbean (ECLAC) and the International Monetary Fund (IMF). The following is a summary of ECLAC's and the IMF's most recent publications:<sup>8</sup>

In 1991, the Gross Domestic Product (GDP) of Latin America and the Caribbean as a whole grew by 3% and per capita output registered its first improvement in four years.

At the same time, inflation receded and hyper-inflation was virtually eliminated.

Latin America and the Caribbean registered a positive transfer of financial resources for the first time in 10 years.

In 1991 there was a significant increase in the number of Latin American countries which achieved higher growth rates. There also was an increase in the number of countries which attained, or were in the course of attaining macro economic stability. Growth depended on the stage they had reached in their stabilisation programs. In some cases, the expansion process forged ahead after stabilising adjustments (Chile and Mexico), in others the rate of expansion slackened as a result of adjustments implemented (Colombia, Costa Rica, Guatemala and Paraguay) and in still others, output recovered as the economy emerged from a state of high inflation (Argentina).

A large number of Latin American countries grew at between 3% and 5% per year, which was equal to or higher than those registered in 1990. This was either because they continued an expansion already underway (El Salvador, Guatemala, Mexico, Panama and Paraguay), had embarked on a phase of reactivation (Bolivia, Chile and Ecuador), or because the level of activity had recovered as the country emerged from high inflation (Argentina). The Uruguay economy recovered by 2% after three years of virtual stagnation. Peru registered a similar degree of reactivation despite the present recession because of the disinflation achieved during the year. Venezuela's economy grew by almost 9%, substantially exceeding the already high rate achieved in 1990. In contrast, Colombia and Costa Rica grew between 1% and 2%. Brazil, whose economy has been plagued by recession and high inflation registered

---

<sup>7</sup> DFAT, submission, Committee Hansard, p. 13.

<sup>8</sup> *Preliminary Overview of the Latin American and Caribbean Economy 1991*, No. 519/520 December 1991, ECLAC, Santiago, 1991; and *World Economic Outlook October 1991*, International Monetary Fund, Washington DC, 1991.

an increase of nearly 1%. Honduras and Nicaragua continued to register high inflation and low levels of economic activity.<sup>9</sup>

Per capita output registered modest growth in many of the economies of the region, although there was stagnation or regression in some of the countries. Bolivia, Colombia, Ecuador, El Salvador, Mexico and Uruguay registered per capita growth rates of between 1% and 2%, while in Argentina, Chile, Panama and Venezuela per capita output rose by 3% or more.

Stabilisation policies have in most cases managed to reduce inflationary pressures.

In spite of the fragility still displayed by some of the stabilisation processes, the majority of the economies of the region in 1991 were functioning on a new foundation. This was characterised by trade liberalisation, austerity in fiscal matters, firmer orientation towards exports, more prudent management of monetary policy, and greater reluctance to resort to public regulation of economic activity.

The economies of the region were operating with more balanced public sectors during the year.

In 1991, despite a decline or stagnation in the value of exports in many cases, there was a significant increase in the import capacity of most of the countries of the region, because of a reduction in net payments of profits and interest and increased inflow of capital.

The IMF's projection is for above - average growth for Argentina, Bolivia, Chile, Colombia, Costa Rica, Mexico, Paraguay and Venezuela in 1992.

2.9 Bolivia, Colombia, Chile, El Salvador, Mexico and Paraguay were assessed by the IMF to have managed overall macroeconomic policies prudently. Argentina, Bolivia, Chile, Colombia, El Salvador, Mexico, Paraguay, Uruguay and Venezuela were considered to be making progress in privatisation programs, financial sector reform and elimination of restrictions on foreign investment.

2.10 The Committee is aware that optimism over the changes in Latin America must be tempered somewhat. ECLAC, Departmental representatives and a number of other witnesses cautioned that:

the pace of economic reform is not even throughout the region. Brazil has a high rate of inflation and continues to be in recession. Several countries, notably Peru, Honduras and Nicaragua also remain in a state of recession or

---

<sup>9</sup> In the case of Nicaragua, the Committee believes that the trade embargo and financial blockade imposed by the United States in the 1980s would have contributed to its economic difficulties.

depressed economic activity.<sup>10</sup> Although a number of Latin American countries grew at between 3% and 5% in 1991, others such as Colombia and Costa Rica only grew at between 1% and 2%. Further, there was stagnation or negative growth in the per capita output of 12 of the countries;

although debt stabilisation programs have alleviated the region's most pressing debt problems, servicing of interest on public foreign debt continues to place a heavy burden on national budgets;

a significant number of countries continue to have high to moderate rates of inflation. This includes Brazil, Argentina, Peru, Uruguay, Colombia, Bolivia, Costa Rica, Ecuador and Venezuela. ECLAC observed, however, that the rates of inflation in most of these countries decreased in the second half of the year. In contrast, there was a surge of inflation in Brazil, where rates reached more than 20% per month in some months of 1991; and

there are elements of fragility in some Latin America countries due to long-standing social problems, exacerbated in many cases by the disruptions caused by economic reforms. Income distribution is a widespread problem.

2.11 The Committee recognises that some doubts exist regarding the durability of political reforms in some Latin American countries. The attempted coup in Venezuela in February 1992 was reportedly due to unhappiness by the military with the effects of austerity measures imposed by President Perez since February 1989. The fact that the coup attempt has taken place in Venezuela is in itself significant as the Venezuelan political system had been regarded as "one of the most stable and democratic in Latin America". In its submission (prepared some months before the 1992 coup), DFAT had assessed that the Venezuelan political scene had "returned to stability" following the riots of February 1989.<sup>11</sup> It should be remembered that the earlier riots also had their roots in economic grievances. At time of reporting, the Committee is also aware of the political upheaval in Peru and the fragility of the reform process in that country.

2.12 However, it would be fair to say that the reforms that have taken place in most of the Latin America countries in the last few years have succeeded in transforming a few of the republics into commercially significant economies and increased the economic attractiveness of several others.

2.13 In its annual report for 1990, the Inter-American Development Bank (IDB) acknowledged that there are reasons to be concerned about Latin America in the short term, as a result of "short-run costs associated with stabilisation and structural adjustment policies."<sup>12</sup> However, there are reasons for hope in the medium and long term. The IDB's assessment generally is that:

---

<sup>10</sup> See footnote 9 for comment on Nicaragua.

<sup>11</sup> DFAT, submission, Committee Hansard, p. 59.

<sup>12</sup> *Inter-American Development Bank, Annual Report 1990*, Washington DC, p. 1.



"... the outlook for the decade is positive provided that the governments maintain their resolve to reform the public sector, restructure the productive sector, and search for innovative and efficient ways to position their countries within the international economic framework.<sup>13</sup>

2.14 Immediately prior to finalising this Report the Committee had the privilege of meeting with Professor Roberto Russell, Professor of Latin American Foreign Policy at the University of Buenos Aires. Professor Russell confirmed the Committee's impression that the present reform process in the Latin American countries is more likely to continue than to be halted or reversed, despite possible short term setbacks.

2.15 In a recent paper presented in Dunedin, Professor Russell outlined the reasons for his optimism:

- the changes in Latin America are part of a trend of change in the global production process, in the structure of states and authority and in the structure of the world order. These changes have been reinforced by the collapse of totalitarian regimes worldwide;

- specific changes in Latin America complement the worldwide changes. In particular Latin Americans are increasingly rejecting autocratic governments and highly regulated economies in favour of economic liberalisation and free market forces; and

- increasingly, international organisations and non-government organisations have been active in promoting liberal democracy.<sup>14</sup>

## The Foreign Debt Situation

2.16 The Committee did not study the debt situation of the region or of individual Latin American countries in depth as it was not specifically included in the terms of reference of this particular inquiry. Moreover it is a subject that would constitute a major investigation in its own right. However the external debt situation was examined in so far as it would enable the Committee to determine what impact it is likely to have on the economic progress of the region. In this respect, the Committee was pleased to note that the region has on the whole received a favourable preliminary review from the United Nations.

---

<sup>13</sup> *ibid.*

<sup>14</sup> Professor Roberto Russell, *Changes in Latin America: External and Domestic Impacts*, address to the Foreign Policy School, University of Otago, Dunedin, New Zealand, May 1992.

2.17 The following is a summary by ECLAC of the foreign debt of Latin American countries in 1991. The main points to note are:

- at the end of 1991, Latin American foreign debt was US\$426 billion, about the same as 1990. This means that there was no significant growth in debt in 1991;

- the debt of five Latin American countries declined in 1991, mainly due to cancellation by the US Government of important amounts of concessional official bilateral debt owed to it. The countries were Guyana, Honduras, Nicaragua, Bolivia and Chile;

- there was a decline in the debt of a few other countries. Chile's debt declined by 8% due to net amortisation of public obligations, Uruguay's debt declined by 3% as a result of the effects of its 1990 accord with the banks; and Argentina's debt declined by 6% due to the privatisation of the national telephone company and airline;

- the Brazilian debt situation did not change significantly in 1991; and

- the debt of a number of countries grew in 1991, namely Mexico, Guatemala, Peru, Panama, Paraguay and Ecuador. In the case of Mexico, whose debt grew by 3%, the growth reflected the further consolidation of Mexico's access to international bond markets, with its activity in the bond markets notable for the steady improvement of credit terms. In the case of the other countries, ECLAC reported that, on the positive side, progress was made in regularising debt payments.<sup>15</sup>

2.18 While on the whole Latin America's debt burden has improved significantly over the last few years, the debt burden is still, for many of the countries, a real one. On the downward side, the Committee notes the following points:

- serious debt problems persist in most of the countries in the region;

- Guatemala, Costa Rica and Paraguay still have difficulties servicing their foreign debt. Debt servicing weighs heavily on the national budgets of many other Latin American countries;

- the region's debt as a percentage of exports has remained very high over the last three years. Six countries improved their debt/export ratio in 1991, namely Colombia, Venezuela, Chile, Paraguay, Guatemala and Costa Rica. ECLAC describes the ratio as "extraordinarily high" for Nicaragua, Argentina and Peru; and "at very uncomfortable levels" for Bolivia, Ecuador, Honduras and Uruguay; and

---

<sup>15</sup> *Preliminary Overview*, op. cit., p. 19.

the size of the debt and debt servicing are now the primary burdens for many Latin American countries, reflecting the steep rise in public debt in the 1980s. On average, Latin American governments are responsible for 80% or more of the countries' foreign debt.<sup>16</sup>

2.19 Debt restructuring packages have been instituted by most Latin American countries along the following lines:

- official debt forgiveness, including re-scheduling through the concessional options provided by the Paris Club;
- officially supported debt and debt-service reduction agreements with commercial banks; and
- market-based debt conversion programs, including debt-equity conversion or debt-equity "swaps".

2.20 The efforts of several Latin American countries have been cited favourably by the IMF, notably Chile, Mexico and Argentina<sup>17</sup> and by ECLAC, particularly Chile, Mexico, Venezuela and Costa Rica.

2.21 In conclusion, the Committee recognises that a heavy debt burden can serve as a disincentive to investment. However, the debt situation in Latin America, although still serious, should not, in the Committee's view, be regarded as a disincentive to the exploration and pursuit of opportunities in the region as a whole. In the case of a few countries, notably Chile and Mexico, where debt reduction measures have been accompanied by changes in domestic policies, there has been considerable improvement in the domestic economies. The IMF notes signs that some Latin American countries are on their way to regaining international creditworthiness and cites Chile, Mexico and Venezuela in particular in this respect.<sup>18</sup>

## Inflation

2.22 In 1990 Latin America was still battling rampant inflation, with mixed results. The United Nations reported that control of inflation remained the dominant policy objective in Latin America in 1990.<sup>19</sup> In 1991 however, ECLAC was able to report a "notable

---

<sup>16</sup> By comparison, the debt of Federal and State Governments, and their public enterprises, comprised 44% of Australia's foreign debt in 1991. 56% was private sector debt.

<sup>17</sup> *World Economic Outlook*, op. cit., pp. 69-70.

<sup>18</sup> *ibid.*, p. 73.

<sup>19</sup> *World Economic Survey 1991*, United Nations, 1991, p. 30.

slowdown" in inflation.<sup>20</sup> The average rise in prices for the region fell from 1200% in 1989 and 1990, to nearly 200% in 1991. Commented ECLAC:

"Although still high, the extent of improvement and the downward trend observed throughout the year are promising signs."<sup>21</sup>

2.23 ECLAC reported that in 15 of the countries in Latin America and the Caribbean, inflation showed a vast improvement at the end of 1991 compared to the beginning of the year. Even in those countries whose rates of inflation are considered "chronic", including countries with hyper-inflation, radical economic measures had managed to bring the rates down as follows:

	1990	1991
	(Price Inflation expressed as % per annum)	
Argentina	1350	90
Brazil	1600	465
Nicaragua	13500	1180
Peru	7650	185
Uruguay	130	85

2.24 In countries with "moderate" levels of inflation, there were varying degrees of improvement:

	1990	1991
	(Price Inflation expressed as % per annum)	
Chile	27	18
Paraguay	44	14
El Salvador	19	14
Colombia	32	29
Bolivia	18	16
Honduras	36	33
Costa Rica	27	27

Panama's very low inflation of 3% was atypical.

2.25 With regard to inflation, it is the Committee's view that it would no longer be accurate to characterise the region as being plagued by rampant or runaway inflation although the situation continues to be of concern in some countries. Even in those

---

<sup>20</sup> *Preliminary Overview*, op. cit., p. 8.

<sup>21</sup> *ibid.*

countries serious attempts have been made, and measures implemented, to control the inflation rate. In other countries, inflation is no longer at the level of severity it was in the 1980s. On balance, therefore, the Committee is cautiously optimistic regarding the level of inflation in Latin America and its impact on the economies of the countries in the region. It is nonetheless a factor that Australian business should not ignore when assessing the advantages and disadvantages of investing in the region.

## Country Snapshots

2.26 The following summary of the main changes in individual Latin American countries is based primarily on ECLAC's *Preliminary Overview of the Latin American and Caribbean Economy 1991*, the IMF's *World Economic Outlook October 1991*, and on submissions made to the Committee, most notably from DFAT and Austrade. The countries are dealt with in alphabetical order for ease of reference.

### *Argentina*

2.27 Australian exports to Argentina grew by 27.3% between 1986-90 putting Argentina into the category of a "fast growth" market where Australia is concerned.<sup>22</sup> In 1990-91 Argentina was Australia's second largest trading partner in Latin America, with a total two-way trade of A\$196 million. Of this, A\$126 million represented earnings from Australian export of coal, machinery and transport equipment.

2.28 By all accounts Argentina is emerging from its serious economic problems of the past few decades and in the past two years has made significant progress in structural and economic reforms. Since taking office in July 1989, measures taken by President Menem to overhaul the economy have included:

- . removal of price controls;
- . floating of the exchange rate;
- . reorganisation and privatisation of state organisations; and
- . liberalisation of foreign investment and imports.<sup>23</sup>

2.29 Both ECLAC and the IMF have commented favourably on Argentina's economic performance in 1991. ECLAC noted that Argentina's GDP increased by 4.5% in 1991 within a context of tremendous changes in the economy. Per capita output in 1991 rose for the first time in four years, purchases of equipment and construction revived;

---

<sup>22</sup> *Australian Trade and Investment Development*, DFAT, 15 November 1991, p. 222. A "fast growth" market is one where the growth is 12% or more.

<sup>23</sup> DFAT, submission, Committee Hansard, p. 19.

there was a general increase in the demand for capital goods, and the rate of unemployment on average fell from 7.4% in 1990, to 6.5% in 1991.<sup>24</sup>

2.30 The IMF has recognised that Argentina registered above-average growth in 1991, and the most recent structural reform program introduced in April 1991 has produced positive results. During the year inflation and the primary government deficit declined, economic activity started to recover, there were further moves towards privatisation of public enterprises, and foreign reserves stabilised.<sup>25</sup>

2.31 The Committee agrees with DFAT<sup>26</sup>, that some degree of caution is warranted as vested interests in Argentina continue to advocate retention of the traditional economic system, including the inefficient state enterprises. However, on balance, the opportunities opening up for Australian investment in Argentina should be seriously evaluated. Austrade informed the Committee that in March 1991 the Argentine Government had invited Australian mining interests to survey the prospects for the Argentine mining sector and prepare a blueprint for its development. However, the reaction of the Australian mining industry was one of caution.<sup>27</sup>

### *Belize*

2.32 DFAT describes the bilateral relationship with Belize as "insubstantial, although cordial".<sup>28</sup> There is little trade between Australia and Belize, whose economy is based primarily on export of citrus concentrate and bananas. In 1990-91, Australia exported A\$7,000 worth of telecommunication equipment and parts to Belize and imported A\$3000 worth of crustaceans and molluscs. Out of Australia's 22 trading partners in the region, Belize ranked 21st in 1990-91.

2.33 Belize is expected to retain its stable political environment and to make steady economic progress in the 1990s.<sup>29</sup> Given its size (population: 190,000) and economic make-up, prospects for investment and joint economic ventures between Australia and Belize appear more limited than with other Latin American states.

---

<sup>24</sup> *Preliminary Overview*, op. cit., p. 5.

<sup>25</sup> *World Economic Outlook*, op. cit., p. 23.

<sup>26</sup> DFAT, submission, Committee Hansard, p. 20.

<sup>27</sup> Austrade, submission, Committee Hansard, p. 1194.

<sup>28</sup> DFAT, submission, Committee Hansard, p. 78.

<sup>29</sup> *ibid.*, p. 23.

## *Bolivia*

2.34 DFAT describes Bolivia as South America's poorest country, with a per capita GDP of US\$570 in 1987.<sup>30</sup> In 1989, Bolivia's per capita GNP was US\$620 which made it the third poorest country in Latin America and the Caribbean (after Guyana and Haiti).<sup>31</sup>

2.35 Relations between Australia and Bolivia are "slight" and the trade relationship "minimal".<sup>32</sup> There is little trade between Australia and Bolivia, which ranked as Australia's 15th trading partner in Latin America in 1990-91 with a total trade of A\$750,000.

2.36 The Committee would not dismiss Bolivia in terms of investment or economic ventures. It notes that Bolivia is one of the countries praised by the IMF for its economic management.<sup>33</sup> ECLAC noted that Bolivia's GDP grew substantially in 1991, and per capita output increased by 1%, the largest increase since 1979. A strong upturn in investment was seen, with the bulk of investment channelled into public sector transport projects, and mining and agribusiness projects. Some of the investments were facilitated by favourable new investment laws passed in 1990.<sup>34</sup>

## *Brazil*

2.37 Democracy, a form of government that has a long history in Brazil, re-emerged in 1985, following a 21 year interlude of military rule. A new constitution providing for a democratically elected President and Government was passed in October 1988.

2.38 The economic reform process started by President Collor in March 1990 continued in 1991, although not without problems. ECLAC described the Brazilian economy in 1991 as "flat" following the severe recession in 1990. The level of activity on average grew by a little under 1%.<sup>35</sup>

2.39 However, President Collor's reforms have shifted Brazil away from its previous policy of protection and import substitution. Brazil remains a major industrial producer and has one of the highest per capita GNPs in Latin America (US\$2,540 in 1989).<sup>36</sup>

---

<sup>30</sup> *ibid.*, p. 24.

<sup>31</sup> *World Tables 1991*, The World Bank, Washington DC, May 1991, p. 5.

<sup>32</sup> DFAT submission, Committee Hansard, p. 79.

<sup>33</sup> *World Economic Outlook*, *op. cit.*, p. 23.

<sup>34</sup> *Preliminary Overview*, *op. cit.*, p. 6.

<sup>35</sup> *ibid.*

<sup>36</sup> *World Tables*, *op. cit.*, p. 5.

As the General Manager of Banco Santander observed, despite its present economic problems, Brazil remains Latin America's biggest industrial power and exporter, with a GNP double that of South Korea. In particular Banco Santander saw opportunities arising from President Collor's plans for privatising and upgrading Brazil's steel industry.

2.40 Brazil is presently Australia's largest trading partner in Latin America with a two-way trade in 1990-91 of A\$445 million. However in growth terms, Brazil as an export destination, registered negative growth of -1.1% between 1986-90.<sup>37</sup> Australia has a trade deficit with Brazil of A\$187 million. By far the biggest component of Australia's exports comprise coal, coke and briquettes (A\$104 million) while imports from Brazil cover a wider range of goods, such as iron ore, paper products, coffee and animal and vegetable oils. More details on trade with Brazil may be found in Chapter 3.

### *Chile*

2.41 Chile has been described to the Committee as "the jewel in the crown",<sup>38</sup> and as "the premier market of Latin America".<sup>39</sup>

2.42 DFAT describes Australian investment in Chile as "the pivot of the economic relationship".<sup>40</sup> Similarly Chile's Ambassador to Australia described it as "the most outstanding feature of Australian-Chilean relations."<sup>41</sup> Australia is presently the third largest investor in Chile.

2.43 Both ECLAC and the IMF have commented favourably on Chile's economic development. ECLAC notes that the Chilean economy recorded a 5% increase in 1991, marking eight years of uninterrupted economic growth. Per capita output in 1991 is up 16% compared to 1980.<sup>42</sup>

2.44 The IMF praises Chile's adherence to "sound policies and structural reforms" and notes that Chile has reduced its total debt to banks by over half in the past four years through market-based debt conversion.<sup>43</sup>

---

<sup>37</sup> *Australian Trade and Investment Development*, op. cit., p. 223.

<sup>38</sup> Mr M. Babidge, submission, p. 4.

<sup>39</sup> Mr J. Blanco, submission, p. 10.

<sup>40</sup> DFAT submission, Committee Hansard, p. 84.

<sup>41</sup> H.E. Mr J. Salazar, Committee Hansard, p. 1340.

<sup>42</sup> *Preliminary Overview*, op. cit., p. 5.

<sup>43</sup> *World Economic Outlook*, op. cit., p. 23.



2.45 The most important Australian export to Chile has been coal (A\$36 million in 1990-91 out of a total export of A\$52 million). Australia imports a wider range of goods from Chile. The total bilateral trade in 1990-91 was A\$91.3 million, making Chile Australia's fourth largest trading partner in Latin America. Between 1986-90, Australia's export trade with Chile grew by 20.8%.<sup>44</sup>

### *Colombia*

2.46 Colombia is one of the countries commended by the IMF for above-average growth and prudent macroeconomic policies,<sup>45</sup> although in 1991 the Colombian economy did not perform quite as well as some other Latin America countries, registering growth of 2%.<sup>46</sup>

2.47 However, Colombia remains one of the more economically stable countries in Latin America. As the previous Colombian Ambassador pointed out in his submission:

"Colombia is alone among Latin America countries in achieving uninterrupted economic growth throughout the 1980s. It has not experienced a single year of negative growth since national income statistics began to be recorded in 1948. G.D.P. growth in 1990 was 3.8% ...

Colombia has kept inflation in check at a comparatively low average of less than 25% p.a. (1984-1990)."<sup>47</sup>

2.48 The present Ambassador of Colombia, His Excellency Mr Fernando Navas de Brigard, stressed Colombia's political stability. The Ambassador made the point that Colombia is not so much a country in transition to democracy as one "deepening the already strong democratic structure and tradition."<sup>48</sup> The 1991 Constitution reflects this development.

2.49 Australia's total trade in Colombia in 1990-91 amounted to A\$12.4 million. Colombia ranks as Australia's 8th largest trading partner in Latin America. The single most important item of export in 1990-91 was barley, followed at some distance by wool. Barley was also the most important export to Colombia in 1989-90. Australia imports considerably more from Colombia than it exports and in 1990-91 had a trade deficit with Colombia of A\$3.9 million.

---

<sup>44</sup> *Australian Trade and Investment Development*, op. cit., p. 224.

<sup>45</sup> *World Economic Outlook*, op. cit., p. 23.

<sup>46</sup> *Preliminary Overview*, op. cit., p. 6.

<sup>47</sup> Dr A. Puerto, submission, pp. 6-7.

<sup>48</sup> H.E. Mr Fernando Navas de Brigard, Committee Hansard, p. 1766.

### *Costa Rica*

2.50 DFAT describes Costa Rica's economy as being in a "relatively healthy state".<sup>49</sup> Its forecast for Costa Rica for the next five to ten years is for political stability "matched by steady if unspectacular, economic growth".<sup>50</sup>

2.51 The Committee noted the slowdown in Costa Rica in 1991, assessed by ECLAC to be a consequence of the economic adjustments, fiscal measures and tighter monetary policy carried out in recent years.<sup>51</sup>

2.52 There is little trade between Australia and Costa Rica, which ranks as Australia's 11th trading partner in Latin America in 1990-91, with total trade amounting to A\$2.28 million.

### *Ecuador*

2.53 DFAT describes Ecuador's recent economic performance as "uninspiring" and sees "little possibility of any dramatic improvement in the medium term."<sup>52</sup>

2.54 The Committee is a little more optimistic than DFAT in regard to Ecuador. It notes that Ecuador's GDP grew by 3.5% in 1991 and per capita output increased by 1%. ECLAC notes that positive signs are also to be seen with respect to domestic demand and personal consumption. Gross private capital formation increased by 2% in 1991 and there was steady public investment.<sup>53</sup> The Committee also notes that the Ecuadorian Government has removed restrictions on foreign investment and made it possible for foreign investors to operate under the same conditions as Ecuadorean investors.<sup>54</sup>

2.55 Trade between Australia and Ecuador amounted to A\$9.3 million in 1990-91, making Ecuador Australia's 9th trading partner in Latin America. Main items of export were cereals, and agricultural machinery and parts while cocoa beans represented the main item imported from Ecuador.

---

<sup>49</sup> DFAT submission, Committee Hansard, p. 30.

<sup>50</sup> *ibid.*, p. 31.

<sup>51</sup> *Preliminary Overview*, *op. cit.*, p. 7.

<sup>52</sup> DFAT submission, Committee Hansard, p. 40.

<sup>53</sup> *Preliminary Overview*, *op. cit.*, p. 7.

<sup>54</sup> Mr G. McKenna, submission, p. 4.

### *El Salvador*

2.56 With the end to the civil conflict in El Salvador in 1991, there may be more prospect of bilateral economic relations than has been possible in the past decade. El Salvador is one of the countries praised by the IMF for prudent economic management in 1991.<sup>55</sup> It is also moving ahead with economic reforms which could present opportunities for Australian companies in the years ahead. ECLAC reports that economic activity in El Salvador was up by 3% in 1991 and all sectors of the economy except agriculture achieved satisfactory growth rates.<sup>56</sup> For the moment however, there is little economic interaction between Australia and El Salvador. Trade in 1990-91 amounted to A\$585,000 comprising mainly import of oil seeds (A\$431,000). Australia exported a negligible quantity of equipment and parts to El Salvador in 1990-91. There are approximately 8,000 Salvadorans in Australia, many of whom arrived between 1983-90 under the Special Humanitarian Program.<sup>57</sup>

### *Falkland Islands/Malvinas*

2.57 Australia has very little bilateral contact with the Falkland Islands/Malvinas other than a sale of A\$334,000 worth of aircraft and parts in 1990-91. There have been no imports from the Falklands/Malvinas for the past three years.

### *French Guiana*

2.58 DFAT informed the Committee that Australia's relations with French Guiana are "minimal".<sup>58</sup> The description may also be applied to trade, which in 1990-91 amounted to A\$62,000, and consisted of exports of meat and a variety of consumer items to French Guiana. Australia has imported only A\$4,000 worth of products from French Guiana over the last 10 years. There were no imports in 1990-91. DFAT informed the Committee that the only possible substantial future interest Australia might have in French Guiana is "some form of involvement" with French space launches. However, to date Australia has had no significant dealings with French Guiana on the matter.<sup>59</sup>

---

<sup>55</sup> *World Economic Outlook*, op. cit., p. 23.

<sup>56</sup> *Preliminary Overview*, op. cit., p. 7.

<sup>57</sup> DILGEA, submission, Committee Hansard, p. 1231.

<sup>58</sup> DFAT submission, Committee Hansard, p. 89.

<sup>59</sup> DFAT, Committee Hansard, pp. 89, 226.

### *Guyana*

2.59 DFAT is of the view that Guyana "will never be a major player economically in Latin America."<sup>60</sup> Bilateral trade in 1990-91 amounted to A\$957,000 consisting mainly of import of Guyanan mineral ores (A\$918,000). In the same year, Australia exported A\$35,000 worth of tools to Guyana. The only noteworthy Australian investment in Guyana is BHP's 40% interest in an offshore oil exploration site.

### *Guatemala*

2.60 Although Guatemala registered a moderate 3% growth rate in 1991<sup>61</sup> prospects for any substantial increase in Australia's bilateral economic relations with Guatemala do not appear to be good in the short to medium term.

2.61 DFAT describes Guatemala's economy as being "in a poor state, with a 70% inflation rate in 1990, a foreign debt of US\$2.6 billion and a government claiming to be close to bankrupt."<sup>62</sup>

2.62 Bilateral trade in 1990-91 amounted to A\$791,000 with coffee and oil seeds the main items imported, and a small quantity of Telecom equipment, furniture and parts exported. The trade balance was A\$533,000 in favour of Guatemala.

### *Honduras*

2.63 Honduras is one of the poorest Latin America nations with a per capita GNP of only US\$610 in 1990.<sup>63</sup> It registered a growth rate of less than 1% in 1991,<sup>64</sup> and had both high employment and a sharply rising rate of inflation. Bilateral trade was worth only A\$216,000 in 1990-91. The main item of export to Honduras was butter (A\$132,000) and the main item of import, railway sleepers.

### *Mexico*

2.64 The GDP of Mexico grew by more than 4% in 1991. ECLAC describes the expansion in the Mexican economy as "impressive" and notes that the largest

---

<sup>60</sup> DFAT submission, Committee Hansard, p. 90.

<sup>61</sup> *World Economic Outlook*, op. cit., p. 23.

<sup>62</sup> DFAT submission, Committee Hansard, p. 32.

<sup>63</sup> *World tables 1991*, op. cit., p. 5.

<sup>64</sup> *Preliminary Overview*, op. cit., p. 7.

increases were registered in the services sectors and the Maquiladora (in-bond) assembly industries. It attributes the growth to:

- . a plentiful inflow of capital, both in the form of direct foreign investment and capital repatriated; and
- . recent changes in government policies which have resulted in the liberalisation and deregulation of the economy and in the privatisation of public enterprises.<sup>65</sup>

2.65 As in the case of Chile, Mexico was the focus of overwhelmingly favourable comments in the submissions made to the Committee. DFAT describes Mexico in these terms:

"Mexico is entering a period of far reaching economic, political and social change, possibly greater than at any time since its revolution of the first decades of this century ... in a region where instability and military coups have frequently characterised regional politics, Mexico has experienced an extended period of political stability."<sup>66</sup>

2.66 DFAT also has favourable comments to make about the Mexican economy, and President Salinas' efforts to carry out economic reforms based on free enterprise and market forces.<sup>67</sup>

2.67 Austrade cites the structural changes of recent years as evidence of the Mexican Government's success at re-structuring the economy:

- . modernisation of the productive system;
- . restructuring of the financial sector;
- . privatisation of previously nationalised banks;
- . deregulation of foreign trade; and
- . control of inflation.

2.68 Mexico is presently Australia's third largest trading partner in Latin America with a total trade of A\$158.5 million in 1991. The trade balance is A\$30 million in Mexico's favour.

---

<sup>65</sup> *Preliminary Overview*, op. cit., p. 6.

<sup>66</sup> DFAT submission, Committee Hansard, p. 45.

<sup>67</sup> *ibid.*, pp. 46-7.

## *Nicaragua*

2.69 The Committee recognises that the political and economic situation in Nicaragua in the near future is unlikely to result in any significant opportunities for either trade or investment. Austrade informed the Committee that in 1986 a loan of A\$3 million was issued to Nicaragua under the Export Finance and Insurance Corporation (EFIC) program. As at March 1991, A\$2.6 million was in default. The balance (A\$1.2 million) will fall due between March 1991 and January 1993.<sup>68</sup>

2.70 ECLAC reports that the wide-ranging reforms instituted by President Violetta Chamorro in 1990 resulted in severe economic consequences in the short term. The operations of publicly-owned companies were paralysed in the midst of privatisation, and construction slumped considerably as a result of cuts in government spending. In 1991, Nicaragua's per capita GDP continued on the downward trend seen throughout the 1980's.

2.71 Australia had a total trade of just over A\$1 million with Nicaragua in 1990-91. This comprised mainly of export of Australian agricultural machinery and parts, and import of coffee and substitutes from Nicaragua.

## *Panama*

2.72 It appears that, as a result of prolonged political conflict, Panama has yet to recover from its serious economic difficulties. ECLAC reports that despite a growth rate of 5% for 1991, Panama has still not reached the level of economic activity it attained in 1987.

2.73 DFAT is of the view that Panama is unlikely to be an important market for Australia in the medium term although it assesses that Panama's long term economic future "must be considered to be reasonably bright".<sup>69</sup>

2.74 In 1990-91 Australia's bilateral trade with Panama amounted to A\$26.6 million. Although statistically this made Panama Australia's 6th largest trading partner in Latin America, by far the biggest component of this trade (A\$24 million) consisted of sale of marine craft.

## *Paraguay*

2.75 Paraguay is one of the least developed countries in Latin America and one of the most isolated. It has only recently (in 1989) emerged from 35 years of military rule. DFAT is of the view that President Rodriguez's economic reform program is losing

---

<sup>68</sup> Austrade, submission, Committee Hansard, p. 333.

<sup>69</sup> DFAT submission, Committee Hansard, pp. 50, 93.

momentum and points out that, generally, Paraguay is still inward-looking economically as well as politically.<sup>70</sup> Bilateral relations with Paraguay are "minimal" and trade with Australia amounted to only A\$320,000 in 1990-91, making Paraguay Australia's 18th trading partner in Latin America and 154th overall.

### *Peru*

2.76 Peru is not rated highly by either DFAT or Austrade for trade and investment opportunities in the short to medium term. DFAT notes that President Fujimoro's reforms have come at a high social cost including greater unemployment, lower real wages and increased bankruptcies.<sup>71</sup> Similarly, ECLAC acknowledges that tensions were sparked by the "severe stabilisation measures and the radical structural adjustment policies applied in August 1990."<sup>72</sup> In addition, DFAT points out the continued serious problem posed by three major terrorist organisations (including Sendero Luminoso, the "Shining Path" guerillas) and drug traffickers.<sup>73</sup>

2.77 Continuing this theme, Austrade points out that the Peruvian economy remains "bedevilled" by continuing social unrest, high unemployment, inflation, severe foreign debt and acute shortage of foreign exchange.<sup>74</sup> The General Manager of Banco Santander describes Peru as "at the other end of the spectrum" from Chile in terms of growth, stability and opportunities, "where poverty is rampant and where there are no signs of improvement on the horizon."<sup>75</sup>

2.78 The considerable economic, social and political difficulties facing Peru, as well as the fragility of the reform process itself, were illustrated by President Fujimori's 5 April 1992 dissolution of Congress and suspension of the Constitution. President Fujimori cited as reasons for his action, obstruction to his reforms by the legislature and judiciary and the need to reorganise the two branches in order to ensure the progress of economic reforms.

2.79 The Committee recognises that, in the short term, Peru faces significant internal problems. However it also notes that Peru possesses significant mineral, oil, gas and agricultural resources. According to the Economist Intelligence Unit (EIU), Peru's vast mineral resources have not been exploited so far mainly because of lack of funds. The EIU also points out that Peru has one of the largest reserves of phosphates in the

---

<sup>70</sup> *ibid.*, pp. 1-2.

<sup>71</sup> *ibid.*, p. 53.

<sup>72</sup> *Preliminary Overview*, op. cit., p. 6.

<sup>73</sup> DFAT submission, *Committee Hansard*, p. 53.

<sup>74</sup> Austrade, submission, *Committee Hansard*, p. 316.

<sup>75</sup> Mr J. Blanco, submission, p. 6.

Pacific basin.<sup>76</sup> These resources combined with a successful reform program, will, in time significantly increase the attractiveness of Peru in regard to trade and investment. For this reason, Peru should be given consideration in Australia's long term trade strategy.

2.80 The Ambassador of Peru assured the Committee that there are presently no restrictions on the repatriation of capital from Peru and no distinction whatsoever between Peruvian capital and foreign capital. As he described it:

"... perhaps in that respect the legislation in Peru could be the most favourable that you can find in Latin America."<sup>77</sup>

2.81 In 1990, trade with Peru amounted to A\$23.7 million, making Peru Australia's 7th largest trading partner in Latin America.

### *Suriname*

2.82 There is very little Australian contact with this former Dutch colony whose economy continues to depend on bauxite and aid, particularly from the European Community. Suriname is at the bottom of Australia's list of trading partners in Latin America. Bilateral trade in 1990-91 amounted to only A\$6,000 worth of export of Australian pharmaceutical products and base metals. There were no imports from Suriname.

### *Uruguay*

2.83 DFAT describes Australia's bilateral relationship with Uruguay as a "useful but relatively modest one." There is relatively little bilateral trade, which in 1990-91 amounted to A\$4.3 million, comprising a variety of Australian manufactured articles, and Uruguayan fish products.

2.84 ECLAC reports that Uruguay registered a 2% growth in 1991 after zero growth in the three preceding years, with the services sector, especially tourism, registering the strongest growth.<sup>78</sup>

---

<sup>76</sup> *Peru: Country Profile 1990-91*, Economist Intelligence Unit, London, 1990, pp. 17-9.

<sup>77</sup> H.E. Mr G. Bedoya, Committee Hansard, p. 1854.

<sup>78</sup> *Preliminary Overview*, op. cit., p. 7.



## Venezuela

2.85 DFAT characterises relations with Venezuela as "low-key, but with substantial potential for growth."<sup>79</sup> ECLAC notes that Venezuela's economic recovery picked up significantly in 1991 when production rose by nearly 9% in both petroleum and non-petroleum sectors. In particular, construction rose by 30%.

2.86 The Committee agrees that opportunities for trade and investment exist in Venezuela, particularly with above-average growth forecast by the IMF for 1992.<sup>80</sup> Trade with Venezuela, Australia's 5th largest trading partner in Latin America, appears to be capable of improvement from the A\$49 million recorded in 1990-91. It should be noted that between 1986-90 Australian exports to Venezuela grew by 62.6%.<sup>81</sup> Nevertheless, some degree of caution seems appropriate as to whether the political and economic reform process can be sustained in the face of significant social hardship. The fact that the abortive military coup of February 1992 took place in a country that had just recorded its highest growth rate in 27 years<sup>82</sup> is a reminder of the tenuous hold of the reform process in some Latin American countries.

---

<sup>79</sup> DFAT submission, Committee Hansard, p. 98.

<sup>80</sup> *World Economic Outlook*, op. cit., p. 23.

<sup>81</sup> *Australian Trade and Investment Development*, p. 224.

<sup>82</sup> *Australian Financial Review*, 6 February 1992, p. 12.

*"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."<sup>1</sup>*

## 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.<sup>2</sup> 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).<sup>3</sup> For the past three years Australia has had a trade deficit with Latin America (see Table 3.1).

- 
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 1990-91<sup>4</sup>

	<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.<sup>5</sup>

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.<sup>6</sup>

- 
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
<b>TOTAL</b>				
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.<sup>7</sup>

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.<sup>8</sup> 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).<sup>9</sup> 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.<sup>10</sup>

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.<sup>11</sup>

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.<sup>12</sup>

- 
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

<b>Major Australian Exports</b>	<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
<b>Major Australian Imports</b>			
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.<sup>13</sup> 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.<sup>14</sup> 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.<sup>15</sup>

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.<sup>16</sup>

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.<sup>17</sup> 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 Santander<sup>18</sup> 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."<sup>19</sup> 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.<sup>20</sup>

---

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 ..."<sup>21</sup>

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 ..."<sup>22</sup>

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."<sup>23</sup>

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.<sup>124</sup>

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."<sup>125</sup>

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.<sup>26</sup> 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."<sup>27</sup>

---

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.<sup>28</sup>

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.<sup>29</sup> 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).<sup>30</sup> 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.<sup>31</sup> 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.<sup>32</sup>

3.36 There are strong prospects for the sale of Australian steaming coal to Mexico.<sup>33</sup> 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.<sup>34</sup>

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.<sup>35</sup>

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 Mexico<sup>36</sup>, Elcom Services Private Limited (now known as Pacific Power (International) Pty Ltd)<sup>37</sup> and the Australia-South America Business Council<sup>38</sup>, 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 years<sup>39</sup> 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.<sup>40</sup> 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.<sup>41</sup> 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.<sup>42</sup>

**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.<sup>43</sup>

**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."<sup>44</sup>

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.<sup>45</sup> 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.<sup>46</sup>

---

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.<sup>47</sup>

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.<sup>48</sup> The Australian Dairy Corporation told the Committee that the 11,000 tonnes exported in 1990 was the highest recorded for "several years".<sup>49</sup> 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 <sup>1</sup> Exports	Share <sup>2</sup> 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 <sup>3</sup> 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."<sup>50</sup>

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 ..."<sup>51</sup>

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."<sup>52</sup>

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.<sup>53</sup> 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."<sup>54</sup>

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."<sup>55</sup>

#### 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.<sup>56</sup>

---

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.<sup>57</sup>

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."<sup>58</sup>

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.<sup>59</sup> 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."<sup>60</sup>

---

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 support<sup>61</sup>.

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."<sup>62</sup>

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 ..."<sup>63</sup>

#### 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.<sup>64</sup>

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.<sup>65</sup>

---

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.<sup>66</sup>

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.<sup>67</sup>

3.67 The Industry Commission's report in September 1991 on its inquiry into the Australian Dairy Industry<sup>68</sup> 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.<sup>69</sup> 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.<sup>70</sup>

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 ..."<sup>71</sup>

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	<b>38,939</b>
1987-88	22,337	10,000	15,500	-	<b>47,837</b>
1988-89	-	9,508	16,000	6,000	<b>31,508</b>
1989-90	25,231	21,000	-	5,700	<b>51,931</b>
1990-91	-	-	5,300	6,300	<b>11,600</b>
5 Year Mean	14,541	9,602	7,360	4,860	<b>36,363</b>

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.<sup>72</sup> 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.<sup>73</sup> As Table 3.9 shows, Latin American barley importers are Brazil, Colombia (which buys for Ecuador as well), Peru, and Venezuela.<sup>74</sup>

---

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\*\*

<b>Country</b>	<b>Production (tonnes)</b>	<b>Demand/Consumption (tonnes)</b>	<b>Imports (tonnes)</b>
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.<sup>75</sup>

- 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.<sup>76</sup>

**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
<b>Total</b>	<b>160</b>	<b>197</b>	<b>62</b>	<b>149</b>	<b>163</b>

**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.<sup>77</sup> 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."<sup>78</sup>

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

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."<sup>81</sup>

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."<sup>82</sup>

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."<sup>83</sup>

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."<sup>84</sup>

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.<sup>85</sup>

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.<sup>86</sup>

## 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."<sup>87</sup>

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.<sup>88</sup>

## 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.<sup>89</sup>

---

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.

3.92 Appearing before the Committee at a public hearing, the Department's Senior Scientist, Dr Philip Sluczanski explained that Australia and Latin America have many natural links resulting from their location along roughly similar latitudes in the Southern Hemisphere. For example, "the topography, currents, species and fisheries management problems of the east coast of Australia and of Latin America are in many cases similar."<sup>90</sup> Elaborating, Dr Sluczanski explained that there are many species and biological situations which are common between Australia and Latin American countries. Natural oceanic conditions near Chile and Australia are very similar.<sup>91</sup>

3.93 Hence, there is great scope for technological and scientific exchanges between Australia and Latin America and for cooperative research into such fields as fisheries, ecology and natural resources management.<sup>92</sup>

### Telecommunications

3.94 Opportunities in telecommunications services were repeatedly mentioned in submissions and testimony, including those by some Commonwealth agencies<sup>93</sup> However, the Committee finds it difficult to reconcile these positive assessments regarding telecommunications prospects with the views of the Department of Transport and Communications and of Telecom Australia (now merged with OTC to form the Australian and Overseas Telecommunications Corporation or AOTC).

3.95 The submission from the Department of Transport and Communications contained only matters pertaining to transport. There was no input from the communications area of the Department. The senior departmental representative explained that the communications area had not felt that it could contribute any material of interest to the Committee.<sup>94</sup>

3.96 In its submission, Telecom stated:

"It could be that some opportunities may exist in niche markets of various countries in the Latin American Region. However, it should be said at this stage that Telecom is

---

90. Dr P. Sluczanski, Committee Hansard, pp. 1550-1.

91. *ibid.*, p. 1552.

92. *ibid.*, p. 1551.

93. For example, ANZ Bank, submission, p. 7; H.E. Mr A. Morales, submission, pp. 7-10; DITAC, submission, Committee Hansard, p. 235; and Austrade, submission, Committee Hansard, p. 328.

94. Mr R. Gough, Committee Hansard, p. 286.

not currently planning to undertake any activities in Latin America."<sup>95</sup>

Telecom justified its decision on the basis that:

"... investment in network operations outside the Asia/Pacific region will only be in countries which are forecast to have a good sustainable growth in Gross Domestic Product (GDP), and where the long term economic, social and political outlook could justify the level of capital investment required."<sup>96</sup>

3.97 The Committee is concerned that Telecom's view of the Latin American region may be more relevant to the 1980s rather than the 1990s, and Telecom may be missing valuable export opportunities as a result. The Committee took note of a paper Telecom provided outlining "The Growth of Telecommunications Services in the Latin American Region" and of additional materials provided by Telecom. The Committee is of the view that there are significant telecommunications opportunities in Latin America. These will be discussed more fully in Chapter 4.

### **Cooperation in Medical Training and Research**

3.98 The Committee received two submissions suggesting medical training and research as areas for cooperation between Australia and Latin America.

3.99 The Director of the Paediatric Cardiac Surgical Unit at the Royal Children's Hospital in Victoria, Dr Roger Mee, outlined efforts by the Unit to set up an exchange program with the Fundacion Cardio-Infantil in Bogota, Colombia. The project was an initiative by the Ambassador of Colombia and contacts were made with the assistance of the Ambassador. Dr Mee told the Committee that the congenital cardiac program at the Royal Children's Hospital is one of the biggest and best in the world. Yet, an exchange with the Colombian unit was regarded by Dr Mee as part of a "mutual learning process."<sup>97</sup>

3.100 The second submission was made by Professor Richard Heller, Professor of Community Medicine at the Centre for Clinical Epidemiology and Biostatistics, Royal Newcastle Hospital. The Centre is part of an international clinical epidemiology network (INCLIN) funded by the Rockefeller Foundation. Through it, the University of Newcastle acts as one of five Resource and Training Centres in the world for clinical epidemiology (the other four are in North America).

---

95. Telecom Australia, submission, p. 1.

96. *ibid.*

97. Victorian Paediatric Cardiac Surgical Unit, Royal Children's Hospital, submission, p. 1.

3.101 Professor Heller urged that funding be provided to the University of Newcastle to enable the Epidemiology Centre to collaborate with similar medical centres in Bogota (Colombia), Rio de Janeiro and Sao Paulo (Brazil), Mexico City, and Santiago and Temuco (Chile) in conducting research into high priority health problems in the Latin America region. It would also enable the Centre to establish training fellowships for Latin America health professionals to come to Newcastle for training.<sup>98</sup>

3.102 A group of Australian residents in Nicaragua pointed out that a ready market in Latin America exists for vaccines and tests developed and produced in Australia, particular as Australia is one of the few countries within the tropical foot-and-mouth free zone that also has a large biological development and production industry. Specific products cited were vaccines against anaplasmosis, babesiosis, ticks, brucellosis, tetanus, anthrax and clostridial anaemia; and bovine and avian tuberculin.<sup>99</sup>

3.103 DITAC informed the Committee that the CSIRO Division of Wildlife and Ecology has an agreement with the Venezuelan Institute of Scientific Investigations on collaborative research. Scientists from the two agencies are presently studying the ecology of the cane toad in its natural habitats in Venezuela and paying particular attention to the identification, isolation and testing of pathogens such as viruses, bacteria and parasites that might be used for the biological control of the cane toad in Australia.<sup>100</sup>

3.104 DITAC further informed the Committee that a similar research project is being carried out with the assistance of a Brazilian scientist in Manaus, Brazil.<sup>101</sup>

### **Technology Transfer - Who Benefits?**

3.105 The Committee was interested to learn from several witnesses that they did not regard technology transfer between Australia and Latin America to be a one-way process. In many instances, the institutions involved considered themselves beneficiaries of technology they would otherwise not have received.

---

98. Centre for Clinical Epidemiology and Biostatistics, Royal Newcastle Hospital, submission, pp. 1-2.

99. Australian Residents' Committee, Nicaragua, submission, p. 1.

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

101. *ibid.*

3.106 In a view shared by Western Mining Corporation<sup>102</sup>, JKMRC Director Dr McKee said:

"I would argue very strongly that, again as far as the mining industry is concerned, and as far as the mining industry in Chile is concerned, they have a great deal that they can teach us technically. Their engineers and their operations are generally first class. Some of the mining problems that they face and are battling to overcome are much more difficult than people in Australia strike, but are unquestionably going to be problems that Australian mining operations will strike. In an industry such as mining it just makes a great deal of sense in fact to assist the interchange. At least in the mining industry, and as far as Chile is concerned, Australia would gain scientifically a great deal through links with Chile."<sup>103</sup>

Not all the best technology in the mining industry comes from Australia; a lot of it comes from other parts of the world. Linking into that, working with the companies, when we work overseas we work at the mining operations; we learn about those mining operations; we learn about what they do, how they solve particular problems, what developments they are contemplating and so on. We bring those back to Australia. When we talk to our Australian sponsors, we quite simply feel very comfortable in justifying our overseas activities on one ground and that is on the demonstrable technical gains which we have been able to bring back to Australia from overseas."<sup>104</sup>

3.107 In his submission, the Chilean Ambassador outlined several instances of scientific and technical cooperation which have brought mutual benefit to Australia and Chile:

- . applied research (blasting technology) at Chilean mines undertaken by JKMRC since 1983 and associated postgraduate and mineral exports exchange visits.
- . close ties between CSIRO's Seed Centre and the Chilean Forestry Research Institute since 1988 aimed at the promotion of Australian seed exports to Chilean private forestry companies;

---

102. Mr D. Morley, Committee Hansard, p. 493.

103. Dr D. McKee, Committee Hansard, pp. 1142-3.

104. Dr D. McKee, Committee Hansard, p. 1153.

- . cooperation between the Australian Apple and Pear Corporation and its Chilean counterpart on the subject of market access;
- . project being developed between Murdoch University and Universidad de Santiago in the field of aeolic<sup>105</sup> energy; and

3.108 The Committee also noted the proposal by the NSW Department of Agriculture and Fisheries for a technological exchange program to obtain Chilean farming technology<sup>106</sup> and the agreement entered into between MIM Holdings Limited and the world's largest copper producer, Codelco of Chile, to facilitate exchange of technology between the two companies.<sup>107</sup>

3.109 Professor Ross Garnaut of the Australian National University was similarly enthusiastic about the mutual benefits derived from technology transfer:

"The Australian technological lead in mining and exploration that has already led to large investments in Chilean mining ventures is likely to continue in more Latin American countries as they make significant changes to their foreign investment regimes... Similarly, investment from the Pacific Latin American countries in Australia's fishing and maritime industries could advantage Australia where those countries have significant experience and technological strength."<sup>108</sup>

3.110 One witness who spoke of his positive experience both in exporting farm equipment to Latin America and in importing parts from Latin America is Mr Ian Metherall of Leighlands Pastoral Holdings:

"South America has a rapidly expanding economy, with a large population that must be fed... Agriculture is rapidly becoming mechanised, and there is a large domestic demand for modern farm machinery that is gradually replacing the animal-drawn implements. Farm machinery factories there are thus booming in an industry that is depressed worldwide."<sup>109</sup>

---

105. Wind-borne. The Concise Oxford Dictionary of Current English, p. 16.

106. H.E. Mr J. Salazar, submission, Committee Hansard, pp. 1339-40.

107. *MIM Joins with World's Largest Copper Producer in Technical Exchange Agreement*, Press Release, MIM Holdings Ltd, 6 November 1991.

108. Professor R. Garnaut, submission, Committee Hansard, p. 1461.

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

From my experience of trading successfully with Latin America, I am strongly committed to the view that there is enormous untapped trade potential for Australia with South America. In my field of interest, which centres on agriculture, I believe that there is potential for Australia's crippled farm machinery industry to have a much needed stimulus by sourcing components that are of a high quality at a low unit cost due to the economies of scale achieved by the South American manufacturers, and by sourcing a limited - and I stress 'limited' - range of suitable whole goods."<sup>110</sup>

3.111 In addition to mining and agricultural technology, energy, telecommunications and medical technology referred to previously, the following were mentioned to the Committee as other areas where technical collaboration could usefully be carried out:

- . food processing
- . agricultural biotechnology
- . animal reproduction
- . forestry
- . environment
- . sea and river biotechnology
- . desert management.<sup>111</sup>

3.112 The Committee had some difficulty reconciling the conviction of many witnesses that there was considerable scope for mutually beneficial technological collaboration with the views of DITAC.

3.113 DITAC told the Committee that it uses the following criteria for assigning relative priority to regions regarding technological cooperation:

- . significance as a source of investment
- . significance as a source of technology
- . significance as a trading partner; and
- . potential to become substantially more important in terms of these criteria.

DITAC's conclusion is that:

"On this basis, Latin America is at this stage a relatively low priority for DITAC."<sup>112</sup>

---

110. *ibid.*

111. Mr A. McL. Collins, submission, p. 7; Dr H. Povea-Pacci, submission, p. 2; Centre for Housing and Planning, submission, p. 2; and Australian Residents' Committee, Nicaragua, submission. pp. 1-2.

112. DITAC, submission, Committee Hansard, p. 234.

3.114 The Committee is of the view that DITAC's criteria appear too restrictive. They seem not to consider the technological benefits that "less technologically advanced" nations could nevertheless bring to Australia in particular areas, nor the prospect for significant downstream sales of related Australian equipment and machinery. The Committee believes that a broad-brush rejection of Latin America as a partner in technological exchange is unjustified and shortsighted.

### Science and Technology Agreements

3.115 Several witnesses urged the Australian Government to enter into Science and Technology Agreements with the major countries of Latin America.

3.116 Among those who argued to the Committee in favour of such agreements are Western Mining Corporation, JKMRRC and a number of the Latin American diplomats in Australia.

3.117 The argument put is that the presence of such agreements would facilitate practical cooperation. As an example, the Chilean Ambassador explained that without a science and technology agreement, Chilean companies have to pay extra Chilean import duties on certain services and equipment. An agreement would facilitate the transport of technical equipment and eliminate the need for import duties on equipment such as that paid by the JKMRRC.<sup>113</sup> In effect the companies could have reduced by 10% the tax on services and equipment which they have had to pay in connection with projects worth US\$3 million.

3.118 The Charge d'Affaires of Uruguay also stressed to the Committee the potential benefits to both countries of a formal agreement for cooperation in science, agriculture, mining and other technological areas.<sup>114</sup>

3.119 To illustrate the point, the Charge drew attention to an instance where a proposal for agricultural cooperation went to a New Zealand company in preference to an Australian Corporation. The key factor in the decision according to Mr Giambruno was the existence of an Agricultural Technical Cooperation Arrangement between New Zealand and Uruguay.<sup>115</sup>

---

113. Dr D. McKee, Committee Hansard, p. 1142.

114. Mr J. Giambruno, Committee Hansard, pp. 1530-2.

115. Letter from Mr J. Heath, Overseas Projects Corporation of Victoria Ltd to Mr J. Giambruno.



3.120 Similarly, the Ambassadors of Colombia and Peru stressed to the Committee the importance of bilateral Science and Technology Agreements in providing the framework and serving as catalysts for practical technological cooperation.<sup>116</sup> As the Ambassador of Peru, His Excellency Mr Gonzalo Bedoya put it:

"If you have the agreement, you are sending a message to the private sector, telling them, 'If you find something of interest to you, we are here to help you coordinate it, or to back you ...'"<sup>117</sup>

3.121 The only country with which Australia presently has a Science and Technology Agreement is Mexico. Brazil has been seeking such an agreement since the mid-1970s; more recently, requests have been made by Uruguay, Colombia, Chile and Argentina.<sup>118</sup>

3.122 DITAC sees little benefit for Australia in signing Science and Technology Agreements with developing countries. According to DITAC:

"... developing countries, including much of Latin America, are often unable to allocate the necessary resources to establish the required scientific infrastructure to match that existing in Australia ... Australia focuses on projects where benefits are maximised. This is usually in the technologically advanced economies of the industrialised nations."<sup>119</sup>

3.123 One view put to the Committee that the existing Agreement with Mexico has "fallen into disuse."<sup>120</sup> In 1989-90, Australia spent \$50,000 on the program with Mexico and in 1990-91, the figure was \$13,000 which:

"... put into context, does not buy very many air fares."<sup>121</sup>

---

116. H.E. Mr F. Navas de Brigard, Committee Hansard, p. 1775, and H.E. Mr G. Bedoya, Committee Hansard, p. 1851.

117. H.E. Mr G. Bedoya, Committee Hansard, p. 1852.

118. DITAC, submission, Committee Hansard, p. 237.

119. *ibid.*

120. *ibid.*, p. 92.

121. Mr G. Taylor, Committee Hansard, p. 254.

DITAC is of the view that the fact that the agreement was not in demand:

"... just reflects a view on both sides that there are not any particular areas where they would like to pursue collaborative endeavour."<sup>122</sup>

3.124 The Ambassador of Mexico agrees that this Agreement "has not been utilised adequately by both countries."<sup>123</sup> He suggests that both Australia and Mexico actively promote the Agreement among potential users (for example, Research and Development companies) to demonstrate its benefits. In his view, both Governments should now assign additional economic resources to make it "operational, practical and effective."<sup>124</sup>

3.125 The Committee received a submission which provides information about how one State Government department has fared working in a scientific field overseas on a project financed under the bilateral Agreement with Mexico. The South Australian Department of Fisheries told the Committee how funding provided under the Agreement enabled biologists from the Department to travel to Mexico and Mexican biologists to come to Australia to engage in fisheries research.

3.126 As a result, models for the more efficient management of the Mexican abalone fishery (which had collapsed through overfishing in the early 1980s) were developed. These models were found to be equally applicable to other Latin America countries. Through networking, additional links were established with Chilean biologists interested in similar research. Cooperation between South Australian and Chilean biologists has now been developed to mutual advantage.

3.127 The Department's representative, Dr Philip Sluczanowski, told the Committee that South Australia (and by extension Australia) has benefited technologically from the project with Mexico in a very real way.<sup>125</sup> Dr Sluczanowski explained to the Committee that, in the case of abalone, a harvesting size that allows the industry to extract the maximum amount of meat also allows for very few abalone eggs to be produced. In Mexico the abalone fisheries were over-exploited and the industry largely destroyed. Data collected from Mexico and knowledge gained as to what level of abalone egg production was unsustainable enabled South Australia to change its abalone harvesting size requirement in a way that resulted in a 5% reduction in meat yield in return for a 30% increase in egg production, thus ensuring the continuing

---

122. *ibid.*

123. H.E. Mr A. Morales, submission, p. 25.

124. *ibid.*

125. Dr P. Sluczanowski, Committee Hansard, pp. 1560-1.

viability of the abalone industry.<sup>126</sup> As Dr Sluczanowski said in subsequent correspondence:

"Scientific exchange gains information for Australia necessary for its own management purposes more efficiently than carrying out all the research locally. Also, learning from others' mistakes is one of the best ways of avoiding the financial consequences of over exploitation."<sup>127</sup>

3.128 The South Australian Department of Fisheries' abalone project with Mexico provides an example of how a relatively modest outlay<sup>128</sup> can result in significant scientific and commercial gains as well as open up further, valuable opportunities for collaborative ventures. The Committee appreciates the benefits the project has brought to Australia and would wish Australia to reciprocate.

3.129 The Fisheries Department was enthusiastic about its experience under the Bilateral Science and Technology Agreement with Mexico on three counts:

- . the scientific cooperation with Mexico;
- . the resulting scientific exchange with Chile; and
- . possibility of further import of technological expertise from the Department by other Latin American institutions.

Elaborating at a public hearing, the Department's representative told the Committee that the project with Mexico led directly to the holding of an international conference on abalone in La Paz, Mexico; a book jointly edited by the Senior Biologist, South Australian Department of Fisheries, Dr Scoresby Shepherd, and a Mexican scientist, Dr S.A. Guzman del Proo; and possible cooperation between South Australian and Latin American abalone producers to market their abalone catches in Asia.<sup>129</sup> On the basis of the Fisheries Department's experience, the representative concluded that:

"... bilateral agreements for cooperative research offer the

---

126. *ibid.*

127. Letter from Dr P. Sluczanowski to the Committee Chairman, dated 20 March 1992, p. 1.

128. Total DITAC funding for the abalone project carried out by the South Australian Department of Fisheries and Mexico is A\$27,224 for the period June 1988-February 1990. Letter from Dr P. Sluczanowski to the Committee Chairman, dated 20 March 1992, p. 2.

129. Dr P. Sluczanowski, Committee Hansard, p. 1556. The book referred to is titled *Abalone of the World*, Blackwells, Oxford, 1992.

best way of fostering cooperative research and provide training for scientists in Latin America."<sup>130</sup>

3.130 The South Australian Department of Fisheries further recommended that formal agreements be signed with other Latin America countries in order to facilitate development of relations now occurring on an ad hoc basis by interested individuals and institutions.<sup>131</sup> Its representative confirmed that the exchange of Mexican and Australian fisheries experts, ideas and techniques would not have happened without a formal agreement.<sup>132</sup>

3.131 In questioning the value of formal Science and Technology Agreements, DITAC argued that the absence of such agreements does not prevent parties such as the CSIRO from applying for support for projects in Latin America on the same basis as for projects in non-Latin American countries.<sup>133</sup> In the Committee's view, this misses the point.

3.132 While such agreements may have little impact in North America or Western Europe, they can have real impact in Latin America. In particular they appear to play an important role in the planning and budgetary processes of some of the Latin American countries. The Chilean Ambassador explained that

"... from our point of view, when we elaborate official budgets, for instance, or we allocate resources, we have to have a legal platform on which we can take these decisions, so we give a lot of importance of signing agreements like a cultural exchange program agreement or a technological cooperation agreement."<sup>134</sup>

3.133 Moreover, as indicated previously, the Committee is not persuaded by the arguments of DITAC and DPIE that there is no technological benefit for Australia in having such agreements.

3.134 Testimony from expert witnesses indicates that agreements are increasingly being signed between private companies and other companies or government agencies in the Latin American countries. For example, Davis Gelatine entered into a 'registered technical assistance agreement' in Colombia which enabled Davis Gelatine to supply technology to the operation in Colombia and to be registered with the Colombian Government. The agreement provided that Davis Gelatine would provide

---

130. South Australian Department of Fisheries, submission, Committee Hansard, p. 1544.

131. *ibid.*, p. 1545.

132. Dr P. Sluczanowski, Committee Hansard, p. 1561.

133. Mr G. Taylor, Committee Hansard, p. 240.

134. H.E. Mr J. Salazar, Committee Hansard, p. 1367.

technical assistance whenever required, and to make one or two technical visits a year. In return, a certain percentage of profit could be remitted to Davis Gelatine to cover not only the cost but the intellectual property transferred.<sup>135</sup>

3.135 The Committee believes that bilateral Science and Technology agreements can have a positive effect on Australian's relations with Latin America and that worthwhile projects of mutual benefit are likely to eventuate under the umbrella of such agreements.

3.136 To ensure that the agreements are fully utilised, the Committee urges both the Australian and Latin American governments to publicise their existence as widely as possible. In this respect, the Committee found it illuminating that the only project carried out under the bilateral agreement with Mexico should have arisen from a chance meeting between the prime mover, Dr Scoresby Shepherd and Mexican biologists at an international conference. It was fortuitous that, in seeking sources of funding, Dr Shepherd knew of the existence of the agreement with Mexico.

**3.137 Recommendation six: The Committee recommends that the Australian Government:**

- . **pursue without delay any expressions of interest in bilateral science and technology agreements by the governments of the major Latin American countries with a view to negotiating and signing such agreements; and**
- . **keep relevant organisations and companies, including those identified in this Report, informed of assistance available under such agreements as they come into effect.**

## **Downstream Sales**

3.138 The Committee received compelling testimony to the effect that technology transfer and sale of equipment and machinery often go hand in hand.

3.139 The Managing Director of Elcom Services certainly equated the provision of engineering skills with increased sale of Australian coal and mining equipment.<sup>136</sup> Similarly, the Director of JKMRC confirmed the nexus between sale of technology and sale of related Australian products and services.<sup>137</sup>

---

135. Mr A. Norman, Committee Hansard, pp. 1019-20.

136. Mr J. Hrdina, Committee Hansard, p. 932.

137. JKMRC, submission, Committee Hansard, p. 1128.

3.140 Dr McKee elaborated on this when he appeared before the Committee:

"... there are a number of examples. The first one is in mining and processing related software... As a result of that involvement of our people with that software capability and technology, that software has subsequently been sold in Chile. It is a direct result of the engineers there seeing the things being used, realising the power and the effectiveness of it and, subsequently, purchasing it.

A research program which we are undertaking at the El Teniente mine, which is a very large underground copper mine south of Santiago, has involved very detailed measurements of the conditions of the rock underground. The instruments which we used to do that - and, in fact, we took them with us - were Australian derived. Those are now being sold to that mine."

3.141 Generally, it was JKMRC's experience that:

"... if, as a result of exposing Chilean companies and individuals to technology, they see the opportunities and, by and large, as the technically advanced operations that they are, they are in the market for such things, they buy."<sup>138</sup>

Dr McKee pointed to the activities in Latin America of Japanese companies who have:

"... invested a great deal of money into the research activities in the Chilean mining industry, particularly in the smelting and environmental areas. There is no doubt that their objective is to open up market opportunities."<sup>139</sup>

3.142 The Committee found the evidence of Dr Philip Sluczanowski of the South Australian Department of Fisheries in this respect of particular interest. Asked if sale of Australian technology will, as a general proposition, lead to the downstream sale of Australian equipment and products, Dr Sluczanowski said:

"I will answer the question in reverse by saying that unless that contact happened initially, it is very unlikely to sell anything, but whether it will is a matter of commercial competence as much as technical competence."<sup>140</sup>

---

138. Dr D. McKee, Committee Hansard, pp. 1140-1.

139. *ibid.*, p. 1147.

140. Dr P. Sluczanowski, Committee Hansard, pp. 1563-4.

## Long Term Harm?

3.143 The Committee also addressed the question whether, if Australia were to embark on the route of selling technology and technological services, we would in the longer term be cutting our own throats by helping other countries to become more competitive in a range of areas in which we presently have a competitive edge, such as agriculture and mining.

3.144 The Committee put the question to DITAC and to a number of witnesses - MIM Holdings, BHP, Mine Site Technologies and Elcom Services. The overwhelming response from all four organisations was in favour of technology transfer. In summary, the following points were made:

- . Technology is not static. Most technology is available somewhere in the world. If we do not sell it, it will be sourced from elsewhere, and we will have lost any return we might have derived from the sale. As BHP put it most succinctly:  

"If we did not do it, someone else would. There is no monopoly on good mining expertise ..."<sup>141</sup>
- . Technology transfer brings you goodwill, equity involvement and a flow-on down the production chain of sale of equipment, further sale of technology, and sale of associated products.
- . Being the first supplier often results in repeat business.
- . The earnings from the sale of technology, products and equipment enables Australian companies to further develop technology and maintain a technological edge.<sup>142</sup> The domestic Australian market alone is too small to sustain many of the Australian companies engaged in developing new technologies.

---

141. Mr J. Ellis, Committee Hansard, p. 532.

142. Mr G. Taylor, Committee Hansard, pp. 241-2; Mr P. Slaughter, Committee Hansard, pp. 1085-6; Mr G. Zamel, Committee Hansard, p. 680.

## Which Latin American Countries Offer Opportunities for Trade?

3.145 Various witnesses have described some Latin American countries as offering more immediate prospects than others. From the evidence provided to it, the Committee is not in a position to cite definitively specific countries in Latin America as being more worthy of attention than others, or to rank countries in this regard.

3.146 In summary, the following countries have been mentioned most often in regard to opportunities: Chile (the most open market in Latin America for foreign investments and exports); Mexico (development program for coal-fired power stations, potential for Australian export of technology, coal and engineering services); Brazil (largest population and hence largest potential market in Latin America); Colombia (enormous mineral, oil and gas prospects); Venezuela (rich in coal and oil).

3.147 The Chamber of Commerce of New South Wales submitted that efforts should focus on a number of Latin American countries which have a level of "economic development similar to Australia"<sup>143</sup> and with which Australia can form cultural, trade, investment and manufacturing pacts. The Chamber did not consider the Central American countries to be of great potential for the immediate future. They listed the following as priorities:

- Mexico (APEC)
- Argentina (rural)
- Brazil (commodities and manufactured exports)
- Chile (investment potential)
- Uruguay (banking and rural).<sup>144</sup>

3.148 In its oral evidence, DFAT cited Mexico, Chile, Argentina and Brazil as the main areas of opportunity.<sup>145</sup> However, DFAT's draft document on Trade Development lists only Mexico and Chile as priority markets.<sup>146</sup>

3.149 Austrade assessed the main opportunities to be in the larger economies of Mexico, Brazil, Chile, Argentina, Colombia and Venezuela<sup>147</sup> and considered Chile

---

143. State Chamber of Commerce (NSW), submission, Committee Hansard, p. 892.

144. *ibid.*

145. Committee Hansard, p. 223.

146. *Australian Trade and Investment Development*, Department of Foreign Affairs and Trade, 15 November 1991, pp. 26-7.

147. Austrade, submission, Committee Hansard, p. .



and Mexico to be two good examples of Latin American countries which are restructuring their economies and making strong economic progress.<sup>148</sup>

3.150 The President of the Australia-Brazil Chamber of Commerce considers that:

"there is no dominant trading partner necessarily within that jurisdiction of South America."<sup>149</sup>

The Committee has no doubt that, in addition to the major economies niche markets exist in various countries, and no country should be dismissed in terms of trading opportunities. As an example, PAZ International Marketing pointed out that trade may presently be small in the case of Uruguay, but there are substantial opportunities in various fields, including computer software and meat processing.<sup>150</sup>

### Tariff and Non-tariff Barriers

3.151 The Committee was not well-placed to carry out a detailed study of tariff and non-tariff barriers to trade with Latin America. A few submissions referred to tariff barriers as an impediment but little detailed information was provided to the Committee.

3.152 DFAT pointed out that, at the present time, the average tariff rates for a number of those countries are higher than Australia's present rates, but that a lot of the Latin American economies are moving out of very protectionist regimes to much more liberal approaches.<sup>151</sup>

3.153 Austrade remarked that generally there are high tariffs and in many cases there are import quotas which constitute barriers to trade. However, the signs are that, with the move towards liberalisation in those economies, those barriers are coming down. The Latin America countries presently being targeted by Austrade are reducing their tariffs and removing quota restrictions.<sup>152</sup>

---

148. Mr D. Hunter, Committee Hansard, p. 341.

149. Mr J. McGruther, Committee Hansard, p. 651.

150. PAZ International Marketing, submission, p. 3.

151. Mr S. Deady, Committee Hansard, p. 228.

152. Committee Hansard, p. 352.

3.154 According to Austrade, tariffs would range from 25 percent to 100 percent on a lot of items, whereas Australia's average tariff rate is around 10 percent. Most Latin American countries are moving down to 15 to 20 percent tariffs.<sup>153</sup>

3.155 At the Committee's request DFAT provided details of the "request lists" prepared by the Australian Government to put to the Governments of Brazil, Mexico and Argentina in the context of the Uruguay Round of GATT negotiations. These "request lists" are intended to identify regulations, laws and arrangements that disadvantage Australian traders. They provide the basis on which bilateral negotiations can proceed, with the objective of achieving reciprocal removal of such barriers.

3.156 The Committee was struck by the very short list of barriers identified as affecting Australian trade with the three Latin American countries. It is not clear to the Committee whether there are indeed very few tariff barriers that affect Australian traders or whether there is very little information available about the barriers that do exist.<sup>154</sup>

3.157 The most comprehensive picture of barriers to trade in individual countries is available for countries which have undergone the GATT Trade Policy Mechanism review. In Latin America, only Chile and Colombia have been reviewed. Argentina is presently being reviewed while Brazil, Bolivia and Uruguay are due for review later in 1992.<sup>155</sup>

3.158 All aspects of trade policies and practices constituting barriers to trade, (including trade policies and practices by sector) in Chile and Colombia are described in the GATT documents.<sup>156</sup> These should provide a useful guide to Australian traders interested in investigating opportunities in those countries.

3.159 As discussed in Chapter 2 of this Report, the Committee is well aware of the extensive deregulation and restructuring that is taking place in the Latin American countries. In some cases, such as Chile, the reduction in tariffs is clear and straightforward. In the case of several of the other Latin American countries, the Committee has been left with the impression that significant reductions in several important areas have yet to take place. Because the level of interest in these areas to date has been either low or non-existent, little appears to be known by either the government agencies or the private sector about the extent to which barriers, both tariff and non-tariff, might act as a disincentive were Australian companies to look seriously at Latin American markets.

---

153. Mr I. Taylor, Committee Hansard, p. 353.

154. For example, there is no mention of the Brazilian freight tax. See paras. 3.191 to 3.196.

155. Letter from Ms R. Thompson to the Committee Secretary, dated 11 February 1992.

156. The relevant GATT Reports on Chile are C/RM/S/14A and C/RM/S/14B, and on Colombia are C/RM/S/4A and C/RM/S/4B.

3.160 The Committee sought the assistance of Latin American representatives in Australia for up-to-date information regarding the tariff situation in the respective countries. Much detailed information was provided. The Committee is of the view that the documents should be widely available for consultation by those seeking to trade with Latin America. For this reason, the documents will be incorporated with the other submissions received by the Committee in the companion volume to this report and will be publicly available. The following is a summary of the information received on tariffs:

### *Argentina*<sup>157</sup>

3.161 The Ambassador of Argentina, H.E. Mr Enrique J.A. Candiotti, told the Committee that the Argentine Government has taken "significant measures to remove restrictions on both imports and exports." Mr Candiotti said that these measures:

"... show a clear movement towards free and open trade, in keeping with the Argentine policy commitment to seek its economic vitality in competitive interaction with the outside world."<sup>158</sup>

Among other things, import quotas (which in 1987 covered 62% of goods coming into Argentina) have been "sharply reduced" since 1989 and are now entirely eliminated, except for automobiles. The quota on automobiles is presently being reconsidered. Tariffs have been reduced from their former "prohibitive levels" and now average 11.8%. All non-tariff barriers affecting imports into Argentina have been dismantled by the Deregulation Decree No. 2284/91.

Customs duties have been simplified into five categories, and reduced to the following levels:

- Capital Goods                    5%
- Intermediate Goods            13%
- Consumer Goods                22%
- Automobiles                    22%
- Electronics                     35%

Exporters are no longer required to surrender or convert their foreign currency earnings. The old system of export taxes and subsidies has been "nearly eliminated", and a "more automatic less bureaucratic system" of administering the VAT drawback on exports adopted.

---

157. Based on letter from H.E. Mr E. Candiotti to the Committee Chairman, dated 31 March 1992.

158. Letter from H.E. Mr E. Candiotti to the Committee Chairman, dated 31 March 1992, p. 2.

3.162 Mr Candiotti provided the Committee with a table showing the trend of Argentina's tariff system from 1976-91. Mr Candiotti further provided extracts from Argentine Decree No. 2657/91 showing tariffs applied by Argentina in areas of Australia's trade interest, including import duties for medical, scientific, agricultural and mining equipment, communication and processed food. Both documents are incorporated with the submission made by the previous Argentine Ambassador, H.E. Mr J. Beltramino and are available for reference.

### *Brazil*

Brazil's tariffs are in the process of being reduced. The Ambassador of Brazil, H.E. Mr M. Cortes drew the Committee's attention to the most recent developments in Brazil's economic reforms. Since March 1990, Brazil's strategy has been to reduce tariffs and to eliminate non-tariff barriers. Brazil's new tariff laws establish a gradual reduction of import duties to an average level of 20% (duties vary from 40% down to zero). The whole process of tariff reduction is expected to be concluded by July 1993. In 1991, 6.3% of all imports (in value terms) entered Brazil without tariffs, and 13.6% were granted duty exemption.<sup>159</sup>

3.163 At the end of the tariff adjustment plan in July 1993 Brazil will have the following scale of import duties:

Computer hardware and software	40%
Trucks, cars and motorcycles	35%
Selected fine chemicals, shelled wheat, pastries, TV sets, VCRs and sound equipment	30%
Medical and scientific equipment, mining machinery, ground engaging tools and communications systems	20%
Products along the production chain which incorporate inputs benefiting from zero tariff	15-10%
Products which were already under this level of import duty in 1990	5%

---

159. Supplement No. 05, *Portrait of Brazil*, in letter from the Ambassador of Brazil H.E. Marcos Henrique C. Cortes to the Committee Secretary dated 15 April 1992.

Products offering a clear comparative advantage, with a high freight cost, without any equivalent made in Brazil, or commodities with small added value.<sup>160</sup> 0%

3.164 Import permits are required. However, import licensing, according to the Brazilian Ambassador, is a "practically automatic procedure."<sup>161</sup> Prior official authorisation is required for the importation of products for quarantine, health or public safety reasons.<sup>162</sup>

#### *Chile*<sup>163</sup>

3.165 The Ambassador of Chile H.E. Mr J. Salazar, informed the Committee that "Chile has become the most open market in Latin America for foreign exports and investments."<sup>164</sup> Chile's across the board tariff of 15% was reduced to 11% at the end of 1991. Three productive sectors continue to be exempted (wheat, beet and oil seeds) subject to certain conditions. A limited number of products, mainly from the textile sector, continue to be subject to surcharges ranging from 5% to 15% to prevent subsidies and dumping.<sup>165</sup> On other trade barriers the Ambassador said that:

"There are no import restrictions or non-tariff barriers in Chile. Although an import licence is required before shipping, they are quickly obtained. Compliance with formalities is only necessary for statistical purposes (registrations at the Chilean Central Bank)."<sup>166</sup>

#### *Colombia*<sup>167</sup>

3.166 The Ambassador of Colombia, H.E. Mr Fernando Navas de Brigard informed the Committee that Colombia is "one of the least protected economies in the

---

160. *ibid.*

161. *ibid.*

162. *ibid.*

163. Letter from H.E. Mr J. Salazar to the Committee Secretary, dated 14 February 1992.

164. H.E. Mr J. Salazar, submission, Committee Hansard, p. 1328.

165. H.E. Mr J. Salazar, submission, Committee Hansard, p. 1328, and letter, 14 February 1992.

166. Letter from H.E. Mr J. Salazar, 14 February 1992, p. 1.

167. Letter from H.E. Mr F. Navas de Brigard, to the Committee Secretary, dated 5 March 1992.

world."<sup>168</sup> The following up-to-date information regarding tariff and non-tariff barriers in Colombia was provided by the Ambassador.

3.167 Present tariffs on imports into Colombia are based on Decree No. 2095 of 6 September 1991. Four tariff levels apply:

Goods not produced in Colombia, tobacco and liqueurs	0%
Goods used in manufactures that are also produced in Colombia	5%-10%
Goods for final consumption	15%

3.168 Two categories of motor vehicles are subject to higher tariffs, namely cars (75%) and jeeps (50%). 40% of major imports presently enter Colombia duty free. The Ambassador informed the Committee that import licensing was abolished by Decree No. 2095. Voluntary restraint agreements are non-existent in Colombia and any prohibition on imports is limited to those subject to national security and anti-narcotic considerations.

#### *Mexico*<sup>169</sup>

3.169 In the words of the then Ambassador of Mexico, His Excellency Mr Alejandro Morales, the Mexican Government:

"... has evolved from being one of the most closed economies in the world only a few years ago to one of the most open foreign trade regimes."<sup>170</sup>

3.170 Whereas in 1985 the maximum tariff was 100%, all import tariff categories required import permits and "the refusal to import any article produced in Mexico was systematic," in 1992:

. only 2% of Mexico's tariff categories require import permits;

---

168. Letter from H.E. Mr F. Navas de Brigard to the Committee Secretary, dated 5 March 1992, p. 2.

169. H.E. Mr A. Morales, submission, pp. 4-5.

170. *ibid.*, p. 4.

- . the maximum tariff is 20%; and
- . average tariff is 11%.<sup>171</sup>

3.171 The Committee was informed that Mexico's 5% export development tax on imports has been eliminated and the overall benefits of Mexico's liberalisation "have been very positive".<sup>172</sup>

3.172 The Embassy of Mexico confirmed to the Committee in May 1992 that the tariff information contained in Ambassador Morales' submission is substantially unchanged. According to the Embassy, since 1988 (when Mexico joined GATT), Mexico has moved rapidly to reduce tariffs, abolish import permits and remove other non-tariff barriers.

3.173 Mexico presently has 11,607 tariff items with tariffs ranging from 0% to 20% as follows:

- . 288 items (or 2.5%) are duty free;
- . 80 items (or 0.7%) have a 5% duty;
- . 5666 items (or 48.8%) have a 10% duty;
- . 3249 items (or 28%) have a 15% duty; and
- . 2324 items (or 20%) have a 20% duty.<sup>173</sup>

3.174 It would be of interest to Australian exporters to note that Mexico's tariff on medical and scientific equipment, agricultural and mining equipment, communication equipment and processed food is 10%. The highest tariff (20%) is placed on goods produced by the automotive and textile industries.<sup>174</sup>

3.175 Import licences are required for 250 items, all in areas considered sensitive by the Mexican Government. These include firearms, explosives, certain types of pharmaceutical products, farm commodities and heavy machinery and equipment. The import of pharmaceuticals and substances containing narcotics is prohibited.<sup>175</sup>

#### *Peru*<sup>176</sup>

3.176 The Ambassador of Peru, H.E. Mr Gonzalo Bedoya, informed the Committee

---

171. *ibid.*

172. *ibid.*, p. 5.

173. Letter from Mr J. Chapero to the Committee Secretary, dated 14 May 1992.

174. *ibid.*

175. *ibid.*

176. Letter from H.E. Mr G. Bedoya, to the Committee Chairman, dated 1 April 1992.

that the present average tariff in Peru is 17%. A 15% tariff is imposed on 90% of Peru's imports and a 25% tariff on the other 10%. The Government of Peru hopes to reach a flat tariff of 15% in 1992. However, this is subject to present negotiations involving members of the Andean Group, of which Peru is a member. The Andean Group favours a common external tariff in four levels - 5%, 10%, 15% and 20%.

3.177 The Committee sought information regarding the level of tariffs applying in some specific areas of interest to Australia, and was informed that the levels are as follows:

Agricultural equipment	15%
Medical and Scientific equipment	15%
Mining equipment	15% and 25%
Transport and Communications equipment	15% and 25%

3.178 The Ambassador said that there are no non-tariff barriers affecting imports into Peru. All non-tariff barriers existing before December 1990 were abolished on that date and the whole aim of Peru's structural reforms is to achieve a market economy.

#### *Venezuela*<sup>177</sup>

3.179 The Charge d'Affaires of Venezuela, Mr Mareo A. Requena, informed the Committee that, as at March 1992, four tariff levels apply to imports into Venezuela - 5%, 10%, 15% and 20%. The average tariff applying to imports is 9.1%. Fifteen items enter Venezuela duty-free, mainly medical and agricultural equipment. The lowest tariff (5%) applies to basic raw materials and feedstocks, and to goods not produced in the Andean region. By the year 1994, Venezuela's tariff rates would be from 5% to 15%, with the highest tariff level set at 15%.

3.180 Tariffs applying to some areas of particular interest to Australia are:

Agricultural	5% and 10%
Communications	5%
Medical and Scientific	5% and 10%
Mining	5% and 10%
Transport: Automobiles costing US\$15,000 or more	25% and 40%

---

177. Letter from Mr M. Requena, to the Committee Secretary, dated 1 April 1992.



Public transport vehicles	5%
Trucks	10%

3.181 Venezuela presently prohibits import of the following items - motorcycles of more than 250cc, vehicles older than the current year, and matches.

3.182 On non-tariff barriers, Mr Requena informed the Committee that Venezuela has been reducing import restrictions. Some 2,400 items were affected by import restrictions in 1989. By the end of 1992, less than 50 items would be affected. Mr Requena informed the Committee that the restrictions are generally as follows:

- Medicines and insecticides - there are sanitary requirements for niche products, which must also be registered.
- Chemicals related to psychotropic drugs - permits are required for their importation; use is also controlled.
- Defence-related items - permission required from the Defence Ministry.

**3.183 Recommendation seven:** The Committee recommends that the Australian Government, through Austrade and other representatives stationed in Latin America:

- closely follow reductions in tariff and non-tariff barriers in the Latin American countries;
- ensure that this information is quickly and widely made available to Australian companies that may have an interest in the relevant product areas; and
- identify remaining tariff and non-tariff barriers that might be included in future representations by the Government.

### **Liability Conventions**

3.184 A possible legal problem brought to the attention of the Committee by the NSW State Chamber of Commerce relates to carriage of goods to and from various Latin American countries, where Australian cargo owners can be disadvantaged where loss or damage occurs during:-

- Sea-Carriage, where the relevant Latin American country is not a signatory to any of the Hague Rules, the Hague Visby Rules or the SDR protocol;

Carriage by Air, where the relevant Latin American country is not a signatory to the Warsaw Convention or any of the amending protocols. The Warsaw Convention only applies where both ends of the journey occur in countries applying the Convention.

3.185 Both issues are important in terms of liability conventions.<sup>178</sup> The Committee sought the assistance of the Latin American diplomatic representatives in Canberra, DFAT, and two shipping companies, as to whether non-ratification of international liability conventions has been cited as a problem.

3.186 DFAT informed the Committee that the Hague Visby Rules provide for a marine cargo liability regime concerned with responsibility for loss or damage to seaborne cargo while the Warsaw Convention provides for liability limits for air carriage of passengers and cargo. DFAT provided the Committee with a list of the Latin American countries which are parties to the agreements, commenting that overall Latin America's adherence to the conventions is "patchy".<sup>179</sup> The Committee notes however that some Latin American Governments are parties to some Protocols that Australia has not signed.

3.187 The Ambassador of Chile informed the Committee that Chile is not party to the Hague Rules, Hague Visby rules or the SDR Protocol on sea carriage. However, Chile has ratified the Warsaw Convention 1929 and Protocol of 1955. In Chile's view settlement of trade or investment disputes is not a problem as, on 9 July 1991, the Chilean Congress approved the association of Chile to the World Bank's International Centre for the Settlement of Investment Disputes. Chile also has investment insurance agreements with a number of countries which provide further safeguards to investors. The Ambassador pointed out that foreign investment legislation in Chile grants the same guarantees to both Chilean and foreign investors.<sup>180</sup>

3.188 The Committee also put the question to representatives of Mitsui OSK Lines and Barbican Marine (Agencies) Pty Ltd, the two shipping companies that provide direct shipping services between Australia and Latin America. Both companies informed the Committee that concern regarding liability problems due to non-ratification of international conventions had never been raised with them before.<sup>181</sup> The representative of Mitsui OSK Lines said that companies could find it more difficult to operate if some Latin American countries do not ratify international liability conventions.<sup>182</sup> Mr Hayward subsequently explained that from the point of view of

---

178. State Chamber of Commerce (NSW), submission, Committee Hansard, pp. 894-5.

179. Letter from Mr I. Wilcock to the Committee Secretary dated 21 April 1992. The full list is included with the DFAT submission in the bound volumes of submissions to this inquiry.

180. Letter from H.E. Mr J. Salazar to the Committee Secretary dated 28 November 1991.

181. Mr E.L. Hayward, Committee Hansard, p. 1881 and Mr E. Olmos, Committee Hansard, p. 1907.

182. Mr E.L. Hayward, Committee Hansard, p. 1881.

the ship owner, the Hague Rules "offer a fair and practical resolution" to the two extremes of excessive exposure to liability for carriage of cargo, and no liability at all.<sup>183</sup>

3.189 The Committee is keen to see that legal safeguards are in place and any legal liability disincentives removed in order to maximise the attractiveness of Latin American countries as trade and investment partners. On the basis of the evidence before it, the Committee is not in a position to evaluate the extent to which the failure of some Governments to ratify the various rules, Convention and Protocols on legal liability acts as a disincentive to greater commercial interaction between Australia and Latin America.

**3.190 Recommendation eight:** The Committee recommends that the Department of Foreign Affairs and Trade and the Attorney-General's Department canvass with the business community the value of wider adherence to international transport liability conventions, with a view to taking up matters relating to international transport liability with Latin American Governments as necessary.

## Freight Tax

3.191 BHP brought to the attention of the Committee the difficulties that a freight tax imposed by Brazil on items shipped between the two continents creates for BHP.

3.192 Invited at public hearing to elaborate on the impact of this Brazilian freight tax, BHP's representative explained that:

"What it means is that it is much more difficult for us to sell coal to Brazil than for the Americans to sell coal to Brazil. Brazil is a large consumer of imported coals, because it has no coal of its own and it has a large steel industry."<sup>184</sup>

The American coal shippers have had an advantage over us because of the way in which that particular form of protection works, because of their proximity versus our distance."<sup>185</sup>

---

183. Letter from Mr E.L. Hayward to the Committee, dated 3 June 1992.

184. Mr J. Ellis, Committee Hansard, pp. 509-10.

185. *ibid.*, p. 510.

3.193 The Committee took up BHP's concerns with the Department of Primary Industries and Energy (DPIE). DPIE confirmed that Brazil imposes a 25% tax on the freight cost component of imports. This means that distant suppliers from countries such as Australia are disadvantaged. DPIE told the Committee that the disadvantage to Australia is about US\$1.50 per tonne of coal compared to coal supplied by the USA.<sup>186</sup>

3.194 The Committee also put the question of freight tax to representatives of Mitsui OSK Lines and Barbican Marine (Agencies) Pty Ltd. The shipping companies were aware of the freight tax in connection with the generally high level of taxes that have been imposed by the Brazilian Government. However, Australian exporters have not specifically raised with them the problem of the Brazilian freight tax.

3.195 Nevertheless, the Committee notes that the average export value of Australian coal in 1990-91 was A\$52.84 per tonne.<sup>187</sup> This means that on average a freight tax of A\$2 would increase the cost of Australian coal by 4%. The Committee would be keen to see this disadvantage to Australian exporters eliminated.

**3.196 Recommendation nine:** The Committee recommends that the Australian Government make representations to the Government of Brazil to remove Brazil's freight tax or to amend it so that it does not discriminate against goods shipped over long distances.

## Customs

3.197 Several submissions mentioned that, in their view, Australian Customs should not insist on all export documentation being in English. The former manager of Bond Corporation's businesses in Chile told the Committee that export documentation should ideally be in English and Spanish/Portuguese in order to speed up the clearance and payment of goods bound for Latin America.<sup>188</sup>

3.198 The Committee sought the views of some witnesses in this regard. The Australia-Brazil Chamber of Commerce informed the Committee that Customs documentation requirements had never been raised with the Chamber as a problem.<sup>189</sup>

---

186. Letter from Mr A. Smart to the Committee Secretary dated 17 December 1991.

187. Joint Coal Board, *Annual Report 1990-91*, p. 7.

188. Mr M. Babidge, submission, p. 6.

189. Mr J. McGruther, Committee Hansard, p. 351.

3.199 Another problem relating to Customs clearance was brought to the Committee's attention by Professor Rodney Maddock. Professor Maddock told the Committee that:

"Australia, through our Customs groups, actually makes it very hard for those countries. Anything which comes into Australia from those countries always gets opened and is delayed in the ports and containers are always delayed. So effectively our anti-drug policy is penalising the economies of those countries at the moment."<sup>190</sup>

3.200 The Committee sought to find out from companies dealing with Latin America whether that was their experience. The President of the Australia-Brazil Chamber of Commerce informed the Committee that that problem has never been brought to the attention of the Chamber either generally or within its membership.<sup>191</sup> The General Manager, Steel Trading of CMC (Australia) and a member of the Australia-Brazil Chamber of Commerce, Mr Aitken told the Committee that in his experience the opposite was true. CMC had never had any undue delays on goods imported from Brazil.<sup>192</sup>

3.201 In response to questions put at a Senate Estimates Committee hearing in April 1992, the Australian Customs Service (ACS) said that it had no record of having received any formal complaint about containers from some Latin American countries being subject to stricter searches than containers from other regions.

3.202 The ACS further stated that, in line with its general "risk management" approach to the identification of containers for examination, cargo which originates in, or is transhipped through, narcotic producing countries such as certain countries in South America, South East Asia and the Middle East "cannot be ignored" for risk assessment purposes.<sup>193</sup>

3.203 It is in this context that some containers from Latin American countries are examined. The ACS made the point that containers from other "high risk" countries are also examined. Further, not all containers from Latin American countries are targeted for Customs examination, only those considered to be "high risk".<sup>194</sup> The ACS gave the assurance:

"Examination of cargo for community protection purposes

---

190. Prof. R. Maddock, Committee Hansard, p. 422.

191. Mr J. McGruther, Committee Hansard, p. 647.

192. Mr K. Aitken, Committee Hansard, p. 647.

193. Senate Estimates Committee 'A', Additional Information, Volume II, April 1992.

194. *ibid.*

is undertaken in such a way as to minimise delays to the importer."<sup>195</sup>

The question of the route used to import cocaine into Australia is discussed in paras. 8.61-8.63 of this Report.

3.204 On the basis of the evidence before it on this matter the Committee is unable to reach a firm conclusion about the extent of the problems. The Committee would however be concerned if there were undue delays in the clearance of goods from any Latin American country.

**3.205 Recommendation ten:** The Committee recommends that the Australian Customs Service continue to maintain a high level of scrutiny of inbound goods that may pose a drug risk, and at the same time take steps to ensure that goods from Latin America are processed as quickly as possible.

## Export Finance

3.206 Financing of trade with Latin America appears to have been a source of difficulty for several Australian exporters. To that extent, the reservations of some potential traders in Australia have some basis in fact. There clearly have been practical difficulties in the past with certain aspects of doing business in Latin America. For example, even a witness who is very keen to promote trading links with Latin America and is very well disposed to the region admitted to the Committee that:

"In terms of payment of letters of credit, there have been - and I can speak from experiences - difficulties in getting payment over the years."<sup>196</sup>

3.207 However, in his view the situation today is a vast improvement on the situation five or ten years ago. A similar view was echoed by others. Mr Charlton referred to finance-related difficulties that MIM had experienced in exporting coal to Argentina. In his view "financial arrangements are always much more difficult with Latin American countries than Asia or Europe."<sup>197</sup>

3.208 MIM subsequently elaborated on this point. It informed the Committee that in

---

195. *ibid.*

196. Mr G. Smith, *Committee Hansard*, p. 1109.

197. Mr R. Charlton, *Committee Hansard*, p. 1063.

its view, the main problems associated with financing of trade to Latin America are as follows:

- . trade finance through EFIC is very expensive;
- . EFIC considers trade finance on a shipment-by-shipment basis;
- . the trader cannot obtain 100% coverage through EFIC as EFIC presently assumes only 90% of the risk. The remainder has been assumed by a bank; and
- . banks are generally unwilling to support extended trade finance. Only one Australian bank is presently willing to support coal exports to Brazil.<sup>198</sup>

MIM suggested that EFIC should reduce its premiums and assume 100% of the risk. MIM further suggested that the Australian Government should establish with the Brazilian Government a mechanism to enable Australian exporters to receive payment more promptly.<sup>199</sup>

3.209 On the other hand, others have had very positive experiences. For example, although Mr Aitken agreed that "it is far more expensive to fund [business] to South American than fund it into Europe or into Japan,"<sup>200</sup> he also pointed out that Brazil's trade debt history has been very good:

"There is a proven track record on trade debt. Problems of delays in payment caused by the Government some five or six years ago have not recurred. In recent history, in all our exports to Brazil we have been paid on time."<sup>201</sup>

It was essential, in Mr Aitken's view, to distinguish between public sector debt, where Brazil has had problems, and trade debt, where it has not.

3.210 At present, the only Australian banking presence in the region is that of the ANZ Banking Group's representative office in Rio de Janeiro. Companies that administer their Latin American operations from offices in North America, such as Western Mining Corporation, generally have little need for the services of Australian financial institutions in their operations.<sup>202</sup>

---

198. Letter from Mr P. Slaughter to the Committee Secretary, dated 3 June 1992.

199. *ibid.*

200. Mr K. Aitken, Committee Hansard, p. 653.

201. *ibid.*, pp. 658-9.

202. Mr D. Morley, Committee Hansard, p. 494.

3.211 Others, generally the smaller companies such as Leighlands Pastoral Holdings, depend on the ANZ's representative office for services relating to letters of credit and for other financial transactions.<sup>203</sup>

3.212 The Australia-Brazil Chamber of Commerce informed the Committee that it considers an Australian banking presence in Sao Paulo to be vital to facilitation of trade and investment finances. This should be a direct banking office and not agency representation.<sup>204</sup> In its submission, the Chamber suggested that the Commonwealth Bank could be prompted to take such an initiative.<sup>205</sup>

3.213 The President of the Chamber, Mr McGruther told the Committee at a public hearing that conversations with representatives of Australia's big four banks over a number of years have convinced him that the banks have confused Latin American sovereign debt (poor) with trade debt (good).

"I honestly believe that it is well worth a bank having a good hard look at it. I do not quite know why I would be selling that to a bank, but there is a good opportunity for banks there."<sup>206</sup>

3.214 The Committee wrote to all major Australian banks at the beginning of the inquiry, inviting submissions. Only the ANZ Bank responded with a submission. While the submission provided an excellent background account of Australian business opportunities in Latin America, with specific references to opportunities in Argentina, Brazil, Chile, Mexico and Venezuela, no mention was made of opportunities in financial services. No mention was made of ANZ's representative office in Rio de Janeiro, or of the scope for Australian banks to establish themselves in the region.

3.215 Export finance for traders in Latin America appears to be primarily provided through the Australian Government's export credit agency, previously Austrade's Export Finance Insurance Corporation (Austrade-EFIC), now an independent corporation.

3.216 As at 30 June 1990 Austrade-EFIC supported exports to Latin America worth A\$ 92 million. This represents between 1.4% and 1.6% of total Australian exports supported.<sup>207</sup>

---

203. Mr I. Metherall, Committee Hansard, p. 565.

204. Australia-Brazil Chamber of Commerce, submission, Committee Hansard, p. 626, and Mr J. McGruther, Committee Hansard, p. 634.

205. Australia-Brazil Chamber of Commerce, submission, Committee Hansard, p. 624.

206. Mr J. McGruther, Committee Hansard, pp. 660-1.

207. DITAC, submission, Committee Hansard, p. 236 gives a figure of 1.6%. Austrade gives a figure of 1.4%, Austrade, submission, p. 23. Australian exports to Latin America represent 1% of total Australian exports. It is evident that EFIC supports a proportionately higher



3.217 The figures for Austrade-EFIC credit insurance for the individual countries of Latin America provided by Austrade varied significantly from those provided by DITAC.

According to Austrade:

"Chile is the major export market insured by Austrade-EFIC accounting for 57% of Latin American exports covered. This is followed by Argentina (12%), Peru (11%), Mexico (8%) and Brazil (6%)."<sup>208</sup>

According to DITAC:

"In descending order of importance Brazil (31%), Peru (26%), Argentina (23%), Mexico (11%) and Chile (8%) account for 99% of the Austrade-EFIC supported trade to Latin America."<sup>209</sup>

3.218 While there were discrepancies in the data for individual countries, both authorities agreed that virtually all the current business supported is of a short-term nature. According to Austrade the only medium and long-term support for Latin America exports dates back to transactions entered into in earlier years.

3.219 The Austrade submission made it clear that in their view "a cautious underwriting approach is required" when assessing short term credit insurance in Latin America. In approaching proposals:

"... endeavours are made to contain exporters' exposure through restrictions on cover such as secured payment terms, extended waiting periods for claims and country ceilings."<sup>210</sup>

3.220 Notwithstanding these restrictions, the EFIC representative at public hearings put the view that:

"Austrade and its board have been fairly adventurous in the credit risks that we have taken there."<sup>211</sup>

---

percentage of exports to Latin America than would have been the case if EFIC support were linked directly to market share. The Committee considers that the nature of the market, at this stage, in the countries of Latin America fully justifies a relatively higher level of EFIC support for such trade.

208. Austrade, submission, Committee Hansard, p. 332.

209. DITAC, submission, Committee Hansard, p. 236.

210. Austrade, submission, Committee Hansard, p. 332.

211. Mr Moore, Committee Hansard, p. 349.

3.221 EFIC also expressed satisfaction that there had been no defaults on the sales they had supported. Moreover, in their view sales in the past year of \$11.5 million worth of oats and barley to Peru, \$33 million worth of coal and salt and some iron and steel in Brazil, \$19 million in Chile and \$10 million in Argentina would not have been made without EFIC backing:

"... because the exporters concerned and their financiers, the banks, were not prepared to take the credit risks in those particular countries."<sup>212</sup>

3.222 From the evidence put to the Committee it seems that private companies see EFIC's performance somewhat differently.

3.223 Several witnesses said that they would like to see greater flexibility in Austrade-EFIC's approach to credit arrangements to serve the needs of businesses trading with Latin America.

3.224 MIM gave an account of their experiences with EFIC. According to MIM a major part of their negotiations with Latin American companies is about payment arrangements. This is time consuming as under EFIC's present policy, the finance for every shipment must be negotiated separately.<sup>213</sup> All the banks that the company has dealt with have had ceiling limits on their risk in Brazil. They have to negotiate risk protection cover with EFIC. The limits placed in turn on EFIC's risk protection make arrangements for the shipment more difficult.

3.225 MIM cited coal sales to Argentina as another example:

"This is a relatively small market for Australian coal, but one which MIM would like to penetrate. One shipment of coking coal - 35 000 tonnes - was sold to Argentina in 1986. The documentation requirements were extremely complex because of requirements from the Argentinian Government, and trade finance, as for Brazil, was difficult to negotiate. Once again, there is great scope for inter-Governmental agreements to facilitate trade between the two countries."<sup>214</sup>

3.226 The General Manager of CMC gave a further illustration of the problem:

"If you go to EFIC today and ask for a funding package for that zinc transaction I talked about, which is 17 shipments of 1,000 tonnes each, you cannot get a guarantee from

---

212. *ibid.*

213. M.I.M. Holdings Limited, submission, Committee Hansard, p. 1058.

214. *ibid.*, p. 1059.

EFIC that you are able to insure that cargo through to the end of that contract because it goes out for a period of 12 months. Sorry, it is 1,000 tonnes for the first six months and 2,000 tonnes a month after that. You cannot go to EFIC and say, 'can I please have insurance for the full-term of that contract' because, firstly, it is a very large amount of money and, secondly, they are not prepared to look a long distance ahead.<sup>215</sup>

3.227 The Australia-Brazil Chamber of Commerce made a plea for the EFIC mechanism to be broadened and the limits extended if export to Latin America is to be stimulated.<sup>216</sup> MIM implied that while the individual banks may have their own reasons for having ceiling limits, greater cooperation by EFIC with the individual banks would help Australian exporters.<sup>217</sup>

3.228 The General Manager of CMC suggested that Australia could sell more coal if Australian companies were prepared to offer financial terms to the Brazilians, either by providing their own credit line or having access to credit lines.<sup>218</sup> Said Mr Aitken,

"I think what the Government must do is encourage that, try to get closer to that particular problem and if we can, work with the various authorities to make sure that we can develop a longer term market into that region.

If you come back to critical areas of trade, one is identifying the products that you can sell. I think Austrade has attempted to do that. Someone must take the lead role and I see government taking the lead role. They then should, as I said before, speak to the Australian companies that are interested to develop that business. Then the role of the Government, I believe, is to put into place or assist putting into place, some financial facility that makes that possible.<sup>219</sup>

3.229 The Committee agrees that the current approach by banks and EFIC to trade with Latin America is unsatisfactory. Business should be encouraged to develop long-term strategic plans for their trading activities there.

---

215. Mr K. Aitken, Committee Hansard, p. 657.

216. Australia-Brazil Chamber of Commerce, Committee Hansard, pp. 656-7.

217. Committee Hansard, pp. 1061-2.

218. Mr K. Aitken, Committee Hansard, p. 655.

219. *ibid.*, p. 656.

3.230 From evidence presented to the Committee it seems that Australian traders in a number of commodities are discouraged by irregular demand for their product. Latin American buyers are frequently regarded as spot buyers or price-buyers. Under these circumstances, occasional sales may eventuate, but strong permanent links are difficult to establish. An inescapable conclusion reached by the Committee is that financing arrangements are a key element. Improvements in financing are essential if reliable long-term markets are to be developed.

**3.231 Recommendation eleven:** The Committee recommends that EFIC examine financing problems faced by companies dealing with Latin America, taking account of the rapid political and economic changes that have taken place in that region in recent years. The Committee further recommends that EFIC review its existing rules and procedures with a view to facilitating the provision of credit for companies trading with Latin America. In particular, EFIC should look to:

- . providing more medium and long term credit to such companies; and
- . eliminating the need for companies to apply for insurance on a shipment by shipment basis.

*"In an untapped market there are going to be more opportunities than in the highly developed regions of North America and Europe."<sup>1</sup>*

## CHAPTER FOUR

### INVESTMENT

4.1 The Committee examined whether, notwithstanding the uneven pace of political and economic reforms in the 22 Latin America countries and uncertainty surrounding the effectiveness of some of the reforms, there are nevertheless significant investment opportunities in Latin America which Australian companies could usefully take up.

4.2 The views of the main Australian Government agencies with policy roles in matters connected with such investments were sought.

4.3 DFAT was of the view that opportunities now present to Australian investors as a result of:

- . the economic reform programs in Latin America. Rejection of state intervention and protectionism in favour of free market principles, together with efforts to stabilise the respective economies and address debt and inflation problems, have increased the opportunities for trade and investment throughout Latin America;<sup>2</sup> and
- . efforts towards regional economic cooperation presently being made by Latin America countries, and the regional arrangements emerging. These developments could enhance economic growth in the region and create opportunities for Australian business.<sup>3</sup>

4.4 In Austrade's view, the massive program of privatisation in Latin America provides unprecedented opportunities for investment in a wide range of utilities and in the manufacturing, service and transport industries. These opportunities are made more attractive by the strong push towards economic integration in the region which in the long term could lead to a single Americas market stretching from Alaska to the

---

<sup>1</sup> Mr P. Slaughter, Committee Hansard, p. 1073.

<sup>2</sup> Mr R. Woolcott, Committee Hansard, p. 197.

<sup>3</sup> DFAT, submission, Committee Hansard, p. 13.

southern most tip of Argentina. This market would contain a total population of approximately 700 million people.<sup>4</sup>

4.5 In DPIE's assessment, there are opportunities for Australian companies to be involved in minerals-related investments in Latin America. DPIE pointed to Latin America's significant mineral potential and gave examples of Australian companies which have successfully invested in Latin America.<sup>5</sup>

4.6 In contrast, DITAC continues to maintain a conventional, and in the Committee's opinion, an overly cautious and suspicious view of investment prospects in Latin America. DITAC told the Committee that DITAC has:

"... an investment promotion program which is designed to encourage two-way investment between countries."

This program is focussed mainly on Asia, Europe and North America:

"... on the basis that these regions are more likely to be able to provide this sort of investment and with it the associated technology or market opportunities."<sup>6</sup>

4.7 While the majority of the submissions to the Committee focussed on the need for Australian companies to seize the opportunities that are manifestly present in Latin America, DITAC told the Committee that:

"At this stage there is no plan for investment actively prepared for or operating in the Latin American countries".<sup>7</sup>

Asked whether DITAC should not at least have such a strategy, Mr Taylor replied:

"The recent history of the region has seemed to Australian business ... perhaps to contain as many threats as opportunities."<sup>8</sup>

---

<sup>4</sup> Austrade, submission, Committee Hansard, p. 311.

<sup>5</sup> DPIE, submission, Committee Hansard, p. 1194.

<sup>6</sup> DITAC, submission, Committee Hansard, pp. 249-50.

<sup>7</sup> ibid.

<sup>8</sup> Mr G. Taylor, Committee Hansard, p. 250.

4.8 Even when the Committee pointed out that circumstances in Latin America have changed dramatically in the last few years DITAC remained adamant that:

"Circumstances have changed ... and will continue to change. As we have said, it is our view that there will be consolidation and continuing improvement in terms of the opportunities for business and collaboration"

and, significantly, appears to be not so much at the stage of formulating suitable strategies as acknowledging that:

"I guess that means that we would certainly need to be ready to reassess our investment program."<sup>9</sup>

### **Which Latin American Countries Offer Opportunities for Investment?**

4.9 It was of interest to the Committee to examine whether there were particular countries or sectors cited more often than others in submissions to the inquiry in terms of prospective investment. The submissions made by representatives of Latin American countries in Australia, understandably, focussed on the opportunities available in their respective countries. A number of other submissions emphasised individual countries that are the subject of their special interest, for example, the Australia-Brazil Chamber of Commerce naturally dealt primarily with Brazil. The following table gives an indication of the main countries of investment interest mentioned by witnesses:<sup>10</sup>

<b>Witness/Organisation</b>	<b>Countries</b>
DFAT	Chile, Mexico, Argentina, Brazil
Austrade	Mexico, Brazil, Argentina, Chile, Venezuela, Colombia
Queensland University of Technology	Mexico, Chile, Brazil
School of Spanish and Latin American Studies	Mexico, Venezuela, Chile

---

<sup>9</sup> *ibid.*

<sup>10</sup> Further details can be found in the individual submissions.

James MacAonghus	Argentina
Elcom Services	Mexico, Chile
Guy McKanna	Chile, Mexico, Venezuela, Argentina, Brazil
Banco Santander	Brazil, Mexico, Argentina, Chile
CMC (Australia) Pty Ltd	Brazil
Professor Rodney Maddock	Colombia
Austral Computer Systems	Peru
Dr Heraldo Povea-Pacci	Chile
MIM Holdings Ltd	Chile
State Chamber of Commerce (NSW)	Mexico, Argentina, Brazil, Chile
ANZ Bank	Argentina, Brazil, Chile, Mexico, Venezuela <sup>11</sup>
Greg Smith	Mexico
Julius Kruttschnitt Mineral Research Center	Chile, Brazil
Broken Hill Proprietary Co. Ltd	Chile
Mine Site Technologies	Chile
PAZ International Marketing	Brazil, Chile, Uruguay, Argentina
Centre for Housing & Planning	Uruguay, Argentina, Chile

### **Which Sectors Offer Opportunities for Investment?**

4.10 Some witnesses categorised opportunities more in terms of sectors where Australia had particular strengths and might do well in Latin American countries. The following are the main general sectoral investment opportunities brought to the attention of the Committee:

---

<sup>11</sup> ANZ Bank, submission, pp. 2-6.



DFAT	-	Livestock and agricultural services Mineral exploration and development Telecommunications Transportation <sup>12</sup>
Austrade	-	Agriculture, mining systems, dairy products, sugar, uranium, coal and energy projects in Mexico; Austrade also recommended serious consideration of opportunities in the Maquiladora industry.  Mining technology and equipment, telecommunications, medical equipment and services and food processing in Chile;  Telecommunications, medical, scientific and mining equipment, breeding rams and genetic material in Argentina;  Automotive components, medical and hospital equipment, scientific and measuring apparatus, information industry products, mining equipment and technology in Brazil. <sup>13</sup>
DPIE	-	Technology, services and investment in the commodities sector, particularly minerals - related investments. <sup>14</sup>
DITAC	-	Telecommunications Forest products <sup>15</sup>
Centre for Housing and Planning	-	Housing Forestry Agriculture <sup>16</sup>

---

<sup>12</sup> DFAT, submission, Committee Hansard, pp. 13-229, inter alia.

<sup>13</sup> Mr I. Taylor, Committee Hansard, pp. 358-9

<sup>14</sup> DPIE, submission, Committee Hansard, p. 1194.

<sup>15</sup> DITAC, submission, Committee Hansard, p. 235.

<sup>16</sup> Centre for Housing and Planning, submission, p. 3.

Ambassador of Peru	-	Mining Agriculture Fishing Energy <sup>17</sup>
Mine Site Technologies	-	Mining equipment, products and services <sup>18</sup>
School of Spanish and Latin American Studies	-	Banking Mining Transport <sup>19</sup>
CRI Limited	-	Infrastructure projects <sup>20</sup>
Ansell International	-	Maquiladora projects in Mexico <sup>21</sup>
Western Mining Corporation	-	Mining exploration and development
Elcom Services Pty Ltd	-	Projects connected with the power industry <sup>22</sup>
Professor Rodney Maddock	-	Resource-based industries and infrastructure industries <sup>23</sup>
Ambassador of Colombia	-	Mining Agriculture <sup>24</sup>
Greg Smith	-	Maquiladora industries <sup>25</sup>

---

<sup>17</sup> H.E. Mr G. Bedoya, submission, pp. 7-8.

<sup>18</sup> Mine Site Technologies, submission, Committee Hansard, p. 664.

<sup>19</sup> School of Spanish and Latin America Studies, submission, pp. 8-9.

<sup>20</sup> CRI Limited, submission, pp. 2-3.

<sup>21</sup> Ansell International, submission, p. .

<sup>22</sup> Elcom Services, submission, Committee Hansard, p. 928.

<sup>23</sup> Professor R. Maddock, submission, Committee Hansard, p. 406.

<sup>24</sup> H.E. Dr A. Puerto, submission, p. 5.

<sup>25</sup> Mr G. Smith, submission, Committee Hansard, p. 1098.

Broken Hill Proprietary Ltd	-	Mining exploration and development <sup>26</sup>
ANZ Bank	-	Mining Agriculture Transportation Telecommunications <sup>27</sup>
Guy McKanna	-	Mining <sup>28</sup>
Mark Babidge	-	Cattle industry <sup>29</sup>
Ambassador of Mexico	-	Infrastructure projects Energy Telecommunications Petrochemicals Maquiladora industries <sup>30</sup>
Institute of International Studies	-	Agriculture and Mining sectors <sup>31</sup>
Professor Ross Garnaut	-	Mining and exploration <sup>32</sup>
Ambassador of Chile	-	Mining Energy Telecommunications Infrastructure Tourism Fishing Forestry Agriculture Banking <sup>33</sup>

---

<sup>26</sup> BHP, submission, Committee Hansard, p. 500.

<sup>27</sup> ANZ Bank, submission, p. 7.

<sup>28</sup> Mr G. McKanna, submission, p. 10.

<sup>29</sup> Mr M. Babidge, submission, p. 8.

<sup>30</sup> H.E. Mr A. Morales, submission, pp. 8-9.

<sup>31</sup> Institute of International Studies, submission, p. 1.

<sup>32</sup> Professor R. Garnaut, submission, Committee Hansard, p. 1461.

<sup>33</sup> Letter from H.E. Mr J. Salazar, to the Committee Secretary, dated 14 February 1992.

## Telecommunications

4.11 The Committee would like to draw particular attention to differing assessments of opportunities in the telecommunications sector. The overwhelming majority of submissions received by the Committee stressed the attractiveness of opportunities existing in Latin America for the supply of telecommunications technology, equipment, parts and services by Australian firms. Submissions to this effect were made by DFAT, Austrade and DITAC, major companies such as ANZ Bank and Banco Santander and by the diplomatic representatives of the Latin American countries. Appearing before the Committee, the National Marketing Manager of Barbican Marine Line, Mr Rick Olmos, singled out telecommunications as the major area of opportunity in Brazil for Australian firms.<sup>34</sup>

4.12 The Committee found the submission from Telecom Australia unexpectedly low-key in this respect. Reference has previously been made (see Chapter 3) to Telecom's assessment that, as its general rule is to invest only in countries forecast to have sustainable GDP growth and long term economic, social and political stability, Telecom was not planning to undertake any activities in Latin America.<sup>35</sup>

4.13 The Committee examined the paper provided by Telecom outlining telecommunications services in the Latin America region. The paper does not appear to support Telecom's assessment that:

"... some opportunities may exist in niche markets of various countries in the Latin America region".<sup>36</sup>

Rather, it signalled that significant opportunities do exist in Latin America. Among the points made:

- the Latin American telecommunications network will grow at a rate of 6.3% per year between 1988 and 1993;
- many Latin American governments have developed plans to accelerate the extent of network digitalisation;
- Mexico is presently aiming to improve its telecommunications infrastructure, including:
  - doubling the number of telephones in Mexico from 9 million to 18 million by 1995;

---

<sup>34</sup> Mr E. Olmos, Committee Hansard, p. 1902.

<sup>35</sup> Telecom, submission, p. 1.

<sup>36</sup> *ibid.*

- network development over the next 5 to 10 years at a total cost of between US\$10 and US\$12 billion; and
  - massive cellular mobile expansion with operating licenses granted to Mexican-owned consortia in 8 regions.
- . Brazil plans to add 2 million lines between 1987 and 1990 and reach 16.5 million digital lines and 67% digitalisation by the year 2000;
  - . Colombia plans to reach over 55% digitalisation by 1995; and
  - . most Latin American countries are privatising their telecommunications companies, with privatisation already in place or about to occur in Mexico, Argentina, Chile, Brazil, Uruguay, Paraguay, Venezuela and Ecuador.

4.14 In view of the difference between the assessment by Telecom and by most other witnesses, the Committee sought clarification from Telecom (which has, since providing its submission to this Committee's inquiry, merged with OTC to form the Australian and Overseas Telecommunications Corporation (AOTC)). AOTC informed the Committee in March 1992 that a number of possible overseas opportunities had been identified by its Task Force on expansion of offshore activity, of which one is in the Latin American region. AOTC indicated that evaluation of the items on the commercially sensitive short list is presently underway.

4.15 AOTC has not yet determined whether it will undertake the necessary steps to further evaluate the identified opportunity in Latin America.<sup>37</sup>

4.16 AOTC provided further indication of its thinking on Latin America, which may be summarised as follows:

- . Latin America is a region for "longer term investment". While a "watching brief" should be maintained on telecommunications opportunities:

"... longer term investment development would require considerable on ground exposure to gain the necessary local partner arrangement;"<sup>38</sup>

- . the attractiveness of consultancy and systems sales into the region at the present time is "very low";<sup>39</sup>
- . Latin America is not an ideal market for Australian facility and service providers as there are already several major competitors operating in the region. AOTC

---

<sup>37</sup> Letter from Mr I.B. Powell, to the Committee Secretary, dated 20 March 1992, p. 2.

<sup>38</sup> *ibid.*

<sup>39</sup> *ibid.*

cited Telefonica de Espana, Cable and Wireless, AT&T, Siemens Industries, Alcatel, LM Ericsson, NEC and the American Regional Bell Operating Companies as having established themselves successfully in Latin America.<sup>40</sup>

some telecommunications companies (eg. France Telecom, STET of Italy and British Telecom) have become shareholders in recently privatised companies, for example, in Mexico, Argentina and Belize;

the common carriers of Argentina, Belize, Chile, Mexico and Venezuela have already been privatised. Uruguay's network is expected to be privatised this year while those of Brazil, Peru and Colombia are expected to be privatised in 1994; and

AOTC considers that the Europeans and North Americans are less entrenched in Asia, making that the "ideal market place" for Australian facility and services providers rather than Latin America.<sup>41</sup>

4.17 The Committee is encouraged to learn that AOTC has recently won a contract to supply a paperless trading network and software to a major bank in Brazil and has also held discussions in Paraguay and Argentina about possible AOTC involvement in their international and domestic satellite systems.<sup>42</sup>

4.18 On balance, while the Committee is pleased to note AOTC's recent activities in Latin America, it is of the view that AOTC's submission confirms the Committee's impression that Telecom/AOTC has been late in recognising, much less seizing, opportunities in Mexico, Argentina, Belize, Chile and Venezuela. Nor is there any evidence of a clear strategy for the other Latin American countries in which opportunities arising from privatisation and/or rapid modernisation are expected to present themselves in the next three years.

4.19 The Committee notes that although AOTC presently has a dozen Memoranda of Understanding (MOU) with overseas countries ( which are seen as laying the basis for possible on-going agreements on business opportunities) no MOUs have been signed with any country in Latin America.

4.20 AOTC attributes the low level of Australia's participation in telecommunications developments in Latin America to the absence of adequate representation on the ground. The Committee was therefore particularly interested to learn from Austrade in April 1992 that Austrade's Manager, Telecommunications, planned to visit Argentina,

---

<sup>40</sup> *ibid.*

<sup>41</sup> *ibid.*

<sup>42</sup> *ibid.*, p. 4.

Brazil, Chile, Mexico and possibly Venezuela in April/May 1992 to assess and report on telecommunications opportunities.<sup>43</sup>

4.21 It is to be hoped that a clearer picture of opportunities and one that might lead to the development of a more aggressive strategy will emerge from this visit. With the stronger Austrade presence in the region recommended in this Report, it should be possible for AOTC to gain a firm foothold and establish itself as an effective participant in telecommunications developments in Latin America.

4.22 As AOTC itself points out, Australia is not without certain advantages over its European and North American competitors. It is not subject to the "Big Brother from the North"<sup>44</sup> connotation that applies to companies like AT&T. According to its own assessment it is a world leader in technologies such as satellite communications which should be well suited to the Latin American countries.

**4.23 Recommendation twelve:** The Committee recommends that AOTC, with the assistance of DFAT and Austrade:

- . establish in greater detail what specific opportunities in the telecommunications sector are likely to be available in Latin America in the next three years;
- . develop cooperative arrangements to ensure that up-to-date information is available to AOTC and that AOTC has access to appropriate on-the-ground assistance; and
- . develop a strategy to establish a more substantial Australian involvement in the telecommunications sector in Latin America. This should include two-way visits by appropriate Ministers to increase awareness in Latin American countries of Australian capabilities in this field.

The Committee further recommends that AOTC include a progress report on this matter in its 1992-93 Annual Report.

## Present Australian Investment and Future Prospects

4.24 The single most comprehensive submission on this subject was that of Austrade, which provided a broad outline of overall Australian investment in Latin America and in some individual countries. The following summary is based largely on

---

<sup>43</sup> Letter from Mr I. Taylor, to the Committee Secretary, dated 2 April 1992.

<sup>44</sup> Mr Powell, op. cit., p. 3.

the Austrade submission<sup>45</sup> with additional details extracted from other relevant submissions.

4.25 The Committee could not confidently arrive at a figure for total Australian investments in Latin America. Austrade was able to tell the Committee only that:

"... there is little Australian involvement in Latin America with the important exception of Chile where Australia is a major source of foreign investment."<sup>46</sup>

### *Argentina*

4.26 Austrade describes Australian investment in Argentina as "modest".<sup>47</sup> DFAT is of the view that there may be prospects for investment by Australian mining companies.<sup>48</sup>

4.27 Current Australian investment activities include:

- . TNT's interests in transport;
- . BHP's mineral exploration;
- . Burns Philp's acquisition of a yeast manufacturer; and
- . Business Model Systems' software business in Buenos Aires.

4.28 The Ambassador of Argentina, H.E. Mr Enrique J.A. Candiotti informed the Committee that since the promulgation of Decree No. 2284 of 1 November 1991, the Argentine economy has undergone a "wide deregulation process."<sup>49</sup> The Ambassador drew the Committee's attention to an independent positive assessment of the deregulation of the Argentine economy by an Argentine business law firm, M&M Bomchil. The Ambassador also cited an analysis by the same firm of the Argentine foreign investment regime, which entered into force on 15 September 1989.<sup>50</sup>

---

<sup>45</sup> Austrade, submission, Committee Hansard, pp. 328-31.

<sup>46</sup> Austrade, submission, Committee Hansard, p. 313.

<sup>47</sup> *ibid.*, p. 331.

<sup>48</sup> DFAT, submission, Committee Hansard, p. 76.

<sup>49</sup> Letter from H.E. Mr Enrique J.A. Candiotti to the Committee Chairman, dated 31 March 1992.

<sup>50</sup> Both assessments, marked as 'Annex III' and 'Annex V' to the Ambassador's letter, are incorporated in the companion volumes of submissions to the inquiry together with the submission of Mr Candiotti's predecessor, H.E. Mr J. Beltramino.



4.29 The Ambassador told the Committee that all foreign exchange controls in Argentina were eliminated in 1989, and the requirements for prior approval for foreign investments abolished in 1990. Since 1991 there is full convertibility for the Argentine peso at fixed exchange rates, and profits can be paid out in any currency.

4.30 Measures taken by Argentina to provide protection to investors include:

- . concluding bilateral treaties with several countries which give their nationals equal status with Argentine domestic investors. These bilateral treaties also establish guarantees against expropriation, provide for free transfer of capital and dividends in the event of dispute and provide a choice of recourse to local courts on international arbitration;
- . a bill presently before the Argentine Congress to modernise the intellectual property regime (of 1864). Under the legislation, investors are granted an absolute right over patents, protection is given for a period of 20 years from time of registration, and copyright protection is given;
- . devising a framework to permit non-bank financial activities, including markets in negotiable instruments, futures and options; and
- . deregulating brokerage fees and eliminating transfer and stamp taxes on securities transactions to promote activity in the established stock market. The Government is presently developing plans to permit greater flexibility in portfolio investments to create a system of rating agencies and to integrate regional stock exchanges.

4.31 The Committee appreciates the very detailed response by the Ambassador regarding the privatisation process in Argentina. Annex VI to the Ambassador's letter, a publication by the Argentine Foreign Ministry's *Center for International Economics*<sup>51</sup> outlines the progress of Argentina's privatisation program since August 1989. Enterprises fully or substantially privatised include:

- . the state telephone company, ENTEL;
- . the Argentine flag carrier, Aerolineas Argentinas;
- . 10,000 kilometres of national roads;
- . majority private sector participation in the development of five central oil fields;
- . the major ship repair facility, TANDANOR;
- . state petrochemical plants (POLISUR, PETROPOL, INDUCLOR, and MONOMEROS VINILICOS); and

---

<sup>51</sup> *Centro de Economia Internacional*, No. 14. February 1992.

. most state-owned radio and television stations.<sup>52</sup>

4.32 State enterprises to be privatised in 1992 include companies in the following areas:

- . fuel;
- . electricity;
- . steel and machine tools;
- . chemical and petrochemicals; and
- . public utilities.<sup>53</sup>

4.33 President Menem has announced that full privatisation would be achieved by the end of 1992. By Decree No. 2408 of 12 November 1991, all restrictions on foreign capital participation were removed, including the previous requirement of 51% local participation in consortia arrangements.<sup>54</sup> The Ambassador informed the Committee that Argentina has expressed its interest in entering into an agreement with Austrade along the lines of the ones already existing between Austrade and its Chilean and Mexican equivalents. A draft Cooperation agreement is presently under consideration by the Argentine Foreign Ministry for discussion with Australian authorities.<sup>55</sup>

### *Brazil*

4.34 Australian investment in Brazil is "limited".<sup>56</sup> Current activities include:

- . TNT's Latin America regional cargo network, with headquarters in Sao Paulo;
- . ANZ Bank's office in Rio de Janeiro;
- . BHP's 49% (A\$10 million) investment in SAMARCO, Brazil's fourth largest iron ore producer;
- . Western Mining Corporation's two gold mines and mineral exploration;
- . Davis Gelatine's 60% share in Leiner do Brasil, the largest Gelatine manufacturer in Latin America. On 28 January 1992, Davis' parent company,

---

<sup>52</sup> *ibid.*, pp. 19-20.

<sup>53</sup> *ibid.*, p. 21.

<sup>54</sup> Letter from H.E. Mr Enrique J.A. Candiotti to the Committee Chairman, dated 31 March 1992.

<sup>55</sup> *ibid.*

<sup>56</sup> Austrade, submission, Committee Hansard, p. 331.

Goodman Fielder Wattie, announced that it had bought the remaining 40% of the company from its Latin American owners;<sup>57</sup>

- . AUSMINCO's operations (trading);
- . Teletronics (heart pacemakers) manufacturing; and
- . SOLA Brazil (optics).<sup>58</sup>

### *Chile*

4.35 Chile is the main destination for Australian investment in Latin America and the 6th largest location of Australian overseas investment.<sup>59</sup> Australia is presently the third largest foreign investor in Chile, with total investment in July 1991 valued at A\$704.9 million.<sup>60</sup>

4.36 Until the divestment of the Bond Corporation's interests (majority shareholding of the "El Indio" gold mine and Chilean Telephone company) in 1989 Australia was the second largest investor in Chile with investment totalling US\$2 billion.

4.37 Among present Australian investment in Chile are:

- . BHP's 57.5% (A\$643.1 million) holding in La Escondida, the world's third largest copper mine. On 27 February 1992, BHP announced that it was planning to invest A\$250 million in a plant in Chile to produce copper cathodes using new technology developed by BHP. The plant is expected to come on stream in 1994. At the same time, BHP also announced that it had begun a feasibility study into the prospect of increasing the present production capacity of Escondida by 25%.<sup>61</sup>
- . Niugini Mining Limited's 43% (A\$22.6 million) interest in the San Cristobal gold project owned by Niugini's Chilean subsidiary, Inversiones Mineras Del Inca S.A.

---

<sup>57</sup> *Australian Financial Review*, 29 January 1992, p. 19.

<sup>58</sup> Austrade, submission, Committee Hansard, p. 331. SOLA is now part of the British Pilkington glass group.

<sup>59</sup> H.E. Mr J. Salazar, submission, Committee Hansard, p. 1360.

<sup>60</sup> *Australian Trade and Investment Development*, DFAT, 15 November 1991, p. 310.

<sup>61</sup> "Escondida to boost output 25% install \$200 million facility", *Australian Financial Review*, 28 February 1992.

MIM's A\$300 million investment in copper mining/processing for the ten years from March 1991.

CRA's A\$32.9 million components manufacturing factory near Santiago to produce mill balls for the mining industry. CRA informed the Committee that its experience in this venture has been a positive one.<sup>62</sup>

TNT's cargo operations through its investments in Aeromar Carga LTDA (A\$1.4 million) and Far East (A\$1.3 million).

SAFCOL Holding's 51% equity in a joint venture with Comercial Cisandina Chile LTDA to operate a pilot plant in Puerto Montt processing canned shellfish.

AKT's pilot plant in Iquique to process high protein fish meal.

AFP Investment's 80% interest (A\$1.3 million) in Gestetner Chile S.A. which distributes office machinery.

Civil Resources Limited's ownership of Perforaciones Westerns S.A., a water-well drilling company worth A\$1.3 million.

4.38 Six Australian companies have offices in Chile, namely Western Mining, MIM, Newcrest, Warman International Ltd, Minipro Engineers and the ANZ Bank.<sup>63</sup>

4.39 Chile's foreign investment law of 1974 is generally regarded as attractive to investors, as it provides very liberal capital transfer rules. Chile's Ambassador informed the Committee that in the last few years, there have been additional incentives to attract foreign capital, for example reduced tax on profits. Other investment incentives are available in Chile such as the granting of special benefits to investors in certain regions. The Ambassador further pointed out that, provided the capital remains in Chile for three years, there is no limit on profit and capital remittances. However there are special provisions to regulate contracts involving oil and uranium operations. As a general principle, only Chile, represented by a public entity, may exploit these resources, although such public entities may enter into operational contracts with both national and foreign private contractors.<sup>64</sup>

4.40 In addition to the main public enterprises already privatised such as Lan Chile Airlines, the telephone and electricity corporations, the Chilean Government is contemplating privatising part of the railway system and the National Port Management Company.<sup>65</sup>

---

<sup>62</sup> CRA, submission, p. 1.

<sup>63</sup> Austrade, submission, Committee Hansard, p. 3307.

<sup>64</sup> Letter from H.E. Mr J. Salazar to the Committee Secretary, dated 14 February 1992, p. 1.

<sup>65</sup> *ibid.*, p. 2.

4.41 The other significant recent development pointed out by the Ambassador is the new law authorising the state copper company, Codelco, to enter into joint ventures with foreign companies for mineral exploration and exploitation. The Committee notes that MIM Holdings Ltd has already signed an agreement with Codelco for cooperation in this respect.<sup>66</sup>

4.42 The Chilean Ambassador pointed out that Australian technology is particularly suited to Chilean conditions as both countries are very similar in natural resources, climate and population characteristics. The Ambassador outlined his views as follows:

"... we believe there are opportunities for Australian expertise in biotechnology, agricultural and medical research, computer software, mining and mineral processing, technology and food processing ...

Also, there are opportunities for foreign investors not only in mining, the sector in which the Australian investment is concentrated, but in energy, telecommunications, infrastructure sector (ports, airports, highways, transport), as well as in tourism, trade, fishing, forestry, agriculture and banking.

For these purposes, we have in mind Australian companies that have reached a fairly mature stage in the local marketplace. Medium and small companies will also find opportunities for new developments ..."<sup>67</sup>

4.43 The Committee notes that in the case of Chile, prospects for investment and joint economic ventures would apply also to Chilean investments in Australia. The Chilean Ambassador informed the Committee at a public hearing that:

"It is not only trying to get Australian investment to our country but also to study the possibilities of Chilean investment in Australia because, we have accumulated capital in our country, in our market, that we will have to invest abroad. We are already doing it in neighbouring countries like Argentina, Brazil and Uruguay, and I think it would be very important that Chile invest in Australia, for the same reason that Australians are investing in Chile. So what we would like to talk of is cross-investment, not just Australian investment in our country."<sup>68</sup>

---

<sup>66</sup> *'MIM joins with World's Largest Copper Producer in Technical Exchange Agreement'*, Press Release, MIM Holdings Ltd, 6 November 1991.

<sup>67</sup> Letter from H.E. Mr J. Salazar to the Committee Secretary dated 14 February 1992.

<sup>68</sup> H.E. Mr J. Salazar, Committee Hansard, p. 1377.

4.44 A further avenue suggested by Chile's Deputy Minister of Finance, Mr Pablo Pinara during his visit to Australia in July 1991 is the potential for Chilean and Australian companies to form joint ventures to tackle other markets in South America and in Asia.<sup>69</sup>

4.45 In October 1991, an agreement was signed between Austrade and its Chilean counterpart, Pro-Chile. In essence, the two organisations agreed to:

- . promote trade, investment, joint ventures, technology transfer and industrial collaboration between Australia and Chile;
- . exchange information on market and trade conditions, trade and business opportunities and trade developments;
- . exchange publications of mutual interest;
- . provide advice and support to each others' visiting business people and trade missions;
- . encourage participation in international trade fairs held in the other country;
- . consider on a case-by-case basis the exchange of trainees, with the training programs and the sharing of costs to be mutually determined;
- . meet regularly to review program of actions taken and to identify potential areas for cooperation; and
- . prepare a program establishing the measures required in order to achieve the goals of this agreement.<sup>70</sup>

4.46 On 10 March 1992 the Australian Foreign Minister, Senator Gareth Evans, and the Chilean Minister for Foreign Affairs, H.E. Enrique Silva Cimma, signed a Joint Communique on the State of Bilateral Relations Between the Two Countries. In the parts of the Communique relating to investment the Ministers:

- . expressed satisfaction at the level of major Australian investment in Chile;
- . expressed their hope that this mutual flow would continue and increase in the future;
- . pledged to encourage increased bilateral trade and investment and to support the respective chapters of the Business Councils in both countries; and

---

<sup>69</sup> *Australian Financial Review*, 25 July 1991.

<sup>70</sup> *'Cooperation Arrangement between the Bureau of International Economic Relations of the Ministry of Foreign Affairs of Chile and the Australian Trade Commission'*, October 1991.

agreed to promote participation in trade fairs and increase bilateral visits of business and trade representatives.<sup>71</sup>

### *Colombia*

4.47 The most significant Australian investment in Colombia is Davis Gelatine's one-third interest in PROGEL, the largest gelatine manufacturer in Colombia.

4.48 The following description of Colombia's foreign investment policy was provided by the former Colombian Ambassador:

"The new legislation on foreign investment expands the remittance of profits up to 100% of the previous year's registered investment. The profits remittance tax rate will be progressively reduced from 19% to 12% for existing investments and the 12% rate is now applicable to all new investments. Legislation of early 1991 decentralised the administration of Colombia's port system and allows for private investment in this sector. It also deregulated the air cargo transport. There are no areas restricted to foreign investment except for toxic waste disposal and defence. Prior authorisations are no longer required except for mining, financial service and public utilities."<sup>72</sup>

4.49 In March 1992 the present Ambassador of Colombia, H.E. Mr Fernando Navas de Brigard, confirmed that the laws and guidelines introduced in Colombia in January 1991 are substantially unchanged, and in some instances improved:

- foreign investment in Colombia is treated in the same manner as investment by Colombian nationals;
- foreign investment is possible in all sectors of the economy not related to national security or the disposal and elimination of dangerous toxic or radioactive wastes; and
- foreign investors can remit the proven net profits of the previous year, up to 100% of the capital registered for the same year.<sup>73</sup>

Significant public bodies in Colombia that have already been privatised include:

---

<sup>71</sup> Joint Communique by Senator Gareth Evans and H.E. Enrique Silva Cimma, 10 March 1992.

<sup>72</sup> H.E. Dr A. Puerto, submission, p. 8.

<sup>73</sup> Letter from H.E. Mr Fernando Navas de Brigard to the Committee Secretary, Committee Hansard, p. 1758.

- . Tequendama Bank;
- . Workers Bank;
- . Commerce Bank;
- . 51% of the International Bank; and
- . the Colombian Automovil Corporation.

The Ambassador assured the Committee that Australian investors would be particularly welcome in Colombia in the following areas: mining, agro-industry, ports and telecommunications.<sup>74</sup> Appearing at a public hearing, the Ambassador further made the point that, a result of the European Community's and the United States' granting of special trade preferences to Colombia in the last year:

"The message for Australia becomes clear. Invest and produce in Colombia and get the benefits of the special trade preference in the EC, United States, Venezuela and the rest of the Andean Pact."<sup>75</sup>

4.50 The only bilateral agreement existing between Australia and Colombia is a Memorandum of Understanding signed on 7 February 1992 between the Colombian Minister for Foreign Affairs, Mrs Noemi Sanin de Rubio, and the Parliamentary Secretary to the Australian Minister for Foreign Affairs and Trade, Mr Stephen Martin. In it, the two countries agreed to, among other things:

- . facilitate and encourage mutually beneficial cooperation in industry, resources agriculture, science, technology, education, culture, sport and tourism;
- . encourage general cooperation in the areas mentioned, through their appropriate national bodies; and
- . consult, at the request of either party, on any matter which falls within the ambit of the Memorandum of Understanding.<sup>76</sup>

### *Mexico*

4.51 Ansell International's plant at Juarez is the only Australian investment in Mexico that has been brought to the attention of the Committee.<sup>77</sup> According to one

---

<sup>74</sup> *ibid.*

<sup>75</sup> H.E. Mr Fernando Navas de Brigard, Committee Hansard, p. 1767.

<sup>76</sup> *Memorandum of Understanding on Cooperation Between the Government of the Republic of Colombia and the Government of Australia*, 7 February 1992, Committee Hansard, pp. 1760-1.

<sup>77</sup> 'Mexico touted as leg into US', *The Australian*, 4 November 1991.



account it is the only Australian company operating under a Maquiladora deal. Another company is believed to have applied.<sup>78</sup>

4.52 Austrade describes Australian investment in Mexico as "almost nonexistent."<sup>79</sup> However, it points to two sectors as offering opportunities for Australian companies:

- . the Mexican Government's privatisation plans, which have so far involved 750 out of a total of 1,155 public organisations. Among the companies privatised are the national telephone company, the national insurance company (Latin America's largest insurance company), the two main steel plants and the world's fourth largest copper mine; and
- . the development of Maquiladora or In-Bond industries whereby companies manufacture, assemble and repair foreign goods that are temporarily imported and then re-exported as finished goods.<sup>80</sup>

4.53 The General Manager of Banco Santander believes that Mexico is "on the brink of resurgence".<sup>81</sup> Another submission contains the information that the Mexican Government only owns 269 of the 1,100 companies it held in 1982 when the privatisation program began.<sup>82</sup>

4.54 The most enthusiastic advocate of Australian participation in the Maquiladora scheme to come before the Committee was agribusiness consultant, Mr Greg Smith. Mr Smith pointed out that Maquiladoras are attractive investment propositions as:

- . they may be 100% foreign owned;
- . companies are permitted to import raw materials, unassembled components and production machinery free of duty; and
- . the finished or semi-finished products may be exported, with the United States as the most attractive destination. Up to 50% of what they export may be sold within Mexico.

4.55 According to Mr Smith, the Mexican Maquiladora scheme merits close attention as a "window of access " to the rapidly growing Mexican market. By participating in

---

<sup>78</sup> Ansell International, submission.

<sup>79</sup> Austrade, submission, Committee Hansard, p. 331.

<sup>80</sup> *ibid.*

<sup>81</sup> Mr J. Blanco, submission, p. 9. There is some uncertainty over the likely impact of NAFTA, and in particular the impact on Maquiladora industries of the final outcome of negotiations on "rules of origin". Australian businesses interested in Mexico should look into this aspect carefully.

<sup>82</sup> Mr G. McKanna, submission, p. 3.

Mexico, Australian companies would also "obtain significant commercial advantage" in the wider American region<sup>83</sup>. Mr Smith's views on opportunities presented by the Maquiladora industry were supported by Banco Santander<sup>84</sup>.

4.56 In a comprehensive submission to the Committee, the then Ambassador of Mexico outlined the opportunities the following developments present to Australian business:

- . the Mexican Government's policies on trade liberalisation, which have seen tariffs reduced from 100% in 1985, to a present day maximum of 20%. The average rate is 11% and the 5% export development tax on imports has been eliminated;
- . the sale, under the privatisation program of some 780 State enterprises in areas such as mining, steel, agriculture and public transportation offer a range of business opportunities for Australian business. The Mexican Government further intends to privatise the largest insurance company, the railroad car manufacturing company, three steel mills, fertiliser plants, sugar mills and shipyards;<sup>85</sup> and
- . investment in the Maquiladora Industry, which would enable participating companies to take advantage of both competitive labour costs and Mexico's proximity to the United States and Canada, as well as Central and South American markets.<sup>86</sup>

4.57 The Embassy of Mexico informed the Committee in May 1992 that the foreign investment laws and guidelines outlined in Ambassador Morales' submission remain applicable. The Embassy provided a complete list of six categories of activities in which foreign investment is not permitted, is limited or requires authorisation if investment is to exceed 49%.<sup>87</sup>

4.58 Ownership of up to 100% of equity is permitted for activities not included in the list, and no restrictions are placed on the repatriation of capital or remittance of profits once Mexican tax obligations have been met.<sup>88</sup>

---

<sup>83</sup> Mr G. Smith, submission, Committee Hansard, pp. 1093-8.

<sup>84</sup> Mr J. Blanco, submission, p. 9.

<sup>85</sup> H.E. Mr A. Morales, submission, pp. 4-5.

<sup>86</sup> *ibid.*, pp. 7-10.

<sup>87</sup> The list is included with the submission by H.E. Mr A. Morales in the bound volumes of submissions to this inquiry.

<sup>88</sup> Letter from Mr J. Chaperro to the Committee Secretary, dated 14 May 1992.

4.59 The Embassy also informed the Committee that two significant areas of opportunities for Australian companies have recently emerged in Mexico, namely:

- . the banking sector. The Mexican Government has decided to privatise 15 government-owned banks, with three very recently offered for tender; and
- . the mining sector. The Mexican Government has recently created the Commission for Mining Development, abolished the Mexican monopoly on mining development and allowed foreign participation in up to 34% of the capital of mining enterprises.<sup>89</sup>

4.60 Certainly, the Confederation of Australian Industry (CAI) mission to Mexico (28 April - 4 May 1991) which visited Monterrey, Saltillo, Mexico City and Guadalajara identified significant opportunities for Australian investment in Mexico, including coal, agriculture, transport, telecommunications and privatisation. In particular, the Report of the delegation pointed out that the Mexican Government has targeted electricity generation as a precursor to development of the country's industrial base, as a result of which Mexico's current import of 2 million tonnes of coal a year is projected to rise to over 20 million tonnes by the year 2000.

4.61 There are opportunities for significant Australian participation in the proposed development of the port of Lazaro Cardenas.<sup>90</sup>

4.62 The General Manager of Elcom Services (now Pacific Power International Pty Ltd), Mr J. Hrdina, who was a member of the same delegation, subsequently made a submission to the Committee and also appeared before the Committee at a public hearing. Mr Hrdina stressed that there are very significant opportunities for export of coal and coal-related technological services for which Australian companies are well qualified to take up.<sup>91</sup>

### *Peru*

4.63 The submission provided by the Ambassador of Peru, H.E. Mr Gonzalo Bedoya, outlined the investment-related reforms implemented in Peru to date:

- . simplification of the tax system;
- . elimination of obstacles to foreign trade, including the reduction of import tariffs to 15% in almost all products;

---

<sup>89</sup> *ibid.*

<sup>90</sup> *Report on CAI Mission to Mexico - April/May 1991* in Australia-South America Business Council, submission, Committee Hansard, pp. 1391-9.

<sup>91</sup> Elcom Services, Committee Hansard, pp. 922-44.

deregulation of the foreign exchange and financial markets; and

investment reform with new guarantees and incentives for foreign investment including remission of 100% of profits and capital. Foreign investors also have guarantees given by the World Bank which provides insurance against actions that could deprive investors of control of their property in Peru.<sup>92</sup>

4.64 The Ambassador drew attention to the following specific investment opportunities in Peru:

mining sector - development of Cerro Verde II and Antamina copper deposits, the Bayovat Phosphate project, San Antonio Gold deposits and Zinc Refinery Stage II project;

agricultural sector - irrigation projects such as Chavimochic, Tinajones and Majes, also the possibility of agribusiness;

fishing sector - acquisition and management of fishing vessels and of fish processing factories;

energy and electricity sector - possibility of investing in the Camisea natural gas and Thermal Plant project and in the exploration and exploitation of oil deposits; and

industry sector - possibility of establishment of export-orientated industries in Zones of Special Treatment or Export Processing Zones which enjoy customs, tax, exchange, labour and financial incentives.<sup>93</sup>

4.65 In April 1992 the Ambassador informed the Committee that 14 state-owned companies would be privatised in April/May 1992, including the State Gas company, petroleum company, airline, cement plants, oil refinery, bank, mining companies and public transport. The Peruvian Government has announced that of the 170 companies that it currently owns, 80 will be privatised in 1992. The list of companies includes mining, electricity, shipping, chemical, tobacco, coal, fishing, fishmeal and fish oil, fertiliser, banks, sawmills and manufacturing companies.<sup>94</sup> The Ambassador informed the Committee that Peru's equivalent of Austrade, the Association for the Promotion and Development of Peruvian Exports (PROMODEX), has recently been created. PROMODEX is interested in entering into an agreement with Austrade.

4.66 The Committee also noted a submission by Mr A. McL. Collins of Austral Computer Systems pointing out the long term potential of Peru. Mr Collins sees

---

<sup>92</sup> H.E. Mr G. Bedoya, submission, p. 7.

<sup>93</sup> H.E. Mr G. Bedoya, submission, pp. 7-8.

<sup>94</sup> Letter from H.E. Mr Gonzalo Bedoya to the Committee Chairman, Committee Hansard, pp. 1821-6.

scope for cooperating with Peru to develop an Alpaca and Vicuna flock and clothing industry. He submits that, as wool from these animals is very much sought after on the wool markets, alpaca and vicuna wool would complement Australia's traditional merino wool industry.<sup>95</sup> Mr Collins further points out that, as major producers of silver, lead, copper, zinc, iron and gold there are opportunities for coordination of technology, processing and marketing strategies, and for joint ventures between Peruvian and Australian firms.<sup>96</sup>

### *Uruguay*

4.67 DFAT's assessment is that, provided adequate transport links are maintained and Uruguay's economic progress kept up, there is scope for greater trade in a range of products and services, particularly communications, biotechnology, agri-business, research, mining technology and minerals processing.<sup>97</sup>

4.68 Appearing before the Committee as a witness on 12 December 1991, the Charge d'Affaires of Uruguay pointed out that Mercosur (the "Southern Cone" agreement to establish a free trade zone and common market among Argentina, Brazil, Uruguay and Paraguay by 1 January 1995) presents significant opportunities for those Australian companies able to see the benefits. Mercosur would include:

- . 12 million square kilometres, or 60% of the territory of Latin America;
- . a total population of 190 million;
- . a gross domestic product of US\$24 billion;
- . total exports of US\$44 billion and total imports of US\$24 billion; and
- . a labour force of 70 million workers.<sup>98</sup>

### *Venezuela*

4.69 DFAT assesses the major opportunities in Venezuela to lie in the development of Venezuela's natural resources, and identifies in particular the sale of mining equipment, food processing technology, agricultural technology and telecommunications equipment. DFAT also notes opportunities in the petroleum sector, the under-developed mining sector, and those arising from the Government's

---

<sup>95</sup> Mr A. McL Collins, submission, p. 7.

<sup>96</sup> *ibid.*, pp. 6-7.

<sup>97</sup> DFAT submission, Committee Hansard, p. 97.

<sup>98</sup> Mr J. Giambruno, Committee Hansard, p. 1528.

privatisation of state enterprises.<sup>99</sup> DPIE told the Committee that Venezuela has invited a number of international oil companies, including Australia's BHP, to discuss possible participation in a program to substantially raise Venezuela's oil production.<sup>100</sup>

## Trailblazers

4.70 The Committee received submissions from some of the Australian companies that have ventured into Latin America. A summary of the individual experiences of a range of companies follows.

### **Broken Hill Proprietary Company Limited<sup>101</sup>**

4.71 BHP told the Committee that, as a resource company, BHP is active in Latin America because the region is rich in mineral resources, the development of which is essential for the long term growth of the company. In 1991, exploration in Latin America amounted to 9% of BHP's grass roots exploration. In addition, BHP looks to Latin America as a growing market for its products and skills.

4.72 All of BHP's three core businesses of BHP Steel, BHP Minerals and BHP Petroleum are active in Latin America. In addition, BHP Engineering's activities support the three other groups.

4.73 All BHP's operations in Latin America are run from BHP Mineral's head office in San Francisco.

### *BHP Steel*

4.74 BHP Steel Group's activities in Latin America commenced in 1988 through its US subsidiary BHP Trading Inc. Subsequently, offices were opened in Brazil, (Rio de Janeiro and Sao Paulo) and representatives were placed in Argentina and Mexico.

4.75 Between June 1990 and May 1991, BHP Steel's trade with Latin America amounted to \$US115 million. Imports to the region, consisting mainly of coke products, amounted to \$US23 million. Exports from the region, of steel and steel-related raw materials, accounted for the balance of \$US92 million.

---

<sup>99</sup> DFAT submission, Committee Hansard, p. 98.

<sup>100</sup> DPIE, submission, Committee Hansard, p. 1194.

<sup>101</sup> BHP, submission and Committee Hansard, pp. 505-34.

4.76 So far Brazil and Argentina have been BHP Steel's largest trading partners in Latin America, accounting for 83% of total volume. However, emphasis is shifting to Mexico and Chile.

#### *BHP Petroleum*

4.77 BHP Petroleum holds petroleum exploration licences in Argentina and Guyana, and is exploring opportunities for investment in Bolivia, Chile, Venezuela, Uruguay, Guatemala and Belize.

4.78 BHP is in partnership with Pluspetrol, an Argentine company, and has begun producing oil at South Cucuma Field in northwestern Argentina. BHP Petroleum currently holds interests in 3.8 million net acres (approximately 15000 sq kilometres) in exploration licenses in Argentina.

4.79 BHP Petroleum considers that it has established a solid base for future business activities in Chile, Argentina and Venezuela.

#### *BHP Minerals*

4.80 BHP Minerals has a 57.5% interest in, and manages the La Escondida copper project in Chile. It also has a 49% interest in the Samarco iron ore project in Brazil. In addition, it carries out exploration work in Argentina, Chile, French Guiana, Brazil and Mexico.

4.81 Escondida is by far BHP's (and Australia's) most significant investment in Latin America, with BHP's total investment amounting to A\$1 billion. BHP has announced that it plans to invest in another project in Chile - a plant to produce copper cathodes - and also to increase Escondida's production capacity by 25%.

4.82 BHP's representative outlined to the Committee at a public hearing the fascinating background of BHP's involvement in Escondida.

"The way we got into South America was that some years ago, General Electric owned a company called Utah. General Electric was at that time run by a man called Red Jones. When he retired, a man called Jack Welsh came into GE and he had a view of GE's business that said that he did not like investing in businesses where he could not have influence over the price of the product...

Utah at that time, jointly with Getty Oil, had found the Escondida ore body. Utah owned it. So, in GE's eyes, there was a liability that they had a management who wanted to develop this thing. That happened to be at the same time that GE and BHP started to talk about a

change of ownership for Utah. BHP's view of that ore body was that it represented an opportunity. GE's view, probably, was that it did not represent an opportunity. So BHP acquired Utah, as is well known, and we set about working with that company which was new to us and gradually merging our minerals interests together with their activities.

During the course of this, Getty Oil got out. We effectively bought them out of the prospect and we started to develop the project. It was clearly going to be a very large investment and we were sitting there owning about 100 per cent of it. We felt the need to share the risks as well as the rewards and we sought partners. We were very fortunate in attracting RTZ to join us, as that company has expertise in mining as well as copper. It joined us to the tune of 30 per cent. We were also able to attract some of our customers to provide equity and loan interest, and also the IFC, which is the International Finance Corporation, an offshoot of the World Bank.

Part of the rationale for all of that was to design the ownership so that we had some security from sovereign risk if things in Chile should change adversely, even though there is no indication that they are changing, or were. If they should change, then we felt that we would have a bit more security if, in doing something adverse to the project, they had to offend such a wide range of countries and important organisations. That led to the structure. Typically, we find that we work with IFC in other parts of the world as well partly for the same reason. But it also suits the World Bank's objectives because it is trying to finance projects which are well managed and have a chance of economic success in order to promote the economic welfare of lesser developed countries. That is the history."<sup>102</sup>

4.83 The Escondida mine began operation in 1990 and is expected to increase Chile's export revenue by at least 6%. Most of the copper concentrate produced is shipped to Europe and Japan, with little or nothing coming to Australia.

4.84 BHP's representative told the Committee that its 900 employees at Escondida are not unionised. According to the BHP representative, although BHP would not object to its employees forming trade unions the workers had chosen not to do so

---

<sup>102</sup> Mr J. Ellis, Committee Hansard, pp. 527-8.



because "the best standards of good industrial relations" exist at Escondida.<sup>103</sup>

4.85 BHP stressed that all its experience on the Escondida project to date has been positive. The Government of Chile entered into an investment agreement with the project owners (BHP, RTZ, Mitsubishi and the International Finance Corporation) promising the benefits authorised by the country's foreign investment law and granting the regulatory approvals needed for construction and operation. BHP informed the Committee that the Chilean Government has abided by its commitments to the project.

#### *BHP Engineering*

4.86 BHP Engineering is active in Mexico and Chile and is presently exploring opportunities available in other Latin America countries.

4.87 In 1988, BHP Engineering won a \$US3.8 million contract from SIDERMEX in Mexico to improve the performance of their iron ore and coal mines. The project was financed by the World Bank. An extension contract for \$US1.22 million was signed in April 1991.

4.88 BHP's assessment is that recent change to the Mexican equity investment laws together with the impending North American Free Trade Agreement, will further enhance opportunities for BHP in Mexico.

4.89 BHP Engineering is not as active in Chile as in Mexico. However, it indicated that it was encouraged by Chile's mineral wealth and the success of the Escondida project, and intends to bid for a number of projects in Chile.

#### **Davis Gelatine Consolidated Limited<sup>104</sup>**

4.90 Davis Gelatine (Australia) Co is a subsidiary of Davis Gelatine Consolidated Limited, an Australian company established in 1917 with headquarters in Botany, NSW. Davis is in turn a subsidiary of Goodman Fielder Wattie Limited.

4.91 Davis Gelatine is presently the third biggest gelatine producer in the world and the biggest edible gelatine manufacturer from beef products. Davis has had a long association with Latin America, having sourced raw material from Colombia, Venezuela, Argentina, Brazil, Paraguay, Uruguay and Peru since the mid 1950s. Davis' joint venture involvement started in 1966 when it was invited to become a partner in a joint venture to establish a gelatine plant in Colombia with two Colombian companies - a tanner, Empresa Colombiana de Curtidos (Colcurtidos) and a brewing company, Bavaria S.A. The latter retired from the venture before production started.

---

<sup>103</sup> *ibid.*, p. 514.

<sup>104</sup> Davis Gelatine Consolidated Limited, submission, Committee Hansard, pp. 998-1020.

4.92 The company, Productora de Gelatina S.A. (Progel) was set up with Davis providing technological know-how, plant design, engineering support, personnel training, supervision and one-third of the capital.

4.93 The factory was established at the Industrial Park of Juancito, about 20 kilometres from the provincial town of Manizales. Production commenced in late 1969. Davis' Chief Executive told the Committee that the plant was at the time the most modern and technologically advanced in the world. The design was a completely new one originally developed for Davis' plant in NSW but first utilised in the Colombian plant.

4.94 A registered technical assistance agreement provided for annual fees to be remitted out of after-tax profit, and a registered sales agreement provided for Davis to become exclusive agent for export sales in return for a guarantee to place all product surplus in the local market.

4.95 During the development period the present Chief Executive, Mr Alan Norman was Davis' technical executive in Colombia. Mr Norman told the committee that he learnt Spanish during that time and spent six months supervising the final stages of construction and the start-up, in addition to training the General Manager and Technical Manager, both Colombians.

4.96 Thereafter, the management has been in the hands of Colombians, with regular visits by Davis executives.

4.97 Davis reported that its Colombian operation has been highly successful. Among other things:

- . it made a profit in its first year and each year thereafter;
- . dividends have been paid annually;
- . retained earnings have been used to increase the capacity of the plant, now four times the size of the original. This includes the purchase of a small plant nearby; and
- . retained earnings, together with a small increase in Progel's capital, have been used to establish a decaffeinated coffee plant as a 50% joint venture with a German company.

4.98 The success of Davis' joint venture in Colombia led to its establishing a smaller gelatine plant near Ambato, Ecuador in 1982, in a joint venture with Fleischman Ecuatoriana S.A., a subsidiary of Nabisco Brands of USA. This plant has also been very successful.

4.99 In 1987 the company took up a majority interest in a Brazilian gelatine manufacturer, Leiner do Brasil, which has two large factories in Brazil and another in

Argentina. These countries have very large cattle populations and tannery industries which supply raw materials for gelatine manufacture.<sup>105</sup>

4.100 Davis told the Committee that it was very happy with its experience in Latin America and is now a partner in ventures which produce over 60% of the gelatine manufactured in South America.<sup>106</sup>

4.101 The Committee notes Davis' experience that from the beginning (in 1966):

"We found the representatives of the partners to be highly astute, competent and reliable, and friendships were established which have been maintained to this day."

4.102 Davis reported that all of its investments are being run profitably. To achieve this:

"... it has been necessary to make a full commitment to the involvement of our people in the enterprises, to understand the language, the financial practices and the culture of each of the countries, and to provide the best technical, financial and management support. We have found the local management staff to be reliable and able to use sophisticated techniques."

4.103 Davis' Latin American operations are administered from its office in Toronto, with technology and overall control coming from Sydney. Davis' products from its Latin American plants are mainly exported to the United States and Europe.

### **MIM Holdings Limited<sup>107</sup>**

4.104 MIM Holdings Ltd's investments and activities in Latin America have been mainly through its 25% equity in ASARCO Incorporated (United States), a company specialising in the mining and refining of non-ferrous metals, principally silver, copper, lead and zinc.

4.105 Through its equity in ASARCO Incorporated, MIM has the following metals production interests in Latin America: 52.3 per cent of Southern Peru Copper

---

<sup>105</sup> *Australian Financial Review*, 29 January 1992, p. 19.

<sup>106</sup> Since then, Goodman, Fielder Wattie has acquired the remaining 40% of Leiner do Brasil, which is now a wholly owned subsidiary. In 1990-91, Leiner had annual sales of A\$65 million compared to Davis' total gelatine sale of A\$177 million. *Australian Financial Review*, 29 January 1992, p. 19.

<sup>107</sup> MIM Holdings Limited, submission, Committee Hansard, pp. 1061-88.

Corporation, and 34 per cent of Mexico Desarrollo Industrial Minero, S.A. These interests are, for MIM, investment only, and involve no direct activities.

4.106 Since 1990, MIM has also operated in Chile through a branch company, Minera Mount Isa Chile S.A., and has appointed a senior Australian company executive as its General Manager. The General Manager is based in Santiago.

4.107 MIM also has other interests in Chile through its 10.4% equity in Cominco Limited (Canada), a company which specialises in mining, smelting, refining, mineral exploration and fertiliser production.

4.108 MIM stated in its submission that one of its major objectives is to increase its copper business through, among other things, acquisition or development of overseas copper mining industries, particularly in Chile.

4.109 In its submission, MIM informed the Committee that it sees investment in Chile as an arm of its international investment strategy to achieve growth in its copper mining business. MIM would most likely achieve this by joint venture development and co-operation with other mining companies.

4.110 Since then, the Committee is pleased to note MIM's press release of 6 November 1991 announcing that MIM and Codelco have entered into an agreement to promote the exchange of technology between the two companies. The agreement allows both parties to exchange "non-sensitive" information relating to technological improvements either company has developed or has become aware of in the field of copper.<sup>108</sup>

4.111 MIM and Codelco will collaborate on, and will both have access to the results of Codelco's testing of MIM's Jameson Cell technology at Chiquicamata, the world's largest copper mine, and at the smaller El Teniente. In addition:

- . Codelco is investigating the use of the Isa Process technology (developed by MIM) in a number of copper refining and electrowinning<sup>109</sup> projects at Chiquicamata;
- . Codelco will investigate underground mining methods of Mount Isa which may have application to copper deposits found in Chile; and
- . MIM will investigate Codelco's initiatives in copper converting and leaching technologies.

---

<sup>108</sup> MIM Holdings Limited, Press Release, 6 November 1991, p. 1.

<sup>109</sup> Recovery of a metal from an ore by means of electrochemical processes. *Metals Handbook*, America Society for Metals, Ohio, 1985, pp. 1-15.

4.112 Chile has recently passed legislation to enable Codelco to enter into joint ventures with local and foreign companies for exploration and exploitation of minerals. Hence, the potential exists for MIM to join with Codelco in further business opportunities in Chile.

4.113 Like Davis Gelatine, MIM has a formula that appears to the Committee to be an appropriate management philosophy. MIM informed the Committee that:

"MIM has strengths in the mining and mineral processing industry which can add value to its investments in Chile. It also has advanced technologies which it can transfer to the Chilean mining industry. MIM sees business opportunities arising both from the marketing of its advanced technologies and from opportunities to leverage into mining acquisitions.

MIM sees its business in Chile being managed and run by Chilean staff and labour. It believes that benefits will be derived from having personnel with executive potential trained and experienced in MIM's Australian operations as a forerunner of executive responsibility in its Chilean operations.

MIM proposes to hire suitably qualified Chilean professionals and transfer them to Australian operations for a two year training and development period."

4.114 MIM's Executive General Manager explained to the Committee at a public hearing that it is important in the long term for MIM to make sure that its Chilean staff had spent time in Australia and had "picked up the flavour of how MIM does things."<sup>110</sup>

#### **Western Mining Corporation Limited<sup>111</sup>**

4.115 Western Mining Corporation, Australia's largest gold producer, informed the Committee in its submission that it is currently operating two gold mines in Brazil. It is also actively exploring in Brazil and Chile, and its exploration expenditures in Brazil and Chile were approximately US\$5 million in 1990, or about 5% of Western Mining's exploration budget.

4.116 In Brazil, WMC owns 75% of the Brazilian company, WMC Mineracao Limitada. WMC Mineracao operates two gold mines, Jenipapo and Mara Rosa, both

---

<sup>110</sup> Mr P. Slaughter, Committee Hansard, p. 1074.

<sup>111</sup> Western Mining Corporation, submission, Committee Hansard, pp. 477-96

approximately 200 kilometres from Brazil and employs 368 people. Western Mining's Latin American assets represent 1% to 2% of the company's total assets.

4.117 WMC has a staff of 30 in Chile where it is carrying out an exploration program for gold and base metal deposits. The exploration effort is concentrated in the Coihaique region of southern Chile and in the Copiapo area of northern Chile.

4.118 WMC has also studied projects in Uruguay, Bolivia and Argentina, either on a 100% or joint venture basis.

4.119 Western Mining's Director of Finance and Administration explained at a public hearing, how the company came to be involved in Latin America ten years ago, in the first significant activity Western Mining undertook outside of Australia:

"The reasons we went to South America, or particularly Brazil, was through an association with the Aluminium Company of America which had, for many years, substantial operations there. At that stage they perceived that there were opportunities to explore for minerals in Brazil other than what they had traditionally done which was aluminium, bauxite and alumina. Because of our long association with them they recognised that we did have expertise in this area.

We entered into a joint venture with Alcoa and explored in Brazil with them for about five years. By that stage they concluded that they did not want to pursue this exploration activity. They wanted to stick to their traditional aluminium related businesses. We took it over on our own account and have been exploring there since and have discovered one operation and purchased another. As we said in our submission, we are now producing around about 50,000 to 60,000 ounces of gold per annum.

Our exploration has been directed in Brazil to base metals and to gold; most recently gold.

The other area in which we have had an interest in South America is Chile. Our first interest there was some four years ago when we did seek to acquire the operations of a mining company in Chile. We did not make a bid because an Australian company bid ahead of us and higher than us, but it aroused an interest in that country and we subsequently started exploring there two or three years ago and we are exploring again for base metals and gold in Chile. At this stage we do not have any operations in that country. In the other parts of Latin America we have, from time to time, investigated... but we have never

actually set foot on the ground so to speak in a business sense in other countries."<sup>112</sup>

4.120 The Committee was interested to hear that Western Mining's policy is also to employ local people, with a limited number of Australians on assignment (three or four in Brazil, one in Chile).<sup>113</sup>

4.121 Western Mining informed the Committee that its policy is to have the same standards on safety and employee occupational health as it would anywhere in the world, and that, recently, one of the company's mines in Brazil received an award for safety in competition with other mines in that country.

4.122 Western Mining Corporation's operations in Latin America are managed from the company's office in Toronto.

#### **Ansell International<sup>114</sup>**

4.123 Melbourne-based Ansell International is a division of Pacific Dunlop Ltd, and has major manufacturing and marketing activities in latex products and industrial gloves.

4.124 Ansell has two areas of Latin American activity:

- . Marketing of US and foreign sourced products through Latin American distributors, appointed and managed by North American staff in its New Jersey office. Total sales are about \$6 million per year.
- . Manufacture of synthetic rubber gloves in a Maquiladora operation at Juarez, Mexico. The factory employs about 380 people and the operation reports to Ansell's US manufacturing headquarters in Ohio.

4.125 In each case there is no direct contact with Ansell's Australian Head Office, with the operation wholly managed by non-Australian staff in Ansell's subsidiaries in United States. Limited referrals are made to the Melbourne office.

4.126 Ansell informed the Committee that it had no plans to enlarge its activities in Latin America at the present time.

---

<sup>112</sup> Mr D. Morley, Committee Hansard, pp. 477-8.

<sup>113</sup> *ibid.*, p. 481.

<sup>114</sup> Ansell International, submission.

### **Barrett Burston (International) Pty Ltd<sup>115</sup>**

4.127 Barrett Burston (International) Pty Ltd is Australia's largest malt producer and one of Australia's oldest companies with origins dating back 125 years. Together with its subsidiary in the United Kingdom Barrett Burston is one of the top ten malt producers in the world.

4.128 Barrett Burston supplies malt to the Australian brewing industry and exports to customers, mainly in the Asian/Pacific area. It has been exporting to the Latin America region for 25 years, mainly to Brazil, Peru, Venezuela and Colombia.

4.129 In 1987 Barrett Burston entered into a joint venture with a company in Latin America involved with the barley growing industry to build a maltings in Uruguay. Barrett Burston provided technical assistance in the design of the plant, and training in Australia for several key operatives. Barrett Burston also provided assistance in the marketing of the product. One plan was to export from Uruguay to Brazil.

4.130 Barrett Burston's experience in that venture was not altogether a happy one, but the reasons were less to do with economics than personalities. Barrett Burston found it increasingly difficult at the construction stage to work effectively with the chief executive appointed by the local company, especially in relation to project costs. In mid 1990, faced with the need to provide substantial additional capital to start production, Barrett Burston elected to sell out of the company. The maltings was bought by a company associated with Brahma, the largest brewer in Brazil (who also bought out the barley company) and is presently operating in full capacity.

4.131 Barrett Burston submitted that the exercise showed that Australian malting technology could be readily adapted for South American requirements and in joint ventures and that there is opportunity for such technology transfer to countries in South America.

### **Biogenesis Limited (Chile)<sup>116</sup>**

4.132 The submission from Biogenesis Limited is interesting not only because it relates to a successful joint venture between a Chilean company and an Australian company, but because the project is located in Australia.

4.133 Biogenesis Limited (Chile) began as a biotechnology company in Chile in 1988. In 1989, two events combined to lead the company to explore an Australian connection:

---

<sup>115</sup> Barrett Burston (International) Pty Ltd, submission.

<sup>116</sup> Dr H. Povea-Pacci, submission.



- the company obtained financial support from Corporacion de Fomento de la Produccion (CORFO), the Chilean equivalent of DITAC; and
- one of the company's members settled in Newcastle, Australia, as a permanent resident and pursued scientific research there. The company decided to explore the feasibility of integrating the approved project in a joint venture with Hunter Antisera, an Australian biotech company based in Newcastle.

4.134 The company's reasons for seeking an Australian connection were as follows:

- Australia had a superior infrastructure for carrying out fundamental scientific research and a history of high technology innovative products;
- Chile on the other hand, had highly skilled professionals and considerably cheaper labour force and production infrastructure than Australia;
- the economic downturn in Australia had resulted in encouragement being given to high technology industries; and
- Chile, by contrast had a healthy economy and had considerable expertise in exporting non-traditional value added products to Europe, United States and other parts of Latin America.

4.135 Hence, joint venture arrangements were entered into with Hunter Antisera whereby the scientific stage of the project would be carried out in Newcastle and any new product deemed marketable would be manufactured in Chile.

4.136 At the time the submission was made (June 1991) final research was being carried out on the project.<sup>117</sup> Two other projects have since begun on the same terms.

4.137 Biogenesis Limited submitted that, as its experience demonstrated, partnerships between Australia and Chilean companies could usefully develop along the same lines. This is especially the case if facilitated by official agreements for scientific cooperation, or official encouragement to Australian and Chilean high technology companies to establish communication links.

4.138 The company proposed that Australia could be the "brain" to analyse and produce solutions for major urgent problems emerging in Latin America, and Chile could serve as a base for the industrial application or production of processes developed in Australia.

4.139 According to Biogenesis Ltd, one of the most serious problems emerging in Latin America that could lend itself to such a collaborative venture is waste

---

<sup>117</sup> The aim of the project is to obtain sub-products (such as drugs and chemical reagents) from the human placenta.

management. Others are environmental matters, agricultural biotechnology, animal reproduction, forestry, energy, desert management and communications.

## Personnel and Employment Matters

### Industrial Relations

4.140 The Committee is aware of concerns that Australian companies adopt acceptable industrial relations practices overseas. The Victorian Trades Hall Council (VTHC) referred to the former Bond Corporation's "appalling industrial relations practices" in regard to its companies in Chile. VTHC submitted that the Bond Corporation's record in Chile provides a clear example of why the Australian Government should not promote an "open slather" approach to Australian investment abroad, including in Latin America.<sup>118</sup>

4.141 As noted above, BHP, the largest Australian employer in Latin America, told the Committee that its 900 employees in Escondida have so far chosen not to be unionised. In BHP's view:

"Whether in the future it becomes unionised or not will be a matter for our employees. We are certainly not standing in the way of it, but at the moment it is not unionised."<sup>119</sup>

4.142 Interestingly, the Escondida mine was praised by another Australian mining company, MIM, as being "probably the best run operation of its type in the world." MIM's representative told the Committee:

"If people in Australia have the opportunity to visit the BHP Escondida mine, they will see a classic example of how to set up an operation and how to treat people in accordance with the local standards imposing upon [these standards] some values and standards that are derived from Australia and North American practice."<sup>120</sup>

4.143 The VTHC representative told the Committee that he was not aware that the Escondida mine was not unionised. However, VTHC noted that no serious criticisms have been made by Chilean unions in relation to Escondida. Appearing before the

---

<sup>118</sup> Committee Hansard, p. 575.

<sup>119</sup> Mr J. Ellis, Committee Hansard, p. 514.

<sup>120</sup> Mr P. Slaughter, Committee Hansard, p. 1084.

Committee, the VTHC representative told the Committee that Chilean unionists he has met in Chile "had no problem at all with the conduct of BHP as an employer."<sup>121</sup>

### **Terms and conditions of employment**

4.144 The Committee questioned Australian companies operating in Latin America on the terms and conditions under which staff are employed in Latin America. The Committee was also interested to know whether the companies followed similar codes of practice in dealing with staff in Latin America as in Australia.

4.145 BHP and Western Mining told the Committee that lower wages are paid to locally-engaged staff employed in Latin America compared to Australia. This was to ensure that the wage levels would be compatible with, and not in excess of, those existing locally.<sup>122</sup>

4.146 In terms of occupational health and safety:

"We seek to have the same standards on safety and employee occupational health as we would anywhere in the world."<sup>123</sup>

4.147 As noted above (in para. 4.121), the Western Mining representative informed the Committee that one of its mines in Brazil recently received an award for safety in competition with other mines there.<sup>124</sup>

4.148 The Committee took particular note of the high regard in which local staff are held by the Australian companies.

4.149 Only one company made reference to difficulties with locally engaged staff. In its submission Barrett Burston International referred to difficulties in working effectively with the Chief Executive appointed by the local joint venture company in Uruguay in relation to costs control of a project.<sup>125</sup>

4.150 Western Mining Corporation said that it endeavours:

"... to utilise local people where we can, partly because expatriates are extremely expensive and partly because we

---

<sup>121</sup> VTHC, Committee Hansard, pp. 575, 603.

<sup>122</sup> Mr D. Morley, Committee Hansard, p. 481 and Mr J. Ellis, Committee Hansard, p. 514.

<sup>123</sup> Mr D. Morley, Committee Hansard, p. 481.

<sup>124</sup> *ibid.*

<sup>125</sup> Barrett Burston, submission, p. 2.

think that is a far better way to operate ... As far as I am aware, the loyalty, the operational aspects and attitudes of the work force are not dissimilar to those in other parts of the world."<sup>126</sup>

4.151 Davis Gelatine told the Committee:

"We cannot speak too highly of the people we have had dealings with in Colombia, both as partners and as customers and suppliers of equipment. They are very fine people."<sup>127</sup>

### **Training**

4.152 BHP told the Committee that its policy is to place Australian expatriates sent to Latin America in positions which preserve income levels. Supplements might take the form of housing, allowances and language training.<sup>128</sup>

4.153 All three mining corporations - BHP, Western Mining Corporation and MIM - assured the Committee that their staff undergo language and other training preparations prior to going to Latin America.<sup>129</sup>

4.154 The Australian companies presently operating in Latin America broadly appear to be pursuing acceptable industrial relations practices. The Committee would like to stress that there is a continuing need for Australian companies to be good employers of labour overseas in a manner not significantly at variance with Australian standards.

### **Staff Exchanges**

4.155 One particular aspect of joint venture investments in Latin America that was brought to the Committee's attention, and which could assume greater importance if such activities expand, is the ability of companies to arrange exchanges and transfers of staff easily and simply.

4.156 In its submission, MIM drew the Committee's attention to its policy of hiring suitably qualified Chilean professionals and transferring them to Australia for two-year training and development. This ensures that its Chilean managers and technical

---

<sup>126</sup> Mr D. Morley, Committee Hansard, p. 481.

<sup>127</sup> Mr A. Norman, Committee Hansard, p. 1009.

<sup>128</sup> Mr J. Ellis, Committee Hansard, p. 518.

<sup>129</sup> Committee Hansard, pp. 518, 480 and 1074.

personnel are thoroughly trained and experienced in MIM's Australian operations before taking up positions in Chile.<sup>130</sup>

4.157 This appears to the Committee to be an excellent practice. The Committee sought to find out from MIM whether such exchanges were easily accommodated under present immigration regulations. In part, the Committee's concern was triggered by MIM's comment, after outlining its policy, that the company:

"... hopes that Government immigration policies in Australia will recognise these benefits and facilitate such arrangements."<sup>131</sup>

4.158 The Committee was informed by its Executive General Manager, Corporate Development, Mr Peter Slaughter, that MIM had in the past experienced difficulties in bringing foreign staff in on a secondment basis. Mr Slaughter did not indicate that the problem was a significant one. Nevertheless, exchanges such as those carried out by MIM are commendable initiatives which the Committee would like to see unimpeded by excessive bureaucratic requirements.

4.159 For this reason the Committee sought information from the Department of Immigration, Local Government and Ethnic Affairs (DILGEA) as to the ease with which such training could be accommodated under present immigration procedures. The Committee was informed by the First Assistant Secretary of its Temporary Entry, Compliance and Systems Division that there were provisions for the sponsored entry of temporary skilled persons and for occupational trainees, but not for worker exchange or guest or unskilled workers. The kind of temporary entrants sponsored by MIM would fall into the first two categories and would be processed fairly quickly.

"The sort of application you get from a company like Mount Isa Mines is something which is complete and is able to be approved extremely quickly. Generally, you get delays in a company which is inexperienced in this field and you are going back and forth in terms of documentation requirements."<sup>132</sup>

4.160 DILGEA provided information to the Committee indicating that from 1981 to 1992, MIM has sponsored the entry of 21 skilled workers, of whom 14 came in as temporary residents and 7 as migrants. Of the 14 in the temporary residence category, 8 were engineers, earth scientists or specialists; 4 were executives; and 2

---

<sup>130</sup> MIM, submission, Committee Hansard, p. 1058.

<sup>131</sup> *ibid.*

<sup>132</sup> Mr M. Sullivan, Committee Hansard, p. 1302.

were on staff exchange arrangements. The average processing time taken for the 3 temporary entrants applications in 1991 was 2.5 weeks.<sup>133</sup>

4.161 The Committee sought further comment from MIM. MIM indicated that it had difficulty reconciling DILGEA's figures with its own records, in part because MIM's records do not differentiate between Australian nationals recruited offshore and nationals of other countries. Also, the DILGEA list:

"... does not tell the full story, possibly because employees recruited overseas by MIM may have been sponsored by MIM Holdings Limited itself, or by any of its subsidiaries, particularly Mount Isa Mines Limited and Collinsville Coal Company Pty Ltd.<sup>134</sup>

4.162 However, MIM was able to confirm that between 1978 and 1987, MIM, Mount Isa Mines and Collinsville Coal brought 76 employees to Australia, about half of whom would have been Australian nationals. MIM further indicated that it expects overseas recruitment to "always be a part of our Human Resources function" and secondments to and from Australia and its affiliates, including in Latin America, to be "an on-going feature of our personnel development program, as well as a necessary adjunct to routine recruitment activities to fill specific vacancies."<sup>135</sup>

4.163 The Committee was interested in MIM's comment that it relies a great deal on DILGEA's readiness to:

"... accept our bona fides and at least lower the barriers if it is not willing to facilitate in a more positive way the movement into Australia of professional staff required to keep our resources industry competitive."<sup>136</sup>

4.164 The Committee is keen to ensure that companies entering or already working in joint venture arrangements in Latin America have access to clear guidelines for entry of temporary skilled workers for familiarisation/training and that such applications are processed quickly and efficiently. The Committee is aware of the very substantial changes that have taken place in entry regulations in recent times and the very extensive and detailed documentation accompanying those changes.

---

<sup>133</sup> Letter from Mr T. Havas, Director Ministerial and Parliamentary Business, to the Committee Secretary, dated 26 February 1992.

<sup>134</sup> Letter from Mr P. Slaughter to the Committee Secretary, dated 3 June 1992.

<sup>135</sup> *ibid.*

<sup>136</sup> *ibid.*

4.165 Recommendation thirteen: The Committee recommends that:

the Department of Immigration, Local Government and Ethnic Affairs ensure that it has a set of concise, clear and accurate guidelines that may be applied consistently to the lodging of applications for temporary entry of skilled workers. The guidelines should include all relevant information relating to documentation requirements;

in addition to being generally available, a copy of these guidelines should be sent to relevant individuals and agencies, including heads of Latin American diplomatic missions in Australia, DFAT, Austrade, DITAC and DPIE, industry associations, including the Australia-South America Business Council, and companies identified in this Report as having trading or investment links with Latin America.

### Comment

4.166 From a study of the submissions from individuals and companies who have direct experience of investing and/or entering into joint venture arrangements in Latin America, the Committee came to the conclusion that the following features of these companies and arrangements are worthy of note:

- to date most of the successful investors have been the larger companies such as BHP, Western Mining and Ansell International;
- their operations in Latin America typically came about because of association with North American companies, for example, BHP and Utah, Western Mining and the Aluminium Company of America and MIM through equity in ASARCO Incorporated (United States) and Cominco Limited (Canada);
- some are companies which have had a long history of trading with Latin America, for example, Davis Gelatine, whose joint venture operations evolved from links established over many years.

4.167 Most of the investments and joint venture operations brought to the attention of the Committee during the inquiry appear to have been achieved by the companies concerned without significant Australian Government involvement. It is clear that the larger companies are able to utilise their own resources to carry out market research, establish links and set up operations. This may not be possible for the smaller or medium-size companies.

4.168 With a few possible exceptions, there is a noticeable absence of investment activities in Latin America by the smaller to middle-sized Australian companies. The Committee cannot determine whether this means that there are fewer opportunities for

the smaller companies or that opportunities are just as numerous and attractive but that the smaller companies do not know they exist, are unable to make the right operational contacts or are unable to carry the investment process through to a successful conclusion.

4.169 The Committee is of the view that at this stage of the Australia-Latin America relationship Government agencies must be more pro-active in assisting Australian companies, particularly the smaller to medium size companies, to identify and pursue investment opportunities in Latin America. The recommendations outlined in Chapter Five will assist in achieving this objective.

4.170 The Committee acknowledges that there is a potential downside to Australian investment, namely that the location or re-location of Australian companies overseas may translate into job losses for Australians.

4.171 The Committee notes the counter argument that the profits of such investments nevertheless accrue to Australia through repatriation.

4.172 On balance, the Committee is of the view that it is in Australia's long-term interests for the opportunities for investment available in the Latin American countries to be recognised, publicised and seized by Australian companies.



*"Given the evidence before us ... it would be regrettable if we failed once again to be in on the ground floor as Latin America awakens in the 21st Century and thus be left - as we have been so often in the past - on the sidelines lamenting missed opportunities when they were there for the taking."*<sup>1</sup>

## CHAPTER FIVE

### TRADE AND INVESTMENT - STRATEGY FOR THE FUTURE

5.1 Some of the more common general problems brought to the attention of the Committee as constraints to increased economic links with Latin America included:

*"Australia's competitive disadvantage vis-a-vis North American suppliers, the general lack of awareness by industry of opportunities available in Latin America, and the lack of a frequent direct shipping route between Latin America and Australia ..."*<sup>2</sup>

Of these, the impediments most consistently cited by witnesses were poor transport links and mutual ignorance both about each other and the opportunities each has to offer the other. The transport question is dealt with in detail in Chapter Six of this Report.

5.2 The part that information - or, more correctly, the absence of accurate and comprehensive information - plays in the relationship between Australia and the Latin American countries, and what might be done about it, is addressed in this Chapter.

#### Mutual Ignorance

5.3 It was repeatedly put to the Committee that a major problem is that of ignorance or faulty perceptions.

---

1. Macdonnell Promotions Pty Ltd, submission, p. 4.

2. *Australian Trade and Investment Development*, 15 November 1991, Department of Foreign Affairs and Trade, p. 25.

5.4 Asked why Australian business does not consider Latin America a high priority, the Manager of Austrade's Americas Market Development Office replied that Austrade had not done any in-depth analysis. Nevertheless he ventured the following view:

"I think that the reasons are fairly apparent - the common perception the Australian businessman has is that Latin America is characterised by political and economic instability. They read about drug problems and that sort of thing; they tend to hear only the bad news and therefore think, 'Why bother? It is a more distant market; there are different customs, languages, and so on. When we have South-east Asia on our doorstep, why should we bother with Latin America?' That is their general attitude."<sup>3</sup>

5.5 The Chilean Ambassador put a similar view:

"In my view the basic problems that today prevent closer links between Australia and Latin America, to put it bluntly, lie mainly in mutual ignorance and prejudice... In my view, it is more a question of wrong attitudes than of conflicting interests or lack of opportunities."<sup>4</sup>

In a similar vein Banco Santander pointed to opportunities which Australian business has the capacity to take advantage of, but which it is ignoring because of lack of information, government support and self-motivation.<sup>5</sup>

5.6 Specifically in relation to Brazil, the Brazil-Australia Chamber of Commerce observed that:

"... many good trade and investment opportunities are arising but Australian organisations don't seem to be taking avail of these opportunities. We understand that this is due to lack of information."<sup>6</sup>

5.7 Other submissions on the same theme were made by the diplomatic representatives of Colombia, Uruguay, Mexico and Peru, the Australia-South America Business Council, the Institute of Latin American Studies at La Trobe University, the Andes Association and the ANZ Bank.

---

3. Mr I. Taylor, Committee Hansard, p. 359.

4. H.E. Mr J. Salazar, Committee Hansard, p. 1358.

5. Mr J. Blanco, submission, pp. 10-11.

6. Brazil-Australia Chamber of Commerce, submission, pp. 1-2.

5.8 The Committee is in no doubt that more Australian companies would be interested in exploring the prospects for trade and investment in Latin America if they were better informed about developments there.

### Perception that Latin America is in the US Sphere

5.9 It is not only an absence of information about opportunities that is holding Australian companies back from seriously considering the option of doing business in Latin America. The Committee was told that there is a widespread misperception about the situation there. For instance, one argument often used against increased efforts to achieve greater trade with Latin America is that the dominant US presence in the region puts other countries at an overwhelming disadvantage. It seems to be commonly assumed that this is an inevitable and permanent state of affairs.

5.10 However, Latin American representatives maintained that this is not the case. For example Ambassador Puerto of Colombia said that:

"The perception that Australia has no opportunity in Latin America because that region is so focused toward the United States is erroneous. Australians could very well be more welcomed in Colombia than Colombia's neighbours from the North."<sup>7</sup>

Ambassador Morales of Mexico put the view:

"The wrong perception that Australia has not enough room to develop business relations with Mexico because this country has been too dependant on the U.S.A. has existed. However, this assumption is not valid because Mexico has been engaged in a very strict process of economic diversification with many countries in the world, especially Australia, as we demonstrated by the Presidential Visit."<sup>8</sup>

5.11 In fact, the Committee heard evidence that in some instances, Australians were actually at an advantage in dealing with Latin America. In the case of agriculture:

"Nobody does it better in this area than Australian farmers.

---

7. H.E. Dr A. Puerto, submission, Committee Hansard, p. 1706. As noted in para. 2.48, the present Ambassador of Colombia is H.E. Mr Fernando Navas de Brigard who gave evidence to the Committee at a public hearing on 26 March 1992.

8. H.E. Mr A. Morales, submission, p. 24.

South America is in the same hemisphere as Australia, and its farmlands and animal types are similar."<sup>9</sup>

The President of the Australia-Brazil Chamber of Commerce agrees:

"Another area that has been suggested to me in terms of scientific and technological education is dry land farming education. There are great tracts of land that the Brazilians need help with, and we in Australia are very well placed, more so than Europeans or Americans, to do that."<sup>10</sup>

### **Whose Responsibility - Government or Private Sector?**

5.12 In examining the issue of the availability of information on Latin America in Australia, the Committee concluded that there were two main, inter-related strands that it should pursue.

5.13 First, there is the question of raising the general level of understanding in the Australian community about the Latin American region, its culture and its economic, political and social development. Clearly educational institutions play a major role in this, as do organisations such as the Australia Council for the Arts, the AFS International Exchanges (which arranges international student exchanges) and various community friendship and cultural organisations. These are discussed in greater detail in Chapter 7.

5.14 Secondly, there is the question of increasing the knowledge available to Australian business specifically to enable the business community to make sound business decisions with regard to opportunities in Latin America.

5.15 While there was some support for the view that it is mainly up to the private sector to be more active in the investigation and pursuit of market opportunities in Latin America, none of the submissions put to the Committee advocated this approach exclusively. Instead, there was a general perception that at this stage of the relationship, Government has an important role to play in giving a lead to private industry. Government agencies also have an important role to play in facilitating the private sector's involvement in Latin America.

---

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

10. Mr J. McGruther, Committee Hansard, pp. 660-1.

5.16 According to Professor Rodney Maddock:

"... the performance of our diplomats and Austrade in making business aware of these things has probably been a factor, but on the other hand, it should not necessarily be the Government's role to do these things. Why are these private companies not there monitoring activities in the way that other nations are?

One can go to any of these centres [in Latin America] and whenever you go into a restaurant, it is full of Canadian business people or Japanese or Koreans or Germans who seem to be there monitoring and doing business, and I have not run into Australian business people in the same way, just on a day-to-day business basis, dealing with government officials and things like that in the same way as I have with people from lots of other countries."<sup>11</sup>

5.17 By and large most observers seem to consider that it is a joint Government-business responsibility to monitor developments in Latin America. So, for example, the President of the Australia-Brazil Chamber of Commerce said:

"The answer is that it is really a hotchpotch of contributions from the government sector, from business and trading people within Australia, as well as, I think, the Austrade contribution itself."<sup>12</sup>

5.18 There was considerable criticism of the failure of various arms of the bureaucracy to support the private sector adequately in the past in regard to trade with Latin America. Austrade in particular came under attack.

#### **Role of Austrade**

5.19 Several submissions were dismissive of Austrade as an effective trade promotion organisation where Latin America is concerned.

---

11. Prof. R. Maddock, Committee Hansard, p. 417.

12. Mr J. McGruther, Committee Hansard, p. 651.

5.20 The complaints relate to:

- the location of Austrade officers in Latin America, particularly the inappropriate location of Australia's Senior Trade Commissioner for Latin America in Miami, Florida;<sup>13</sup>
- qualifications of Austrade's representatives;
- poor quality of market information; and
- poor dissemination of information.

At least four agencies indicated to the Committee that they did not find Austrade useful for their purposes.

5.21 A representative of the Australia-Brazil Chamber of Commerce, who is also the General Manager of CMC (Australia) Pty Ltd, told the Committee that he did not know of anybody who had ever used Austrade in Latin America.<sup>14</sup>

"The only use Austrade has been to our company ... is purely as a sounding board to discuss attitudes of government and as a sounding board on how they may see things happening. We would never use Austrade directly to help us develop any business."<sup>15</sup>

5.22 The Julius Kruttschnitt Mineral Research Centre (JKMRC) made the observation that in their experience in Chile, Austrade was not at all effective in matters concerning mining operations, technical requirements and technical opportunities.<sup>16</sup> The JKMRC Director commented:

"I wonder at the role of Austrade in these activities because, generally speaking, I do not believe they are very effective."<sup>17</sup>

---

13. Austrade has since moved its headquarters for Latin America from Miami to Buenos Aires. The Senior Trade Commissioner commenced duty in Buenos Aires on 2 September 1991.

14. Mr K. Aitken, Committee Hansard, p. 653.

15. *ibid.*

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

17. *ibid.*, p. 1150.

5.23 Asked whether he had received assistance from Austrade in connection with his attempts to fill orders for milk powder, agribusiness consultant Mr Greg Smith said:

"We made a call to Austrade. All it could do was give lists of company names, which we know already."<sup>18</sup>

5.24 Mr E. Olmos, the National Marketing manager of Barbican Marine (Agencies) Pty Ltd, one of two shipping companies which provide direct services between Australia and Latin America, told the Committee that he preferred to put interested business people in touch with the Brazilian Embassy in Canberra rather than Austrade. Mr Olmos explained:

"This is mainly because of the lack of information as far as what Austrade does, who to contact in Austrade or what we can do with Austrade."<sup>19</sup>

In Mr Olmos' view:

"Austrade could be a little more active in trade participation."<sup>20</sup>

Mr Olmos' testimony further illustrates two problems repeatedly brought to the attention of the Committee during the inquiry, namely, poor or non-existent coordination between Government agencies and business and general lack of information on business opportunities and contacts. This is discussed further in paras. 5.3 to 5.8, and paras. 5.74 to 5.79.

5.25 The Committee was interested to learn of the existence of Austmine, a mining industry association formed in 1988. According to its Chairman, Mr Eric Garner, Austmine brings together companies with capabilities in consulting, engineering design, project management, contracting, equipment and supplies manufacture and technology applications.<sup>21</sup>

5.26 Austmine contracts a secretariat service from Austrade. This presently amounts to half the cost of an Executive Officer based in Austrade's office in Canberra. The other half of the cost is met by Austrade and the officer performs duties related to both Austrade and Austmine.

---

18. Mr G. Smith, Committee Hansard, p. 1101.

19. Mr E. Olmos, Committee Hansard, p. 1903.

20. *ibid.*

21. *Austmine Directory*, 1991.

5.27 The Committee notes with interest the directory published by Austmine featuring the range of mining equipment, services and supplies available from its 100 member companies<sup>22</sup> and regards it as a worthwhile initiative.

5.28 The Committee also learnt that Austmine presently has a strategy of concentrating on among others, markets in India, the Philippines and Indonesia.<sup>23</sup> The Committee has already commented on the emphasis placed by Australian Government agencies in this regard.<sup>24</sup>

5.29 Two references were made to Austmine during this inquiry. The Managing Director of Mine Site Technologies Pty Ltd, Mr Gary Zamel, told the Committee that his company regards membership of Austmine as useful for obtaining information on export markets that is only available to Austmine members.<sup>25</sup> The General Manager of one major mining company told the Committee that he had not heard of Austmine.

5.30 Austrade informed the Committee that its sector studies in Argentina, Brazil, Chile and Mexico were undertaken in cooperation with Austmine.<sup>26</sup>

### **The Policy Framework - the Role of Government**

5.31 The Committee sought to establish whether Commonwealth Government departments and agencies had any strategies to develop trade and other links with the region. The Committee further examined the policy and planning documents of these agencies and looked at the resources devoted to developing relations with the region.

5.32 As the inquiry proceeded, it became abundantly clear to the Committee that Latin America has not featured to any extent in the strategic planning of Australian Government departments.

---

22. The Austmine directory lists the capabilities and contact details of Austmine member companies. The first directory was published in 1989 and the revised edition published in 1991.

23. Mr G. Zamel Committee Hansard, p. 690.

24. See paras. 1.75-1.77.

25. Mr G. Zamel, Committee Hansard, pp. 689-90.

26. Letter from Mr I. Taylor to the Committee Secretary, dated 2 April 1992.



5.33 The Committee agrees with the observation of the previous Colombian Ambassador to Australia that:

"Latin America constitutes a huge hole in Australia's foreign policy."<sup>27</sup>

5.34 Austrade describes Australia's present trade relations with Latin America as "relatively insignificant"<sup>28</sup> Austrade informed the Committee that "Austrade has not accorded Latin America high priority in the recent past"<sup>29</sup> and stated that Austrade was not planning to undertake a major expansion of its representation in Latin America.<sup>30</sup>

5.35 DFAT categorises the relationship as "a relationship of potential rather than achievement."<sup>31</sup> DFAT's Corporate Plan for 1990-93 includes several strategies to advance bilateral relations in the Americas and Europe.<sup>32</sup> However, no specific mention is made of Latin America.

5.36 DITAC admitted that it did not have a strategy for lifting levels of Australian investment in Latin America.<sup>33</sup>

5.37 The Small Business Unit of the Department of Industry, Technology and Commerce launched its "Export Access" program in October 1991 to assist small to medium sized enterprises to gain access to international markets. North America, Europe and Asia were targeted.<sup>34</sup> Latin America was not mentioned.

5.38 Although agricultural and resource commodities make up over 75% of Australia's exports to Latin America, the Department of Primary Industries and Energy informed the Committee that:

"... direct links between this Department and Latin America are limited."<sup>35</sup>

---

27. H.E. Dr A. Puerto, submission, Committee Hansard, p. 1708.

28. Austrade submission, Committee Hansard, p. 325.

29. *ibid.*, p. 314.

30. *ibid.*

31. *Australian Trade and Investment Development*, *op. cit.*, p. 24.

32. *Corporate Plan 1990-93*, Department of Foreign Affairs and Trade, 7 May 1990, p. 11.

33. Mr G. Taylor, Committee Hansard, p. 249.

34. *Export Access Program Guidelines*, Small Business Unit, Department of Industry, Technology and Commerce, pp. 3-5.

35. DPIE, submission, Committee Hansard, p. 1189.

## How Does Latin America Compare to Other Regions?

5.39 In the course of the inquiry, the Committee touched on the question of the importance of Australia's economic relations with Latin America compared to its relations with other regions. While a detailed analysis would have taken the inquiry well beyond its terms of reference, the Committee felt it appropriate to comment on it in general terms. Given the attention that Australia's relationship with Asia has attracted in recent times, it was not surprising that that comparison was the one most frequently made.

5.40 Not unexpectedly, the Committee was repeatedly reminded by witnesses that Australia's priorities were in Asia. Mr Woolcott stated:

"As far as Latin America is concerned ... clearly it cannot be in the forefront of our priorities ... clearly we do see the area where the greatest opportunities are going to present themselves ... and that priority region is the area of what is often called dynamic economic growth, essentially in our own region, in North Asia, particularly in Taiwan, Japan, Hong Kong, China, the Republic of Korea, of course, and in South East Asia ... That is where the opportunities are probably going to be ...

... I think the relativities over the next five or 10 years are going to continue to favour South-east Asia and the North-west Pacific."<sup>36</sup>

The representative of the NSW State Chamber of Commerce echoed this sentiment:

"I would say that our relationship with Latin America is not the priority that Asia is, even if you break Asia up into its different component parts ..."<sup>37</sup>

5.41 Austrade's forecast is that the share of Australia's trade with "Other America" (ie. including Latin America) would fall from 0.8% in 1989 to 0.7% in 1994. This compares with North Asia (41.4%), South-East Asia (9.8%) and Western Europe (15.7%). In the words of the Austrade representative:

"Looking out five years ahead, it is still a very, very small part of the merchandise trade."<sup>38</sup>

---

36. Mr R. Woolcott, Committee Hansard, p. 223.

37. Mr M. Jones, Committee Hansard, p. 900.

38. Mr D. Hunter, Committee Hansard, pp. 354-5.

5.42 However, most witnesses made the point that opportunities in Latin America should not be ignored. A former Australian Ambassador to Venezuela, Colombia, Ecuador and Panama told the Committee that during his period as Ambassador he constantly had to argue against closure of the embassy at Caracas and commented:

"... in today's fast changing world Australia should be broadening its vision in South America and the Caribbean rather than contracting it, so that it can be ready to seize every new opportunity to advance the national interest. In my view our relations with South America should be accorded a higher priority in government policy than they are at present."<sup>39</sup>

An academic said:

"... I think that there is some significant chance that South America will be turned around in the next 20 years and become a very dynamic region of the world. If that is the case, and if our policy is to be outward looking and to sell what we can where we can, then I do not think we can afford to ignore a region of 450 million people which has the possibility of becoming a very dynamic part of the world economy."<sup>40</sup>

From a leading banking group in Latin America:

"We are not seeking to argue that Latin America will ever become one of Australia's largest or most important trading partners, or that the region does not continue to have a question mark hanging over its likely future.

What we are saying is that Australia is wrong in ignoring the potential of some of the markets in this region and that these markets do have the capacity to contribute to Australia's economic well being."<sup>41</sup>

---

39. Mr A. Dingle, submission, p. 3. It is of interest that during the course of the inquiry, the Committee was advised by the then Secretary of DFAT, Mr Richard Woolcott, in a letter dated 18 September 1991 that during the 1991/92 Budget deliberations the Minister for Foreign Affairs and Trade had decided that the Embassy in Caracas should not be closed.

40. Prof. R. Maddock, Committee Hansard, p. 445.

41. Mr J. Blanco, submission, p. 13.

Appearing before the Committee at a public hearing Professor Ross Garnaut made the point:

"I do not see the importance of East Asia to us as making a case for any exclusive or discriminatory focus on East Asia... any country with mineral deposits is a market for our mineral technology, our mining management and our metallurgical development. That is becoming important for Australia."<sup>42</sup>

5.43 At a recent Business Council of Australia summit on 'Opportunities for Australia', a leading Australian businessman, Mr John Ralph of CRA Ltd expressed the view that, despite some successful penetration of the Asian market by Australian companies:

"... their efforts were not sufficient to erase disturbing Asian stereotypes about Australian firms."<sup>43</sup>

Another participant, Mr Paul Hayden of the legal firm Mallesons Stephen Jacques, is also quoted as saying that:

"Asians still considered Australians to be lazy, naive and always on strike."<sup>44</sup>

5.44 As far as this inquiry is concerned, however, the Committee wishes only to make the observation that Australia and Australian business people are less likely to be faced with any problem of negative stereotyping when seeking to do business in Latin America. Partly because contact has been more limited in the past, ignorance of Australia rather than possible negative pre-conceptions are more likely to feature in any business relationship. It should be easier for Australians to fill the information gaps in Latin America from a relatively clean slate, than to have to first undo any past damage to Australia's image.

### **Policy Direction**

5.45 The Committee believes, as a general proposition, that diversification of markets is in the best interests of Australia. The Committee considers that companies would be well advised to explore opportunities clearly emerging in Latin America.

5.46 The Committee is strongly of the view that what is needed is a clear policy statement from the Australian Government on the place of Latin America in Australia's trade strategy that more accurately reflects the changed circumstances in the region.

---

42. Professor R. Garnaut, Committee Hansard, p. 1487.

43. As reported in the *Weekend Australian*, February 29 1992, p. 9.

44. *ibid.*

Without that clear direction, the confusion and reserve displayed by Government agencies will, in all probability, continue.

5.47 This change in policy direction should also be reflected in changes to the respective policies and strategies of Government agencies. Only in this way can the problems apparent to those in the private sector, such as the representative of the Australia-Brazil Chamber of Commerce, be overcome:

"One of the problems that I see in Austrade, is that we do not see what the long term strategic objectives are for that region. We as industry do not see that. If we do not see it, then we question whether they have it."<sup>45</sup>

5.48 The Committee is of the view that, for Australia, Latin America is in many respects where Asia was thirty years ago. Australia was some three decades late in recognising opportunities in Asia. The danger is that its present belated focus on Asia is being pursued at the expense of real opportunities in other regions.

5.49 The Committee is not seeking to downgrade the effort now being directed to Asia; rather, it is seeking to increase the attention given to Latin America.

5.50 The Committee believes that if Australia is not, once again, to "miss the boat", Latin America must be upgraded to a place in Australia's planning more commensurate with its real potential.

5.51 In this respect the most important recent policy document is undoubtedly *Towards a National Trade Strategy*, the Joint Communique of Federal, State and Territory Ministers issued on 28 November 1991 and the accompanying working document, *Australian Trade and Investment Development*.

5.52 The Joint Communique states that:

"Australia will need to take advantage of the opportunities presented by the dynamic growth of the Asia-Pacific region. Asian economies will be of primary economic importance for Australia in the 1990s ...

Other markets in the Americas, Europe, Oceania and elsewhere cannot, however, be neglected."<sup>46</sup>

5.53 *Australian Trade and Investment Development* was compiled by DFAT with input from other Commonwealth Government agencies, State and Territory Governments and industry organisations. The document provides the basis for a

---

45. Mr K. Aitken, *Committee Hansard*, p. 645.

46. *Towards A National Trade Strategy*, Joint Communique, 28 November 1991, p. 2.

coordinated strategy to improve Australia's overall trade performance and is intended as the basis for formulation of a National Trade Strategy.

5.54 The Committee notes the favourable assessment of Latin America in the document:

"Moves towards economic integration ... along with political democratisation and moves towards liberalisation and deregulation should provide a good basis for increasing Australian commercial activity in the Latin America region."<sup>47</sup>

However, the document places only two countries in Latin America in its list of 24 priority markets - Mexico and Chile. While it may be true that individually these two countries provide the greatest opportunities the Committee has strong reservations about approaching the development of opportunities in Latin America in this segmented way.

5.55 As previously discussed in this Report, key issues that the Committee has identified as impeding the growth of the economic relationship between Australia and Latin America are region-wide, and not confined to just one or two of the Latin American countries. Transport is the most obvious case in point and is dealt with more extensively in Chapter 6.

5.56 Suffice to say here that the objective of improving shipping links with Mexico, which is included in *Australian Trade and Investment Development* is likely to be integrally linked to improved shipping links to the region as a whole. This in turn will be closely tied to increases in trade with the region as a whole. In other words, success in improving the shipping service to Mexico is dependent on the extent to which trade with other Latin American countries can be increased simultaneously.

5.57 Furthermore, the Committee considers that a sectoral approach, rather than a country by country approach may be more appropriate in the case of Latin America.

5.58 As noted elsewhere in this Report, a range of sectors has been identified as offering particular opportunities. Investment in mining is the obvious success story to date. As is evident from Recommendation nineteen of this Report, the Committee sees maximum benefit accruing from building on the success already achieved in this sector by appointing specialist mining attaches.

5.59 The Committee envisages that those specialists would develop market opportunities not only in their country of posting, but in the region as a whole. The Committee is entirely in agreement with the draft National Trade Strategy that Chile and Mexico are countries with whom we should be seeking to establish closer and

---

47. *Australian Trade and Investment Development*, op. cit., p. 25.

more extensive economic links. It is of concern to the Committee, however that this selective approach could, by default, lead to the neglect of important opportunities elsewhere in the region.

5.60 The Joint Federal, State and Territory Ministers' Communique of 28 November usefully spells out the following constructive list of actions that must be taken to "develop an improved system for coordinating international trade and investment development activities, in association with industry and the trade unions":

1. Coordinated action programs to pursue bilateral trade and investment strategies for priority markets.
2. Coordinated sectoral trade and investment strategies aimed at strengthening and diversifying Australia's export and capital bases.
3. Coordinated overseas and domestic operations which minimise costs and duplication, and maximise effectiveness.
4. Establishing improved systems of information and advice on international trade and investment events.
5. Improving the effectiveness of international business missions by providing a process by which we can coordinate, plan and follow up overseas missions, in liaison with industry associations.
6. Ensuring better planning and follow-up to the trade and investment activities of governments and industry associations, including the establishment of processes to review progress on the National Trade Strategy.<sup>48</sup>

5.61 The Committee considers that concerted action on all these fronts is essential to lift Australia's overall trade performance. As a general prescription, the Committee would wish to see the actions outlined in the Communique underpinning the Government's strategy to improve trade and investment activity in Latin America. However, as previously indicated, the Committee differs from the proposal in the working paper *Australian Trade and Investment Development* in that it believes that a broader, regional focus which highlights selected sectors is more appropriate for Latin America than the selection of just one or two individual countries as priority markets.

**5.62 Recommendation fourteen: The Committee recommends that the Australian Government:**

**signal clearly its recognition of Latin America as a region offering significant trade opportunities for Australia;**

---

48. *Joint Communique*, op. cit., p. 2.

- state its intention to work towards an increased share of trade with Latin America. The goal could be to increase the share from the present 1% share of Australia's total trade to 3% by the year 2000;
- amend the working paper *Australian Trade and Investment Development* to accord more significance to Latin America as a region of opportunity and incorporate this amended policy in the National Trade Strategy; and
- ensure that this changed policy is fully reflected in the strategic planning of - and implemented by - all relevant Commonwealth Government departments and agencies, particularly DFAT, DITAC, Transport and Communications, DPIE and Austrade.

5.63 The Committee believes that 3% is not an unrealistic target, given the range and magnitude of commercial opportunities presenting in Latin America. The Committee sought the views of a number of witnesses as to whether they thought trade between Australia and Latin America was capable of increasing and if so by how much. The consensus was that there was potential for growth, with estimates ranging from a 2% share of Australian trade upward.<sup>49</sup>

### **Identification and Development of Opportunities**

5.64 Once a broad strategic framework is in place, attention must be given to the identification and development of specific opportunities. The Committee is aware that some market survey work has been done by Austrade in Brazil and that further, more detailed market research in Brazil is to be commissioned. Austrade informed the Committee that it has completed a study on prospects for agricultural equipment in southern Brazil. Two other reports are presently being prepared - one on the automotive industry and one on medical and scientific equipment.<sup>50</sup>

5.65 It seems to the Committee that the work done to date is far too limited in scope. Moreover the Committee shares concerns expressed by the representative of the Australia-Brazil Chamber of Commerce about the contribution that such ad hoc surveys make to the development of opportunities. As Mr Aitken said to the

---

49. See for example Mr M. Overland, Committee Hansard, pp. 1410-11; Dr C. Findlay and Mr B. Bora, Committee Hansard, pp. 1600-1; and Professor R. Garnaut, Committee Hansard, pp. 1481-2.

50. Austrade, submission, Committee Hansard, p. 328 and letter from Mr I. Taylor to the Committee Secretary dated 2 April 1992.



Committee, real impact will flow from Austrade's efforts only if there is appropriate follow-up by the private sector:

"As we know, it takes two. It takes the government to play some role, but industry must also play a role. What I have seen so far is that Austrade has set, particularly in relation to Brazil, a number of key areas where concentration should take place for Australian export to Brazil. What I think the next step should be from that is that they should be in touch with Australian industry in that sector and find out what commitment they are prepared to put into Brazil. And if Australian industry says to the government, 'Brazil will still be No. 4 on our priority list' then why should the government waste money developing that area?

But if industry is prepared to say, look we are prepared to write a 10-year plan to develop that product, then I believe the government should put some commitment to a 10-year plan to develop that product. Then if you set a plan together you have a chance, but at the moment we have a situation, as I see it, where Austrade has identified something like 10 or 15 different categories of commodities and products we can work within, but I am not convinced that the industry is also prepared to give that same commitment."<sup>51</sup>

5.66 As the Committee sees it, successful market development goes well beyond a market survey of existing opportunities. The survey must include a detailed analysis not only of opportunities but also of any factors that might impede the full utilisation of the opportunities identified, whether they be transport costs, non-tariff barriers, finance difficulties or any other difficulties.

5.67 As the representative of the Australia-Brazil Chamber of Commerce says, a long-term, jointly developed plan of action is needed, in which actions to be taken by both Government (such as representations to foreign governments over specific regulations) and industry are clearly spelt out.

5.68 Ad hoc attempts at market development are unlikely to be successful. For example, although trade missions can serve a very useful role in advancing business interests, they are more likely to be successful if they form part of a wider, well-developed strategy. Without such a strategy, as Austrade found as recently as last year, three attempts to organise trade missions to South America collapsed through lack of support.<sup>52</sup>

---

51. Mr K. Aitken, Committee Hansard, p. 652.

52. Austrade, submission, Committee Hansard, p. 327.

5.69 The Committee is pleased to see that the Government has taken worthwhile initiatives in recent years to study in depth Australia's economic relations and prospects in North East Asia. The Government has recently commissioned a report on economic opportunities in South-East Asia. There is good reason to adopt a similar approach now, as a matter of urgency, with respect to Latin America, in order to achieve the objective of a 3% share in Australia's overall trade by the year 2000. The large body of information submitted to this inquiry and this Report itself should be utilised to pursue in greater depth the opportunities that have been identified.

**5.70 Recommendation fifteen:** The Committee recommends that DFAT, in close collaboration with Austrade and relevant Commonwealth and State marketing bodies, undertake a substantial detailed survey and assessment of trading and business opportunities in Latin America along the lines of those on North East Asia and South East Asia. This analysis should preferably be tabled within the next year.

5.71 In implementing the above recommendation the Government should bear in mind the contribution that academic institutions and peak business bodies such as the Council for International Business Affairs, might make to identifying opportunities in Latin America.

5.72 In evidence to the Committee, Professor Maddock drew attention to an example where a university had been contracted to provide a monitoring service of the Colombian economy. He suggested that a similar arrangement might be instituted to provide a:

"... bulletin on commercial opportunities and liberalisations of different markets in the different South American economies."<sup>53</sup>

5.73 The Government should consider the feasibility of contracting to an academic institution or institutions at least some parts of the study proposed in Recommendation fifteen.

## Coordination and Information Dissemination

5.74 Another essential ingredient is the effective coordination of all government departments and agencies to achieve the objectives set by the Government. Although the draft National Trade Strategy is a step in the right direction, it clearly has a long way to go in achieving such coordination.

---

53. Professor Maddock, Committee Hansard, p. 420.

5.75 As in previous investigations, such as the Committee's inquiry in 1989 into Australia's relations with India, the Committee is not convinced that the large volume of valuable information available in various parts of the bureaucracy, including information held at diplomatic posts, and in academic institutions, is being fully utilised and effectively disseminated to the Australian business sector.

5.76 Mr Mike Jones, the President of the NSW State Chamber of Commerce, which appears to have effective liaison with business groups in the State, outlined some of the difficulties that bedevil industry's efforts:

"... some of the people on our Committee know more about what all the government groups are doing in Sydney because the Department of Foreign Affairs and Trade does not talk to State Development, State Development does not talk to Austrade, Austrade does not talk to Civic Affairs. So there is an attempt there through our little Committee to try to put in what on earth is going on in this effort of developing relations."<sup>54</sup>

5.77 Mr Jones, offered a possible explanation:

"I think one of the barriers that exists in Australia is not to have coordination, because I do not think it is in the Australian cultural psyche to be coordinated. We all like to be ultra individuals, but this liaison role is so that at least everybody has a comprehensive idea of what is going on so we do not reinvent the wheel."<sup>55</sup>

5.78 It is essential that the process of dialogue between government statutory bodies with marketing responsibilities and the private sector also be a continuing one. Direct and frequent contact at a personal level between officers with responsibilities in the various areas should be encouraged.

**5.79 Recommendation sixteen:** The Committee further recommends that the assessment in recommendation fifteen be put to potential user groups, including the various industry associations, to enable those bodies to be better informed and better placed to take more effective advantage of trading opportunities in Latin America. The assistance of the Council for International Business Affairs should be sought in this regard. Care should be taken to ensure that small to medium-sized Australian companies are also involved in this process. It is also essential that the process of dialogue between government statutory bodies with marketing responsibilities and the

---

54. Mr M. Jones, Committee Hansard, pp. 905-6.

55. *ibid.*, p. 906.

private sector be a continuing one. Direct and frequent contact between officers with responsibilities in the various areas should be encouraged.<sup>56</sup>

## Level of Resources and Location of Personnel

5.80 The Committee noted a tendency on the part of Australian Government departments and agencies to equate the level of present trade with the level of resources that should be devoted to the region.

5.81 For example, Austrade informed the Committee that:

"... the resources that we allocate to Latin America are about 1.3 per cent of our total overseas resources. That is roughly about what our trade level is".<sup>57</sup>

The Committee was subsequently informed that, in fact, less than 1% of Austrade's resources is devoted to Latin America. In 1990-91, the percentage share of resources allocated to Latin America was 0.69% of Austrade's total operating costs. The amounts budgeted increased to 0.97% for 1991-92, and to 1.63% for 1992-93.<sup>58</sup>

5.82 DITAC informed the Committee that:

"DITAC's limited commercial interest in Latin America is reflected in the trade flows between the two regions."<sup>59</sup>

5.83 The Committee questions whether this is an appropriate approach by Government departments and agencies generally. It is an approach that was explicitly rejected in McKinsey's review of Austrade.<sup>60</sup>

---

56. The Council for International Business Affairs, established in 1991 represents all the major business groups, including the Confederation of Australian Industry, National Farmers Federation, Business Council of Australia and the Australian Coalition of Service Industries. The Committee understands that other peak industry bodies such as the Australian Mining Council and the Metal Trades Industry Association are expected to join in mid-1992.

57. Mr I. Taylor, Committee Hansard, p. 355.

58. Letter from Mr I. Taylor to the Committee Secretary, dated 2 April 1992.

59. DITAC, submission, Committee Hansard, p. 234.

60. McKinsey and Company: *Organising to Deliver Export Impact*, 20 December 1990. The recommendations of the report as they relate to Latin America are dealt with in greater detail in paragraphs 5.87 to 5.88.

5.84 It was also questioned by what might be described as one of Australia's old hands in Latin America, Mr Alan Norman of Davis Gelatine. In commenting on the DFAT and Austrade submission Mr Norman said:

"... it seems to me to be a back-to-front way of looking at things to say that because our trade is one or 2 per cent that that is the sorts of resources we should give to an area. I would have thought you want the resources where you have got the opportunities."<sup>61</sup>

5.85 The Committee was struck by the fact that many Australian agencies and departments appear to pay little regard to the contribution they might make in actively facilitating and enhancing Australian business activities in Latin America. Implicit in this approach is the assumption that the Government's role is limited to servicing existing demand.

5.86 Moreover it seems to imply that there is little or no role for the Government to initiate or promote activities based on judgements about the future potential of a region such as Latin America. Too many government officials, it seems, have yet to recognise the potential of the Latin American market, let alone address problems or apply remedies.

5.87 The criterion adopted by McKinsey in formulating their recommendations for the distribution of Austrade's resources was a combination of the capacity of a particular country to absorb imports from Australia together with Austrade's relative ability to deliver value to clients in relation to that country. In other words, Austrade officers should be located where they can contribute most to assisting the Australian business sector. On this basis McKinsey recommended a major shift in Austrade's overseas resources from North America and Europe to several Asian posts.

5.88 Interestingly for this inquiry, McKinsey concluded that the export potential and Austrade's ability to deliver value in the case of Latin America was roughly equal to that in the Philippines and Malaysia. Although the export potential for Australia to Thailand was considered by McKinsey to be a little higher than the export potential of Latin America, Austrade's ability to deliver value to clients in Latin America was rated higher than in Thailand. In the case of Singapore and Hong Kong export potential was rated very highly, whereas Austrade's ability to deliver value to clients there was rated considerably below Austrade's ability to do so in South America.

5.89 The Committee heard a number of complaints to the effect that Australia's diplomatic and trade representation in Latin America compared unfavourably with that in other regions of the world. The relatively greater coverage by the Latin American countries in their representation in Australia was also commented upon.

---

61. Mr A. Norman, Committee Hansard, p. 1007.

5.90 The location of Austrade's senior trade commissioner in Miami, Florida until this year was commented on unfavourably in at least twenty submissions.

5.91 It is the view of the Committee that, even with the changes Austrade has made to its staffing of Latin American posts since this inquiry began, Austrade's representation in Latin America still does not adequately reflect either the trade and investment potential of the region or the contribution that Austrade could make to fulfilling that potential.

5.92 Appearing before the Committee at its first public hearing on this inquiry in August 1991, the senior Austrade representative informed the Committee that Austrade had reviewed the allocation of its resources in Latin America and the following changes would be made to Austrade's Latin America network:

- . the headquarters for the South American network would be relocated from Miami to Buenos Aires, and would be headed by a senior trade commissioner (A-based);<sup>62</sup>
- . the location of the headquarters would be reviewed as the effects of economic reforms become clearer, particularly in Brazil and Argentina;
- . as part of the review process, a need for a second Australian trade commissioner in South America would be considered;
- . an additional marketing officer has been appointed to the post in Mexico City;
- . at the end of 1991-1992, the level of Australian business interest in Chile, Brazil and Argentina would be assessed to determine whether Austrade offices in those countries should be strengthened by additional marketing staff;
- . a short term marketing consultant would be employed in Sao Paulo to analyse the market opportunities for specific product areas; on the basis of this analysis it would be decided whether Austrade should have full time representation in Sao Paulo; and
- . a new three-year trade promotion program would be launched to raise awareness of the opportunities in the Latin America market and to actively promote Australian exports, with particular emphasis on manufactures and services.<sup>63</sup>

5.93 Whilst welcoming the changes, the Committee is concerned that they may still be too cautious and incremental. The Committee sought the views of a range of witnesses regarding the changes outlined by Austrade. The feedback was

---

62. A senior officer posted from Australia, rather than a locally engaged representative.

63. Mr D. Hunter, Committee Hansard, pp. 342-3.

overwhelmingly to the effect that the relocation to Buenos Aires is not in itself the answer and has to be backed up by additional, qualified and well placed personnel on the ground.

5.94 The Australia-Brazil Chamber of Commerce was emphatic that the best location for Austrade in Brazil was not Rio de Janeiro, but Sao Paulo:

"I believe there is a compelling case, indeed an overwhelming case, for a senior trade commissioner to be appointed now in Brazil. Wherever else an appointee may be slotted into South America ... Best location, with respect, for Austrade in Brazil is Sao Paulo, that city being the centre of Brazilian economic life; and dare we say it, the single-most important location for coordination of activities within the South American continent."<sup>64</sup>

5.95 The Director of the Insearch Language Centre also considered the best location for an Austrade commissioner to be in Sao Paulo.<sup>65</sup>

5.96 The appointment by Austrade of a consultant in Sao Paulo is a useful first step. However, the Committee understands that the consultant (a market research company called Demanda) has so far only been commissioned to prepare a report on medical and scientific equipment as part of Austrade's survey of opportunity sectors.<sup>66</sup> The Committee further understands that another survey (a mining equipment and information technology) is likely to be commissioned from the consultant when funds permit.

5.97 On the basis of the evidence before the Committee there is every reason to believe that the appointment of a permanent Austrade representative in Sao Paulo as a matter of urgency would be desirable.

**5.98 Recommendation seventeen: The Committee recommends that the Australian Government consider the appointment of a permanent representative in Sao Paulo in the context of an overall strategy to improve commercial and other links with Latin America.**

5.99 The Committee also examined the pattern of Australia's diplomatic representation in Latin America. It seems to the Committee that the five existing Australian diplomatic missions - in Argentina, Brazil, Chile, Mexico and Venezuela -

---

64. Mr J. McGruther, Committee Hansard, p. 634 and Australia-Brazil Chamber of Commerce, submission, Committee Hansard, p. 624.

65. Mr M. Laurence, Committee Hansard, p. 983.

66. Letter from Mr I. Taylor to the Committee Secretary, dated 2 April 1992.

represent the bare minimum necessary to serve Australia's political and economic interests in a continent that is increasingly presenting significant trade and investment opportunities.

5.100 Certainly, wider diplomatic representation in capitals, including Bogota, Montevideo and Lima would enable the Australian Government to assist in identifying and developing opportunities. However, the Committee recognises that in the present economic situation, and in the face of other competing priorities, the establishment of additional diplomatic missions in the Latin American region is unlikely in the short-term.

5.101 At the same time the Committee is firmly of the view that present resources in Latin America should not be reduced. The Committee was told by the former Australian Ambassador to Venezuela, Colombia, Ecuador and Panama from 1987 - 1991, Mr Anthony Dingle, that:

"For some years Caracas has been high on the list of prospective posts for closure and so much of my work there was devoted to arguing the case for the continued retention of the post in Australia's long term interest."<sup>67</sup>

5.102 Happily, it appears that the Caracas post will not be closed. In April 1992, Mr Ian Wilcock informed the Committee that the Minister for Foreign Affairs and Trade:

"... is strongly of the view that no more posts, in Latin America or elsewhere, can be closed without damage to Australia's foreign policy interests."<sup>68</sup>

5.103 One solution to the representation problem is the appointment of Australian Honorary Consuls in Latin America. At the time DFAT made its submission in June 1991, there were two Australian Consulates in Latin America (Sao Paulo and Bogota) both headed by Honorary Consuls, with another four Honorary Consulates in Latin America being planned.<sup>69</sup> Since then, two of these Honorary Consuls have been appointed - in Guayaquil (Ecuador) on 2 January 1992 and Montevideo (Uruguay) on 11 February 1992.<sup>70</sup>

---

67. Mr A. Dingle, submission, p. 1.

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

69. DFAT, submission, Committee Hansard, p. 74.

70. Minister for Foreign Affairs and Trade, Press Releases, 2 January 1992 and 11 February 1992. As at 30 March 1992, Australia has 11 consulates in the world that are headed by honorary consuls. Of these, four are in Latin America. The other consulates are in Seville, Barcelona, Boston, Kuching, Lae, Papeete and Pusan. Notwithstanding the "Honorary" designation, each Consul receives a small remuneration.



5.104 Mr Wilcock described the value of the Honorary Consuls thus:

"The Honorary Consuls are all local business people of some standing in their respective countries who are very well placed to advance Australia's commercial interests. Apart from handling routine consular work for us, they have provided a helping hand on the ground for Australian business personnel visiting the region ..."<sup>71</sup>

5.105 Mr Wilcock said that the Honorary Consuls recently appointed in Latin America were proving to be "a real boon":

"We have received gratifying feedback from Ministers, visiting officials and companies about the excellent service they have provided. They have proved a very cost effective way of extending Australia's official presence in the region ..."<sup>72</sup>

5.106 Mr Dingle's view on Honorary Consuls was also positive. He told the Committee that the capacity of the Caracas post to promote Australia's interests was "strengthened significantly" by the appointment of Honorary Consuls in Colombia and Ecuador. Mr Dingle recommended that an Honorary Consul be appointed in Panama to explore opportunities for Australian traders in the Colon-Cristobal free trade zone which has an annual turnover of US\$5 billion and an annual growth of US\$1 billion.<sup>73</sup> The Committee saw value in this suggestion.

5.107 The Committee is pleased to note from Mr Wilcock that the Australian Government is planning to open more Honorary Consulates in Latin America in the near future.<sup>74</sup>

**5.108 Recommendation eighteen:** The Committee recommends that DFAT takes steps to identify and appoint suitable Honorary Consuls in Latin American countries in which Australian diplomats are presently not based and which present significant trade and investment opportunities.

5.109 Furthermore, the Committee considers that there is a need for more Australian experts in certain areas in key countries. The experience of the JKMR in Chile has shown that much can be achieved by having experts on the ground. Although the

---

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

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

73. Mr A. Dingle, submission, p. 2.

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

JKMRC have assisted other Australian organisations in the past and provided them with contacts, as its Director, Dr McKee pointed out:

"... it is not our job or our task to represent the Australian mining industry or the Australian technology industry in South America...The Julius Kruttschnitt Mineral Research Centre's task remains fundamentally the one of research and development activities in Chile, not to be a shop front, if you like, for the total Australian effort in Chile."<sup>75</sup>

However, a locally-based person is needed as:

"... potentially a great many small Australian manufacturing organisations could benefit from the type of thing we have suggested, as could the bigger ones. I know very well that, because we have some experience in the country, when some of the large companies have considered moves to Chile, they have come to speak to us. They have talked to us about our experiences, suggestions, advice and so on as to how they might go about doing things. But it is not our principal role."<sup>76</sup>

5.110 The Committee inquired of Dr McKee whether there was sufficient Australian commercial interest already in Chile to justify a permanent commercial presence from Australia in Santiago. Dr McKee was emphatic that in the mining sector there was. In regard to Chile and Brazil:

"... somebody who understands the mining industry could be a tremendous facilitator and contact point for Australian organisations wanting to move into South America."<sup>77</sup>

5.111 The Committee was equally impressed by the potential for Australian coal exports and export of related technical expertise to Mexico, whose expansion program in coal-fired electric power stations is expected to be sizeable for the next 10 years. Australia is clearly in a position to supply both coal and technology, whether the opportunities in coal in Mexico are \$400 million as claimed by DPIE<sup>78</sup> or possibly more.

---

75. Dr D. McKee, Committee Hansard, p. 1148.

76. Dr D. McKee, Committee Hansard, pp. 1148-9.

77. *ibid.*, p. 1144.

78. Mr R. Hutchison, Committee Hansard, p. 1214.

5.112 The Committee was struck by the number of witnesses who commented on the inability of Austrade representatives to cope with technical information. In the JKMRC's observation:

"... it has been our experience that Austrade attempts to cover a very wide range and if you start to ask very specific questions to those people in Austrade, you tend to run into problems."<sup>79</sup>

This was confirmed by another organisation:

"We have endeavoured to use Austrade on numerous occasions, and pay for their services; however, in my opinion, Austrade has one major fault in that it appears to be staffed by commercially trained personnel who, in turn, employ locals with similar qualifications; nowhere are engineers or even tradespeople employed.

It is now time for the Australian Government to recognise that Australia can export more than wool and wheat, etc., as it would appear the most complex equipment an Austrade employee would understand is a bathroom tap. I am not knocking Austrade and firmly believe they are doing their best, but I strongly suggest that a proportion of their "Trade Officers" should be engineering or trades personnel."<sup>80</sup>

5.113 The Committee found the arguments of the JKMRC regarding the need to assist the small to medium business persuasive.

"If you start with no advice and no assistance, it is very slow and very hard going; you have to make all of the contacts. The language problem initially is significant. The time it takes and the cost involved are the sorts of things that will deter a lot of small organisations. It does not deter big organisations. Large organisations make the decision to send the person permanently there to establish an office and bear the cost of that over the first two or three or four years, however long it takes. If you look at the Australian equipment industry, a lot of it is made up of very small players, small organisations. They are not big ones because we do not by and large have large equipment operations in Australia. Small companies find that

---

79. Dr D. McKee, Committee Hansard, p. 1150.

80. Metz Pty Ltd, submission, p. 1.

expensive and time consuming, and perhaps in the long run they decide it is not worth it.<sup>181</sup>

5.114 Over the course of the inquiry, the Committee formed the clear impression that the level and location of Austrade's representatives in Latin America were inadequate to serve Australia's commercial interests in the region.

5.115 The Committee is pleased to note that, in the last few months, Austrade has taken steps to rectify the obvious shortcomings. In April 1992 Austrade informed the Committee that:

- . in October 1991 an extra Austrade marketing officer was employed in Mexico City;
- . in November 1991 an extra Administrative Assistant was employed in Buenos Aires;
- . in March 1992 an extra Commercial Officer was employed in Buenos Aires;
- . from 1 July 1992 a Specialist Trade Commissioner (Mining and Energy) will be based in Austrade's office in Santiago. The Mining and Energy Commissioner will have responsibility for promoting Australian mining and energy equipment and services for the whole of Latin America, as well as a "general post" covering Chile, Peru, Bolivia and Ecuador.

The Committee observes that this heightened level of activity has taken place since the Committee began this inquiry. This also appears to be true of recent initiatives by the Department of Foreign Affairs and Trade.

5.116 Although the Committee welcomes Austrade's appointment of a specialist Trade Commissioner in Santiago, it is of the view that, given the immense opportunities evident across much of Latin America in this "niche" sector, Australia may not be adequately served by a single Specialist Trade Commissioner. This applies particularly to Mexico (see Chapter 3) where the potential for Australian involvement in all aspects of Mexico's significant electric power generation and industrialisation program over the next ten years is substantial, provided the right steps are taken now. This would require the immediate placement of an appropriate Australian specialist in Mexico City.

---

81. Dr D. McKee, Committee Hansard, p. 1144.

5.117 Recommendation nineteen: The Committee recommends:

that an Energy and Mining Trade Specialist be placed in Mexico City as soon as possible. The representative should:

- be based within the Australian embassy;
- have expert knowledge of a range of mining and mineral technology matters. In particular, the representative should have expert knowledge of the range of types of coal that can be sourced from Australia, of port handling and of the construction of coal-fired electric power plants;
- liaise with Government authorities and private enterprise in Mexico on energy requirements;
- have responsibility for identifying and developing opportunities in the energy and mining fields in Colombia and Venezuela.

That the appointment be made for a period of three years, at the end of which a review of the appointment be made.

### Suitability of Austrade Representatives Overseas

5.118 If Australia's trade representatives are to represent and advance Australia's commercial interests to best effect, it seems obvious that they must have a good understanding of Australian products and requirements, and what Australian industry and the services sector have to offer. In this respect, the Committee was concerned to note that in at least one Latin American country, Australia has a trade representative who has never been to Australia. The former General Manager of Bond Corporation in Latin America told the Committee:

"If we are to be serious with trade in Latin America, we need people who have lived and worked in Australia and have the contacts to promote the Australian products as a knowledgeable individual. Also it is imperative to have people with the contacts in many industries in Australia, that can help the Latin American with contacts for bi-lateral trade.

An example, Chile has an Austrade representative in the mission, but he has NEVER been to Australia AND after 15 years as the representative has only been invited to ONE combined Latin American conference ... in Buenos Aires.

How can such a person irrespective of his energy and ambition do Australia any good."<sup>82</sup>

5.119 The Committee sought further information from Austrade about the qualifications of its personnel and their familiarity with Australia and with the companies and products they are charged with marketing.

5.120 Asked how often Austrade's Latin American representatives travel to Australia, Austrade responded that its representatives in Latin America have travelled to Australia "infrequently".<sup>83</sup> However, following McKinsey's criticisms, Austrade has decided that all marketing staff should visit Australia "on a regular basis".<sup>84</sup> Visits recently made or planned include:

- . visit by Austrade Manager, Santiago (February - March 1992);
- . manager of the Mexico City office to be seconded to Austrade's Brisbane office for two months in June-July 1992; and
- . the Senior Trade Commissioner and the Marketing Manager from Buenos Aires are to visit Australia in late 1992.

The Committee considers it vital to ensure that Australia's trade representatives in Latin America are familiar with Australia's capabilities in manufacturing, services (including tourism), technology and other export sectors.

**5.121 Recommendation twenty:** The Committee recommends that Australia's trade representatives in Latin America should:

- . be fully briefed on the capabilities of Australian industry before taking up their appointment in Latin America. This should include at least two months of induction in Australia with attachments to Austrade offices and to selected Australian companies as part of the induction process;
- . visit Australia at least every other year thereafter.

Further, the Committee believes that consideration should be given to applying these principles to all Austrade postings.

---

82. Mr M. Babidge, submission, p. 5.

83. Letter from Mr I. Taylor to the Committee Secretary dated 2 April 1992.

84. *ibid.*

## Other Measures

### Export Access Program

5.122 The Committee notes that the DITAC/Australian Chamber of Manufacturers' innovative Export Access Program, which assists small to medium-sized businesses to gain access to North America, Europe and Asia, does not target Latin America. The Committee is of the view that the Export Access program can provide much-needed practical support to Australian companies wishing to enter Latin American markets. In many respects, the Committee considers Latin America at least as suitable a target for small business as North America or Europe.

**5.123 Recommendation twenty one: The Committee recommends that the Export Access Program of the Department of Industry, Technology and Commerce be extended to include Latin America as a target area.**

### Bilateral Agreements

5.124 The Committee is of the view that suitable bilateral agreements between Australia and the Republics of Latin America, and between Austrade and its equivalent in each major Latin American country, would assist in advancing bilateral commercial interests. Mention has previously been made of bilateral Science and Technology Agreements (Chapter 3).

5.125 The Committee is in favour of agreements such as the recent Memorandum of Understanding between Australia and Colombia (7 February 1992) and the Joint Communiqué on the State of Bilateral Relations between Australia and Chile (10 March 1992). The agreements Austrade presently has with its Mexican equivalent, Bancomext, and the Chilean agency, ProChile, could act as models for agreements with other Latin American agencies.

**5.126 Recommendation twenty two: The Committee recommends that DFAT and Austrade initiate the negotiation of mutually beneficial bilateral relations agreements that are not at variance with GATT rules between Australia and the major republics of Latin America, either on a country or trade promotion agency level.**

5.127 Several companies trading with Latin American countries mentioned that they face problems due to the absence of tax treaties between Australia and the Latin American countries.

5.128 The representative of Davis Gelatine, Mr Norman said that the absence of tax treaties had led to considerable administrative and management inconvenience. Mr Norman also referred to difficulties faced by Australian-owned corporations in Latin

America.<sup>85</sup> Under Australia's current foreign corporation tax laws, which relate to the taxation of foreign source income, Brazil is the only Latin American country listed as a country with a comparable tax jurisdiction to Australia.

5.129 The Committee was pleased to note from additional information provided by DFAT that negotiations on Double Taxation Agreements with Argentina and Mexico are presently in progress.<sup>86</sup> Similar negotiations with Chile, Colombia, Ecuador, Peru, Uruguay and Venezuela appear not to have commenced.

5.130 The Committee is also pleased to note that a Social Security Agreement is presently being negotiated with Chile and a Bilateral Employment Arrangement with Mexico.<sup>87</sup> Progress in the negotiation of Mutual Assistance and Extradition treaties is dealt with in Chapter 8.

**5.131 Recommendation twenty three:** The Committee recommends that, in the light of the Committee's identification of Latin America as a potentially significant trading and investment partner, the Australian Government take appropriate steps to ensure that:

- . Double Taxation Agreements are concluded with the major Latin American countries within the next three years; and
- . the need for other relevant agreements, such as Social Security and Employment arrangements, is kept under review.

#### **Business Councils, Chambers of Commerce**

5.132 The Committee recognises the contribution that organised industry bodies such as Business Councils and Chambers of Commerce could make to the establishment of links and trading contacts between Australia and Latin America. It notes the wish expressed by the then Ambassador of Mexico in his submission that the Australia-Mexico Business Council be established without further delay.<sup>88</sup> The Committee would like to see appropriate bodies established and believes that Australian Government agencies could play a part in encouraging their establishment.

---

85. Mr A. Norman, Committee Hansard, p. 1018.

86. Letter from Mr I. Wilcock to the Committee Secretary, dated 21 April 1992, Attachment C.

87. *ibid.*

88. H.E. Mr A. Morales, submission, p. 25.



**5.133 Recommendation twenty four:** The Committee recommends that DFAT and Austrade take steps to assist in the establishment of industry bodies, such as business councils and chambers of commerce, linking Australian companies with an interest in Latin America, to supplement the bodies already in place. Priority should be given to those Latin American countries with diplomatic representation in Australia.

#### **Trade Fairs, Exhibitions and other events**

5.134 The Committee sought the assistance of Latin American diplomatic representatives as to whether there are any significant trade fairs, exhibitions or other events scheduled to be held in the near future to which Australian agencies could usefully attend.

5.135 Information about trade fairs and other events provided by the representatives of Argentina, Chile, Colombia, Mexico, Peru and Venezuela is incorporated in the volumes of submissions received by this inquiry.

**5.136 Recommendation twenty five:** The Committee recommends that Austrade:

- . compile a list of major trade fairs, exhibitions, conferences and other events in Latin America which Australian companies could consider attending. In drawing up such a list, Austrade should consult with DFAT and relevant agencies, and also refer to the information provided to the Committee by the Latin American diplomatic representatives in Australia;
- . circulate the list to Australian companies through Austrade's State Offices, Client Support Units and Business Development Units;
- . indicate in order of priority, which events Austrade would most recommend for Australian participation and where Austrade could assist Australian companies to participate in these events;
- . actively assist Australian companies to be represented in selected events.

*\*... it is a bit of a chicken and egg situation whether you create the capacity and hope the trade follows or the capacity builds up as the trade requires\*.<sup>1</sup>*

## CHAPTER SIX

### TRANSPORT LINKS

6.1 While some witnesses who gave evidence to this inquiry considered that current transport links were appropriate for the present level of relations, by far the greater number said that links were inadequate and acted as an impediment to relations. The major factors identified as obstacles were the frequency and cost of services as well as the cumbersome nature of the existing arrangements.<sup>2</sup> The need for some travellers to fly the extra distance through the United States or put up with considerable delays such as those at Papeete, Tahiti, were cited as particular problems.

#### Existing Transport Links Between Latin America and Australia

6.2 At present there are two relatively direct air routes between Australia and Latin America. The Argentinean airline, Aerolineas Argentinas, operates the most direct air link between Australia and South America. This airline provides a weekly service between Sydney and Buenos Aires using a Boeing 747-200 aircraft. For the past two years Aerolineas has operated a second weekly service from December to March on this route. An intermediate stop is made at Auckland, New Zealand on the journey to and from South America; an additional refuelling stop is made at Rio Gallegos in southern Argentina during the westward flight from Buenos Aires to Sydney.

6.3 In addition to the direct service provided by Aerolineas Argentinas to South America the Chilean airline, Lan Chile operates twice weekly flights from Santiago, Chile, via Easter Island to Papeete, using a Boeing 707 aircraft.<sup>3</sup> These flights entail

---

<sup>1</sup> Mr R. Woolcott, Committee Hansard, p. 225.

<sup>2</sup> For further details see footnote 99 of this chapter.

<sup>3</sup> Lan Chile, submission, Committee Hansard, p. 1024. The 707 aircraft is being upgraded to a 767; see para 6.98.

cumbersome connections in Tahiti to be made with Qantas flights travelling to and from Sydney.

6.4 A less direct and more time-consuming route to Latin America, but one which is often used due to the frequency of air services available, can be taken by travelling from Sydney to the west coast of the United States. From either Los Angeles, or San Francisco, frequent flights can be secured to virtually any point in Latin America.

6.5 Two shipping lines, the Mitsui-OSK Line and the Barbican Marine Line provide dedicated direct shipping links between Australia and Latin America.

6.6 The Mitsui-OSK Line's service between Australia and Latin America is part of its round the world route. This route takes Mitsui-OSK's vessels in a westward direction across the Indian Ocean to ports in Latin America. The ports visited in Latin America are Rio de Janeiro and Santos in Brazil, Buenos Aires in Argentina and Valparaiso in Chile. Using three vessels Mitsui-OSK calls at Brisbane, Sydney, Melbourne and Fremantle before making its way to South America.<sup>4</sup> In January 1992 Mitsui OSK announced through their agent in Australia, Union Bulkships, that they would be introducing an additional shipping service across the Pacific to South America.<sup>5</sup>

6.7 The other company which provides a direct shipping link between Australia and Latin America, Barbican Marine Line, operates in an eastbound direction. Barbican Line's principal cargo from Australia is based on the mining and agricultural industry, including mineral sands. After leaving the east coast of Australia the Line transits Papua New Guinea and the Pacific Islands before arriving in South America.<sup>6</sup> In South America the Barbican Line only services ports in Brazil, namely; Rio de Janeiro, Santos, Salvador, Rio Grande and Sao Francisco.

6.8 The shipping services provided by each of these two lines operate on a monthly basis from Australian ports.<sup>7</sup>

6.9 Three other shipping lines, Columbus Line, Ned Lloyd Lines and Compagnie Generale offer transshipment services to Latin America from Australia, through either the east or west coasts of the United States.<sup>8</sup> The Australian New Zealand Direct Line provides, what it describes as a comprehensive service to ports in Mexico, both on the east and west coasts. However, according to the Department of Transport and

---

<sup>4</sup> Department of Transport and Communications, submission, Committee Hansard, p. 261.

<sup>5</sup> The proposed new service has run into some difficulties. See para 1.161.

<sup>6</sup> Letter from the Department of Transport and Communications to the Committee Secretary dated 3 September 1991. See also Austrade, submission, Committee Hansard, p. 323.

<sup>7</sup> Committee Hansard, pp. 201, 272.

<sup>8</sup> Committee Hansard, p. 201. See also Austrade, submission, Committee Hansard, p. 323, and letter from the Department of Transport and Communications to the Committee Secretary dated 3 September 1991.

Communications, although the Line provides a Through Bill of Lading, cargoes to Mexico are actually transhipped through the Port of Los Angeles.<sup>9</sup> Most of the commodities shipped between Australia and Latin America are carried on chartered ships.

## Aviation Links

### **The passengers - Who are they? How many are there?**

6.10 The Committee was confronted by considerable variation in the figures put forward by various witnesses about the number of air travellers between Australia and Latin America. These differences made it difficult for the Committee to reach definitive conclusions not only about likely future levels of demand, but also about the actual level of demand and consequently adequacy of existing services.

6.11 According to Australian Government statistics during calendar year 1989 a total of 23,359 people, including Australian residents, arrived in Australia from South America.<sup>10</sup> Of these 8,386 were short term visitors. In the same year a total of 21,838 people departed Australia for destinations in South America.<sup>11</sup>

6.12 The Australian Tourist Commission gave a figure of 10,200 short term visitors from Latin America for the financial year 1989-90.

6.13 The Department of Immigration, Local Government and Ethnic Affairs (DILGEA) gave a figure of 9,012 for visitors arriving in Australia from South and Central America in 1989-90.<sup>12</sup>

6.14 This jumped to 15,759 in 1990-91 although only some 7,000 visas were issued by missions in Latin America. This substantial increase in short term visitors between 1989-90 and 1990-91 may well be accounted for, in large part, by the domestic pilots' dispute that took place in Australia in 1989.

6.15 In giving evidence to the Committee at a public hearing on 2 September 1991 officers from the Australian Tourist Commission suggested some possible explanations for the lack of consistency in statistics dealing with visitors to Australia from Latin America. According to these officers, discrepancies between visa applications and actual arrivals in Australia can be due to a variety of reasons. Visas may be applied

---

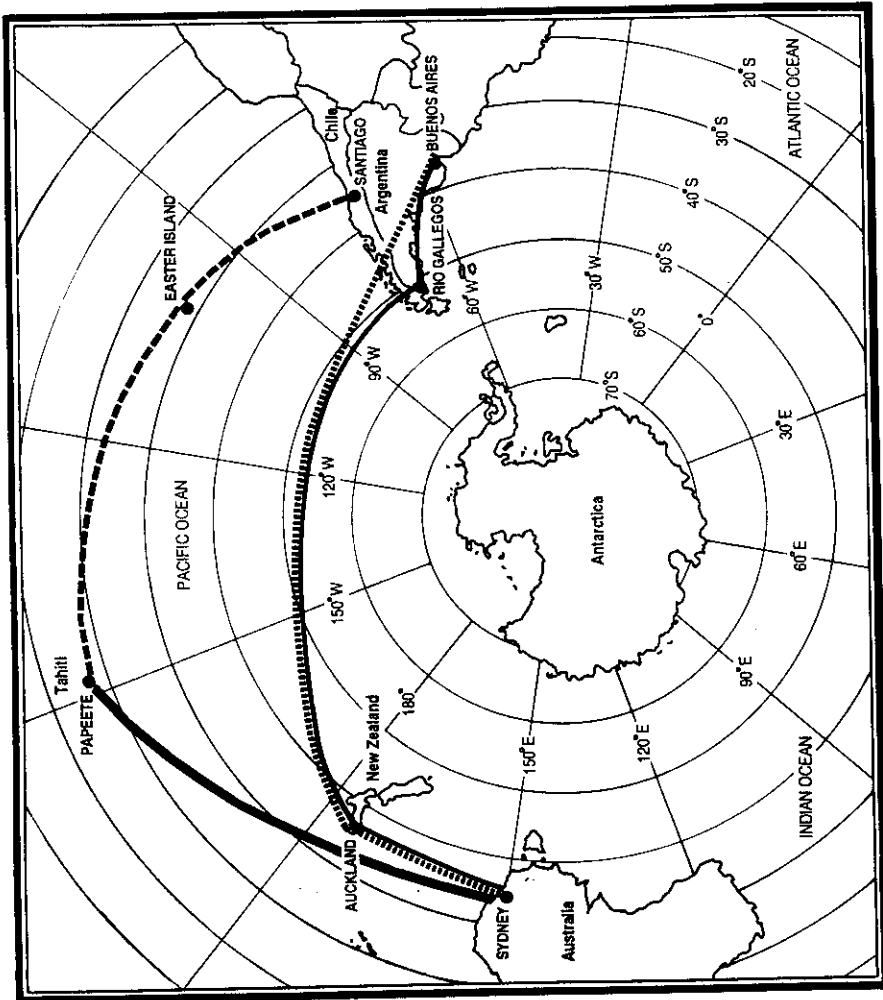
<sup>9</sup> Department of Transport and Communications, submission, Committee Hansard, p. 261.

<sup>10</sup> Committee Hansard, p. 756.

<sup>11</sup> *ibid.*, p. 758. These figures do not include Mexico or Central America.

<sup>12</sup> Letter from DILGEA to Committee, dated 25 January 1992.

# DIRECT AIRLINES BETWEEN AUSTRALIA AND LATIN AMERICA



- Aerollneas Argentinas (westerly route)
- ..... Aerollneas Argentinas (easterly route)
- Qantas (Sydney to Papeete)
- Lan Chile (Papeete to Santiago)

for, but for a number of reasons not used. Presumably some visitors from Latin America obtain visas from Australian missions located in other than Latin American countries. Other problems with counting arrivals in Australia can revolve around arrivals sometimes being counted by one authority under a financial year and by another authority under a calendar year. In Latin America there can be cases of double counting if an Australian visits several countries during a visit.<sup>13</sup>

6.16 Qantas states in its submission that passenger numbers to and from Latin America in relation to total passenger numbers in and out of Australia represents a small market. In the calendar year 1990 total two way traffic between Australia and Latin America was about 54,000 passengers dispersed across a number of countries.<sup>14</sup>

6.17 According to Aerolineas Argentinas, the flights they operate meet the requirements of 60% of the traffic between the two continents.<sup>15</sup> The Department of Transport and Communications puts the figure higher. According to their submission, in 1990 77% of people travelling from South America to Australia used the Aerolineas service.<sup>16</sup>

6.18 An examination of travel patterns between Australia and Latin America indicates that passengers to and from Argentina and Uruguay travel to Australia predominantly on the Buenos Aires-Sydney route. Traffic to and from Chile is dispersed across routes, with half travelling on the Tahiti-Santiago route, the other half using the Buenos Aires-Sydney air link. Passengers to and from Mexico travel predominantly via the United States. Passengers to and from Brazil are dispersed across routes, but are more concentrated on the Buenos Aires-Sydney link than on the other routes.<sup>17</sup>

6.19 In evidence given to the Committee Qantas stated that an average of 58 passengers per week in each direction, or 6 000 per year travelling on Qantas flights to the United States, continue on to or originate in South America.<sup>18</sup>

6.20 It could be wrong to assume that all, or even the majority of passengers who travel to Latin America via the United States do so because they are dissatisfied with

---

<sup>13</sup> Committee Hansard, pp. 706-9.

<sup>14</sup> Department of Transport and Communications submission, gives a total figure of 54,693 or 525 passengers each way each week for Jan-Dec 1990, Committee Hansard, p. 268. Qantas in evidence quoted a figure of 420 passengers a week in each direction and 54,000 for the total, Committee Hansard, pp. 840, 852.

<sup>15</sup> Aerolineas Argentinas, submission, Committee Hansard, p. 740.

<sup>16</sup> Department of Transport and Communications, submission, Committee Hansard, p. 268.

<sup>17</sup> Consultant's report prepared for the Committee by Mr Allan Rainbird, August 1991, dealing with Australia-Latin America Air Links, p. 20.

<sup>18</sup> Committee Hansard, p. 887.

the frequency of more direct flights to South America, such as those provided by Aerolineas Argentinas or Qantas/Lan Chile. In all likelihood many passengers travel by way of the United States by choice, as a deliberate part of their itinerary. However, it is difficult to estimate from published travel statistics what proportion of travellers fall into this group.<sup>19</sup>

6.21 In its submission to the inquiry the Department of Transport and Communications states that the 54,693 passengers travelling to and from Australia and Latin America for the year ending December 1990, represented a growth of 2.5% compared to the previous year.<sup>20</sup> Of these, 14,563 were Australian residents on short term visits to Latin America, and 10,527 were Latin Americans on short term visits to Australia. In other words, there were 38.3% more Australians travelling to Latin America on short term visits than Latin Americans making short term visits to Australia.<sup>21</sup>

6.22 According to the Department of Transport and Communications, of the total number of passengers arriving in Australia from Latin America, 26% came to visit relatives, 41% for a holiday and 8.5% for business. In respect to the total number of Australians departing for South America, 31% were visiting relatives, 51.8% were taking a holiday and 8.2% were travelling for business.<sup>22</sup>

6.23 These statistics indicate that there were 38.3% more Australians travelling to Latin America than Latin Americans travelling to Australia.<sup>23</sup>

6.24 Qantas' submission to the inquiry provided the following detailed information on the movement of passengers between Australia and Latin America in 1990:

in the past decade Australian resident traffic to Latin America has grown on average by 9% per annum to a total of 30,000 passengers by the end of the financial year June 1990;<sup>24</sup>

---

<sup>19</sup> Committee Hansard, p. 887.

<sup>20</sup> Department of Transport and Communications, submission, Committee Hansard, p. 268; Varig, submission, Committee Hansard, p. 795. Passenger numbers for part of 1989 and 1990 were affected by the domestic pilots' dispute in Australia.

<sup>21</sup> Varig submission, Committee Hansard, p. 795. In terms of total arrivals, there were more Latin Americans (28,935).

<sup>22</sup> Department of Transport and Communications, submission, Committee Hansard, p. 268.

<sup>23</sup> Varig Brazilian Airlines, submission, Committee Hansard, pp. 793, 795.

<sup>24</sup> Qantas, submission, Committee Hansard, p. 845. This figure compares with an annual growth rate of 5.7% for all outbound markets from Australia. However, Qantas stressed that the Latin America rate is derived from a small base. It should be noted that Qantas figures are slightly at variance with those provided by DOTC and Varig.

the destination of the main countries for passengers travelling to Latin America in 1990 from Australia as a percentage of the total traffic to Latin America, were:

Argentina	25%
Chile	20%
Brazil	18%
Mexico	11%
Uruguay	9%

The remaining 17% was spread mainly between El Salvador, Peru and Colombia;<sup>25</sup>

during the last ten years the number of Latin American residents visiting Australia grew on average by 7% per annum, to a total of some 25,000 passengers in the year ending June 1990;<sup>26</sup>

the main countries of origin for passengers visiting Australia from Latin America during 1990, as a percentage of total traffic from Latin America were:

Argentina	22%
Brazil	22%
Chile	16%
Mexico	14%
El Salvador	8% <sup>27</sup>

the share of total travel between Argentina and Australia accounted for by business travel declined from 10% of all travellers in 1988 to 8% in 1990. The business market from Brazil also decreased from 19% of total traffic in 1988 to 12% in 1990. For Chile the percentage increased slightly from 5% to 7%.<sup>28</sup>

however, the percentage of business travellers from Australia to Latin America increased from 12% of passenger traffic in 1988 to 13% in 1990;<sup>29</sup> and

there was an increase in the percentage share of holiday makers from Latin American countries visiting Australia during the same period from 26% to 28%.<sup>30</sup>

---

<sup>25</sup> Qantas, submission, Committee Hansard, p. 842.

<sup>26</sup> *ibid.*, p. 843. This figure compares with an average annual growth rate for inbound traffic from all market to Australia of 9.3% per annum for the same period.

<sup>27</sup> Qantas, submission, Committee Hansard, p. 844.

<sup>28</sup> *ibid.*, pp. 844-5.

<sup>29</sup> *ibid.*, p. 846.

<sup>30</sup> *ibid.*, p. 843.



The Committee took note of the low level of business travel overall.

### **Air Service Agreements**

6.25 A basic concept underlying international bilateral air services arrangements is that two countries agree that the air traffic that originates in the territory of one and moves to the territory of the other, and vice versa, be treated as a common asset. Bilateral air services agreements also provide for airlines of each country to have "fair and equal" opportunity to participate in the carriage of this common air traffic.<sup>31</sup> The trading of traffic rights is commonplace among international airlines.

### **The Aerolineas Argentinas Link**

6.26 Until March 1992 Aerolineas Argentinas flights into Australia operated under a Memorandum of Understanding between the aeronautical authorities of Argentina and Australia which came into effect in September 1988. A formal bilateral agreement, the *Argentina/Australia Air Services Agreement* was finally signed on 11 March 1992 by the Argentine and Australian Governments during a visit by the Australian Minister for Foreign Affairs and Trade, Senator the Hon. Gareth Evans to Argentina.<sup>32</sup>

6.27 Under the Memorandum of Understanding, and now under the Agreement, Aerolineas Argentinas and Qantas are entitled to operate one Boeing 747 aircraft each between the two countries on a weekly basis. As noted previously, Aerolineas Argentinas currently operates one Boeing 747-200 flight from Buenos Aires to Sydney via Auckland each week.<sup>33</sup> According to Qantas the service between Argentina and Australia was:

"... introduced to make the route attractive to business travellers and to give greater impetus to the tourism flow."<sup>34</sup>

6.28 Under the *Argentina/Australia Air Services Agreement*, Qantas is entitled to operate from Australia to one point in Argentina and beyond to two points in South

---

<sup>31</sup> Consultant's report prepared for the Committee by Mr Allan Rainbird, August 1991, dealing with Australia-Latin America Air Links, p. 6.

<sup>32</sup> According to Qantas the hold up in signing the agreement was due to a delay in having settlement reached on the Spanish text of the agreement, a delay which extended for over 12 months. Committee Hansard, p. 883.

<sup>33</sup> Department of Transport and Communications, submission, Committee Hansard, p. 269.

<sup>34</sup> Qantas, submission, Committee Hansard, p. 840.

America and one point in Europe. At present Qantas does not operate on the route,<sup>35</sup> nor has it sought to exercise the option to negotiate landing rights beyond South America in Europe.

6.29 Through a commercial agreement with Aerolineas Argentinas, Qantas purchases 50 seats from Aerolineas on its weekly flight.<sup>36</sup> Under this agreement and because Qantas has not wished to exercise its rights to operate a weekly flight of its own, Aerolineas has for the past two years operated a second service each week between Sydney and Buenos Aires from December to March.<sup>37</sup>

6.30 Under the current arrangement passengers originating in Latin America and Australia that Aerolineas Argentinas drops off in Auckland can be picked up by the airline following any stopover in Auckland and carried through to Sydney and vice versa. However, the airline is prohibited from carrying purely Australia-New Zealand traffic on the Auckland-Sydney route.<sup>38</sup> The Aerolineas submission states that the present arrangement:

"... limits Aerolineas Argentinas commercial viability by restricting its ability to carry traffic between Australia and New Zealand".<sup>39</sup>

6.31 In evidence to the Committee on 2 September 1991 the General Manager of Aerolineas Argentinas in Australia, Mr Robert Samuels stressed that a major cost to his airline of operating to Australia is the fact that it cannot carry traffic between Sydney and Auckland other than that originating at either of the end points. Mr Samuels argued that the high air fares between Argentina and Australia were in part due to the fact that when Aerolineas disembarked a passenger at Auckland:

"... that seat is basically a dead seat between Auckland and Sydney."<sup>40</sup>

6.32 During the public hearing held on 2 September 1991 the Senior International Relations Manager for Qantas, Mr Julian Smith, expressed opposition to any suggestion that Aerolineas be allowed to carry passengers, other than its own, between Australia and New Zealand.

---

<sup>35</sup> Department of Transport and Communications, submission, Committee Hansard, p. 269. For detailed information on the 50 seat arrangement between Qantas and Aerolineas Argentinas see Committee Hansard, pp. 857-858.

<sup>36</sup> Committee Hansard, p. 857.

<sup>37</sup> Aerolineas Argentinas, submission, Committee Hansard, p. 740

<sup>38</sup> Qantas, submission, Committee Hansard, p. 878.

<sup>39</sup> Aerolineas Argentinas, submission, Committee Hansard, p. 741.

<sup>40</sup> Committee Hansard, p. 761. See also para. 6.54.

6.33 Mr Smith firmly rejected any suggestion that this aspect of the arrangement has any material effect on the level of fares, frequency or profitability of the overall route.<sup>41</sup> Mr Smith stressed that the purpose of the Aerolineas Argentinas service was to service Australia-South America not the Australia-New Zealand route.<sup>42</sup>

6.34 In his evidence to the Committee, Mr Samuels commented on the 50 seat arrangement his airline has with Qantas that:

"In the current agreement we perceive that Qantas is in a win situation: as it only pays us for the seats it uses, it is more likely to be profitable, when we have to take the entire risk of the operation of the aircraft. If Qantas is unable to sell a single seat, then the onus is totally on Aerolineas Argentinas."<sup>43</sup>

6.35 In its submission to the inquiry Aerolineas Argentinas asserts that the current arrangement under which it operates flights to Australia, presents the airline with major difficulties. According to Aerolineas the existing arrangement:

"... placed major operational constraints on Aerolineas Argentinas in it's ability to expand services to meet demand, as well as to encourage growth by the ability to expand the offer of frequency and capacity."<sup>44</sup>

6.36 The Aerolineas Argentinas submission explains that the present arrangement:

"... limits Aerolineas Argentinas to one frequency per week with the ability to use Qantas' allocation with an additional weekly frequency only if Aerolineas Argentinas maintains a commercial agreement with Qantas."<sup>45</sup>

6.37 According to Aerolineas, under the existing arrangement it has had to assume all the financial risks associated with the operation of the service while being limited in its "... ability to maximise the utilisation of it's operation".<sup>46</sup>

---

<sup>41</sup> Committee Hansard, p. 884.

<sup>42</sup> *ibid.*, p. 880.

<sup>43</sup> Committee Hansard, p. 771. During his evidence to the Committee Mr Samuels, of Aerolineas Argentinas, stated that at present Qantas sells an average of between 20 and 22 seats of the 50 allocated to it, Committee Hansard, p. 769. Qantas does not pay for any of the 50 seats which it does not sell.

<sup>44</sup> Aerolineas Argentinas, submission, Committee Hansard, p. 741.

<sup>45</sup> *ibid.*

<sup>46</sup> *ibid.*

6.38 At the 2 September public hearing, Qantas agreed that any risk it faces in the present arrangement with Aerolineas Argentinas is "very minimal". However, Qantas bluntly stated that if Aerolineas is unhappy with the existing arrangement:

"... they can ask us to change it, or they can terminate it."<sup>47</sup>

6.39 In its submission to the inquiry Aerolineas Argentinas states that it is interested in providing two, or possibly three, permanent, scheduled flights a week between Argentina and Australia to meet the requirements of the business traveller and improve air cargo capacity.<sup>48</sup>

6.40 Aerolineas Argentinas argues that if it were allowed to offer a second permanent scheduled flight to Australia it would be able:

"... to substantially increase the number of available passengers as well as provide a better service for passengers who are using other routes ..."<sup>49</sup>

Mr Robert Samuels, of Aerolineas, told the Committee that Aerolineas has:

"... done some interviews which indicate that the 40% of the traffic that does not currently travel with us would travel with us if we operated a more frequent service."<sup>50</sup>

6.41 The Department of Transport and Communications pointed out to the Committee that Aerolineas has been permitted to operate Qantas' flight entitlement whenever it has desired to do so during the last two years, in effect giving it two flights to Australia per week, and that this option is still available to the airline. However, the Department stressed that any granting to Aerolineas of a permanent second or third flight to Australia would only be granted in light of Australia's national interests. The Department of Transport and Communications representative, told the Committee in evidence that if Aerolineas applied for more permanent flights into Australia in addition to the extra flights currently being operated in the peak demand period of December to March:

"... we would wish to examine Australia's national interest to determine whether such a service should be negotiated in a trading sense and whether there are benefits that ought to be negotiated for Australia in exchange for the

---

<sup>47</sup> Committee Hansard, p. 867.

<sup>48</sup> Aerolineas Argentinas, submission, Committee Hansard, p. 741.

<sup>49</sup> Committee Hansard, pp. 763-4.

<sup>50</sup> *ibid.*, p. 777.

benefit that is going to accrue to Argentina by having an additional service operated by its carrier."<sup>51</sup>

6.42 The Department of Transport and Communications also stressed that:

"The Australian Government is not in the business of giving away opportunities to foreign governments without there being some sort of reciprocal rights for Australian business."<sup>52</sup>

6.43 The Department of Transport and Communications drew the Committee's attention to the fact that the Spanish airline, Iberian, had recently acquired an interest in Aerolineas Argentinas. In evidence to the Committee, the Department suggested that Aerolineas' desire for more flights into Australia may in fact be a "de facto" Spanish request aimed at bringing about an expansion of a Spain-Australia air link. According to the Department this is a possibility which would have to be taken into consideration in examining any request from Aerolineas for increased permanent flights.<sup>53</sup>

6.44 However, Aerolineas dismissed the suggestion of such a Spanish involvement with the air link between Argentina and Australia. Mr Samuels, speaking for the airline, told the Committee that because airfares were much cheaper between Madrid and Australia than between South America and Australia there would be no incentive for people travelling to Australia to go via Argentina. In addition, because the capacity on the route between Latin America and Spain is controlled there is no need to encourage additional traffic on this route as part of an Australian link up.<sup>54</sup>

6.45 It is interesting to note that a somewhat similar idea for a Qantas Sydney-Buenos Aires-London route has been raised briefly in other correspondence with the Committee.<sup>55</sup>

6.46 Concern was also expressed by the Department of Transport and Communications that Aerolineas Argentinas' intention, eventually, may be to fly on from Australia to Asia, particularly Hong Kong and Japan. The Department told the Committee:

"... Tokyo and Hong Kong, and particularly Tokyo, is a very important route for Australia. That is a very important

---

<sup>51</sup> *ibid.*, pp. 289-90.

<sup>52</sup> *ibid.*, p. 299.

<sup>53</sup> *ibid.*, p. 295.

<sup>54</sup> *ibid.*, p. 773.

<sup>55</sup> Mr J. MacAonghus, letter of 28 February 1992.

trading route. We would be concerned about the level of third country airline access to that route, which was likely to damage Australia's trading interests on that route."<sup>56</sup>

6.47 Mr Samuels, of Aerolineas Argentinas, said that his airline would ultimately like to fly to South East Asia and "... if it was via Australia, that would be ideal."<sup>57</sup> According to Aerolineas, if the airline was allowed to fly onto Asia from Australia it would improve the economics of the air link between Argentina and Australia.<sup>58</sup>

6.48 According to both Qantas, and the Department of Transport and Communications, Aerolineas Argentinas have not formally raised with them any of the concerns outlined in the Aerolineas Argentinas submission to the inquiry.<sup>59</sup>

#### **Is the Sydney/Buenos Aires route commercially viable?**

6.49 The question of financial viability of the present service between Sydney and Buenos Aires was extensively explored with witnesses.

6.50 Strictly speaking, witnesses agreed on the basic proposition that the route is not, at the present time, profitable. However, some managed to convey a strong sense of pessimism, others an equally strong sense of optimism about the financial viability of the route in the foreseeable future.

6.51 Mr Julian Smith of Qantas told the Committee that the joint operation between Qantas and Aerolineas Argentinas is "not profitable currently" because of the lack of traffic on the route between Sydney and Buenos Aires.<sup>60</sup> It was Mr Smith's understanding:

"... from discussions between Aerolineas and Qantas that in fact the operation is losing money at the present time."<sup>61</sup>

6.52 Mr Samuels of Aerolineas Argentinas conveyed a more positive picture when he said that, "Our route is now going back into a profitable situation."<sup>62</sup> He further

---

<sup>56</sup> Committee Hansard, p. 296

<sup>57</sup> *ibid.*, p. 773

<sup>58</sup> *ibid.*, p. 773.

<sup>59</sup> *ibid.*, pp. 295, 882.

<sup>60</sup> *ibid.*, p. 856.

<sup>61</sup> *ibid.*, p. 856.

<sup>62</sup> Committee Hansard, p. 767.

explained that the route between Buenos Aires and Sydney was profitable until the period of the Gulf crisis when increases in fuel prices made it unprofitable.

6.53 The Committee was unable to establish to any extent the cost factors used by each airline to determine or estimate profitability. In the long term, accounting must be done on a fully costed basis, although it is not uncommon for an airline to cost a route while it is being developed on a reduced cost basis. The Committee understands that this approach is quite a normal practice for an airline during the developmental phase of a route.<sup>63</sup> In answer to a question from the Chairman of the Committee Mr Samuels stated that Aerolineas' profitability on the section of the route between Argentina and New Zealand included amortising overheads and the impact of fixed interest expenses on the business.<sup>64</sup>

6.54 Mr Samuels of Aerolineas told the Committee in evidence that his airline had a load factor of 80% between Argentina and New Zealand and between 64 to 68% between New Zealand and Australia. He suggested that a load factor of 64% to 65% between Argentina and Australia would be required to break even.<sup>65</sup>

6.55 Qantas' submission to the inquiry maintains that the 400 seats per week each way available on the route under the present arrangement with Aerolineas Argentinas is well ahead of demand.<sup>66</sup> According to Mr Smith only about 120 passengers a week travel in each direction between Argentina and Australia.<sup>67</sup>

6.56 Moreover, according to Mr Smith, air traffic between Latin America and Australia is not increasing:

"That traffic is stagnant. I am talking now about traffic covering a whole range of countries, I am not just talking about Argentina."<sup>68</sup>

---

<sup>63</sup> See Consultant's report prepared for the Committee by Mr Allan Rainbird, August 1991, dealing with Australia-Latin America Air Links, pp. 12-13.

<sup>64</sup> Committee Hansard, p. 774.

<sup>65</sup> Committee Hansard, p. 770. More recently, Aerolineas Argentinas informed the Committee that its load factor during 1991 between Buenos Aires and Auckland had dropped to about 76% and between New Zealand and Australia to about 58%. This decline was in part due to a decline in air traffic related to the Middle East crisis of that year.

<sup>66</sup> Qantas, submission. Committee Hansard, p. 840.

<sup>67</sup> *ibid.*, p. 852. The 747-200 aircraft operated by Aerolineas on the Argentina/Australia route is capable of carrying 398 passengers.

<sup>68</sup> Committee Hansard, p. 852. This appears to be at variance with Qantas' own figures; see for example para. 6.19 of this Report.

Qantas is of the view that the current air service between Buenos Aires and Sydney is adequate.

6.57 Qantas expressed disappointment at the small positive impact of the establishment of the direct air link between Argentina and Australia at the end of 1988 on the volume of passenger traffic between the two countries. Mr Smith told the Committee on 2 September 1991 that:

"One would have thought that with no direct air service, and then suddenly a direct air service, we would have seen an enormous increase in traffic. In fact, that did not happen."<sup>69</sup>

According to Mr Smith during 1989 Australia-Argentina passenger traffic grew from 89 passengers per week to 131 per week. In percentage terms this figure seemed quite impressive but as Mr Smith stated:

"... in terms of actual bums on seats it is not a big increase".<sup>70</sup>

6.58 According to Qantas, there has been little significant increase in traffic between Uruguay, Brazil and Chile and Australia via Buenos Aires since Aerolineas Argentinas began flights to Australia.<sup>71</sup>

6.59 It would appear from the comments made by Mr Santer of the Australian Tourist Commission, related to fare costs on the route, that the Commission accepts that Aerolineas is operating its flights at a high load level. On the other hand Qantas gave the impression to the Committee that the present load factor on the route is not at a level that makes the route financially viable to operate on.<sup>72</sup>

6.60 In evidence to the Committee Qantas explained why it has not taken up its right to fly to Argentina.<sup>73</sup> According to Qantas it could put a service onto that route immediately but there would not be sufficient passengers to make the service a viable proposition. According to Mr Julian Smith, speaking for Qantas, this is the reason why Aerolineas does not operate a second flight per week throughout the entire year.

---

<sup>69</sup> Committee Hansard, p. 861.

<sup>70</sup> *ibid.*

<sup>71</sup> *ibid.*, pp. 861, 875. According to Qantas passenger numbers went from 90 to 91 a week in the case of Brazil, 94 to 102 for Chile and 37 to 42 for Uruguay.

<sup>72</sup> Qantas, submission, Committee Hansard, p. 848.

<sup>73</sup> See para. 6.133.



6.61 Mr Smith said that one of the major problems with the Argentina-Australia air link is that it is very seasonal with 40% of the market travelling during a period of three or four months of the year.<sup>74</sup> This seems to suggest that an increase in business traffic in particular, which would presumably be spread more evenly throughout the year, would significantly improve the viability of the route.

6.62 In this context, the Committee was particularly interested to note from Qantas' written submission that the number of business travellers from Australia to Argentina grew from 9% of total traffic in 1988 when the direct Aerolineas service was introduced to 15% in 1990. This contrasts with the more limited 1% growth in overall business travel between Australia and Latin America noted in paragraph 6.19.

6.63 Qantas set out to the Committee the following further reasons why they believed the route was not profitable and why it would not operate on the route at present, namely:

- traffic on the route is spread over three main markets, (Argentina, Chile and Brazil) which account for 63% of the total traffic between Australia and Latin America. In the view of Qantas this spread of a number of small, diverse markets makes it difficult to target any one in particular;
- Buenos Aires, the gateway for the joint Aerolineas-Qantas joint venture, is at present meeting passenger demand;
- the announced air services agreement between New Zealand and Chile has the potential to provide scope for increased capacity on the route between Latin America and Australia;
- a major determinant of international travel appears to be related to the income levels of individuals in a country. Qantas does not expect the GDP per capita to increase significantly in Latin America in the near future, therefore the prospects for market expansion will be limited; and
- it is estimated that Latin America is expected to generate less than 2% of the total air passenger market to Australia by the year 2000.<sup>75</sup>

6.64 The Committee believes that Qantas' view of the potential passenger market in Latin America in relation to GDP does not fully reflect the reality of the situation in that region. As noted elsewhere in this report, in 1991 the GDP of Latin America as a whole increased by 3 % compared to the previous year. During the same period hyper-inflation was virtually eliminated and inflation brought down very significantly. Although the increase in GDP was not uniform in all the countries of the region, the

---

<sup>74</sup> Committee Hansard, p. 862. At one point in his evidence Mr Smith stressed that '... if we believed that we could make a service profitable operating it to South America, we would operate the service tomorrow.' *ibid.*, p. 864.

<sup>75</sup> Qantas, submission, Committee Hansard, pp. 848-9.

GDP of a significant number of countries in Latin America grew at rates of between 3% and 5 %.<sup>76</sup>

6.65 The Department of Transport and Communications told the Committee that the Australian Government has publicised its willingness to approve special flights to meet holiday demand travel, particularly during school holiday periods. The Department stated in evidence that:

"It is interesting to note that Aerolineas has not sought supplementaries in that period in the last two years. Presumably it is satisfied that the two services that it operates in the period November to March are sufficient to meet the demand."<sup>77</sup>

6.66 In giving evidence to the Committee Mr Samuels, on behalf of Aerolineas Argentinas argued that the provision of charter, or supplementary services, on the Argentina-Australia air link is not satisfactory because they do not:

"... meet the needs of the travelling public ... they are not normally provided with enough advance warning so people can plan their holidays, or business trips, on the possibility that there may well be a flight on a given day or time."<sup>78</sup>

#### **Frequency of Air Services Between Latin America and Australia**

6.67 During the inquiry strong support was expressed by several witnesses for additional flights between Latin America and Australia. The General Manager, Australia and South-West Pacific Region, for Varig Brazilian Airlines, Mr Christopher Efstathakis, strongly supported Aerolineas having a second flight into Australia. Mr Efstathakis stated that:

"If you have somebody who is prepared to take the commercial risk he should be encouraged to do so."<sup>79</sup>

---

<sup>76</sup> In 1991, per capita output registered its first improvement in four years. G. Rosenthal, 'Preliminary Overview of the Latin American and Caribbean Economy 1991', *ECLAC*, no. 519/520, December 1991, p. 1.

<sup>77</sup> Committee Hansard, p. 306.

<sup>78</sup> Committee Hansard, p. 775.

<sup>79</sup> *ibid.*, p. 831.

6.68 Mr Godfrey Santer, Director, Marketing Operations of the Australian Tourist Commission is also of the view that a greater availability of flights into Australia from Latin America would see a:

"... measurable increase in the amount of traffic to this country."<sup>80</sup>

This accords with Mr Samuels comment that:

"... lack of frequency inhibits all traffic ..."<sup>81</sup>

6.69 Frequency of air services is usually more important to the business traveller than the price of the ticket. Due to the greater financial value of business travellers to an airline frequency of services is a significant tool in attracting this valuable segment of the market.

6.70 There are also more general financial arguments supporting the operation of frequent air services between destinations. The provision of a low frequency services can be relatively more costly for an airline than operating a more frequent service.<sup>82</sup> Advertising costs are one obvious example. Clearly advertising and other overheads per flight are reduced substantially as the frequency increases. Moreover there is clearly a limit on the resources an airline company will put into advertising if it believes that demand is satisfactory for the existing service and it has a limited opportunity to securely develop the market. As Mr Samuels put it to the Committee, with rights to only one regular scheduled weekly flight

"... there is not an incentive for Aerolineas to spend more money to develop a route where it cannot benefit from its development."<sup>83</sup>

6.71 Despite criticism expressed to the Committee during its inquiry concerning the frequency and inconvenience of air links between Latin American and Australia it would be incorrect to assume that these views find universal acceptance. While the majority of witnesses argued in favour of increased air services between Latin America and Australia, arguments have been put that existing air links are adequate at present to meet demand.

---

<sup>80</sup> *ibid.*, p. 710

<sup>81</sup> *ibid.*, p. 777.

<sup>82</sup> *ibid.*, p. 760.

<sup>83</sup> *ibid.*, pp. 776-7.

6.72 The Department of Transport and Communications holds this view:

Whilst it might be convenient or useful to have direct services between Australia and the significant markets of Brazil, Chile and Argentina, there is not enough traffic to support the profitable operation of services to more than one of these countries. ... With traffic levels as they currently stand, capacity is still sufficient to meet the demands of the market on this route [Australia-Argentina] and we can see no guarantee at this stage, with the route still in its infancy, that Australia would yield any further economic benefits from adding more services.<sup>84</sup>

The Committee has some difficulty with this conclusion.

6.73 The Committee is concerned that the present time-consuming and costly air links between Latin America and Australia is a severe impediment to growth in the relationship, particularly for business people. As the Secretary of the Department of Foreign Affairs and Trade said to the Committee:

"It is not the easiest place to construct an itinerary to visit."<sup>85</sup>

It is the Committee's belief that potential traffic is lost due to lack of frequency.

6.74 While the Committee is not in a position to comment on the immediate direct financial implications for airlines of additional services on Australia-Latin America routes, it is the Committee's firm conviction that wider economic benefits would flow from additional services. These in turn would, over time, increase the profitability of the routes. With the rapid pace of change and expected economic growth of several of the Latin America economies, it would be reasonable to assume quite rapid growth of traffic over a relatively short time-frame.

6.75 To come to any definitive conclusion concerning the profitability on any air route operated by an airline it would be necessary to have access to information which would be considered to be of a commercially sensitive nature by the airline concerned. Even if the Committee had access to this detailed financial information it would still not necessarily be in a position to say that the route is profitable or likely to be profitable in the future since both costings and the definition of profitability can vary considerably from airline to airline.

6.76 On the basis of the evidence before it, the Committee is not in a position to determine conclusively whether it concurs with the views of Qantas or Aerolineas

---

<sup>84</sup> Department of Transport and Communications, submission, Committee Hansard, pp. 268-9.

<sup>85</sup> Committee Hansard, p. 202.

Argentinas on each of the specific matters on which the two airlines have put forward apparently different facts, different interpretations of facts and different judgements about future potential.

6.77 So for example, without access to considerably more detail, the Committee is not in a position to make a firm judgement about the overall impact of the present prohibition against Aerolineas carrying purely New Zealand-Australia traffic on the Auckland to Sydney sector of the route. On the face of it, it seems surprising to the Committee that the 50 or so passengers off-loaded by Aerolineas in Auckland should be a critical component of the route's overall profitability, particularly since it has the right to carry passengers originating in Latin America and stopping off in Auckland on to Sydney. It has been suggested to the Committee that most passengers originating in Latin America are likely to have Australia, rather than new Zealand, as their end destination, even if they make a stop-over in Auckland.

6.78 The Committee acknowledges that Qantas has, since the Memorandum of Understanding came into operation, readily acceded to periodic requests by Aerolineas to use the Qantas entitlement to fly the route. However, Qantas only has to give six months notice if it wishes itself to take up its entitlement.<sup>86</sup> The Committee can see the disincentive to Aerolineas in putting in effort to further develop the route to two or three flights a week if it can be sure of approvals for such flights on a six monthly basis only.

6.79 Similarly, while charter arrangements can be an efficient arrangement to meet special needs on an ad hoc basis, the Committee considers that they would provide little encouragement to an airline to devise and implement a longer-term strategy for developing the market. It is understandable that expenditure on activities such as advertising and promoting tourist packages will be limited if there is no firm guarantee of regular access to a route for more than six months.

**6.80 Recommendation twenty six:** The Committee recommends that sympathetic consideration should be given by the Department of Transport and Communications to any request by Aerolineas Argentinas for a guarantee of longer-term access to a second weekly frequency. In the Committee's view this could be done without cutting off the option for Qantas to begin a Sydney-Buenos Aires service at any time in the future.

6.81 In suggesting such a course, the Committee is not advocating concessions by the Australian Government. It would be in line with a sensible policy of protecting Australian interests to expect something in return. During the course of the public hearings, Qantas expressed some dissatisfaction with aspects of the 50 seat arrangement with Aerolineas. There may be scope for some trading in that area.

---

<sup>86</sup> *ibid.*, pp. 868-9.

6.82 More importantly still, the Committee is concerned that the concept of "national interest" that the Department of Transport and Communications has said determines the negotiating stance that Australia takes in bilateral air agreement negotiations is perhaps being interpreted in a very narrow fashion.

6.83 The Committee is concerned that in "protecting an opportunity"<sup>87</sup> for an Australian airline to introduce a service at some later stage on a particular route that the Department and Qantas judges not to be profitable now, the Department of Transport and Communications may in fact be cutting across more significant opportunities that better overall aviation links between Australia and Latin America would open up to a wider cross-section of the Australian community.

6.84 The Committee is not convinced that the present arrangements for consultation on "the national interest" are adequate. According to the Department, in assessing a request for additional permanent flights into Australia by Aerolineas Argentinas the Department of Transport and Communications would consult with the aviation and tourist industries and other relevant government departments to determine the Australian Government's negotiating position.<sup>88</sup> However, even by the Department of Transport and Communication's own admission, the requirement to consult is relatively recent. In the Committee's view it requires considerable further development. This issue is addressed in more detail at the end of the Chapter.

6.85 The Committee is not persuaded that any of the parties with an interest in these issues have looked for imaginative solutions to what they perceive to be the disadvantages to each under current arrangements. Moreover, it would appear that the dissatisfactions expressed by Aerolineas Argentinas to the Committee have never been formally brought to the attention of the Department of Transport and Communications. It was suggested during the inquiry that the interim nature of the Memorandum of Understanding determining current arrangements has inhibited Aerolineas Argentinas from seeking any changes. Now that the Agreement has been formally signed, the Committee urges all parties to review ways of improving those arrangements.

6.86 The Committee by no means underestimates the difficulties and complexities involved in doing so. It is conscious of the fine judgements that the Department of Transport and Communications must make in determining whether the terms of any bilateral agreement it might enter into might give an unfair advantage to an overseas airline. Difficult judgements must be made about the extent to which subsidies may or may not be operating and what impact differing cost structures may have on an airline's capacity to compete.

---

<sup>87</sup> *ibid.*, p. 300.

<sup>88</sup> *ibid.*, p. 295.

## The Lan Chile Connection

6.87 As noted earlier Lan Chile operates regular twice weekly flights from Santiago, Chile via Easter Island to Papeete, Tahiti using a Boeing 707 aircraft.<sup>89</sup> These flights permit connections, involving delays of up to fourteen hours to be made with Qantas services arriving in and departing from Tahiti for Sydney.

6.88 Lan Chile commenced commercial operations in 1967 with a fortnightly service between Santiago and Easter Island. This route was extended in 1968 to Papeete, connecting with flights operated by Qantas, Air New Zealand and UTA to Australia and New Zealand. The frequency of this Lan Chile's service was increased in early 1970 to weekly, then twice weekly. Lan Chile now increases the service further to three flights a week to Papeete during the peak travel period between December and March each year.<sup>90</sup>

6.89 In October 1989 Lan Chile was granted approval to operate a three month program of weekly charters from Santiago via Tahiti to Australia. However, in November 1989 Lan Chile postponed the program due to the unavailability of aircraft. The airline was later again offered a program of charters with operational flexibility. As of August 1991 there had been no response to these charter offers from Chilean authorities.<sup>91</sup>

6.90 Lan Chile states in its submission to the inquiry that:

"Despite numerous attempts Lan Chile has never been able to obtain traffic rights in Australia or regular services."<sup>92</sup>

In 1990 the Department of Transport and Communications agreed to view any proposal for a joint service between Chile and Australia, involving Lan Chile and Qantas, positively although it did not believe there was sufficient traffic on this route to support a scheduled service.

6.91 Lan Chile, like Aerolineas Argentinas, apparently does not find operating charter flights into Australia a satisfactory alternative to regular services. Lan Chile's Manager for Australia and New Zealand, Mr Santiago Chicharro, told the Committee that the provision of charters between Chile and Australia was very limiting since you

---

<sup>89</sup> The Committee has been advised of a change over by Lan Chile to a Boeing 767 aircraft on this route as from February 1992.

<sup>90</sup> Lan Chile, submission, Committee Hansard, p. 1024.

<sup>91</sup> Department of Transport and Communications, submission, Committee Hansard, p. 270. See also Committee Hansard, p. 283.

<sup>92</sup> Lan Chile, submission, Committee Hansard, p. 1024.

cannot promote or advertise such services adequately. Mr Chicharro stated:

"... we have studied the matter further and we cannot justify doing those services, unless on a one-off basis, ... They could not be sustained."<sup>93</sup>

6.92 Lan Chile's interest is in operating a permanent, scheduled service to Australia from Chile in a joint venture, preferably with Qantas. As stated in its submission to the inquiry:

"... our main interest lies in extending our flight to Australasia, and more specifically to Auckland and Sydney, to overcome the connection problem in Papeete."<sup>94</sup>

In its submission, Lan Chile stresses that:

"... the possibility of operating a direct flight between Santiago and Sydney would fulfil the hopes of the existing integration between Australia and Chile, helping to promote commercial and tourist relations, between the two nations."<sup>95</sup>

6.93 The Chilean Ambassador to Australia, His Excellency Mr Juan Salazar, told the Committee that he understood the problem in the way of a joint agreement between Qantas and Lan Chile was the fact that Qantas was not interested in opening a new route to South America. According to Ambassador Salazar:

"... if Qantas does not take a positive step, our national carrier can do nothing else."<sup>96</sup>

Ambassador Salazar argued that the two airlines had to be pushed to establish a joint venture operation where the risk and the investment required could be shared.<sup>97</sup>

6.94 The Chilean Ambassador, in giving evidence to the Committee, stated that when he had proposed a civil aviation agreement between Australia and Chile to

---

<sup>93</sup> Committee Hansard, p. 1047.

<sup>94</sup> Lan Chile, submission, Committee Hansard, p. 1026. See also Committee Hansard, pp. 1030-1.

<sup>95</sup> Lan Chile, submission, Committee Hansard, p. 1026.

<sup>96</sup> Committee Hansard, p. 1373.

<sup>97</sup> *ibid.*



Australian Government officials he was told the most Australia would offer at present would be the use of an air charter system from Chile to Australia.<sup>98</sup>

6.95 It is apparent that the Chile-Australian air link is far from satisfactory, especially to business travellers who find the connection at Tahiti time consuming.<sup>99</sup> Ambassador Salazar informed the Committee that Australian businessmen had complained to him that airfares were too expensive and connections too uncomfortable to Chile.<sup>100</sup>

6.96 The Committee is aware that there are significant problems associated with coordinating a connection in Papeete, Tahiti between Lan Chile and Qantas.<sup>101</sup>

6.97 Qantas told the Committee in September 1991 that there is scope for improving the air link to Chile from Australia by shortening the connection period between Qantas and Lan Chile at Tahiti.

6.98 In a letter to the Committee dated 19 December 1991 Ambassador Salazar advised that from February 1992 Lan Chile would be operating a Boeing 767 aircraft on the Santiago-Easter Island-Papeete air route. The Committee welcomes this development and is hopeful that it will assist in reducing the connecting problem in Papeete.<sup>102</sup>

6.99 The Committee was particularly disappointed to learn from Qantas on 2 June 1992 that, from November 1992, Qantas will end its Wednesday service from Sydney to Papeete. This means that from that time, there will be only one connecting service per week between Australia and Chile via Papeete instead of two. Qantas cited economic considerations for its decision.

---

<sup>98</sup> *ibid.*, p. 1367

<sup>99</sup> Qantas told the Committee on 1 June 1992 that it is possible to make same day connections to Santiago, Chile, through Papeete flying Qantas and Lan Chile, although there is a 14 hour wait involved. The Qantas flights arrives in Papeete at 6:55am on Wednesday, Friday and Sunday with Lan Chile's flights departing for Santiago at 8pm on Wednesday and Sunday nights. On flights from Santiago to Australia, via Papeete, the connection time between Lan Chile and Qantas in Tahiti is somewhat shorter, being about 8 hours and 45 minutes. The Qantas flights depart from Papeete to Sydney at 3:50am the morning after the evening arrival times of Lan Chile flights from Santiago, which adds to the inconvenience of the connection.

<sup>100</sup> Committee Hansard, p. 1374.

<sup>101</sup> Part of the difficulty arises from the requirement that all flights in and out of Easter Island must be daytime flights. Lan Chile provides the only air link to Easter Island and is committed to continuing its service to the Island.

<sup>102</sup> Qantas told the Committee that use by Lan Chile of a Boeing 767 aircraft would be a major improvement over the Boeing 707 used on flights from Chile to Tahiti. Committee Hansard, p. 885. For information on possible operational impediments of using a Boeing 767 aircraft on the Sydney-Papeete-Santiago, vice versa, route see Committee Hansard, p. 887B.

6.100 The Committee regrets the Qantas decision, which represents a significant setback to efforts to improve transport links between Australia and Latin America.

**6.101 Recommendation twenty seven:** The Committee, while regretting the Qantas decision to downgrade its service to Papeete, nevertheless recommends that Qantas actively pursue with Lan Chile the question of improving the connection between Lan Chile and Qantas flights at Papeete.

6.102 The New Zealand Government signed a bilateral aviation agreement with Chile in 1991 giving a Chilean air carrier and a New Zealand carrier the rights to fly twice a week between New Zealand and Chile via Tahiti and Rarotonga.<sup>103</sup> However, Lan Chile told the Committee on 24 October 1991 that it had not approached the New Zealand Government regarding the commencement of flights between the two countries. Lan Chile said it did not believe the market situation at present in New Zealand could sustain a commercial service between New Zealand and Chile on its own. According to the airline, Australia is still the main drawcard for air services from Chile and this link would still be missing in a Chile-New Zealand air route.<sup>104</sup> However, it is apparent that the Chilean authorities are continuing to develop their options. In his letter of 19 December 1991, Ambassador Salazar advised the Committee that Chile had obtained from French authorities:

"... the inclusion of three services to Lan Chile's South Pacific Route, granting the Fifth Freedom from Tahiti to Auckland and Sydney."<sup>105</sup>

6.103 The Committee is of the view that, even if connections in Tahiti can be improved upon, this will only provide what should be viewed as a short term improvement to the Australia-Chile air link. The Committee would like to see a permanent, scheduled, direct air link established between the two countries.

#### **Cost of Airfares Between Australia and Latin America**

6.104 The Department of Transport and Communications told the Committee that the Australian Government does not regulate airfares between Australia and Latin America. The Department has no guidelines on fares but simply approves fares submitted by Qantas and Aerolineas Argentinas. It is the view of the Department of Transport and

---

<sup>103</sup> Committee Hansard, p. 780.

<sup>104</sup> *ibid.*, p. 1046.

<sup>105</sup> Letter to the Committee dated 19 December 1991 from the Chilean Ambassador, H.E. Mr J. Salazar. The Fifth Freedom is the right to carry and set down passengers and cargo in an intermediate country on an air route between two contracting states.

Communications that the airlines operating on the route:

"... will set fares at what they believe the market can bear, to cover their costs and to have a return on their outlays."<sup>106</sup>

6.105 As at May 1992 the one way economy excursion air fare between Sydney and Buenos Aires was A\$2,404. However, the Committee has been told that the bulk of passengers travelling in the low season use a 21 day APEX return fare costing A\$2,199 or a six month excursion fare priced at A\$2,778.<sup>107</sup> This fare, which has some restrictions associated with it is also applicable for travel from Sydney to Santiago, Chile and Montevideo in Uruguay. The business return air fare Sydney to Buenos Aires on the Aerolineas flight is about A\$5,700. To travel from Sydney to Buenos Aires or Santiago via North America involves a 20% to 25% surcharge as determined by IATA,<sup>108</sup> which adds approximately A\$800 to A\$1,000 to the business class fare.<sup>109</sup>

6.106 Qantas told the Committee that the route from Australia to Latin America is an expensive one to operate because of the distance and the relatively small number of passengers carried on it.<sup>110</sup> Queried by the Committee over the impact of distance on the cost of fares, Qantas conceded that the Sydney-London route was in fact considerably longer than the Sydney-Buenos Aires route; nevertheless it was also considerably cheaper. Qantas pointed to volume of traffic and competition as other factors influencing the cost of fares.

6.107 Other witnesses agreed that traffic volume and competition were critical factors. According to Mr Santer of the Australian Tourist Commission the fares between Australia and Latin America are expensive because of the:

"... supply demand situation. Because there are few flights

---

<sup>106</sup> Committee Hansard, p. 285.

<sup>107</sup> *ibid.*, p. 766.

<sup>108</sup> Committee Hansard, pp. 649, 775, 779, 1041. As of May 1992, Aerolineas was quoting a slightly reduced APEX return fare, called the "Fiesta Fare", of A\$1,992 between 1 March and the end of October. This fare allows for a free flight to Iguazu Falls. The return business class fare Sydney to Buenos Aires was A\$5,770. See letter from Aerolineas dated 11 May 1992.

<sup>109</sup> See letters to the Committee dated 11 May 1992 from the Commercial Manager of Aerolineas Argentinas in Sydney, Mrs Jennifer Lionetti; letter from the General Manager for Lan Chile in Sydney, Mr Santiago Chicharro dated 11 May 1992; letter dated 19 May 1992 from the International Relations Manager for Qantas, Mr D.N. Callaghan.

<sup>110</sup> Committee Hansard, pp. 851-2.

and they fill up their planes at the fares that they charge, then they do not have to charge a lower fare."<sup>111</sup>

In other words, the relatively high fares between Australia and Latin America largely reflect the low capacity existing on that route.<sup>112</sup> Mr Santer concluded that if there was competition on the route, resulting in more flights, then the cost of fares would go down in order to attract passengers.<sup>113</sup>

6.108 Mr Chicharro of Lan Chile also expressed the view that freedom of choice and competition would produce lower fares on the route to Latin America.<sup>114</sup>

### **The Polar Route**

6.109 The shortest distance and most direct route between Sydney and Buenos Aires would be a non-stop route as far south as the 70th parallel. However, according to Qantas such a route would take the aircraft into "no-man's land" with uncontrolled airspace.<sup>115</sup>

6.110 According to Qantas the current prohibition on flights between Australia and South America below 60 degrees south has had an impact upon the economic viability of the present route. Aircraft cannot fly below 60 degrees because of inadequate air traffic controls and communication services in that region. This restriction prevents aircraft from flying along the shortest route.<sup>116</sup>

6.111 The Committee was told by Mr Samuels of Aerolineas Argentinas that the airline could not operate a non-stop service from Argentina to Australia without flying below the 60th parallel.<sup>117</sup>

---

<sup>111</sup> *ibid.*, p. 729.

<sup>112</sup> *ibid.*, p. 730.

<sup>113</sup> *ibid.*, p. 729.

<sup>114</sup> *ibid.*, p. 1033.

<sup>115</sup> *ibid.*, p. 871.

<sup>116</sup> Qantas, submission, Committee Hansard, p. 849. A direct track between Buenos Aires and Sydney, as opposed to the existing Buenos Aires-Auckland-Sydney route would save 705 km on the trip between Buenos Aires and Sydney, letter from Mr J.M. Smith of Qantas to the Committee dated 23 September 1991, contained in Committee Hansard, p. 887B. See also letter from Mr Garth Hartly, Department of Transport and Communications, dated 5 September 1991. For information on safety issues related to flying south of the 60th parallel see Consultant's report prepared for the Committee by Mr Allan Rainbird, August 1991, dealing with Australia-Latin America Air Links, attachment pp. 2-4.

<sup>117</sup> Committee Hansard, p. 762. The Committee understands that possible loss of radio contact during such flights is of concern.

6.112 The Department of Transport and Communications has told the Committee that there is no specific order or regulation which precludes operations south of the 60th parallel. However, on safety grounds the CAA strongly discourages such operations.<sup>118</sup>

6.113 The Committee is fully aware of the difficulties that have inhibited the development of such a route. However, recent developments, particularly in the area of communications, may have reduced the dangers involved in operating on such an air route.<sup>119</sup> In the interest of improving the economics of the air link between Latin America and Australia and possibly by allowing non-stop flights, it is the view of the Committee that a full study of the benefits and dangers involved in using a route south of 60 degrees should be carried out.

6.114 Although the Committee is keen to see the possibility of an air route south of 60th parallel investigated it would stress that the issue of safety must of course be thoroughly addressed in the study.

### Air Cargo

6.115 Aerolineas Argentinas told the Committee that because of the 80% load factor it has between Argentina and New Zealand its Boeing 747-200 aircraft, which it uses on the route, has little freight capacity.<sup>120</sup> For the year ending December 1990 Aerolineas had carried 175.5 tonnes of freight on its services to Australia.<sup>121</sup>

6.116 Varig Brazilian Airlines said in its submission that:

"The only current route which could be successfully used for the air transportation of goods is the Los Angeles/Brazil one considering frequency of service and wide bodied palletised Boeing and McDonnell Douglas aircraft used on it."<sup>122</sup>

However, Varig added that this route was not heavily used for the following reasons:

there is a lack of cargo capacity out of Los Angeles due to a high demand for space to South America and vice versa; and

---

<sup>118</sup> Letter from Mr Gareth Hartley, op. cit.

<sup>119</sup> See Committee Hansard, p. 871.

<sup>120</sup> *ibid.*, p. 759.

<sup>121</sup> Department of Transport and Communications, submission, Committee Hansard, p. 268.

<sup>122</sup> Varig Brazilian Airlines, submission, Committee Hansard, p. 799.

there is a lack of a comprehensive range of commodity "through" rates between Australia and Latin America.<sup>123</sup>

6.117 Qantas said that air cargo traffic between Australia and Latin America is very small and "stagnant". According to figures produced by the Australian Bureau of Statistics air freight into Australia from Latin America each week averages only ten tonnes and five tonnes weekly out of Australia.<sup>124</sup>

6.118 The Committee understands that there is no impediment in Australia for the establishment and operation of a pure air freight service between Australia and Latin America. Australia also has a particularly liberal air freight charter policy which would allow freighter flights to be operated between Australia and Latin America on a regular basis with few complications. In spite of this situation no carrier has sought to operate freight charters, apparently because demand for the service is insufficient. Qantas was unable to provide any meaningful information on freight rates. It may be that high costs make the service unattractive, although few complaints were made to the Committee in respect to the existing services.

6.119 Despite the fact that a relatively small volume of air freight is carried between Australia and Latin America, the Committee is of the view that competitive rates should be available for the carriage of air freight.<sup>125</sup>

#### **Tourism and Australia's Air Links With Latin America**

6.120 The flow of tourists between Australia and Latin America is low. According to the Australian Tourist Commission only 10,200 visitors arrived in Australia from Latin American countries in the financial year 1989-90.<sup>126</sup> This figure represents slightly less than one half of one percent of total visitors to Australia in that year. The countries supplying the major number of tourists from Latin America were:

. Brazil	2560
. Argentina	2400
. Chile	1636
. Mexico	1594 <sup>127</sup>

---

<sup>123</sup> *ibid.*

<sup>124</sup> Letter from Mr J.M. Smith of Qantas, contained in Committee Hansard, pp. 887C-887D.

<sup>125</sup> *ibid.*, p. 887D.

<sup>126</sup> As noted earlier it is likely that the 1989 domestic pilots' dispute in Australia had a negative impact on the flow of tourists from Latin America in that year.

<sup>127</sup> Australian Tourist Commission, submission, Committee Hansard, p. 699

6.121 According to the Australian Tourist Commission, in 1989 5,700 residents, when leaving Australia nominated Latin American countries for visits. This figure needs to be treated with great caution since the Committee understands that it is made up only of people who identified Latin America as their main or sole destination. It seems clear that many Australian travellers include Latin America as part of a wider itinerary. The Commission itself believes that the number of Australians visiting Latin America is much higher than the figure of 5,700. According to the Commission, more than 20,000 Australian visitors were recorded in Latin American countries last year, although this figure includes the double counting of travellers on multi-country visits.<sup>128</sup>

**6.122 Recommendation twenty eight:** The Committee recommends that DILGEA review the present method of recording destinations of travellers with a view to producing more accurate and more meaningful data on countries visited by Australian travellers.

6.123 Mr Santer, of the Tourist Commission told the Committee in evidence, that the:

"... potential for increased tourist traffic from South America is higher than it is from all of the Americas."<sup>129</sup>

The Commission expects that arrivals from the American region as a whole, that is North and South America will average about 11% per annum between now and the turn of the century. Arrivals from American countries other than the United States and Canada will be of the order of 19% for the same period. However, Mr Santer stressed that this increase would grow from a very low base. Nevertheless, Mr Santer also stated that:

"We would have to conclude at the moment that the potential for growth from South America is not as high as it is from other marketing regions such as Asia."<sup>130</sup>

6.124 As a result of the cultural affinity between South Americans and Europe, Mr Santer believes that it has to be accepted that in respect to tourism Australia will:

"... only ever be a marginal market for them in terms of their perceptions."<sup>131</sup>

However those who do travel, are generally considered to be relatively high spenders.

---

<sup>128</sup> *ibid.*

<sup>129</sup> *Committee Hansard*, p. 704.

<sup>130</sup> *ibid.*, p. 728. See also p. 704.

<sup>131</sup> *ibid.*, p. 719.

The Committee is inclined to a more optimistic view of Latin American interest in Australia as a tourist destination.<sup>132</sup> In the Committee's view there are both similarities and differences between Australia and the countries of Latin America that could act as a magnet for increased numbers of visitors from those countries.

6.125 The Australian Tourist Commission started basic marketing activities in Latin America in 1988. According to the Commission a limited Australian marketing presence in the region and a lack of knowledge concerning Australian tourism products has been a major factor limiting the number of tourists visiting Australia from Latin America.<sup>133</sup>

6.126 The Commission's submission to the inquiry summed up its view of the potential of tourism from Latin America to Australia when it stated:

"... there is potential in the Latin American market to promote tourism to Australia, but until economic circumstances in the individual countries and current restraints to travel ... improve there is not a great deal of incentive for ATC to engage in an enhanced marketing effort in Latin America."<sup>134</sup>

6.127 It is the view of the Australian Tourist Commission that the most significant factor limiting the number of visitors to Australia from Latin America are problems associated with the issuance of visas. Due to problems of obtaining visas, Americatour, the Brazilian representative for the American Express Company, has decided:

"... not to sell Australia because it is too hard and bureaucratic to process travel documents."<sup>135</sup>

6.128 During the inquiry the Committee was told there is a perceived feeling in Latin America that there is a definite reluctance by Australian official missions in Latin America to issue tourist visas to visit Australia.<sup>136</sup> Varig Brazilian Airlines explained in its submission to the inquiry that many Latin Americans find it offensive to have to

---

<sup>132</sup> Some of the attraction of Australia to potential students from Latin America outlined in the Cultural Relations Chapter probably also apply to potential tourists.

<sup>133</sup> Australian Tourism Commission, submission, Committee Hansard, p. 701. Mr Santer told the Committee that the Commission's operating budget in Latin America is between A\$200,000 and A\$300,000 per year, Committee Hansard, p. 720.

<sup>134</sup> Australian Tourist Commission, submission, Committee Hansard, p. 702. For suggestions concerning strategies for increasing tourism from Latin America to Australia see Committee Hansard, p. 725 and Varig Brazilian Airlines, submission, Committee Hansard, p. 794.

<sup>135</sup> Australian Tourist Commission, submission, Committee Hansard, p. 701.

<sup>136</sup> A similar complaint was made with regard to student visas. See paras. 7.111-7.128.



fill out in-depth questionnaires when applying for visas. The airline believes that problems involved with the issue of visas are creating artificial barriers to the entry of genuine tourists and visitors from Latin American countries into Australia.<sup>137</sup>

6.129 According to the Department of Immigration, Local Government and Ethnic Affairs, the global overstay rate for visitors to Australia in 1989-90 was 1%. However, several Latin American countries had overstay rates well above this figure, such as:

. Chile	7.6%
. Brazil	4.4%
. Mexico	2.5% <sup>138</sup>

At the same time the Department pointed out to the Committee that visitors to Australia from many other Latin American countries had overstay rates of less than one%.<sup>139</sup>

6.130 While the Committee accepts that the Australian authorities must remain vigilant in respect to the issue of visas to visitors from some countries in Latin America, the Committee is concerned that presenting overstay rates in percentage terms when the actual numbers of both visitors and overstayers are quite small may well distort the seriousness of the problem in absolute terms.

6.131 DILGEA maintained that the refusal rate for the issue of visas in Latin America for visits to Australia was not particularly high. According to DILGEA the refusal rate:

"... is probably high compared to North America, Japan and the UK but it is certainly not high compared to some of the South East Asian countries, such as Thailand and Hong Kong, and it is certainly low compared to India, Pakistan and countries in that region."<sup>140</sup>

6.132 In respect to the requirement for transit visas through Australia, the Department denied that there was any discrimination against visitors from Latin America.<sup>141</sup> The Departmental representative stated that the only people who did not require a transit

---

<sup>137</sup> Varig Brazilian Airlines, submission, Committee Hansard, p. 793. For additional problems associated with obtaining visas to visit Australia see Committee Hansard, pp. 824-5.

<sup>138</sup> Committee Hansard, p. 1287.

<sup>139</sup> *ibid.*

<sup>140</sup> *ibid.*, p. 1289.

<sup>141</sup> *ibid.*, p. 1297. A visa is normally required to transit Australia for anything more than eight hours.

visa were travellers from countries that had a high volume of citizens passing through Australia and a very low overstay rate. Based upon these criteria travellers from Latin America passing through Australia were not being singled out for special consideration.

6.133 However, an examination of the list provided by DILGEA of countries whose citizens do not need a transit visa shows that it includes countries such as Thailand, which have been identified as having both a high overstay rate and a high refusal rate for the issue of visas.<sup>142</sup>

6.134 The Committee is of the view that, given the overstay rate of visitors to Australia from certain Latin American countries Australia must display care in the issue of visas, to ensure that the person from those countries applying for a visitor's visa is not likely to remain in Australia illegally. However, the Committee is concerned at the extent to which problems associated with the issue of visas is having an adverse impact upon the number of tourists visiting Australia from Latin America. A better balance between prudence and the encouragement of genuine visitors should be struck. Recognising the importance of tourism to the Australian economy the Committee welcomes initiatives being put in place by the Department of Immigration, Local Government and Ethnic Affairs to speed up and improve the issue of visas for visitors to Australia from Latin America.<sup>143</sup>

**6.135 Recommendation twenty nine: The Committee recommends that:**

- . Latin American countries be included in the list of countries whose citizens do not require a transit visa;**
- . streamlining of procedures for the issue of visas to visitors from Latin America be accelerated; and**
- . all DILGEA staff in Latin America with authority to issue visas are made fully aware of the need to eliminate unnecessary delays in the issue of visas.**

---

<sup>142</sup> Conditions which determine when transit visas are not required are stringent. Passengers from eligible countries and who will be continuing their journey by the same or connecting aircraft within 8 hours of arrival in Australia do not need a visa provided that they do not leave the airport transit lounge; hold a confirmed ticket to continue their journey and are in possession of correct documentation for entry to their destination. The 43 eligible countries are mainly in Europe, North America, Oceania, and South East Asia. Japan, South Korea, South Africa and Zimbabwe are also included.

<sup>143</sup> See Committee Hansard, pp. 1297-1300.

## **Suggestions for Increasing Air Services Between Latin America and Australia**

6.136 Various strategies were put forward during the inquiry for increasing air services between Latin America and Australia.

6.137 Aerolineas Argentinas argued that a more liberal air services agreement between Argentina and Australia would provide the airline with better operational cost effectiveness which would:

"... lead to greater frequency which in turn, will provide passengers better flexibility in their travel planning."<sup>144</sup>

The airline sees these developments leading to a dramatic increase in the number of passengers travelling between Latin America and Australia resulting in increased tourism and trade.<sup>145</sup>

6.138 The Committee is of the view that attractive special promotional fares, perhaps offered in conjunction with discounted accommodation, should be actively explored by Aerolineas Argentinas and Qantas in conjunction with the Australian Tourist Commission, in an effort to stimulate traffic growth on the route and develop the market. Although Mr Samuels of Aerolineas told the inquiry, as reported earlier, that his airline offered a promotional return fare of A\$2,199 between Sydney and Buenos Aires it is evident that more attractive air fares and packages to many other destinations are available to both Australian and Latin American tourists.<sup>146</sup>

6.139 The question might be asked whether the air routes between Australia and Latin America should be thrown open to anyone who wants to fly the route as often as they wish. At this stage it seems to the Committee that the expectation that such an offer would lead to increased services on the route appears to be unrealistic. The Committee understands that, leaving aside Air New Zealand, there are nine carriers with traffic rights to operate services between Australia and South America. None of these carriers has indicated any interest in operating such services at this time.<sup>147</sup>

6.140 There is a possibility that the frequency of air services between Australia and Latin America could be increased if smaller aircraft were used on the route. Mr Chicharro, of Lan Chile, told the Committee on 24 October 1991 that:

"... because the market is that small, the type of equipment for those purposes is not necessarily a 747 that carries

---

<sup>144</sup> Aerolineas Argentinas, submission, Committee Hansard, p. 742.

<sup>145</sup> ibid., p. 739.

<sup>146</sup> Committee Hansard, p. 775. As noted previously a slightly lower fare of A\$1,992 was introduced in January 1992 for the low season 1 March to the end of October.

<sup>147</sup> Committee Hansard, p. 886.

400 passengers but a more suitable 767 like ours, which carries ... 174 seats. That would ... [give] a greater frequency with the same effort or perhaps the same cost."<sup>148</sup>

6.141 The Committee was informed by Qantas that it could, in theory, operate a Boeing 767 aircraft, carrying between 200 and 230 passengers, once a week between Sydney and Buenos Aires.<sup>149</sup> However, the airline stressed that in its opinion there were still not sufficient passengers on the route to warrant the use of an aircraft, even of that size, on a commercial basis.<sup>150</sup>

6.142 In subsequent correspondence with the Committee Qantas stated that a Boeing 767-300ER aircraft could be used on the Sydney-Papeete-Santiago route although a payload limitation would apply returning from Santiago due to prevailing winds.<sup>151</sup>

6.143 Despite the fact that the Boeing 767 aircraft has only two engines, there does not appear to be any significant danger involved in the aircraft flying over water for relatively long periods of time. Lan Chile operates 767 aircraft between South America and Spain which involves them flying for approximately ten hours over water.<sup>152</sup>

6.144 Under aviation regulations for certification the Boeing 767 should not operate further than 180 minutes flying time from an airport. According to Lan Chile this restriction does not present a difficulty for the airline operating in the Pacific. Mr Chicharro of Lan Chile told the Committee in evidence that:

"... because of the islands in between here and South America, we do not require that much; we only require about 130 minutes. So we have no restrictions to operate 767 equipment in the Pacific."<sup>153</sup>

6.145 Lan Chile Airlines commenced operating their 767 service between Santiago and Papeete, via Easter Island, on 5 February 1992. For a period of approximately

---

<sup>148</sup> *ibid.*, pp. 1030, 1033

<sup>149</sup> There are differences in the carrying capacity of the 767-200ER and 767-300ER versions, the latter being an extended, larger version of the plane. Qantas operates both versions. Qantas' 767-300ER aircraft carry 228 passengers. It should be noted that the Boeing 767 could not fly non-stop between Buenos Aires and Sydney.

<sup>150</sup> Committee Hansard, p. 873.

<sup>151</sup> Letter from Mr J.M. Smith of Qantas, Committee Hansard, p. 887B.

<sup>152</sup> Committee Hansard, p. 1044. The Committee understands that islands in the Atlantic with landing strips apparently enable this requirement to be met by the Boeing 767 flying between Latin America and Europe.

<sup>153</sup> Committee Hansard, p. 1044.

two months from mid-April the service reverted to using 707s, before resuming 767 flights.

6.146 Being a much more modern aircraft than the earlier 707, the 767-200ER extended range operated by Lan Chile has several significant advantages over its predecessor. Of major significance is the larger payload that can be carried on the 767. A total of 174 passengers is carried by Lan Chile on its 767-200ER aircraft compared to the 144 passenger capacity on the airline's 707. Also of significance is the longer range of Lan Chile's 767 compared to its 707 aircraft.<sup>154</sup>

6.147 Although the Boeing 767 of Lan Chile Airlines is capable of flying the 7,931 kilometre distance non-stop between Santiago and Papeete there is no intention by the airline at present to by-pass Easter Island. Lan Chile provides the only air link between Easter Island and the Chilean mainland and Easter Island is an important market for the airline on the air route to Tahiti.

6.148 If a direct air link between Chile and Australia were to be established it is probable that Lan Chile would be likely to operate a Boeing 767, or similar sized aircraft, on the route.

6.149 Against the advantages involved in possibly having a greater number of services provided by such smaller aircraft, are the likely disadvantages of such aircraft having to make additional refuelling stops on their flights between Latin America and Australia compared to a Boeing 747 aircraft.

6.150 What size of aircraft to operate on the Latin America-Australia air link is a commercial decision to be taken, within safety regulations, by the airline concerned. However, the Committee can see considerable advantages to travellers in having smaller aircraft provide more frequent services than may be possible with the use of a large aircraft, such as the Boeing 747. It would be particularly useful to the business community to have more frequent services. This in turn would promote trade and investment links and assist in breaking the chicken and egg dilemma referred to elsewhere in this Report.

6.151 The Committee notes that a long range version of the four-engine Airbus A340-300 series, is now being built and is due to enter service in February 1993. This new aircraft, capable of flying routes like Sydney-Buenos Aires non-stop, is claimed to break even with a load of only 144 passengers, although its carrying capacity is

---

<sup>154</sup> For technical information on these two aircraft see the *World Encyclopedia of Civil Aircraft*, Crown Publishers, New York, 1981, p. 312 and *Jane's All the World's Aircraft, 1991-92*, Jane's Information Group, Surrey, UK, 1991, pp. 378-379. The number of passengers carried on a 767 aircraft is determined by the airline operating the aircraft. Although Lan Chile carries 174 passengers on its 767-200ER between Chile and Tahiti Qantas carries 202 passengers on the same type of aircraft on its routes.

expected to be larger at around 300 passengers.<sup>155</sup> Such an aircraft would appear to provide an opportunity for more frequent services between Australia and Latin American destinations compared with the larger capacity 747 presently operated by Aerolineas Argentinas.

6.152 The Committee understands from Aerolineas Argentinas that the airline will take delivery of Airbus 340-300 aircraft in 1995 and that it is probable that some of these aircraft will be used to replace, or supplement, the Boeing 747-200 aircraft presently flown on the air link between Argentina and Australia. The use of the 340-300 would allow Aerolineas Argentinas to fly non-stop between Buenos Aires and Auckland without the need to refuel in southern Argentina at Rio Gallegos as occurs at present on westbound flights.<sup>156</sup>

6.153 The Committee welcomes this development. Since these aircraft will carry a smaller number of passengers, compared to the present Boeing 747, Aerolineas would hope to increase the frequency of its services between Argentina and Australia when the Airbuses come into operation. According to Mr Samuels of Aerolineas the airline would seek the approval of the Australian and New Zealand Governments to:

"... increase frequency to compensate for the reduced number of passengers that can be carried on each service."<sup>157</sup>

6.154 Concerning the possible increase in the frequency of air services between Argentina and Australia resulting from the use of the new Airbus 340-300 aircraft, Mr Samuels told the Committee in April 1992 that:

"... it is hard to project the passenger growth on the route between Australia, New Zealand and South America; the number of carriers providing service on this route and as such, their frequencies, to be able to commit at this time anything more than a projected requirement in order that air services adequately meet the anticipated demand."<sup>158</sup>

---

<sup>155</sup> *Jane's All the World's Aircraft, 1991-92*, Jane's Information Group, Surrey, UK, 1991, p. 113. See also letter from Qantas to the Committee dated 23 September set out in Committee Hansard, p. 887B.

<sup>156</sup> Letter to the Committee, dated 13 April 1992, from Mr Robert Samuels, General Manager of Aerolineas Argentinas in Australia.

<sup>157</sup> *ibid.* For the views of the Australian Department of Transport and Communications concerning the process involved in increasing flights between Argentina and Australia see paragraph 6.41. If Aerolineas Argentinas wish to increase its flights to Australia it will have to approach the Argentine Government to negotiate with the Australian Government for such an increase.

<sup>158</sup> Letter to the Committee, dated 13 April 1992, from Mr Robert Samuels, General Manager of Aerolineas Argentinas in Australia.

6.155 The McDonnell Douglas Company of the United States has been developing a medium range, 12,987km, aircraft, the MD-11, and a longer range, up to 14,825km aircraft known as the MD-12X which might also have potential for use on the airlink between Latin America and Australia.<sup>159</sup>

6.156 A suggestion has been put forward that Australia could be linked to Europe via Latin America with a view to attracting more passengers on the Latin America Australia link. However, Mr Chicharro of Lan Chile expressed his belief to the Committee that a fare to Europe via South America would never be competitive in comparison with a true point to point fare to Europe from Australia.<sup>160</sup> The Committee nevertheless believes that, even with a fare somewhat higher than the direct fare to Europe, there could well be sufficient demand for such an option in both Australia and Latin America to make such an arrangement viable. The possibility should be fully explored.

### Shipping Links

6.157 According to the Department of Transport and Communications the lack of a direct shipping service between Australia and countries of Latin America has been raised in the past by business and commercial interests as being a barrier to trade.<sup>161</sup>

6.158 As a result of such complaints the Commonwealth Government agreed in 1961 to provide financial assistance for the establishment of a shipping service to the west coast of South America and some Caribbean ports. This service was initially provided by the Swedish Orient Line which operated in both directions and provided twelve sailing between January 1962 and January 1964. These services called at Peru, Ecuador, Colombia, Venezuela, Trinidad, Barbados and Guyana. Despite receiving a subsidy of A\$400 000 the service suffered heavy losses and Swedish Orient withdrew from the service.

6.159 In May 1964 the Japanese shipping company, "K" line, under a series of agreements with the Australian Government provided a shipping service to the west coast of South America. "K" line was paid a subsidy of A\$1.6 million until its last subsidised sailing took place in October 1971. "K" line continued with the service but it proved commercially non-viable and the line withdrew from the service in 1976. The

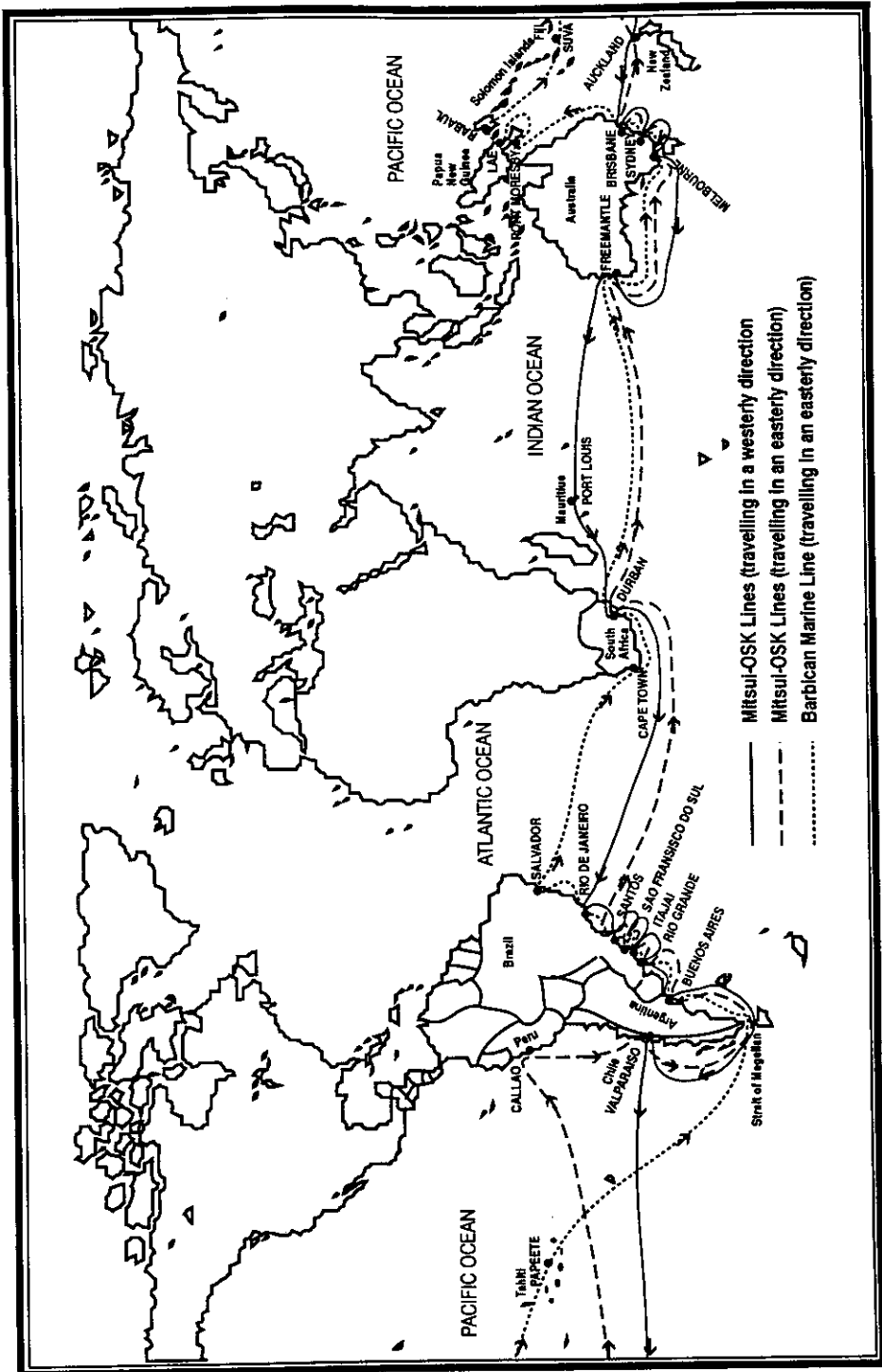
---

<sup>159</sup> *Jane's All the World's Aircraft, 1991-92*, op. cit., p. 144. The MD-11 has a passenger carrying capacity of 325; the MD-12X will carry 440 passengers. The MD-11 first entered service in December 1990; the MD-12X is expected to be certified in mid-1995.

<sup>160</sup> Committee Hansard, p. 1041.

<sup>161</sup> Department of Transport and Communications, submission, Committee Hansard, p. 262.

# DIRECT SHIPPING LINKS BETWEEN AUSTRALIA AND LATIN AMERICA





Department of Transport and Communications stated in its submission to the inquiry:

"After 10 years of operation, subsidies had failed to produce any significant trade growth between Australia and the west coast of South America and the Caribbean."<sup>162</sup>

6.160 As noted earlier in this Report there are presently two shipping lines providing dedicated direct shipping links between Australia and Latin America namely, the Mitsui-OSK Lines and the Barbican Marine Line. Neither of these services, which operate on a monthly and five weekly basis respectively from Australian ports, receives any subsidy from the Australian Government.<sup>163</sup>

6.161 As noted previously, through its agent, Union Bulkships, Mitsui-OSK Lines announced in early 1992 that it would be introducing an additional shipping service between Australia and South America carrying primarily break bulk cargo. The decision to introduce additional shipping was in response to demand for a service to deliver a large quantity of steel to Chile. However, the cargo did not eventuate. Mr Hayward, South American Trade Manager for Mitsui OSK Lines Ltd and Union Bulkships told the Committee in evidence that:

"We put two vessels in and on both occasions the cargo vanished about a month before the vessel arrived in Australia."<sup>164</sup>

As a result, the ships were diverted elsewhere.

6.162 International shipping operations, including those between Australia and Latin America, are not regulated by the Australian Government.<sup>165</sup> Shipping services are provided on a totally commercial basis.

6.163 In respect to shipping services to Latin America from Australia, the Department of Transport and Communications told the Committee at a public hearing on 12 August 1991 that:

"The problem on this particular route has been that the profitability does not seem to be there. Whilst there are some short term bumps or increases in the level of trade

---

<sup>162</sup> *ibid*, p. 263.

<sup>163</sup> For summary of services between Australia and Latin America, including transit times, see Appendix 11.

<sup>164</sup> Committee Hansard, p. 1887.

<sup>165</sup> There are however international rules on liability. See paras. 3.184-3.190.

which may make it viable for the short period, it does not seem to be sustainable."<sup>166</sup>

6.164 The Department is of the firm belief that there is no doubt that if the volume of trade was sufficient between Australia and Latin America shipping companies would step in to provide increased and improved services.<sup>167</sup> The Department of Transport and Communications also stressed to the Committee that there is little it can do to increase shipping services on the route, apart from encouraging exporters to use the services that are available. As stated by the Department:

"There is nothing we can do to coerce them. We can only encourage them and talk to them."<sup>168</sup>

6.165 The total level of two way liner trade between Australia and Latin America has increased from 87 000 tonnes in 1985-86 to 321 000 in 1989-90. However, in 1989-90 this trade only represented a very small proportion, about 3.6%, of Australia's total seaborne liner trade. In the years between 1985-86 and 1989-90 liner shipping imports from Latin America exceeded exports by a considerable margin.<sup>169</sup> Non-liner trade between Australia and Latin America is considerably larger than liner trade, with exports to Latin America from Australia considerably exceeding imports from that region.<sup>170</sup>

6.166 Due to the lack of frequent direct shipping services to Latin America the transshipment of goods, usually through the west coast of the United States is often necessary. Although transshipment adds to the shipping costs, from a time viewpoint the transit periods appear to be comparable with the existing direct services to Latin America. This is due to the relatively frequent shipping services operating from the United States to Latin America.<sup>171</sup>

---

<sup>166</sup> Committee Hansard, p. 284.

<sup>167</sup> *ibid.*

<sup>168</sup> *ibid.*, p. 285. See also Committee Hansard, pp. 274-5.

<sup>169</sup> Department of Transport and Communications, submission, Committee Hansard, p. 260. Liner trade is containerised, or general cargo, while non liner trade is essentially bulk commodities, both dry, such as coal and liquid, such as oil.

<sup>170</sup> Department of Transport and Communication, submission, Committee Hansard, p. 261. See Appendix 12 for details of Australia's liner imports and exports to Latin America between 1985 and 1990.

<sup>171</sup> Letter from Mr Scorpecci of the Department of Transport and Communications to the Committee dated 3 September 1991.

6.167 In addition to complaints concerning the lack of direct shipping services to many ports in Latin America most other complaints by business people regarding shipping services to Latin America, involve:

- . the lack of frequency of shipping services;
- . lack of liner space;
- . the duration of voyages; and
- . high freight rates compared with other shipping routes<sup>172</sup>

6.168 Despite some complaints about shipping services between Australia and Latin America such complaints are not universal. Austrade told the Committee in evidence:

"I guess everyone would like better, more frequent and cheaper shipping services, but we do not really get a lot of complaints about shipping services".<sup>173</sup>

According to Austrade it has not received any complaints about delays or costs in using shipping routes to and from Latin America.<sup>174</sup>

6.169 Arguments that the lack of a direct shipping service to Latin America has damaged trade between Australia and Latin America were challenged by Mr Ian Taylor, Manager of the Americas Market Development Office of Austrade. Mr Taylor told the Committee that he did not believe the lack of direct transport links with Latin America is a great barrier to improving trade. It was his view that there is not quite enough business for existing shipping capacity. Mr Taylor stated:

"... it is a bit of a catch 22 situation. If there were more trade interest, the shipping lines would put on more ships, but by and large there has been a problem with the shipping companies just filling their holds going back to South America. I do not really think it has been a real deterrent."<sup>175</sup>

6.170 As previously noted, despite the fact that Australia's trade with Latin America has been increasing in recent years, the actual level of this trade is modest. Based upon the evidence examined during the inquiry, the Committee acknowledges the

---

<sup>172</sup> See Australian-Brazil Chamber of Commerce, submission, Committee Hansard, p. 625; Pasmenco Ltd, submission, Committee Hansard, pp. 451-2; Committee Hansard, pp. 464-5, 470. For comments on the "chicken or egg" arguments in respect to shipping services see Committee Hansard, pp. 202, 225, 1359.

<sup>173</sup> Committee Hansard, p. 361.

<sup>174</sup> *ibid.*

<sup>175</sup> Committee Hansard, p. 346.

problem as expressed by the Department of Transport and Communications:

"While an important issue for Australian exporters is the lack of direct liner services, there is clearly not the volume of trade to support any significant increase in direct liner shipping services."<sup>176</sup>

6.171 Other evidence presented to the Committee on utilisation of liner space by the shipping companies supports this view. Mr Hayward told the Committee that:

"... given that 100% of the cargo inward to New Zealand and Australia comes from South America, perhaps 20% at the very most goes back to South America - probably less."<sup>177</sup>

The only way to make the route viable for Mitsui is to include Mauritius and South Africa.

6.172 Similarly, Mr Olmos, Line Manager for Barbican Marine (Agencies) Pty Ltd said that it is only the inclusion of the Pacific Islands that makes the Barbican line viable. Without the cargo that the line carries to the Pacific Islands, Mr Olmos estimated that 90% of the containers on the five weekly service from Australia to Brazil would be empty.<sup>178</sup>

"Extending the service to cover the Pacific Islands gives us practically 60% utilisation of those containers at very viable freight rates."<sup>179</sup>

6.173 The ships' capacity was further utilised by calling in at Cape Town and Durban. Mr Olmos explained that these arrangements still meant that empty containers had to be picked out and left idle. This added to the costs and viability of the operation. Moreover, Mr Olmos said that the longer route through the Pacific Islands:

"... dramatically increases our transit times back."<sup>180</sup>

6.174 The Committee is concerned that the full potential of existing direct shipping links between Australia and Latin America is not being fully used. While these existing links may not be fully satisfactory to all sectors of the business community, it is difficult

---

<sup>176</sup> Department of Transport and Communications, submission, Committee Hansard, p. 263.

<sup>177</sup> Committee Hansard, p. 1880.

<sup>178</sup> *ibid.*, p. 1896.

<sup>179</sup> *ibid.*, pp. 1896-7.

<sup>180</sup> *ibid.*, p. 1896.

to argue that direct regular shipping services to Latin America should be increased when existing capacity on some legs of the journey are significantly under-utilised.

6.175 The Committee has concerns that if the existing direct services are not used to a greater extent the shipping lines concerned could even downgrade their services between Australia and Latin America. Such a development could have a significant impact upon trade between Australia and Latin America, particularly in respect to the opening of new markets.

6.176 The Committee also explored other difficulties faced by traders and shippers to Latin America. Both shipping companies agreed that freight rates per kilometre on the Australia/Latin America route are very high. In Mr Hayward's words:

"... per kilometre, it would be one of the most expensive routes in the world."

The shipping companies attribute this in part to high stevedoring costs at both ends. Mr Olmos concurred with Mr Hayward's view that:

"Brazil and Australia would be the two most expensive places that we call at by a very long way. The costs are more than double those of most other countries."<sup>181</sup>

However both shipping companies agreed that there have been improvements recently in overall efficiency and speed of loading and unloading in Australian ports, although the improvement varied considerably from port to port.<sup>182</sup>

6.177 Mitsui drew attention to additional costs their service incurs because of the in-built inefficiencies associated with cargo that is not fully containerised. The nature of the cargo carried, as well as old and inefficient port infrastructure in most South American port means that Mitsui uses its own ship's gear on the Australia/Latin America route and not the highly efficient port handling cranes available on many other routes.<sup>183</sup>

---

<sup>181</sup> *ibid.*, pp. 1884, 1905. As an example, Mr Hayward said that costs in Durban in South Africa are A\$90, in New Zealand NZ\$90 and in Australia A\$400.

<sup>182</sup> Committee Hansard, p. 1874. Melbourne was cited as having attained the greatest efficiencies.

<sup>183</sup> *ibid.*, p. 1875. The consequent need to use public wharves also leads to greater variation in actual costs incurred than is the case for fully containerised operations.

6.178 The voyage time for both the Mitsui and the Barbican service is long.<sup>184</sup> The need to call in at a great number of ports also leads to scheduling difficulties. Mr Hayward explained that:

"... a delay in any one of those ports for any one of a number of reasons completely ruins our future schedule."<sup>185</sup>

Industrial disputes, occasionally bad weather and "poor performance in a number of areas of the waterfront" were cited as contributing to delays.<sup>186</sup> Particular mention was made by both shipping companies of industrial unrest in Brazil in recent times, apparently associated with privatisation proposals. Mr Downes, Representative of Mitsui, and Mr Olmos both noted that since about 1987 Australia's record on industrial relations disruptions has been very good.<sup>187</sup> Chile was also noted as having few problems in this regard.

6.179 Despite the difficulties, Mitsui see their services as having the potential for growth. According to Mitsui, although:

"... the trade flow is stable or slightly decreasing from South America, partly due to local, internal situation and partly due to other sources offering cheap alternatives because of various subsidies in the Northern Hemisphere ... trade ex Australia is currently buoyant, steadily increasing to Argentina, Chile and Brazil, increasing more quickly to southern and eastern Africa, and it is stable to Mauritius."<sup>188</sup>

6.180 In Mitsui's judgement, cargo levels at present can only support three vessels. Nevertheless they:

"... remain mildly optimistic that with these vessels the total trade from Australia will continue to expand as it has over the last three years."<sup>189</sup>

---

<sup>184</sup> Mitsui said that their Australia/Latin America voyage time is 90 days compared with 45 days Australia to the Far East-Japan. Committee Hansard, p. 1869. Barbican Line's round trip takes 93 days. *ibid.*, p. 1893.

<sup>185</sup> *ibid.*, p. 1875.

<sup>186</sup> *ibid.*, p. 1874.

<sup>187</sup> *ibid.*, pp. 1889, 1905.

<sup>188</sup> *ibid.*, p. 1869.

<sup>189</sup> *ibid.*, p. 1871.

Mr Hayward added that Mitsui's current effort to increase tonnage to South America represents "something of an act of faith."<sup>190</sup>

6.181 Mr Olmos was a little more cautious. While Barbican Marine appear to be anticipating positive developments in their activities in relation to the Pacific Islands and South Africa, they assess that any growth in demand for shipping space between Australia and Latin America will be "very minimal over the next few years."<sup>191</sup> At the same time, Mr Olmos acknowledged that the easing of import restrictions in Brazil under President Collor has "revitalised" the economy and has already led to:

"... a gradual increase in queries for commodities that we have never been asked to carry before from Australian ports."<sup>192</sup>

6.182 Both shipping companies see themselves as actively engaged in promoting their shipping services. Mitsui has long had a network of representatives in the major ports who gather information and keep in touch with developments.<sup>193</sup> Barbican Marine described themselves as "intermediaries" and "traders" who encourage growth in trade between Australia and Latin America by bringing potential buyers and sellers together.<sup>194</sup> Until very recently, neither company had had any substantive dealings with Austrade. Both indicated that they had little knowledge of how Austrade functions, how it might assist or who to contact in the organisation.<sup>195</sup>

6.183 As a result of its concern that the existing direct shipping routes be more effectively used the Committee believes effort should in the first instance be directed at bringing together traders and shippers to examine ways of achieving a better match between demand and supply of shipping services. It is clearly inadequate for industry and Government to communicate only through intermediaries.<sup>196</sup> With the prospect of increasing trade with South Africa in the wake of the dismantling of apartheid it

---

<sup>190</sup> *ibid.*

<sup>191</sup> *ibid.*, pp. 1898-9, 1905

<sup>192</sup> *ibid.*, pp. 1900-1, beer was cited as one such example.

<sup>193</sup> *ibid.*, pp. 1870, 1872, 1890.

<sup>194</sup> *ibid.*, pp. 1894, 1903.

<sup>195</sup> *ibid.*, pp. 1873, 1903.

<sup>196</sup> Mr Hayward likened such a form of communication to "Chinese whispers", where a message tends to lose its original meaning as it travels through intermediaries. Committee Hansard, p. 1891.

would be timely to look at the whole question of shipping services in the Southern Hemisphere afresh.<sup>197</sup>

6.184 Since this inquiry commenced, DFAT has taken the initiative to organise a meeting of shipping representatives and traders in Santiago, Chile, to examine jointly ways in which the shipping needs of those engaged in trade with the Latin America region might be better met. The Committee is pleased to see this development and wishes to see it carried forward. In view of the different situations in different Latin American ports, the discussions should also be widened to include the other major ports of call. Moreover, the Committee considers that it is vital for parallel discussions to take place in Australia.<sup>198</sup> This is particularly important because of the greater amount of cargo arriving in Australia from Latin America compared to cargo leaving Australia for Latin America on the regular shipping services. The imbalance seems particularly marked in the case of Brazil.

**6.185 Recommendation thirty: The Committee recommends that DFAT and Austrade act as catalysts to assist the Australian business community, and the current and potential providers of direct shipping services between Australia and Latin America to identify ways and means of promoting and facilitating trading links. The participation of the Department of Transport and Communications and the Australian Chamber of Shipping should be sought as necessary. Discussions between the parties should be held both at overseas posts and in Australia.<sup>199</sup>**

### **Which Comes First - More Trade or Better Transport Links?**

6.186 Should improvements in transport services be made only when necessary to meet demand, or should such improvements be brought into effect in order to create demand? In his testimony to the Committee, the former Secretary of the Department of Foreign Affairs and Trade, Mr Richard Woolcott, stated:

"... it is a bit of a chicken and egg situation whether you create the capacity and hope the trade follows or the capacity builds up as the trade requires".<sup>200</sup>

---

<sup>197</sup> As the Mitsui service is already an around the world service, developments in South African trade would have a significant positive impact on it.

<sup>198</sup> The Committee formed the impression that the Australia-based representatives of the shipping lines have not as yet been appraised of the outcome of the discussions in Santiago.

<sup>199</sup> Such discussions could be held under the aegis of the Task Force in Recommendation thirty one.

<sup>200</sup> Committee Hansard, p. 225.



6.187 The Department of Foreign Affairs and Trade's Assistant Secretary, Americas Branch, Mr Ian Wilcock, told the Committee that everyone would like to see improved transport links between Australia and Latin America but that:

"... until the business is clearly there, shipping lines and airlines are reluctant to get into the game".

Mr Wilcock went on to state that the Department of Foreign Affairs and Trade believed that improvements in transport links would occur over time but that such improvements "... must be commercially generated."<sup>201</sup>

6.188 When asked whether Mitsui could give an assurance that, provided goods to trade were available, a shipping service would be provided, Mr Hayward said:

"I hope that we would be able ... to provide the shipping to follow the trade provided that in our estimation it was an economical venture. In fact, that is our intention."<sup>202</sup>

6.189 Mr Hayward also drew attention to some of the complexities in setting freight rates when promoting new venture-type trade. He explained that Mitsui's philosophy had been that a venture does not necessarily have to be profitable from the very start. It had been understood when the company first began the current monthly sailings in 1988 that:

"... it would be difficult indeed to cover costs."<sup>203</sup>

6.190 The main consideration as far as Mitsui was concerned was that new business "must show growth". It was inherent in the nature of Australian/Latin American trade that it would require "... a larger investment, more risk and a trade orientated organisation" than would be required to simply increase services on a route involving an established market.<sup>204</sup> In the case of Latin America, notwithstanding many problems, Mr Hayward said:

"... we can see growth."<sup>205</sup>

---

<sup>201</sup> *ibid.*, p. 202.

<sup>202</sup> *ibid.*, pp. 1878-9.

<sup>203</sup> *ibid.*, p. 1868.

<sup>204</sup> *ibid.*

<sup>205</sup> *ibid.*, p. 1885.

Mr Olmos said unequivocally:

"... where there is cargo to be carried there will be a line to carry it."<sup>206</sup>

6.191 A few witnesses, for example, Mr John McGruther, President of the Australia-Brazil Chamber of Commerce, speaking specifically about air links between Australia and Brazil, said that business activity between Latin American and Australia may not suffer unduly as a result of claimed short comings in the present air links.<sup>207</sup>

6.192 The contrary view, namely that better transport links would have a beneficial impact on trade was held more widely by witnesses before the Committee.

6.193 As might be expected, Aerolineas Argentinas expressed the belief that air links provide the best avenue for the expansion of trade links between Australia and Latin America. In its view increased traffic flow in both directions will:

"... manifest itself in the development of commercial trade between continents."<sup>208</sup>

6.194 Many others, without a direct interest in providing transport services, expressed similar views. The following excerpts give an indication of the views expressed:

"Good transport between regions is obviously essential to promote business, tourism and trade ..., the relative difficulty of access to Latin America from Australia by air routes is astonishing."<sup>209</sup>;

"... an important "bottleneck" in bilateral relations is the poor transport connections, compounded by the absence of direct air links and insufficient shipping services between Australia and Chile."<sup>210</sup>;

---

<sup>206</sup> *ibid.*, p. 1899. Mr Olmos gave as an example Barbican Marine's recent shipment of the hovercraft formerly owned by Christopher Skase from Brisbane to Montevideo, a port that is not on Barbican's normal schedule. Mr Olmos said "... if there is inducement, we will call". Committee Hansard, p. 1907.

<sup>207</sup> Committee Hansard, p. 648.

<sup>208</sup> Aerolineas Argentinas, submission, Committee Hansard, p. 740.

<sup>209</sup> Mr A. McL. Collins, Austral, submission, para. 2.4.

<sup>210</sup> H.E. Mr J. Salazar, submission, para. 65.

"Any improvement in the transport links between Australia and South America will be of great benefit to Australian exporters."<sup>211</sup>;

"It will be possible to improve contacts between Australia and Latin America by expanding the existing transport connections, where difficulties at present are compounded by poor or even totally absent direct air links and shipping services. In the long run, remedying this situation would not only provide stronger links between people, but also expand tourism in both directions, and create new trade and business opportunities."<sup>212</sup>;

"One of the further inhibiting factors in developing commercial linkages across the Pacific has been the inadequacy of shipping services and airline connections ... An improvement in direct air links would obviously facilitate trade, particularly tourism which is now Australia's largest export earner."<sup>213</sup>; and

"[Transportation] is probably the most serious problem for enhancing and widening the relationship, because there are currently no direct links, either air or maritime, between Australia and Mexico."<sup>214</sup>

## Conclusion

6.195 The Committee is not surprised at the apparent reluctance in several Government Departments to initiate action to promote trade or transport links with Latin America. It is certainly true that several earlier attempts foundered and came to nought - this includes the posting of a range of Austrade representatives in the region in the seventies, several aborted efforts over the years to promote trade missions, the failure of the Qantas route to Mexico and two subsidised shipping services to Latin America. With the benefit of hindsight it is possible to see that these valiant efforts were being made at the wrong time.

---

<sup>211</sup> Barret Burston, submission, p. 3.

<sup>212</sup> Australian-Chile Friendship Society, submission.

<sup>213</sup> Australia-South America Business Council, submission, p. 4. Committee Hansard, p. 1388. In 1990-91 tourism was Australia's largest foreign exchange earner, A\$6.7 billion, and coal was Australia's largest merchandise export at A\$6.4 billion, Senate Hansard, 28 April 1992, p. 1733.

<sup>214</sup> H.E. Mr A. Morales, former Ambassador of Mexico, submission, p. 24.

6.196 The Committee is concerned that proper account is taken of the circumstances in which these efforts failed and that attitudes today are not overly tainted by the experiences of yesterday. It is vital to re-evaluate opportunities in the light of dramatically changed circumstances in Latin America in recent years, a rapidly changing global political and economic scene and Australia's place in it.

6.197 It is apparent to the Committee that current bureaucratic arrangements do not readily provide a suitable mechanism to evaluate sufficiently comprehensively Australia's overall national interests as they relate to a matter such as air links with Latin America.

6.198 Since a Cabinet decision of 1989, the Department of Transport and Communications is required to consult with DFAT, DITAC and the Department of Arts, Sport, the Environment, Tourism and Territories (DASETT) each time that Department receives a request for air services talks. In other words the process is only activated when an airline takes the initiative. It is the Committee's view that this procedure or mechanism is inadequate in a complex situation such as that pertaining to Australia's links with Latin America.

6.199 The Australian Tourist Commission told the Committee that there had been some improvement in consultation since 1989:

"... but the consultative arrangements tend to be very much on an ad hoc basis with negotiations coming up at very short notice, as it were, so that there has not been sufficient time for us to prepare a considered tourism view ... within the Department of Transport we would welcome the move to look at things on a more strategic basis."<sup>215</sup>

The Committee endorses the Tourist Commission's view that a more strategic approach is necessary. The Committee believes that a more effective and more comprehensive consultative process, going well beyond that which now exists is essential.

6.200 In a simplified form the present situation can be summarised as follows:

- . Some Australian business people don't choose to do business in Latin America and some tourists don't go there because travel is too cumbersome and too costly;
- . airlines don't put on more frequent flights at cheaper fares because there are not enough passengers; and
- . the bureaucracy says it is all primarily a matter for the private sector;

---

<sup>215</sup> Committee Hansard, pp. 735-6.

6.201 No single sector in this equation, be it traders, the airlines or the tourists, can be expected to break into the low growth pattern currently evident in the Australia-Latin America relationship. It is the Committee's view, however, that looked at in its totality, there is every reason to believe that co-ordinated, mutually reinforcing and supportive action in each of those sectors would lead to significant and valuable growth in each sector and in the total relationship. An approach that overcomes the current fragmentation of interests and seeks to promote and protect Australia's national interest as a whole must be found.

6.202 The Committee is well aware of the major changes of far-reaching consequence that are taking place in the international airline industry. These changes reflect the changing attitudes of governments towards ownership and support of their own international airlines and the economics and commercial realities of the industry.

6.203 Deregulation has already had a significant impact on Australia's domestic aviation industry. Further major changes have been foreshadowed by the Government, including the part privatisation of Qantas and changes with regard to the Trans Tasman arrangements.<sup>216</sup>

6.204 The Government's "One Nation" Statement of 26 February 1992 indicated the direction and scope of some of these changes. Although at this stage it is not clear what impact these initiatives will have on air links between Australia and Latin America they appear to have the potential to improve services between the two regions. Among the more significant initiatives put forward are:

- . reducing the barrier between Australia's domestic and international aviation sectors;
  - additional Australian carriers will be able to operate international services, providing consumers with greater choice and the benefits of more competition on international routes;
  - additional Australian carriers will be allowed to operate international freight services;
- . the renegotiation of bilateral air service agreements will take place with a view to securing multiple designation agreements with other countries and a "pro-competitive approach directed at achieving enhanced route and capacity arrangements";
- . negotiations to take place with other countries involving the exchange of own stop-over or interline rights;

---

<sup>216</sup> DFAT advised the Committee in a letter dated 18 May 1992 that the new owners of Qantas may wish to review joint venture contracts such as the one Qantas currently has with Aerolineas for leasing of seats.

foreign carriers will be allowed Australian interline rights where, through negotiation, a "mutually beneficial outcome results"; and

opening of a single aviation market between Australia and New Zealand.<sup>217</sup>

6.205 The Department of Foreign Affairs and Trade confirmed to the Committee that:

"Once implemented, the new Trans-Tasman arrangements and multiple designation of carriers on other routes will mean that foreign airlines such as Aerolineas Argentinas seeking a commercial arrangement with an Australian international airline will be able to do so with other airlines as well as Qantas."<sup>218</sup>

6.206 The Department also confirmed that:

"... after the reforms are operational and in circumstances where there are Australian rights to routes unutilised by Qantas, for example, on the route to Argentina, other Australian airlines will be able to seek authority to operate such unutilised route rights under the proposed multiple designation regime."<sup>219</sup>

6.207 Under these circumstances, in this fluid situation, the Committee is in no position to make specific prescriptive recommendations with regard to the Australia-Latin America air links. However, the Committee's views on the outcomes that should be sought are clear. As indicated elsewhere in the Report, the Committee is firmly of the view that it is in Australia's national interests to strengthen its links with the republics of Latin America. In order to do so it is vital to improve both air and sea transport links with the region. Improvement must be sought in:

the frequency of services;

the cost of services; and

the ease of connections.

---

<sup>217</sup> House of Representatives Hansard, 26 February 1992, pp. 264-71 and the *Australian Financial Review*, 27 February 1992, special liftout. "Interline rights" refers to the right of an airline to transfer passengers to another carrier using one ticket, at no additional cost or penalty.

<sup>218</sup> Letter to the Committee from Mr I. Wilcock, dated 18 May 1992.

<sup>219</sup> *ibid.*

With regard to air links a number of possible areas that should be explored in detail as part of a comprehensive re-evaluation of options to develop the market include:

- . a bilateral air services agreement between Chile and Australia that would permit a direct Santiago-Sydney return route, with options to stop over in Easter Island, Papeete and Auckland;
- . rights to additional permanent services on the Buenos Aires/Sydney route for both Aerolineas Argentinas and Qantas;
- . joint venture arrangements between Lan Chile and Qantas, and possibly Air New Zealand;
- . improvement in the arrangement whereby Qantas purchases 50 seats on the Aerolineas Argentinas flights on the Sydney/Buenos Aires route;
- . joint venture arrangements between Qantas and any other airline with rights to the Australia-Latin America route;
- . the potential impact of new technology aircraft, particularly on the frequencies that might be achieved;
- . improvements in connections at Papeete between Qantas and Lan Chile;
- . air freight charges and scope for the establishment of a pure air freight service between Australia and Latin America;
- . the introduction of a range of promotional fares in a joint effort by Qantas, Aerolineas Argentinas, Lan Chile and the tourist authorities of Australia, Chile and Argentina, in the first instance, with subsequent involvement of the tourism authorities of other major Latin American countries;
- . a study coordinated by the Australian Department of Transport and Communications, involving the Civil Aviation Authority, Argentinean aviation authorities, Qantas, Aerolineas Argentinas and possibly Lan Chile on the use of a non-stop air route between Latin America and Australia flying south of the 60th parallel; and
- . streamlining of procedures for the issue of visas and a concerted effort by DILGEA to ensure that all staff in Latin America with authority to issue visas are fully aware of the importance of facilitating travel by bona fide visitors from Latin America.

**6.208 Recommendation thirty one:** The Committee recommends that a Task Force on Latin America be established, initially for a period of two years. This Task Force should be chaired by the Department of Foreign Affairs and Trade and should involve the following bodies:

Australian Trade Commission  
Department of Transport and Communications  
Department of Employment, Education and Training  
Department of Immigration, Local Government and Ethnic Affairs  
Department of Primary Industries and Energy  
Department of Arts, Sport, the Environment and Territories  
Department of Industry, Technology and Commerce  
Department of the Prime Minister and Cabinet

- . the objective of the Task Force in the first instance should be to examine what contribution each participating department or agency might make to increasing links with Latin America as set out in Recommendation one of this Report;
- . the Task Force should develop a clear strategy, identifying complementary action that must be taken by each party to achieve the objective of increasing such links;
- . in developing a suitable strategy, the Task Force should take account in particular of Recommendation fourteen of this Report and address in detail the issues identified in paragraph 6.207. On the matter of transport links between Australia and Latin America, the Task Force should seek improvements in:
  - the frequency of services;
  - the cost of services; and
  - the ease of connections.
- . the Task Force should involve directly in its activities or working groups that might be set up under it, other interested parties such as the Civil Aviation Authority, Qantas and other Australian airlines interested in establishing international services, the Australian Tourist Commission and State Tourism Authorities, relevant Marketing Boards (such as the Australian Dairy Corporation, the Australian Horticultural Corporation, Australian Coal Board and various Barley Boards), and other relevant bodies such as the Australian Business Council, the various Chambers of Commerce and AILASA;
- . the Task Force should build on the findings of this Report and have ongoing responsibility for coordination of the Australian Government's policies in relation to Latin America. The Task Force should monitor implementation of the Recommendations of this Report;
- . the existence and role of the Task Force should be well-publicised and a position in DFAT clearly identified as a first point of contact and advice



for anyone interested in pursuing opportunities with the countries of Latin America; and

progress in implementing the Recommendations of this Report and the requirement for the Task Force should be reviewed in two years' time.

*"... we have much to learn from each other  
and much to share."*<sup>1</sup>

## CHAPTER SEVEN

### CULTURAL RELATIONS

7.1 Culture is not an easy term to define to everyone's satisfaction. For some the term means the sophisticated achievements of a society in literature, music, arts and drama. Others would include more popular activities like sport, jazz, folk and rock music, film and television.

7.2 The Committee sees culture in a broad sense, much in the way it is defined in the Macquarie Dictionary as "... the sum total of ways of living built up by a group of human beings ..."<sup>2</sup> The Committee has taken the promotion of cultural relations as referring to the wide range of activities involved in acquiring, or exchanging, knowledge in respect to another society as well as the active promotion of an understanding of Australian culture in other societies.

7.3 The level of cultural interaction between Australia and Latin American countries is relatively low. There is limited contact between the two regions in virtually every sphere of activity.

7.4 This chapter looks at the various aspects of cultural contact and interchange between Australia and Latin America. In addition to the broad heading of cultural relations, the chapter deals with the question of Spanish and Portuguese language study in Australia and the role of academics in promoting knowledge about and contact with the region. The chapter also looks at the provision of Australian educational services to the Latin American region. A survey of the extent of contact at the political and parliamentary level rounds off the chapter.

---

<sup>1</sup> Macdonnell Promotions Pty Ltd, submission, p. 3.

<sup>2</sup> *The Macquarie Dictionary*, Second Revised Edition, Macquarie University, Sydney NSW, 1982, p. 448.

## Cultural Contacts

7.5 Government funding for cultural relations with the countries of Latin America is limited. In the case of the Department of Foreign Affairs it was a mere A\$10,000 in 1990-91.<sup>3</sup> In 1991-92, the allocation was doubled, to A\$20,000. Of this, each post in Latin America received A\$3,160 for expenditure on cultural activities at their discretion, with the balance of approximately A\$1,000 retained in Australia for expenditure on ad hoc post requirements, such as books, to be purchased in Australia.<sup>4</sup> The Australia Council has allocated a much more substantial sum, A\$183,775 for Australian artists and activities in Latin America so far this financial year. This is a marked increase on the A\$52,000 spent on grants for Australian artists/organisations and activities in Latin America by the Australia Council in 1990-91.<sup>5</sup> The Committee hopes that this increased commitment to Latin America will be maintained in future years.

7.6 The Australia-Council grants, which come under the Council's International Program are intended to "... enhance knowledge and appreciation by persons in other countries of Australian arts" and "... foster expression of a national identity."<sup>6</sup>

7.7 Most of the activities are being conducted under the auspices of the Performing Arts Board of the Council, although there are also activities being supported by the Literature Board, the Aboriginal Arts Committees and the Visual Arts and Crafts Board of the Council.<sup>7</sup>

7.8 The Committee was particularly interested in the Performing Arts Board's approach to international promotion. Mr Rodney Hall, Chairperson of the Australia Council advised that the focus of the Board is essentially twofold:

"The first is the development of viable and, in the long term, self sustaining markets for Australian performing arts. The second thrust is aimed at the area of cultural exchange."<sup>8</sup>

---

<sup>3</sup> DFAT, submission, Committee Hansard, p. 134.

<sup>4</sup> Letter to the Committee, dated 8 April 1992, from Mr Con Chatham, Americas Liaison Officer, Cultural Relations Branch, DFAT.

<sup>5</sup> Recent cultural exchange activities that have been brought to the Committee's attention are set out in Appendix 13.

<sup>6</sup> Letter dated 19 February 1992 from Chairman, Australia Council for the Arts, to the Secretary of the Committee.

<sup>7</sup> *ibid.*

<sup>8</sup> *ibid.*

7.9 The Committee commends this dual approach as very appropriate for the broadening of Australia's cultural link with Latin America. It also notes the observation made by Mr Justin Macdonnell, that Latin America is "the fastest growing cultural market" for Australian performing arts and artists.<sup>9</sup>

7.10 The Committee notes that, whereas in the past Australian cultural visits and activities were widely scattered throughout the Latin American region, the Council has, in this financial year, adopted an approach whereby one of the major allocations will go to Circus Oz for a tour of several South American countries. Most of the rest of the funding is being devoted to a wide range of activities in a concentrated effort in one country, namely Venezuela.

7.11 The Committee sees considerable advantage in this approach to the allocation of scarce resources. In this instance it will result in a strong focus on Australian performing arts at this year's Caracas International Festival, with five Australian companies - Chamber Made Opera, Sydney Dance Company, Circus Oz, Theatre of Image and Stretch Mark - presenting seasons. The ABC, radio and television, will participate by sending arts reporters and SBS may assist with the production of a major documentary. Other activities will include visits by three Australian playwrights and the translation of some of their plays into Spanish.

7.12 The Committee sees value in maximising public awareness of Australia by focussing effort in this way. The Committee would add two observations. Care will need to be taken to ensure that each of the Latin American countries of major interest to Australia receives a fair exposure to this kind of concentrated effort over time.

7.13 Second, the Committee strongly endorses the suggestion made by Justin Macdonnell in his submission that activities such as the Caracas International Theatre Festival '92, where Australian artists will have an opportunities to make a real impact

"... should also be followed by other cultural activities with a *trading* edge."<sup>10</sup>

Mr Macdonnell proposes activities such as book fairs, film festivals and new technology promotion. The Committee goes further. In its view the high profile that results from a concentrated high quality artistic effort should be followed or accompanied by an equally strong trade promotion effort in the same location. There is no question that the impact of each separate activity would multiply several fold if cultural exchanges and trade promotion were linked together in time and place.

---

<sup>9</sup> Macdonnell, op. cit., p. 5. Mr Macdonnell, as Managing Director of an arts and entertainment consulting company, was commissioned by the Australia Council "as in effect, its representative in Latin America" in developing opportunities for Australian artists in the region.

<sup>10</sup> *ibid.*, p. 11.

7.14 The Committee notes that the Department of the Arts, Sport, the Environment, Tourism and Territories in its submission states that it encourages the use of exchanges in the arts, film cultural heritage areas, as well as sport:

"... as a useful adjunct to trade and commercial fairs or enterprises"<sup>11</sup>

**7.15 Recommendation thirty two:** The Committee recommends that the Australia Council, DFAT, Austrade and DASET make every effort to coordinate their activities in Latin America so as to maximise the impact of both cultural and trade promotion activities. Since the lead-times for such activities are long, the Committee recommends that the Australia Council, DFAT, Austrade and DASET develop coordinated, three year rolling plans for mutually supportive projects in Latin America. The possibility of integrating such activities with Ministerial and Parliamentary visits should also be fully explored.

7.16 The Committee was interested to learn that one of last year's important Australian cultural events in Latin America, the visit by the Camerata of the Australian Youth Orchestra was primarily sponsored from the Australian end by a private company, IBM, and the tour mounted with assistance from several companies and corporations in Latin America.<sup>12</sup> In 1990 a successful Australian Film Festival in the city of Mar del Plata in Argentina was sponsored by BHP and Qantas. The Australian national Music Camp Association sponsored a young Venezuelan musician to attend the 1992 summer camp in Australia. Such involvement of private organisations is to be encouraged.

7.17 The Committee is optimistic that, with Australian business interests in the Latin American region growing, so also opportunities for sponsorship of cultural activities will grow.

7.18 The Committee also believes that the responsibility for developing cultural links between Australia and Latin America should be shared. Reciprocity is important to maintain a healthy and mature relationship.

7.19 The Committee notes from Mr Macdonnell's submission his view that:

"Even where the Cultural Division of Foreign Affairs has not funds to expend, Australian missions in South America can

---

<sup>11</sup> DASET, submission, p. 1. Since the submission was made the Department has been renamed the Department of the Arts, Sport, the Environment and Territories (DASET).

<sup>12</sup> Macdonnell, op. cit., p. 11.

be a vital source of information and support on cultural matters, provided they are well briefed."<sup>13</sup>

The Committee has dealt extensively with the importance of information exchange elsewhere in this Report, particularly with regard to developing trade and investment links.

**7.20 Recommendation thirty three:** The Committee recommends that the responsibility for exchanging information on opportunities for cultural activities and exchanges should be more clearly identified and more widely shared between the bureaucracy and outside bodies. To that end the Committee recommends that the *joint responsibility* of key areas in the bureaucracy to keep each other - and bodies such as the Australia Council and private sector organisations, companies and academic institutions with an interest in Latin America - *informed of opportunities* in the cultural exchanges field be *clearly enunciated*. In particular, this responsibility should be clearly identified in the objectives and work programs of the relevant Department of Foreign Affairs and Trade Branches (i.e. Americas, Overseas Information and Cultural Relations), Australian diplomatic missions in Latin American countries, and Austrade.

7.21 DFAT advised that there are at present no cultural agreements between Australia and Latin America.<sup>14</sup> DASETT said in its submission that:

"DASETT encourages the development of broad cultural agreements such as those that exist with many other countries."<sup>15</sup>

The Committee received little other comment on the value of cultural agreements. The Committee nevertheless formed the strong impression that in other areas, such as science and technology, the Latin America countries favour formal agreements because they simplify funding and approval processes by providing a legal base.

**7.22 Recommendation thirty four:** The Committee recommends that the Australian Government give consideration to, and actively explore with the Governments of the Republics of Latin America, the value and feasibility of cultural agreements as a means of facilitating cultural exchanges. Priority could be given to those with resident representation in Australia.

---

<sup>13</sup> *ibid.*, Attachment 2.

<sup>14</sup> Committee Hansard, submission, p. 134.

<sup>15</sup> DASETT, submission, p. 1.

## Language

7.23 The Australian Federation of Modern Language Teachers' Association (AFMLTA) drew attention to the importance of Spanish, not only as a regional but as a significant international language, and "... reportedly the fastest growing of all international languages."<sup>16</sup>

7.24 The importance of Spanish as a major international language is indisputable and is highlighted by the following:

- . the three most widely spoken languages in the world today are Chinese, English, and Spanish;
- . Spanish is spoken by over 300 million people;
- . by the year 2000 it is estimated that Spanish will have the second largest number of speakers in the world after Chinese.
- . Spanish is the official language of 22 countries;
- . Spanish is one of the official languages of the United Nations;
- . Spanish is a dominant language in much of the Pacific basin.<sup>17</sup>

7.25 Spanish is also an important community language in Australia. As of 1986, Spanish speakers formed the sixth largest group in the Australian community whose first language is not English.<sup>18</sup>

7.26 Professor Ingram, President of the Australian Federation of Modern Languages Teachers' Association, in evidence to the inquiry argued that:

"... the language education component of the curriculum has a major contribution [to make] to fostering cross-cultural understanding."<sup>19</sup>

---

<sup>16</sup> AFMLTA, submission, Committee Hansard, p. 1158. See also pp. 1160 and 1163.

<sup>17</sup> Professor P. Cryle, submission, pp. 1-2. According to *The World Almanac and Book of Facts 1992*, World Almanac, New York, 1991 as of mid 1991 the three most widely spoken languages in the world were Mandarin (885 million speakers); English (450 million speakers); and Spanish (352 million speakers), pp. 573-4.

<sup>18</sup> Professor P. Cryle, submission, pp. 1-2.

<sup>19</sup> Committee Hansard, p. 1160.

This cross-cultural understanding, and in particular knowledge in Australia about Latin America, in turn is important:

"... because of the size and importance of the region; because of the potential for furthering education exports; for the potential for trade, because they are competitors with us; and because it edges a part of the world that Australia aspires to influence, namely the Pacific."<sup>20</sup>

7.27 The inability of many Australian business people to use the Spanish language fluently in business activities in the countries of Latin America is widely regarded as an impediment to Australian businesses operating successfully in this market.

7.28 Several witnesses drew attention to the importance of language in general for achieving success in international business. Dr Estela Valverde of the School of Education and Language Studies at the University of Western Sydney, Macarthur pointed to:

"... the well known fact that a knowledge of the languages of the clients increases the efficiency of the trade ..."

in her report *Language for Export*.<sup>21</sup>

7.29 Professor R.B. Leal, Deputy Vice-Chancellor (Academic) at Macquarie University, in his submission to the inquiry stressed the necessity for Australian business people to have a good knowledge of the language and culture of the target country they are hoping to do business in. However, Professor Leal does not appear particularly optimistic in this respect since he stated:

"Cultural sensitivity appears to be a rare commodity among Australians abroad, a fact which contributes significantly to Australia's generally poor export performance."<sup>22</sup>

Professor Leal warns that Spanish speakers tend to be strongly nationalist and intensely proud of their language and do not take kindly to:

"... anglophone attitudes of cultural imperialism that expect everyone to use English ..."<sup>23</sup>

---

<sup>20</sup> *ibid.*

<sup>21</sup> Dr Estela Valverde, *Language for Export*, p. 49.

<sup>22</sup> Professor R.B. Leal, submission, p. 1.

<sup>23</sup> *ibid.*



7.30 The National Languages Institute of Australia (NLIA) also considers that English is not adequate for doing business in non-English speaking regions such as Latin America. The NLIA argues that business people trying to trade in this region have a great deal of difficulty in researching competing products, making business contacts and working out suitable promotion and distribution strategies for their own products if they do not have command of Spanish or Portuguese.<sup>24</sup> The NLIA points to the interesting finding of a survey of the finalists in the Austrade Export Awards in 1987 that the finalists for these awards employed significantly more foreign language speakers than non-finalists. The findings clearly support the view that there is a relationship between skills in language other than English and export success.<sup>25</sup>

7.31 Austrade expressed the view to the Committee that one of the reasons why Australian businesses have not attempted to break into the Latin American market are problems associated with language. Mr Ian Taylor of Austrade, in evidence to the inquiry stated that:

"It is difficult for Australian companies, particularly those which are fairly new to the export business, to get into a market like that. Their attitude is why go through all this hassle with ... different language ... when they can go to closer markets such as South East Asia, New Zealand or whatever."<sup>26</sup>

7.32 Dr. John Brotherton of the School of Spanish and Latin American Studies at the University of New South Wales, argued that:

"To take advantage of trading possibilities, Australian business persons need to overcome cultural biases that have impeded the development of closer links. Stereotypical thinking about Latin America abounds, and there is a general reluctance to deal with peoples who speak different languages and whose history and culture do not spring from a British background."<sup>27</sup>

---

<sup>24</sup> NLIA, submission, p. 5.

<sup>25</sup> *ibid.*

<sup>26</sup> Committee Hansard, p. 352. See also p. 359.

<sup>27</sup> School of Spanish and Latin American Studies, University of New South Wales, submission, p. 6.

7.33 In her report *Language for Export*, Dr Valverde pointed to research findings overseas that "... languages should be part of a broader framework of training for overseas trade if we are aiming at expanding our export sector."<sup>28</sup> Dr Valverde concluded that:

"Australian companies will not be able to respond rapidly to the pressing demands of the global economy if they do not incorporate in their export departments staff who are linguistically capable of breaking into new markets."<sup>29</sup>

In particular Dr Valverde drew attention to a well known trading axiom that "... you buy in your language, but you sell in the language of your customer."<sup>30</sup>

7.34 In her study, Dr Valverde also found that:

"... the main languages of the future according to the exporters should be Japanese, Chinese, French, Korean, Spanish, Bahasa Indonesia and German, in that order of importance."<sup>31</sup>

7.35 Austrade too appears to be well aware of the importance of language skills for doing business in Latin America. The Deputy Managing Director of Austrade, Mr Donald Hunter stated that if Austrade were advising Australian business people contemplating going into the markets of Latin America:

"... we would certainly underline the importance of language capability, whether it be Spanish or Portuguese."<sup>32</sup>

7.36 Mr Hunter added that Austrade, in the future, would pay attention to language capability in sending people to Latin America from Australia. According to Mr Hunter:

"... when we get into a recruitment mode again that is the sort of thing that we will be taking into account".<sup>33</sup>

---

<sup>28</sup> D. Listen and N. Reeves, *Business Studies, Languages and Overseas Trade: A Study of Education and Training*, Macdonald and Evans, London, 1985, quoted in Dr Estela Valverde's Report on *Language for Export*, p. 49.

<sup>29</sup> Dr E. Valverde, *Language for Export*, p. 49.

<sup>30</sup> Dr E. Valverde, submission, Appendix 5.

<sup>31</sup> Dr E. Valverde, *Language for Export*, p. 46.

<sup>32</sup> Committee Hansard, p. 366.

<sup>33</sup> *ibid.*, pp. 357-8.

7.37 Notwithstanding this broad recognition of the importance of the Spanish language, it is, according to Professor Ingram "grossly under-represented"<sup>34</sup> in the Australian education system. Professor Ingram elaborated on this in the Federation's submission as follows:

"The languages and cultures of Latin America are poorly represented in the Australian education system. Neither Spanish nor Portuguese is widely taught and though this might be defensible for Portuguese, it is very anomalous for Spanish ..."<sup>35</sup>

7.38 The Committee was encouraged to find that the Department of Education, Employment and Training (DEET) appears to be moving towards a similar conclusion. At public hearings, a DEET representative said:

"... the more we look at Spanish and how its importance is growing as a world language, the more we realise that we need to have a better coverage."<sup>36</sup>

7.39 It is evident to the Committee, however, that Australia has along way to go. A concern currently being addressed by the Government in the White Paper *Australia's Language: the Australian Language and Literacy Policy* is the very low level of foreign language learning in Australian schools. Only 11.8% of year 12 students learn a foreign language.<sup>37</sup>

7.40 The Committee notes DEET's view that:

"... far greater numbers, at least double the number of students who are currently taking a language other than English should be taking such languages."<sup>38</sup>

Professor Ingram pointed out to the Committee that the Government's White Paper states that the:

"... aim is to increase the enrolment of year 12 [foreign language students] to 25% by the turn of the century."<sup>39</sup>

---

<sup>34</sup> *ibid.*, p. 1160.

<sup>35</sup> AFMLTA, submission, Committee Hansard, p. 1158. See also Committee Hansard, p. 1163.

<sup>36</sup> *ibid.*, p. 1428.

<sup>37</sup> *ibid.*, p. 1160.

<sup>38</sup> *ibid.*, pp. 1441-2.

<sup>39</sup> *ibid.*, p. 1161.

7.41 DEET told the Committee that, with regard to Spanish in Australian schools, there has been an upward trend, "... though the numbers are still not very great".<sup>40</sup> DEET gave the following figures:

"In 1969 about 360 school children in all were doing Spanish, and by 1988 it had grown to something like 9,000. It now constitutes about 2.6% of the LOTE [Languages other than English] students in year 12."<sup>41</sup>

7.42 At present there are 5,253 primary students doing Spanish and 3,333 secondary students.<sup>42</sup> By year 12, however, there are a mere 552 students still studying Spanish.<sup>43</sup>

7.43 The situation in the tertiary education sector is little better. Professor R. B. Leal, said in his submission that in 1990 Spanish was offered at only nine institutions of higher education in Australia with a full time student enrolment of 428 doing the language. Portuguese is offered at only two higher education institutions in this country with only eight students enrolled.<sup>44</sup> Professor Ingram said that Spanish was taught in only four Australian universities.<sup>45</sup> Neither Spanish nor Portuguese is offered anywhere by distance education.<sup>46</sup>

7.44 Dr Estela Valverde, in her submission to the inquiry, attached an appendix setting out statistical material dealing with the teaching of Spanish at Australian institutions of higher education. According to this appendix, in 1988 there was a total of 1077 students, full and part time, enrolled in Spanish language courses Australia wide. Of these students 82 per cent completed the Spanish units in which they were enrolled. The figure for enrolments in Spanish represented 0.3 per cent of all higher

---

<sup>40</sup> *ibid.*, p. 1427.

<sup>41</sup> *ibid.*, pp. 1427-8. According to the Government White Paper *Australia's Language and Literacy Policy*, DEET, Canberra, 1991, p. 15, 24% of language students in Year 12 study French.

<sup>42</sup> Committee Hansard, p. 1453. In percentage terms, primary school students of Spanish make up 2.3% of the primary LOTE students and in secondary schools students of Spanish represent .9% of the total LOTE student population.

<sup>43</sup> *ibid.*, p. 1160.

<sup>44</sup> Professor R.B. Leal, submission, p. 2.

<sup>45</sup> Committee Hansard, p. 1160. In evidence to the Committee, DEET stated that there are 12 higher education institutions teaching Spanish in Australia. The apparent discrepancy in figures given by different witnesses may relate to different categories of tertiary institutions and may apply to different time periods. The Committee is aware that a number of tertiary institutions are seriously considering introducing Spanish.

<sup>46</sup> Professor R.B. Leal, submission, p. 2.

education students in 1988 and 4.5 per cent of all language students attending higher education institutions in Australia, making Spanish the sixth most popular language in terms of enrolments just above Indonesian and modern Greek.<sup>47</sup>

7.45 The federal system of government in Australia introduces complexities into the implementation of policy in respect to teaching foreign languages, including Spanish. The Commonwealth Government offers a selection of 14 languages from which the States choose eight for placement on their own list of priority languages at year 12 level. This selection attracts an incentive payment from the Federal Government.<sup>48</sup>

7.46 At the time of giving evidence to the Committee in November 1991, DEET advised that Spanish was then a priority language in the policies of five of the

---

<sup>47</sup> Dr Estela Valverde, submission, appendix 2. DEET told the Committee that the majority of Spanish language students in higher education in Australia are from Spanish speaking backgrounds, Committee Hansard, p. 1455. This was not the experience of Dr Martin Schurrah of Flinders University, see his submission, Committee Hansard, p. 1659.

<sup>48</sup> The Government's White Paper *Australia's Language: The Australian Language and Literacy Policy*, issued in August 1991 is not entirely clear on the priority to be accorded to Spanish learning in Australia. The Policy Information Paper (PIP) states the following:

"States and Territories have developed their own strategies for teaching languages other than English in their school systems. In most cases, priority languages are identified for more widespread teaching. Five languages (French, German, Japanese, Indonesian and Chinese) are priorities in all State and Territory strategies, while Italian and modern Greek also receive special recognition. This selection of priorities accords well with our broader national interests. A report commissioned by AACLAME found that Australian exporters, for example, named Mandarin, Chinese, Japanese, Arabic, Indonesian, Korean, Thai, Spanish, German and French, in that order, as the languages most in demand in a trading environment.

It is not feasible to expect that all languages can be taught on an Australia-wide basis. Nor is it desirable, given limited teaching, curriculum and financial resources, to spread them thinly in an attempt to accommodate all interests. Some concentration of effort is required. Accordingly, Commonwealth assistance will focus on a core of eight languages to be nominated by each State and Territory Minister from the following priority languages:

Aboriginal languages, Arabic, Chinese, French, German, Indonesia, Italian, Japanese, Korean, Modern Greek, Russian, Spanish, Thai, and Vietnamese."

The Companion Volume to the PIP adds that:

"In recognition of the need to maintain diversity in language provision, those language which are common priorities in most States and Territories should be targeted for more support" Prime facie, the stated policy does not guarantee any increase in resources allocated to Spanish - it is left up to education systems and institutions in the States to make the selection of eight priority languages out of a possible 14 languages .

Australian States.<sup>49</sup> Portuguese was not a priority in any State but was identified as a middle ranking language.

7.47 In April 1992 DEET informed the Committee that New South Wales, Queensland, Tasmania and the ACT had nominated Spanish as a priority language for 1992.<sup>50</sup>

7.48 The fact that Victoria, Western Australia and the Northern Territory have not included Spanish in their choice of priority languages for 1992 seems at variance with the view expressed to the Committee by the NLIA, that:

"The development of Spanish has become a high priority."<sup>51</sup>

7.49 In evidence to the Committee, DEET indicated that it had been hoped that the incentive program for teaching languages in Australian schools would concentrate effort in the senior secondary part of schooling:

"... more towards languages that the Government considers to be priority languages."<sup>52</sup>

It appears to the Committee that while the federal incentive program may increase overall language study at the Year 12 level, it will do little to increase the number of students choosing to study Spanish.

7.50 Professor Ingram pointed to the complexities of devising an appropriate and suitable language training policy in Australia:

"... the Australian language teaching system, although it is

---

<sup>49</sup> Committee Hansard, p. 1428. In fact Spanish rated in the top six at that time in these states. See also Committee Hansard, p. 1455. DEET also hypothesised that "... because Latin American and Spanish migrants congregate in Melbourne and Sydney, in particular Sydney, that [Spanish] would be a language that would be better supported in New South Wales and to some extent in Victoria." *ibid.*, p. 1453.

<sup>50</sup> See also letter from Mr Ronald White which appeared in the *Australian Financial Review* on 21 February 1992. See also evidence from DEET, Committee Hansard, p. 1428. By declaring a language a priority language, the State attracts a payment of about \$300 from the Federal Government for each year 12 student studying that language. The funding is **not** tied to furthering the teaching of that language. The choice of languages offered to both primary and secondary students is a purely local decision made by each school. Letter to the Committee from DEET, dated 15 April 1992. As of April 1992 South Australia had not nominated its priority languages for 1992.

<sup>51</sup> NLIA, submission, p. 4. The NLIA is charged by its charter to provide national leadership in, and support for, language education in Australia.

<sup>52</sup> Committee Hansard, p. 1454.

extremely small, is very diverse and is necessarily diverse by world standards."<sup>53</sup>

7.51 Australia's population includes an exceptionally wide ethnic mix. It is also a fact of life that Australia's export markets will not always coincide with the ethnic origins of many of its people. The Committee accepts that this will inevitably result in competing pressures on Australian educational institutions providing language training.

7.52 The Committee acknowledges that many different reasons - cultural, educational, social, economic and political - will play a part in any single individual's choice of language other than English to study. The Committee also acknowledges the importance of freedom of choice in the selections made. Nevertheless, the Committee is concerned that the outcome of such choices should, as far as possible, also be in the wider national interest. In the view of the Committee, Spanish language training in Australia today at all levels of education systems does not reflect the present, or potential, importance of that language for Australia.

7.53 The Committee agrees with Professor Ingram that a way must be found of "setting priorities - encouraging a relatively small number of languages"<sup>54</sup> and giving individuals freedom to choose languages that are relevant to them.

**7.54 Recommendation thirty five: The Committee recommends that, in the implementation of the Government's Language Policy, the Federal and State Education Departments ensure that they themselves are fully aware, and ensure that potential students of foreign languages are made fully aware of the importance and value of Spanish as an international language.**

7.55 As previously indicated, the recent outcome in the choice of priority languages in several states and the way the program itself is structured raises serious questions about the extent to which the current incentive scheme will meet all the Government's objectives.

#### **How to improve Spanish language training**

7.56 When asked to indicate possible solutions to the present low level of Spanish language learning in Australia, Professor Ingram highlighted two requirements:

- . First, the need to devise a precise plan with a clear target; and
- . Second, the need to address the severe shortage of teachers in Spanish.<sup>55</sup>

---

<sup>53</sup> *ibid.*, p. 1170.

<sup>54</sup> *ibid.*, p. 1170.

<sup>55</sup> *ibid.*, p. 1179.

7.57 Professor Ingram proposed that Australian governments, both State and Federal should encourage institutions and universities to introduce Spanish with a specific target of producing a certain number of Spanish teachers by the year 2000.<sup>56</sup> The starting point for increasing the number of students doing Spanish in Australia should be the development of a "... rigorous and rational plan for the introduction of Spanish."<sup>57</sup> It was forcefully argued by Professor Ingram that:

"We need to take the specific decision at a State or a national level that by the year 2000 Spanish will be available in these schools. In the lead up to that, we need a supply of teachers. But that is the sort of detailed rigorous planning that is needed and without that it would be at best a haphazard, drip-feed approach. ... a certain number of teachers will be needed and we will need the training programs to cater for that."<sup>58</sup>

7.58 Professor Ingram believes that if the status of Spanish can be raised in Australia, enrolments in the language would equal those in French and Japanese by the turn of the century.<sup>59</sup>

7.59 In his *Report the Teaching of Modern Languages in Higher Education in Australia*, Professor Leal recommended that:

"... Spanish Language and cultural studies be designated a priority area in the next round of nominations for Key Centres of Teaching and Research."<sup>60</sup>

7.60 The Committee strongly endorses the emphasis Professor Leal has placed in his Report on the importance of improving Australia's Spanish language capabilities.

7.61 The Committee welcomes the Government's goal as expressed in its White Paper *Australia's Language: The Australian Language and Literacy Policy* of substantially expanding and improving the learning of languages other than English in Australia.

---

<sup>56</sup> *ibid.*

<sup>57</sup> *ibid.*, p. 1162, see also pp. 1165-6.

<sup>58</sup> *ibid.*, p. 1180.

<sup>59</sup> *ibid.*, p. 1163.

<sup>60</sup> Professor R.B. Leal, submission, p. 2.



7.62 Recommendation thirty six: The Committee recommends that in the implementation of the White Paper *Australia's Language: The Australian Language and Literacy Policy*, resources be allocated in such a way as to ensure that by the year 2000 the provision of Spanish language training in Australia brings the Spanish language more nearly towards that attained by the French language, both in numbers of students and level of proficiency.

The Committee emphasises that, in the light of the extremely low level of foreign language study, particularly in the secondary education sector, in Australia today, the extra effort required for the Spanish language should *not* be at the expense of any of the other priority languages, but a net addition to current efforts.

7.63 As regards teacher supply, Professor Ingram expressed the view that a shortage of teachers of Spanish, rather than shortage of funds is the key problem of the present time and that "Little can be done until teacher supply is improved."<sup>61</sup>

Professor Ingram, went so far as to say during his evidence to the inquiry, that

"... we are starting in fact from so far behind in the provision of teachers that it would probably be difficult even to spend more than is being allocated at the moment."<sup>62</sup>

7.64 Several ways of attacking the problem were suggested. Of particular interest was a suggestion by Professor Ingram that native speakers of Spanish should be employed as language teaching assistants in schools. Under this scheme these assistants would have the long term opportunity, if they wish, to train as teachers who would then be employed in the various state educational systems as registered teachers of Spanish.<sup>63</sup>

7.65 Recommendation thirty seven: The Committee recommends that DEET, in cooperation with State education authorities, institute a scheme whereby native Spanish speakers who do not have Australian teaching qualifications may be employed as assistants in the teaching of that language in Australian schools.

7.66 Another suggestion made by witnesses was the use of exchanges between Australian English language teachers and Spanish language teachers from Latin America.<sup>64</sup> Such an arrangement might well be facilitated if it was included in any

---

<sup>61</sup> Committee Hansard, p. 1162.

<sup>62</sup> *ibid.*, p. 1173.

<sup>63</sup> *ibid.*, pp. 1166-7. For information on the use of Latin American teachers to teach Spanish in Australian schools see evidence from DEET, Committee Hansard, pp. 1445, 1446.

<sup>64</sup> *ibid.*, p. 1166.

cultural agreements or any other, more general, Memorandum of Understanding that might be negotiated with Latin American countries in the future.

7.67 The Committee understands that Spanish Government authorities have already offered assistance to the teaching of Spanish in Australian schools,<sup>65</sup> and recently arranged to subsidise the cost of some Spanish teachers in several Australian schools.<sup>66</sup> The Committee welcomes the increased opportunities for Australian students to develop language skills in Spanish through support such as that provided by the Spanish Government.

**7.68 Recommendation thirty eight: The Committee recommends that DEET in cooperation with State education authorities actively explore the possibility of arranging teacher exchanges between Australia and the countries of Latin America as a means of overcoming the serious shortage of Spanish language teachers in Australia.**

7.69 The under-utilisation of Spanish language skills already existing in the Australian community was a theme that occurred in several submissions to the inquiry.

7.70 In his evidence, Professor Ingram called for greater recognition of the value of peoples' language skills. Professor Ingram is concerned that such skills held by migrants or their children be maintained and furthered. These language skills are seen as being of benefit to Australia. According to Professor Ingram, these foreign language skills should be given formal recognition through an assessment process conducted by the NLIA's language testing centres. People should receive certificates recognising their language skills. These certificates could also possibly be used in support of applications for admission to institutions of higher education.<sup>67</sup>

7.71 The views of Professor Ingram were given qualified support by DEET, in its evidence to the inquiry. The Department agreed that:

"... children who have a first language which is not English represent a resource to the community and we should be doing more, clearly, to recognise that skill."<sup>68</sup>

---

<sup>65</sup> *ibid.* See submission from Oscar A. Florez Marquez, p. 4 for details of such support from the Spanish Government.

<sup>66</sup> Committee Hansard, pp. 1453-4, the majority of these teachers are located in NSW with a smaller number in Victoria, the ACT and South Australia. The total number of teachers involved is about 20.

<sup>67</sup> *ibid.*, pp. 1167-9.

<sup>68</sup> *ibid.*, p. 1444.

However, the Department has not developed any scheme for recognising these language skills outside of the formal schooling system. Although the Department considered that "... it should not present a huge practical problem to actually implement a strategy,"<sup>69</sup> it did warn that:

"There might be all kinds of equity issues raised if, without going through courses, students were given credit which then counted for university entrance ..."<sup>70</sup>

**7.72 Recommendation thirty nine :** The Committee recommends that DEET institute a system whereby language skills developed outside the formal schooling system can be assessed and acknowledged as a recognised education qualification.

7.73 The NLIA suggested that native speakers of Spanish and Portuguese could be used to assist in the promotion of trade between Australia and the countries of Latin America. According to the NLIA:

"Australia has a considerable number of Spanish-speaking and Portuguese-speaking citizens who constitute a readily adaptable resource for Australian businesses dealing in Latin America. Business needs to be encouraged to develop this resource. This will include not only the provision of appropriate training for professionals in the field of economics and commerce and who have language skills, but also appropriate rewards for those who use their bilingual skills in their work."<sup>71</sup>

7.74 In order to remove some of the impediments to trade between Australia and Latin America due to language difficulties the NLIA has suggested the establishment of Language for Export Centres. These centres would offer courses targeted at improving the language skills of Australian business people dealing with non-English speaking countries such as those in Latin America. The Committee understands that the NLIA is currently investigating the establishment of such centres at a variety of locations throughout Australia.<sup>72</sup>

7.75 A centre similar to those advocated by the NLIA, the *Language for Export Research Centre* has already been established at the University of Western Sydney.

---

<sup>69</sup> *ibid.*

<sup>70</sup> *ibid.*

<sup>71</sup> NLIA, submission, p. 6.

<sup>72</sup> *ibid.*

According to the submission from Dr Estela Valverde, the Centre specialises in:

"... identifying and supporting the language needs of exporters to enable them to compete more efficiently in the international markets."<sup>73</sup>

The Centre will carry out research into:

- . the needs and use of languages other than English in the export and trading sectors in Australia;
- . the inter-cultural relationship dimension of language acquisition for export and trading purposes;
- . the potential for Australians, whose first language is not English to contribute to Australia's economic performance; and
- . English language as a potential commodity to be exported overseas.<sup>74</sup>

7.76 In addition to research, the submission states that the Centre provides the following services to the business community:

- . language and inter-cultural communication courses tailor made for clients;
- . international translation and interpreting services; and
- . acts as a referral centre for language related problems outside its realm of expertise.<sup>75</sup>

7.77 The Centre also engages in a range of liaison work with business, other universities and TAFE institutions as well as publishing papers and newsletters.<sup>76</sup>

7.78 The Committee believes that centres such as the Language for Export Research Centre at the University of Western Sydney have the potential to make a significant contribution to Australia's ability to do business in the countries of Latin America. The Committee is keen to see Language for Export Centres, as advocated by the NLIA, established throughout Australia.

---

<sup>73</sup> Dr E. Valverde, submission, p. 3.

<sup>74</sup> *ibid.*, pp. 3-4.

<sup>75</sup> *ibid.*, p. 4.

<sup>76</sup> *ibid.*

**7.79 Recommendation forty:** The Committee recommends that relevant Government Departments and authorities, such as DEET and Austrade, support, as a matter of priority, the inclusion of Spanish language training in the establishment and operation of Language Export Centres.

## Export of Australian Educational Services

7.80 Several of the submissions to the Committee referred to the potential for Australia to provide educational services, at all levels, including informal English language training and a wide range of post-graduate courses to Latin Americans.<sup>77</sup>

7.81 The provision of such services was seen as offering two major benefits for Australia. First, Australian institutions and companies providing such services would obviously benefit financially. Secondly, Australia's relations with Latin America, at a variety of levels, are likely to benefit significantly as a result of Latin Americans having the opportunity to visit and get to know Australia through their studies here.

7.82 Australia's share of the global international student market is estimated at about 2.5%, with experts believing that this could be increased to 5% by the end of the century.<sup>78</sup>

7.83 Although some institutions in Australia offering educational services to overseas students, such as English language colleges, have gone into a downturn over the last few years, universities are attracting significant numbers of foreign students. According to Mr Steve Lewis writing in the *Australian Financial Review* in August 1991:

"The Universities are now the fastest growing component of the export of education industry, and contribute a significant proportion of the almost \$1 billion a year earned in foreign revenue. ... The phenomenal growth in the export of education industry has also pushed a number of universities onto Australia's 'top 500' exporter list for the first time."<sup>79</sup>

---

<sup>77</sup> See Insearch Language Centre, submission, Committee Hansard, pp. 952-3; AFMLTA, submission, Committee Hansard, p. 1158. For the views of DEET on the education market in Latin America see Committee Hansard, p. 1430.

<sup>78</sup> *The Australian Financial Review*, 20 August 1991, p. 24.

<sup>79</sup> *ibid.*

7.84 In evidence to the Committee, DEET agreed that there has been a growing emphasis in the past twelve to eighteen months on the education in Australia of fee-paying foreign students in formal courses.<sup>80</sup> The non-formal education sector, which is largely devoted to the provision of English Language Intensive Courses for Overseas Students (ELICOS) has, in the words of the DEET representative, been "undergoing some consolidation"<sup>81</sup> during the same period. Nonetheless, ELICOS is still regarded as a "significant player in the export of educational services" by providers of the service, such as the Insearch Language Centre.<sup>82</sup>

7.85 It is the view of the Committee that the provision of educational services would make a valuable contribution to relations at various levels between Australia and the countries of Latin America. The Committee concurs with the view expressed by the Director of the Insearch Language Centre, Mr Michael Fay, that:

"The Japanese, Americans and Europeans long understood the pivotal role that education plays in long term economic, political and cultural enrichment. In order for Latin America to view Australia as a real partner in development we must begin with education."<sup>83</sup>

7.86 Following a visit to Latin America in September and October 1990 the Director of the Insearch Language Centre concluded that:

- . there is a substantial market for educational services in South America;
- . the educational services market in Latin America is at present almost exclusively held by Britain and the United States; and
- . there is interest in educational services offered in Australia but little knowledge of such services.<sup>84</sup>

7.87 Mr Murray Laurence, Chief Executive Officer of the Insearch Institute of Commerce at the University of Technology in Sydney stated in evidence, that it was quite feasible to expect that Australia could attract up to 1 000 students from Latin America to attend "ELICOS plus TAFE type courses".<sup>85</sup>

---

<sup>80</sup> Committee Hansard, p. 1432.

<sup>81</sup> *ibid.*, p. 1431.

<sup>82</sup> Insearch Language Centre, submission, Committee Hansard, p. 949.

<sup>83</sup> *ibid.*, p. 951.

<sup>84</sup> *ibid.*, pp. 952-3. See also para. 7.136.

<sup>85</sup> Committee Hansard, p. 991

7.88 Mr Laurence told the Committee that one student travel bureau in Brazil, alone, sent 4 000 students abroad a year. Of these students, 70 % went to the United States and 30 % to the United Kingdom. According to Mr Laurence this bureau believes 10% of this number could be attracted to attend educational facilities in Australia on an annual basis.<sup>86</sup>

7.89 The Australian Federation of Modern Language Teachers' Association is also optimistic that Australia could attract Latin Americans to educational facilities and services in Australia. In its submission, the Federation said that "... there is evidence that despite (or because of) the U.S. domination in this area, Australia could become a successful competitor."<sup>87</sup>

7.90 The President of the Federation, Professor David Ingram, told the Committee that, based upon discussions he has had with a number of people who have lived in Latin America and have been involved with education, there is a market in that region that could be "quite ripe for Australia".<sup>88</sup>

7.91 Professor Ingram shares the view of other witnesses that, because the United States dominates in the provision of educational services in the Latin American region, Latin Americans are now more "... likely to be responsive to an alternative to the United States for language programs, for educational programs."<sup>89</sup>

7.92 The Committee was unable to gauge whether any educational institutions besides Insearch Language Centre had made any attempts in recent times to attract students from Latin America. According to one government official Australian entrepreneurs selling Australian educational services do not appear to be in Latin America any longer. The Committee was told that "... neither the private institutions nor the public institutions seem to be there".<sup>90</sup>

7.93 This lack of initiative can probably be attributed to two main factors, the failure in recent years of several language institutions in Australia and the encouragement given in recent years by Government to providers and promoters of Australian educational services to target the Asian market.

---

<sup>86</sup> *ibid.*, p. 992 .

<sup>87</sup> AFMLTA, submission, Committee Hansard, p. 1158.

<sup>88</sup> Committee Hansard, p. 1176.

<sup>89</sup> *ibid.* See also paras. 5.9-5.11 of this Report.

<sup>90</sup> See evidence given by Mr Mark Sullivan of the Department of Immigration, Local Government and Ethnic Affairs, Committee Hansard, p. 1294

7.94 In its submission to the inquiry the Insearch Language Centre set out four client groups in Latin America that could be targeted for the marketing of Australian language courses, namely:

- . ELICOS students;
- . full fee paying university and college students;
- . holiday English language groups or "educational tourism"; and
- . businessmen and women.

7.95 Mr Murray Laurence explained that "educational tourism" referred to "... holiday programs in English, or holiday programs that combine English with sporting activities, or English with organised tourism."<sup>91</sup>

7.96 DEET expressed reservations about the potential of Latin America as a market for Australian education services. DEET has concentrated its attention on the Asian region for the marketing of such services. Mr John Muir, of the Department, told the Committee in evidence regarding the market in Latin America that:

"If we believed the source of students was genuinely there, and if we believed that the motivation was there on the part of the proprietors of the various colleges, then there would be a shift in our stance."<sup>92</sup>

7.97 DEET made it clear that, unless it received a clear direction from Government that it should investigate the Latin American market or promote it, the Department would continue to concentrate its resources and energies on the current priorities.

7.98 The Committee accepts that it was appropriate for DEET to devote its energies and resources in the last five or so years to developing the infrastructure to provide Australian education services to students from Asian countries. Much has been achieved and much has been learnt about the pitfalls. It is the view of the Committee that the experience that DEET has acquired in supporting the marketing of Australian educational services in Asia should now be applied to the Latin American market, albeit on a somewhat smaller scale.

### **Advantages Held By Australia in the Education Marketplace**

7.99 The Insearch Language Centre provided the Committee with the following list of attributes Australia has in its favour which would help to attract students to

---

<sup>91</sup> Committee Hansard, p. 982.

<sup>92</sup> *ibid.*, pp. 1430, 1439. DEET also has concerns regarding the fact that Latin American countries are not gazetted, that is, they are considered to be higher risk countries for the issue of visas, see *ibid.*, p. 1438. See also para. 7.117 of this Report.



Australian educational facilities:

- . high quality English language programs;
- . competitively priced programs;
- . climate;
- . lifestyle;
- . personal security;
- . informal atmosphere;
- . complementary school and university holiday periods with South America.
- . sporting connections;
- . cultural connections; and
- . educational connections through existing exchange programs such as Youth for Understanding, Rotary and American Field Scholarships.<sup>93</sup>

7.100 It was also argued that Australia is strategically placed to act as a bridge or a link between South America and the economies of North and South East Asia.<sup>94</sup> This was seen as providing an additional attraction for Latin Americans to study in Australia. It was suggested, for instance, that Latin American students may believe it would be beneficial to be in a language class in Australia along with students from Japan, Taiwan or Korea.<sup>95</sup>

7.101 The submission from the Insearch Language Centre concluded that:

"Australia's reputation as a high quality provider of Educational Services offers us an opportunity to enter the Latin American market to the long term benefit of both Australia and the countries of Latin America."<sup>96</sup>

---

<sup>93</sup> Insearch Language Centre, submission, Committee Hansard, pp. 953-4.

<sup>94</sup> *ibid.*, p. 950. See also Dr S. R. Anleu and others, submission, p. 1.

<sup>95</sup> Committee Hansard, p. 987.

<sup>96</sup> Insearch Language Centre, submission, Committee Hansard, p. 951.

## Promotion of Educational Services - Role of Government

7.102 There is a perception, particularly among suppliers of educational services, that the Australian Government, and its agencies, do not recognise the potential significance of this industry for developing links with Latin America. The absence of any reference to students in the DILGEA submission to the inquiry would appear to lend support to this view.<sup>97</sup>

7.103 With reference to the marketing of Australian education services in Latin America, Mr Michael Fay said that "What is required from Australia is both a recognition of the opportunities available and action to develop them."<sup>98</sup>

7.104 Mr Fay suggested the following steps:

- . greater recognition by the Department of Foreign Affairs and Trade that there is a legitimate market in Latin America for Australian Educational Services;
- . acceptance by DILGEA that the provision of educational services is a legitimate business and that immigration problems can be addressed by checking the bona fides of students in their countries in the same manner that the United States and Britain do;
- . placing of an Australian Trade Commissioner or Consul in Sao Paulo, Brazil, with visa issuing powers, to assist in developing links to the richest region of Brazil; and
- . staging of a modest advertising campaign and exhibitions promoting Australian educational services in key target countries of Latin America such as Mexico, Venezuela, Brazil, Argentina and Chile.<sup>99</sup>

7.105 In his evidence to the Committee Professor Ingram stressed the need for Australian education facilities and services to be made better known worldwide. He believes that Austrade and Australian embassies could play a significant role in promoting Australian educational services in Latin America. Professor Ingram is also of the view that as part of this promotional exercise there is a need for Australian educational exhibitions to be staged more frequently in Latin America.<sup>100</sup>

7.106 The Committee believes that several of these suggestions could make a positive contribution to the marketing of Australian educational services in Latin America.

---

<sup>97</sup> Committee Hansard, p. 1291.

<sup>98</sup> Insearch Language Centre, submission, Committee Hansard, p. 951.

<sup>99</sup> *ibid.*, p. 950.

<sup>100</sup> Committee Hansard, p. 1177.

7.107 It was asserted in evidence to the inquiry that Australia has captured only a limited share of the "study abroad" market in Latin America largely for the following reasons:

- . the absence of any focused promotion of Australia as an English study destination;
- . a lack of understanding of the range of educational services available in Australia by Department of Foreign Affairs and Trade, Austrade and DILGEA officers posted in Latin America; and
- . a perception among Latin American travel specialist that Australian Government representatives do not encourage applications for ELICOS study in Australia.<sup>101</sup>

7.108 Mr Murray Laurence was very critical of the performance of Austrade in respect to the marketing of Australian educational services in Latin America. He told the Committee:

"In terms of knowledge and support, Austrade is virtually nonexistent. From my knowledge of Latin America it is virtually not there at all. ... if they were able to deploy half the resources they put into north east and South East Asia regularly, we would at least have a presence there and the agents who want to represent Australian institutions would at least have some local body with knowledge of Australia."<sup>102</sup>

7.109 As noted previously, notwithstanding periodic problems, Australia has generally been successful in its campaign to sell Australian educational services in Asia. It should be borne in mind that Australian Government Departments and authorities, such as DEET and Austrade, played significant roles in supporting educational institutions in marketing their services in this region.

7.110 The Committee believes that there is an untapped market in Latin America for Australian educational services. Government Departments and authorities should now play a more active role, as they did in Asia, in support of Australian educational institutions and companies interested in marketing their services in that region.

---

<sup>101</sup> Insearch Language Centre, submission, Committee Hansard, p. 954.

<sup>102</sup> Committee Hansard, pp. 987-8.

## Visa Related Issues

7.111 During the inquiry problems with the issuing of visas were raised as serious impediments to the promotion in Latin America of Australian educational services.

7.112 Mr Laurence told the Committee, that based upon conversations he had during visits to Brazil, Argentina and Chile on three occasions in 1987, 1988 and 1989 he had concluded that one of the most significant problems faced by students related to difficulties involved in obtaining a visa to study in Australia.<sup>103</sup> According to Mr Laurence, "It is now almost impossible for a student to obtain a visa to come to Australia."<sup>104</sup>

7.113 Mr Laurence believed that one of the difficulties involved in obtaining a visa to visit Australia was due to the relatively few visa issuing centres in South America. In addition it was his belief that officials involved with the issuing of visas put student visas at the bottom of their priorities. Mr Laurence was emphatic that, "The people concerned with visas have, on the whole, a very negative attitude to education as an export service."<sup>105</sup> He told the Committee in evidence:

"... from my dealings with our Foreign Affairs and Immigration people in Argentina, Brazil and Chile, none of them was aware that education was a viable commodity for Australia to be exporting. All of them had an attitude that said that everybody out there was a potential illegal immigrant and we will do everything we can to make it difficult for them to get a visa, whether as a student or as a tourist or whatever."<sup>106</sup>

The Committee took this issue up with DILGEA.

7.114 DILGEA explained that the Department places students into two categories, category A and category B students. The process for issuing visa varies, depending on the student category. Category A students are either studying at secondary schools or are undertaking a course which requires a year 12 standard of education. Category B students are those undertaking short term non-formal courses, including ELICOS. According to the Department during 1990-1991 from the whole of Latin America there were only 45 category A students and 100 category B students in Australia.<sup>107</sup>

---

<sup>103</sup> *ibid.*, p. 983.

<sup>104</sup> *ibid.*, p. 984.

<sup>105</sup> *ibid.*

<sup>106</sup> *ibid.*, p. 986.

<sup>107</sup> *ibid.*, p. 1291.

7.115 The Committee was told by DEET that on the 30 June 1991 there were 114 students studying in Australia from Latin America and the Caribbean. These students consisted of 28 doing higher education, eight doing post secondary courses, 70 taking secondary courses and eight doing ELICOS.<sup>108</sup>

7.116 The apparent conflict with the statistics supplied by DILGEA is explained by the fact that DEET's figures result from a snap shot of the number of students studying in Australia on a particular day, 30 June 1991, while the statistics from DILGEA show the number of total student visas issued over a calendar year. It must also be borne in mind that the DILGEA figures do not show longer term visas issued to students in previous years who were still studying in Australia during the financial year 1990-1991.

7.117 DILGEA told the Committee that the arrangements in Latin America for students applying for category A courses are the same as those that apply in every market throughout the world. According to DILGEA, the arrangements that apply in Latin America for Category B courses

"... are the same as apply in non-gazetted countries -  
which is a nice way, I guess, of saying high risk countries -  
for short term students."<sup>109</sup>

7.118 Mr Laurence suggested that Latin American students were probably placed in this category because of a lack of statistical data from which to draw firm conclusions. He made it clear that he did not necessarily accept that Latin Americans, including students, were a high risk group in respect to over staying their visas after they arrived in Australia. Mr Laurence argued that there had not been a sufficient number of visitors, particularly students from Latin America over the years to conclude that they posed a threat of illegally over staying in Australia.<sup>110</sup> The numbers of students was simply too small to make any generalisations about their propensity to overstay.

7.119 The difficulties associated with obtaining a student visa in Latin America to come to Australia appear to be in part related to a general tightening up of regulations

---

<sup>108</sup> *ibid.*, p. 1433.

<sup>109</sup> *ibid.*, p. 1296. Gazetted countries is a list of countries whose citizens Australian authorities believe pose a minimum threat of over staying in Australia, either as visitors, or in transit through our airports. No Latin American country appears on this list of gazetted countries. There is a more liberal policy towards the issue of a visitor or student visa to a citizen of a gazetted country compared to a citizen of a non-gazetted country. See also Chapter 6 of this Report for comment on transit visas.

<sup>110</sup> Committee Hansard, p. 985. A letter received by the Committee from DILGEA dated 3 March 1992 stated that "because of the small number of students coming to Australia from Latin America "... we do not have meaningful over stayers." Mr Bill Muir of DEET told the Committee in evidence, "We do not have enough students to get the statistics." *ibid.*, p. 1437.

for the issuing of such visas following Australia's experience with Chinese students overstaying their visas and applying for political asylum.<sup>111</sup>

7.120 When pressed by the Committee, DILGEA admitted that placing Latin American students in this category was probably a "bit unfair" but it was felt "prudent" to do so until the picture concerning the over stay rates for these students was clearer.<sup>112</sup>

7.121 Nevertheless, DILGEA maintained that the system now in use for the issuing of visas is much more "... streamlined compared to what it was".<sup>113</sup> The Department asserted that "... the conditions of student entry in category A are the most generous of probably any large studies provider in the world."<sup>114</sup>

7.122 The Department pointed out that during 1990-91, despite the claimed difficulties involved in Latin Americans obtaining visas to study in Australia, the Department did not reject a single student applicant from any Latin American country to come to Australia.<sup>115</sup>

7.123 This defence of the Department's policy and practice does not appear to the Committee to take sufficient account of the full range of factors militating against significant numbers of students coming to Australia from Latin America. The hurdles to greater interest in study in Australia appear well before a formal application for a visa is made.

7.124 The fact that students from Latin America must undergo a pre-visa assessment is likely to discourage students from studying in Australia.<sup>116</sup> The difficulties associated with gaining access to Australian missions with authority to issue visas are a further deterrent.<sup>117</sup>

---

<sup>111</sup> For more information on difficulties experienced by Latin Americans in obtaining student visas for Australia see Committee Hansard, p. 984.

<sup>112</sup> *ibid.*, p. 1296.

<sup>113</sup> *ibid.*, p. 1293.

<sup>114</sup> *ibid.*, pp. 1293-4. Most students doing Category A courses are doing a degree. These students are given a three year multiple entry visa with work rights in Australia. Students doing Category B courses are mainly students doing ELICOS. These students must test their eligibility to come to Australia with the Australian Government before sending funds to an Australian institution. This is referred to as the pre-visa assessment.

<sup>115</sup> Committee Hansard, p. 1291. In a letter to the Committee from DILGEA dated 3 March 1992, the Department advised that for the year 1990/91, 45 category visas for category A students and 100 visas for category B students were issued from offices located in Buenos Aires, Brasilia, Caracas and Santiago.

<sup>116</sup> See Committee Hansard, pp. 1446-7.

<sup>117</sup> For example, students from the most populous city in Brazil, Sao Paulo, have to submit visa applications in Brasilia.

7.125 The Committee believes that the difficulties encountered by students seeking visas, and the negative impression they receive as a result of the exercise, has been a deterrent to genuine students applying to study in Australia. It appears to the Committee that the possible dangers involved in liberalising the issue of student visas to Australia for Latin Americans are outweighed by the benefits to Australia of such students coming to this country. The Committee is not convinced that evidence so far available indicates that a serious overstay problem is likely to develop with students from Latin America. In the Committee's view, and on the basis of the evidence available to date, it is unreasonable to place students from Latin America in the high risk category.

7.126 Mr Laurence told the Committee that Austrade should allocate one of its offices to Sao Paulo, Brazil. Sao Paulo has the largest industrial complex in South America, making it a much more significant industrial city than Buenos Aires. Mr Laurence believes that marketing Australian educational services out of Sao Paulo would get a "... lot more mileage out of an Austrade office in Sao Paulo ..." in comparison with other Austrade offices in Latin America.<sup>118</sup>

7.127 The Committee has recommended elsewhere in this report the appointment of a permanent Australian government representative in Sao Paulo.

**7.128 Recommendation forty one: The Committee recommends that the proposed Australian representative in Sao Paulo (see Recommendation seventeen):**

- . **evaluate the opportunities for marketing of Australian educational services; and**
- . **be in a position to issue visas.**

### **Distance Education**

7.129 In response to the Committee's inquiries about the possible provision of distance education to Latin America, DEET advised that the National Distance Education Conference (NDEC) "... has taken no initiatives into Latin America at this point in time."<sup>119</sup> The costs for satellite facilities and lack of an identifiable market were cited as barriers.

7.130 The Committee considers that the potential for providing distance education should be kept in mind when market opportunities for the export of Australian education services are being assessed. The provision of Australian expertise in establishing distance education should also be considered.

---

<sup>118</sup> Committee Hansard, p. 994.

<sup>119</sup> Letter dated 10 February 1992, from Mr John Muir, First Assistant Secretary, DEET to the Committee Secretary.

## AGB Report

7.131 In May 1991 DEET appointed AGB Australia Research to prepare a report dealing with the marketing of education services overseas. The market investigation set out in this report was undertaken in eleven countries.<sup>120</sup> Significantly no Latin American country was included in the list of countries examined. This failure to include a Latin American country in the study probably reflects the small number of students from that region studying in Australia to date.

7.132 The AGB study found that, in the view of Asians, the United States is the country which provides the highest quality of education. It is believed that qualifications from institutions in the United States offer the greatest opportunities for the career advancement of graduates in their home countries.<sup>121</sup>

7.133 According to the AGB study Australia's reputation as an educational destination is somewhat mixed with a sense of uncertainty concerning Australian educational services, in part due to a lack of experience and knowledge of our educational facilities and standards. The report makes the point that Australia's reputation in respect to the provision of educational services has been damaged in recent years due to the closure of some English language teaching institutions. According to the survey Australia also suffers from the fact that there is an impression in Asia that Australians are racially prejudiced.<sup>122</sup> There is also a perception in the Asian market that Australia is beginning to treat education as a business. This perception is damaging to our reputation.<sup>123</sup>

7.134 The Committee received no evidence to indicate that potential students in Latin America share these apparently negative views which have developed in Asia.

7.135 The AGB report established that Australia has a significant advantage over the United States in the marketing of educational services in Asia. This advantage relates in particular to the costs of such services. There is a perception in Asia that education in Australia is more affordable than in the United States or the United Kingdom.<sup>124</sup> It would appear that Australia does not enjoy such a financial advantage in marketing

---

<sup>120</sup> AGB Australia, *International Competitive Study*, Commonwealth of Australia, 1992, p. 1.

<sup>121</sup> *ibid.* The study also found that the United Kingdom has a good reputation as an education destination.

<sup>122</sup> *ibid.*, pp. 1-2.

<sup>123</sup> *ibid.*, p. 4. There is no reason to believe that Australians are in fact any more racist than other people.

<sup>124</sup> *ibid.*, p. 3. This perception is most unfortunate since the overall quality of Australian education is high. The AGB report makes a number of recommendations aimed at mitigating the damaging effects of incorrect perceptions about the quality of Australian educational services.



its educational services in Latin America. The Department of Employment, Education and Training told the Committee in evidence:

"It is clear that we can get an English language course in Los Angeles a bit cheaper than you get one in Sydney, and certainly it is much cheaper for Latin Americans generally to get to Los Angeles than to Sydney."<sup>125</sup>

7.136 The AGB report puts forward a series of recommendations designed to promote the marketability of Australian educational services and facilities internationally, in competition with the United States and Europe. The Committee believes that these recommendations, particularly those numbered 3, 5, 6 and 7 could make a significant positive contribution to attempts by Australian educational bodies to market Australian facilities and services to students in Latin America.<sup>126</sup>

**7.137 Recommendation forty two:** The Committee recommends that the Australian Government, and relevant authorities take note of the AGB report, *International Competitiveness Study*, particularly recommendations 3, 5, 6 and 7 and where possible implement these recommendation in respect to Latin America in order to promote Australian educational services in that region.

**7.138 Recommendation forty three:** The Committee recommends that action be taken by DILGEA, the Department of Foreign Affairs and Trade and Austrade to ensure that their officers located in Latin America are fully aware of the educational services available in Australia to overseas students and are in a position to give appropriate information and guidance to potential students.

7.139 The Committee believes that there is a need for a coordinated effort between educational institutions in Australia interested in marketing their services to Latin American students and Australian Government officers on the ground in Latin American countries to promote this industry.

**7.140 Recommendation forty four:** The Committee recommends that DEET and Austrade coordinate with educational institutions and relevant bodies in Australia to produce an information kit, in both Spanish and Portuguese, listing:

. courses available in Australia and the institutions providing them;

---

<sup>125</sup> Committee Hansard, p. 1427.

<sup>126</sup> AGB Australia, op. cit., 1992, pp. 5-7. The Recommendations of the AGB Report appear as Appendix 14 of this Report.

- . the process for enrolling at the various institutions concerned;
- . costs involved;
- . the process involved in applying for visas to study in Australia; and
- . general information on living in Australia, particularly as a student.

These kits should be provided to Australian diplomatic posts and Austrade offices in Latin America for distribution to potential students on request.

**7.141 Recommendation forty five:** The Committee recommends that Austrade and the Department of Foreign Affairs and Trade in association with interested educational institutions in Australia mount a concerted campaign to promote the provision of educational services in Australia to Latin Americans.

### Academic Activities

7.142 Several universities in Australia offer Latin American studies. The main centres appear to be La Trobe University, Flinders University and the University of New South Wales (UNSW). Others involved in Latin American studies include Victoria University of Technology and Queensland University of Technology. Individual academics with interests in Latin America can also be found in, for example, the University of Western Sydney (Macarthur), and the Universities of Canberra and Western Australia.<sup>127</sup>

7.143 From the contact that the Committee has had with the tertiary institutions involved in Latin American studies during the inquiry, the Committee shares the impression of one academic that there is goodwill, cooperation and relatively frequent communication among Latin Americanists in Australia.<sup>128</sup>

7.144 Another leading academic pointed to a "take-off" in Latin American teaching and research in several Australian institutions.<sup>129</sup> The Committee became aware during

---

<sup>127</sup> The most comprehensive, but still incomplete list of academics and tertiary institutions involved in Latin American studies provided to the Committee was in the Newsletter No. 1 (June 1991) put out by the Consortium of Iberian and Latin American studies (CILASA), since renamed the Association for Iberian and Latin American Studies in Australasia (AILASA).

<sup>128</sup> Dr John Brotherton, submission, p. 4.

<sup>129</sup> Professor Rowan Ireland, submission, p. 1.

the inquiry that several institutions have indicated an interest in introducing Spanish and possibly Latin American studies.<sup>130</sup>

7.145 Notwithstanding the apparent dedication of the academics working in the Latin American field, it is worth reflecting on the comment by one academic that:

"If all the expertise on Latin America in all Australia's universities were combined in one place they would not exceed those to be found in any of a number of universities in the U.S."<sup>131</sup>

7.146 Interest in inter-university and inter-institution cooperation seems to the Committee to be increasing.<sup>132</sup> The Committee sees this as a very positive trend.

7.147 The Committee formed the impression that the predominant area of interest of Latin Americanists in Australia has been in historical studies, with some interest in literary, cultural and sociological fields. There appears to be relatively little research or teaching being offered in economics and the more contemporary issues. This impression was confirmed by one academic at public hearings.<sup>133</sup>

7.148 Nevertheless the Committee felt that there was a growing interest amongst academics in inter-disciplinary cooperation. This was particularly evident at Flinders University, although it may be taking place elsewhere as well.

7.149 Pure research and scholarly studies are obviously an essential component of academic work. However, in the Committee's view, to be relevant, scholarly research in the more esoteric fields must be balanced by studies of issues and subjects with direct contemporary impact on the affairs and interests of the community.

7.150 In this context, the Committee was interested to learn that the Institute of Latin American Studies at La Trobe University has become:

"... the major provider of news, background information and analysis of current affairs in Latin America for the media ..."

---

<sup>130</sup> See evidence from Professor D.E. Ingram, Committee Hansard, p. 1178. See also CILASA newsletter No. 1 (June 1991) p. 3, attached to submission from Professor R. Ireland.

<sup>131</sup> Dr Martin Scurrah, submission, Committee Hansard, p. 1661 emphasises the limited nature of Australia's knowledge resources about Latin America.

<sup>132</sup> See *ibid.* In 1991 the Consortium for Iberian and Latin American studies in Australasia (CILASA) issued their first newsletter with the intention of keeping academics and others "... in touch with developments in the Iberian and Latin American studies arenas", *CILASA Newsletter* No. 1 (June 1991) p. 1, attached to submission from Professor Ireland.

<sup>133</sup> Dr Martin Scurrah, Committee Hansard, pp. 1691-2.

The Institute has contributed substantially to documentary programs, for example, for the ABC and SBS.<sup>134</sup> Other witnesses from academia expressed an interest in closer working relations with the public sector and the private business sector. One submission suggested that:

"... research on the communication industries of Latin America can provide knowledge of potential export markets for Australian film and televisions, or the basis for mutually advantageous co-production ventures."<sup>135</sup>

The Committee welcomes the development in academic circles of an outward looking involvement with the wider community. At the same time the Committee notes the importance of ensuring that both research and media comment should be factually correct and accurate.

7.151 The Committee is also aware of the very positive and active role that the Latin American diplomatic representatives have played in recent times in establishing close contact with the academic community. The Committee hopes that these contacts will continue and grow. There is no question that such contact and cooperation makes a very valuable contribution to Australia's relations with Latin America.

7.152 While coordination among tertiary institutions is obviously already taking place, several submissions referred to the difficulties that are being encountered. The School of Spanish and Latin American Studies at the University of New South Wales summarised a widely held view when it said that teaching commitments, research and community activities leave little time for the academics of the three major universities which offer Latin American studies to develop other, community orientated initiatives, including publications.

7.153 There were basically two schools of thought about how to tackle the problem of coordination. One suggested approach was to set up a fully-fledged Australia-Latin America Council, modelled on the Councils, Institutes and Foundations set up in the past for promoting relations with countries such as China, Japan and Indonesia.<sup>136</sup>

7.154 The UNSW School of Spanish and Latin American Studies and the Victorian University of Technology have suggested that they undertake certain projects or be designated a Centre for Latin American Studies. There is already a Pan Pacific Institute at Flinders University, which deals with Latin American affairs, as well as an Institute of Latin American Studies at La Trobe University.

---

<sup>134</sup> Professor Rowan Ireland, submission, p. 3.

<sup>135</sup> Victorian University of Technology, submission, p. 1.

<sup>136</sup> See Dr Estela Valverde, submission, p. 3; Dr John Brotherton, submission, pp. 3-4; Victoria University of Technology, submission, p. 2.

7.155 The other approach was essentially more evolutionary in nature and acknowledged more fully the work that has already been put into coordinating the work of the Latin Americanists. In effect, those of this opinion urged that support be given to the recently formed Association for Iberian and Latin American Studies in Australasia (AILASA).

7.156 The Association was established in 1991 to promote research and teaching on Iberian and Latin American countries, generate awareness about the area, and encourage mutual exchange, organise conferences, seminars and workshops to stimulate mutual understanding.<sup>137</sup> From the evidence available to the Committee this Association appears to have wide support within the academic community.

7.157 Questioning the value of a separate new Institute, Dr Estela Valverde seems to reflect the views of those favouring support for AILASA when she says in her submission:

"We have already an Institute of Latin American Studies in La Trobe University, do we really need to create another? I also feel that perhaps rather than supporting centralised bodies we should fund at an adequate level the existing initiatives and programs where graduates are being produced. The Consortium for Iberian and Latin American Studies in Australasia (CILASA) seems to me to be a most commendable initiative ... My hope is that it would lead to better communication, cooperation and coordination ... Perhaps an important role of such consortium would be to promote the rationalisation of activities so that resources and fields of specialisation could be supported within particular institutions ..."<sup>138</sup>

7.158 The Committee considers that Government support at this stage should be aimed at assisting the Latin American studies community:

- . to complete assessment of current academic resources and capacity;
- . to improve and consolidate co-ordination within the academic community; and
- . to expand cross-fertilisation and dialogue with other interested sectors of the community.

---

<sup>137</sup> For more information on the objectives and operation of AILASA see the Association's draft constitution set out in Committee Hansard, pp. 1668-71.

<sup>138</sup> Dr E. Valverde, submission, p. 4. See also footnote 127.

7.159 The Committee is of the view that even with modest levels of funding, significant advances can be made in helping realise the potential for Australia's academic expertise to contribute to a more effective and more rounded development of relations between Australia and Latin America. The Committee considers that AILASA is the most appropriate body in Australia which could, and should, be developed into an effective and dynamic vehicle for co-ordination and development of academic resources.

**7.160 Recommendation forty six: The Committee recommends that Government funding be provided for:**

- . **the appointment of a full time secretary to AILASA;**
- . **assistance with the publication of a regular AILASA Bulletin or Newsletter;**
- . **assistance to AILASA to complete a national inventory of specialist resources on Latin America; and**
- . **assistance to AILASA for the holding of a major annual Round Table on current issues in Latin American relations, involving AILASA and relevant business, government, migrant, cultural and community organisations.**

7.161 The Committee would like to emphasise that it does not consider that Australian Government support for these initiatives should necessarily be kept only at, or to, the level recommended in the above Recommendation. However, it feels that any new or further programs should emerge out of the dialogue between the academic community and other sectors of society, including business and Government, as the academic community itself becomes more organised and coordinated.

### **Academic Exchanges**

7.162 A view that emerged over and over again in submissions from academics was that academic exchanges and collaborative research are essential for maintaining vitality and relevance in academic work.

7.163 The School of Spanish and Latin American Studies at the University of New South Wales put to the Committee a number of specific proposals aimed at strengthening Australian Latin American academic ties.

7.164 The School said that staff and student exchanges with tertiary institutions in Latin America had been quite irregular to date. The UNSW School indicated that it was in the process of investigating the possibilities of establishing links with El Colegio de Mexico and institutions in Colombia, Chile and Argentina.

7.165 The Committee learnt that the University of Western Sydney has established a range of contacts with various South American institutions, such as the Instituto de Lenguas Vivas, Buenos Aires, Argentina, Instituto Crandon, Montevideo, Uruguay; Instituto Delmira Agustini, Montevideo, Uruguay; and Universidad Nacional de Tucuman, Tucuman, Argentina.

7.166 Dr Estela Valverde of the University of West Sydney also emphasised the need for exchanges that enable Latin American students to come to Australia. She stated:

"Unfortunately due to the lack of financial assistance for Latin American students to travel to Australia the flow has always been in one direction. I constantly receive requests from Latin American students to come to study interpreting and translation with us but unfortunately there is no organisation that provides assistance or scholarships for Latin American students."<sup>139</sup>

7.167 It is evident that to date the contacts established between tertiary institutions in Australia and Latin America have been almost solely the achievement of energetic and enthusiastic individuals who found various avenues to bring the two academic worlds together. The Committee would not wish to see any diminution of individual efforts within Universities to enhance contacts. At the same time, the Committee believes the time is ripe for some government assistance and encouragement for such efforts.

7.168 In this regard, the Committee was pleased to find DEET receptive to looking at possibilities:

"We would see the way to go, if indeed there were seen to be a desire on the part of the Australian people and Australian institutions to improve, increase our interaction with Latin America, as something akin to our institutional link program where government encourage the universities to establish collaborative research or exchange arrangements with particular universities in other countries."<sup>140</sup>

7.169 It was made very clear, however, that action by the Department would be instituted only "if the signals were given."<sup>141</sup>

---

<sup>139</sup> Dr Estela Valverde, submission, p. 2.

<sup>140</sup> Committee Hansard, p. 1432.

<sup>141</sup> ibid., p. 1433.

**7.170 Recommendation forty seven:** The Committee recommends that, as one means of achieving the objective in Recommendation one of this Report the Department of Education, Employment and Training establish an institutional links program, based on the model developed for the Asian region, to assist universities to establish collaborative research and exchange arrangements with universities in Latin America.

## **Libraries**

7.171 The Committee is aware that the National Library's capacity to build its Latin American holdings is circumscribed, although the collections of some university libraries, particularly at La Trobe, are regarded as good.<sup>142</sup> The National Library informed the Committee that it had concluded a long-term loan agreement with La Trobe University, transferring the bulk of the National Library's collection of Latin American material to La Trobe. This transfer will compliment the considerable collection already held by La Trobe University, which has also undertaken to give continuing financial support to the further development of their Latin American collection.<sup>143</sup> The Committee sees value in a pragmatic allocation and sharing of resources and would wish to see the present informal agreement concerning the division of responsibilities and areas of specialisation between the libraries of the various universities offering Spanish and Latin American studies put on a sound footing.<sup>144</sup>

7.172 The University of New South Wales (UNSW) School of Spanish and Latin American Studies suggested a small technical project to provide library science on a technologically feasible level to selected Latin America countries.<sup>145</sup> The Committee is aware that this is an area where Australia has already proved its effectiveness in the work done by the Bibliography of Southeast Asia (BISA) Project currently implemented by the School of Librarianship at the UNSW.

**7.173 Recommendation forty eight:** The Committee recommends that:

**the National Library, in consultation with other major collecting institutions, examine the value of formalising the present informal agreement between these institutions to ensure a fair and effective allocation of material on Latin America among them and the development of appropriate centres of excellence for Latin American studies; and**

---

<sup>142</sup> Letter dated 30 January 1992 from National Library to Committee.

<sup>143</sup> Letter to Committee from Mr Warren Horton, Director-General of the National Library, dated 30 January 1992.

<sup>144</sup> The School of Spanish and Latin American Studies, University of New South Wales, submission, p. 4.

<sup>145</sup> *ibid.*



a feasibility study be carried out by the National Library, La Trobe University Library and the University of New South Wales School of Librarianship, into a program of exchange with appropriate libraries and universities in Latin America, whereby materials on Latin America might be made available to Australian libraries and materials on Australia as well as technical and training assistance be made available to national library systems in Latin America.

## Political and Parliamentary Contacts

7.174 In its submission to the inquiry, DFAT included a list of parliamentary and ministerial bilateral visits, which have taken place between Australia and countries of Latin America over the years. A copy of this document, updated to include visits undertaken since the beginning of this inquiry and upcoming visits, appears as Appendix 15 to this Report.<sup>146</sup>

7.175 It is apparent from an examination of this list of bilateral visits that Latin America has not been a priority area for visits by Australian ministers or parliamentarians. This low priority is no doubt, in part, a reflection of the low level of economic and other ties existing between the two regions. Political circumstances in some of the Latin America countries at various times have also influenced the choices of countries to be visited.

7.176 Attention has been drawn, elsewhere in this Report, to the fact that Latin American countries have never been in the forefront of Australia's foreign policy concerns, a fact reflected in the relatively limited number of Australian embassies in Latin America. Much of the political contact between Australia and Latin American countries has revolved around issues dealt with in multilateral forums.<sup>147</sup>

7.177 Despite this generally low level of involvement in the past, there is now an increasing interest in the region by Australia. Just as importantly, the countries of Latin America are signalling a greater interest in Australia and the Pacific basin generally than they have in the past.

7.178 The Committee is pleased to observe that there has been a marked increase in political contacts between Australia and significant Latin America countries during the last few years. It is interesting to note that by far the greatest number of Ministerial exchanges has taken place with Chile, Mexico and Brazil.

7.179 It is also interesting to speculate whether those relationships flourished because of the attention they received at the political level, or whether these destinations were chosen because the relationships were already perceived as being the most

---

<sup>146</sup> DFAT, submission, Committee Hansard, pp. 180-5.

<sup>147</sup> See Chapter 8.

substantive in the region. Whatever the conclusion, it is indisputable that high level political contact is a valuable tool in strengthening ties.

7.180 A high level visit gives a signal to the business community in both Australian and Latin America and assists in raising community awareness of the countries involved. It is particularly valuable if the business sector plays an active and direct role in such visits.

7.181 The Committee is aware, for instance, of positive follow-up to the joint Confederation of Australian Industry and Government delegation visit, led by Dr Blewett, Minister for Trade and Overseas Development and Mr Ray Patterson, Executive Director TNT Limited, to Mexico in 1991. Similarly, in the other direction, the delegation led by the Chilean deputy Finance Minister in 1991, which included a private sector component, proved to be very successful in attracting a great deal of Australian business sector interest. There is of course no question that a visit by the President of a country, like the visit of President Salinas of Mexico to Australia in June 1990, gives an extra boost to the relationship with that country.

7.182 The Committee is pleased that President Aylwin of Chile has agreed to visit Australia later this year. The visit will consolidate the already strong links between the two countries and open opportunities for further contacts.

7.183 Recent visits by Australian Ministers to countries of Latin America were warmly welcomed by their hosts. For example, the Chilean Ambassador to Australia, H.E. Mr Juan Salazar said of Dr Blewett's visit in July 1990 and Mr Woolcott's visit in September of that year that, "These were the first Australian visits to Chile at a senior level in at least seventeen years and heralded the beginning of a new and constructive political relationship between both countries."<sup>148</sup> In his submission to the inquiry, the Chilean Ambassador called for Australia and Chile to "... intensify their political contacts" with regular official and parliamentary visits between the two countries.<sup>149</sup>

7.184 Visits by Latin American Ministers and Government leaders to Australia have benefited Australia by making it possible for the visitors to see for themselves the opportunities for trade and other exchanges with this country. The Committee firmly believes that future visits will produce further positive results.

**7.185 Recommendation forty nine:** The Committee recommends that Government Ministers with responsibilities in areas of mutual interest to Australia and to the countries of Latin America, such as mining, telecommunications, agriculture and agricultural technology, as well as Ministers with responsibility for Trade and Foreign Affairs seek out opportunities to visit Latin American countries to further the interests of Australia in the region. The Committee also encourages the Australian Government

---

<sup>148</sup> H.E. Mr J. Salazar, submission, Committee Hansard, p. 1336.

<sup>149</sup> ibid., pp. 1343-4.

**to continue to invite Latin American political leaders and Government Ministers to visit Australia.**

7.186 There is a need for Australian parliamentarians as well as business people to expand their knowledge of Latin America if we are to succeed in placing our relations with countries of that region on the firmest footing possible. The Committee regards contact between Australian parliamentarians and those of Latin America as a valuable means of increasing understanding and of instigating and supporting initiatives to promote relations between Australia and Latin America.

7.187 One of the earliest parliamentary exchanges took place in 1965 when Senator John Gorton, then Minister of Public Works and in charge of education and research activities led a Parliamentary Delegation to Argentina, Brazil, Chile, Mexico, Peru and Uruguay.<sup>150</sup>

7.188 Recent visits by Australian Parliamentarians to Latin America, including a Parliamentary Delegation, led by the Speaker of the House of Representatives, to Chile and Venezuela and a three member opposition delegation to Argentina, Uruguay, Chile, Peru, Venezuela, Colombia and Mexico in 1991,<sup>151</sup> have contributed towards increasing our understanding of that region.

7.189 An Australian Parliamentary Delegation is due to visit Argentina, Brazil and Mexico as this Report goes to press. A Colombian Parliamentary Delegation visited Australia in 1989, and Parliamentary Delegations from Mexico visited Australia in 1991 and 1992. A Parliamentary Delegation from Brazil will visit Australia in late August and one from Venezuela in June. During the second half of the year a Parliamentary Delegation from Argentina is expected to visit Australia.

7.190 It is the view of the Committee that there should be a strengthening of exchanges such as these in the next few years.

7.191 Meetings of the Inter-Parliamentary Union (IPU) provide excellent opportunities for Australian Parliamentarians to relate to parliamentarians from Latin American countries. The IPU brings together representatives of National Parliaments for the objective study of political, economic, social and cultural problems of international

---

<sup>150</sup> Prior to this visit there were two Australian trade delegations. In 1960 a six-member Australian team visited Latin America. This was followed in 1962 by a 40-member trade delegation led by Mr Donald Mackinnon.

<sup>151</sup> The Delegation consisted of Senator Robert Hill, the Hon. John Moore MP and Senator Baden Teague. Senator Teague's report on this visit may be found on pp. 734-46 of Senate Hansard of 20 August 1991.

significance.<sup>152</sup> Since 1975 eight IPU conferences, or meetings, have been held in Latin American countries and attended by Australian Parliamentarians.<sup>153</sup>

7.192 In addition to the opportunities offered for political contacts through the medium of the IPU, Australian Parliamentarians maintain contact with their colleagues in Latin America through six individual inter-parliamentary groups involving Argentina, Brazil, Chile, Cuba, Uruguay and Venezuela. These groups provide opportunities for the members to develop a personal relationship with colleagues leading to an increased understanding and appreciation of the other country involved.

7.193 The Committee sees great value in these parliamentary groups and the IPU in furthering Australian-Latin American relations.

**7.194 Recommendation fifty: The Committee recommends that the momentum of political and parliamentary exchanges built up in the last two years be consolidated. The Committee also recommends that the Australian Council for Political Exchange look to expanding its program to include Latin America on a bilateral basis. The Committee suggests that the first country to be considered should be Mexico.**

7.195 The Department of Foreign Affairs and Trade conducts a Special Visits Program, the aim of which is to "... expose key opinion makers in other countries to Australia and Australian concerns and views on a range of issues."<sup>154</sup> During the period July 1989 to the end of May 1992 only one visitor came to Australia from Latin America under the Special Visits program, the Mayor of Santiago, Chile, Mr Jaime Ravinet.

**7.196 Recommendation fifty one: The Committee recommends that the Special Visits Program conducted by the Department of Foreign Affairs and Trade should include at least two visitors from the Latin American region each year.**

---

<sup>152</sup> As of 1 January 1992, 116 of the 149 Legislative Assemblies established in the world's sovereign states were represented in the IPU. For more information on the IPU see the booklet *Inter-Parliamentary Union 1992* published by the IPU in Geneva, Switzerland.

<sup>153</sup> Details of IPU Delegation visits to Latin America are included in Appendix 15.

<sup>154</sup> *Department of Foreign Affairs and Trade Annual Report 1989-90*, p. 132.

*"On the multilateral level, Australia also has strong cooperative relations with many Latin American countries not only in the United Nations but on a whole range of matters ..."*<sup>1</sup>

## CHAPTER EIGHT

### MULTILATERAL RELATIONS

8.1 Multilateral contact has for long been the mainstay of Australia's relations with the countries of Latin America. This contact has encompassed a very wide variety of issues. For Australia, the most important multilateral contact with the countries of Latin America has been through the Cairns Group in the current Uruguay Round of negotiations on the General Agreement on Tariffs and Trade (GATT), and in relation to the Antarctic.

8.2 According to DFAT:

"We share many common interests on these issues and cooperation on them has been particularly close."<sup>2</sup>

Other important areas of interest to both Australia and the countries of Latin America that are extensively dealt with in multilateral forums include the environment, disarmament, the Law of the Sea, international commodity agreements, narcotics, development assistance and refugees.

8.3 Australia and Latin American countries have worked together harmoniously in relation to these various issues in multilateral organisations over the years with differences over human rights abuses being the only significant exception.<sup>3</sup>

8.4 Apart from DFAT, few submissions to the inquiry dealt with cooperation in multilateral forums in any depth. Austrade and DPIE referred to aspects of cooperation in the Cairns Group and some international commodity agreements.

---

<sup>1</sup> Comment by the then Secretary of DFAT, Mr Richard Woolcott, Committee Hansard, p. 199.

<sup>2</sup> DFAT, submission, Committee Hansard, p. 101.

<sup>3</sup> DFAT, submission, Committee Hansard, p. 101.

8.5 In this Chapter, the Committee will give a brief overview of the main areas of multilateral cooperation between Australia and Latin America, concentrating on areas that can be expected to have the greatest impact on Australia.<sup>4</sup>

8.6 This Chapter will also look at the development of regional initiatives and groupings, mainly in the area of economic cooperation, that have been gaining momentum in Latin America in recent years, and the implications of these developments for Australia. Chief amongst these is the negotiation of a North America Free Trade Agreement which would link the economy of Mexico even more closely to that of the United States and Canada.

8.7 Finally, an issue examined in this Chapter, which the Committee considers to be of vital importance, is the role that the Latin American countries bordering the Pacific play in Pacific basin affairs, and in particular might play in APEC, the Asia Pacific Economic Cooperation process.

8.8 The Ambassador of Chile told the Committee that Australia has a solid base on which to build in the area of multilateral relations with Latin America. Australia and particular Latin American countries have forged closer ties with each other over recent years as they have pushed for global reform and liberalisation of agricultural trade.<sup>5</sup>

## United Nations

8.9 When considering multilateral relations, the question of cooperation in the United Nations immediately comes to mind. Latin American and Caribbean countries account for almost a quarter of the membership at the United Nations. Mr Woolcott, the then Secretary of DFAT, assured the Committee that, as Australia's Representative at the United Nations between 1982 and 1988 he maintained close contact with his Latin American colleagues. The view in DFAT's submission is that:

"There would probably be scope for closer cooperation between Australia and the Latin American countries on UN matters ..."<sup>6</sup>

---

<sup>4</sup> A more detailed account is contained in DFAT's submission, Committee Hansard, pp. 101-40.

<sup>5</sup> H.E. Mr J. Salazar, submission, Committee Hansard, p. 1322-3.

<sup>6</sup> Committee Hansard, p. 128.

This sentiment is consistent with Mr Woolcott's comment to the Committee that:

"... the role of the Latin American group in the United Nations is sometimes underestimated."<sup>7</sup>

8.10 Several United Nations related activities of substantial interest to both Australia and the countries of Latin America deserve a mention.

## **Environment**

8.11 Australia is presently participating in a major environmental initiative to establish a framework for a convention on "climate change and biodiversity".<sup>8</sup> Australia is also playing a role in the preparations for the United Nations Conference on Environment and Development (UNCED), in Brazil in June 1992. The Department notes in its submission, that Australia's contacts in these meetings with the Latin American countries have been generally limited to key countries such as Brazil, Mexico and to some extent Venezuela.<sup>9</sup>

"Australia supports and encourages their participation, in the belief that successful outcomes require the fullest possible participation."<sup>10</sup>

8.12 On the question of protecting the environment, Latin American countries, like most other developing countries, have stressed the need for developed countries, such as Australia, to provide adequate funding and technology expertise so that developing countries can meet obligations to implement measures designed to protect the environment.<sup>11</sup>

8.13 Generally speaking, Australia is sympathetic to this viewpoint:

"Australia recognises the need for a mutually satisfactory resolution of these issues. Australia expects to contribute to international efforts to provide funds and technology transfer to address environmental problems."<sup>12</sup>

---

<sup>7</sup> *ibid.*, p. 196.

<sup>8</sup> DFAT, submission, Committee Hansard, p. 108.

<sup>9</sup> *ibid.*, p. 108.

<sup>10</sup> *ibid.*

<sup>11</sup> *ibid.*

<sup>12</sup> *ibid.*

## Human Rights

8.14 Australia has long had a strong commitment to the protection of human rights. In its submission to the inquiry DFAT stated that, in addition to numerous bilateral representations:

"Australia's concerns over human rights situations in the Latin American region have been expressed in multilateral forums, principally the UN Commission on Human Rights (UNCHR) and the Third Committee of the UN General Assembly (UNGA)."<sup>13</sup>

8.15 According to DFAT, Australia has taken:

"... a supportive, but generally not a leading, role in international efforts to improve human rights in the Latin American region by the CHR and the UNGA."<sup>14</sup>

The Department points out in its submission, that in respect to human rights, Australia is increasingly concentrating its efforts in the Asia-Pacific region.<sup>15</sup>

8.16 As noted earlier, the question of human rights has been the one area of strain between Australia and particular Latin American countries in the United Nations. With the move towards the restoration of democratic processes in Latin American countries over recent years there has been improvement in the human rights situation in several countries in Latin America, although in some instances, unacceptable human rights violations still occur.<sup>16</sup>

8.17 As of August 1991 Latin America was represented on the United Nations Commission on Human Rights (UHCHR) by Argentina, Brazil, Colombia, Cuba, Mexico, Panama, Peru and Venezuela. An indication of a changing attitude towards the issue of human rights in Latin America is the more positive position being taken by several Latin American countries in discussing the issue within the United Nations.<sup>17</sup>

---

<sup>13</sup> *ibid.*, p. 110. The Committee was told by the Department that in accordance with Australia's commitment to human rights it had made numerous representations to specific governments in Latin America on behalf of individuals, alleged to be victims of human rights abuses, *ibid.* According to ACFOA, one third of all human rights representations by the Australian Government in 1990 were on Latin American cases. ACFOA, submission, p. 1.

<sup>14</sup> DFAT, submission, Committee Hansard, p. 111.

<sup>15</sup> *ibid.*

<sup>16</sup> *ibid.*, p. 109.

<sup>17</sup> *ibid.*, pp. 109-10.



## Peacekeeping

8.18 Australia has provided indirect support for security in Latin America by contributing to peace keeping efforts in the region. The United Nations Observer Group in Central America (ONUCA) was established in 1989. A human rights component of a UN Observer Mission in El Salvador (ONUSAL) was later established to assist in verification tasks related to a cease fire agreement in that country. Although Australia has not contributed personnel to either of these bodies, as of August 1991, it had contributed \$1.5 million towards the cost of ONUCA and on the same basis will contribute to the human rights observer group in El Salvador.<sup>18</sup>

## Law of the Sea

8.19 Like Australia, Chile, Argentina, Brazil and Mexico all have long coastlines and therefore share an interest in protecting the rights of coastal countries as set out in the 1992 United Nations Law of the Sea Convention (LOSC).<sup>19</sup> These countries therefore also share a desire to see the Convention come into force. Australia, along with most Latin American countries, participates in regular sessions of the United Nations Preparatory Commission for the International Sea-Bed Authority and for the International Tribunal for the Law of the Sea (Prepcom). This is the major international forum for negotiations concerning law of the sea matters.<sup>20</sup>

8.20 Over the years there have been problems associated with Part XI of the LOSC on the question of deep seabed mining. In an effort to overcome the deadlock on this issue, the UN Secretary General established a small group of interested countries, under his chairmanship, the Latin American countries participating in this group are Argentina, Brazil, Chile and Mexico. Australia is appreciative of the fact that Mexico was of major assistance in securing Australian participation in this group.<sup>21</sup> As major mining countries Australia and Chile have had a particularly close working relationship on the issues being dealt with by the group. Australia has also established a cordial and productive relationship with Brazil on these matters.

8.21 It is in the interests of both Australia and these four Latin American countries to continue to work together within the United Nations to protect and further their interests in relation to ocean resources.

---

<sup>18</sup> *ibid.*, pp. 128-9.

<sup>19</sup> *ibid.*, p. 125.

<sup>20</sup> *ibid.*

<sup>21</sup> *ibid.*

## Economic and Development Issues

8.22 The Second Committee of the United Nations General Assembly (UNGA) and the United Nations Conference on Trade and Development (UNCTAD) are the major UN multilateral forums for the discussion of international trade, economic, financial and development issues. Within UNCTAD Latin American representatives have led discussions concerning debt. According to DFAT Latin American representatives have also exercised a moderating influence on other more hardline G77 members of the Conference. Australia has been concerned, that as a result of the position adopted by several prominent members of the G77 group, UNCTAD:

"... is becoming increasingly marginalised in the promotion of improved cooperation between developed and developing countries."<sup>22</sup>

According to the Department several Latin American members of G77 have indicated that they share the concerns of Australia regarding this development.<sup>23</sup> In the Department's view:

"Australia has established a good level of communication with the Latin American members of the Group and has been generally encouraging towards the development of the Group."<sup>24</sup>

8.23 In its submission to the Committee DFAT makes it clear that Latin America is outside the focus of Australia's development assistance program, although some assistance has been given through multilateral forums. Geographically, Australia is in a region which encompasses half of the world's poor, with most of our neighbours being developing countries.<sup>25</sup> The Committee accepts that Asia and the South Pacific are Australia's priority regions in respect to the provision of aid and economic assistance and that this situation is unlikely to change in the future.

8.24 Despite the priority of Asia and the Pacific region for our assistance, Australia is aware of the needs of countries in Latin America. Over the years Australia has provided assistance to countries in that region for refugees, natural disasters and food shortages. During the past twelve years Australia has allocated about \$10 million in

---

<sup>22</sup> *ibid.*, p. 139.

<sup>23</sup> *ibid.*

<sup>24</sup> *ibid.* G77 is a group of developing nations within UNCTAD concerned with promoting trade and their economic development. Although the group originally had seventy seven members its number is now greater than that.

<sup>25</sup> DFAT, submission, Committee Hansard, p. 133.

aid to the region, primarily in the form of emergency assistance delivered through multilateral organisations and non-government bodies.<sup>26</sup>

8.25 Australia has also provided indirect financial assistance to Latin America through:

"... substantial contributions to multilateral organisations such as the World Bank, which is the largest contributor to Latin American development programs ..."<sup>27</sup>

### **Future Contact**

8.26 The important role that contact in multilateral forums can play in strengthening bilateral relations with countries of Latin America was made clear by Mr Woolcott in evidence to the Committee:

"On the strength of our common concerns on multilateral issues we have in fact been able to maintain warmer and more harmonious bilateral relationships with Latin American countries than would have been the case on the basis of purely bilateral interests."<sup>28</sup>

8.27 Mr Woolcott commented that during a visit to South America he was impressed by the ease with which he could relate to officials of countries in that region due to the fact that Australia had established links with these countries through multilateral contacts. Mr Woolcott said:

"I was struck really, because sometimes you visit a country and you are trying to find issues on which you have something in common, but here it was really very simple because you would start with the Cairns group and the Antarctic Treaty and common interest and environment and disarmament. It was really rather easier than I had expected to find those bridges."<sup>29</sup>

8.28 The Committee concludes that Australia's multilateral contacts with Latin American countries have provided an excellent foundation for furthering and promoting Australia's bilateral relations in the Latin American region.

---

<sup>26</sup> *ibid.*

<sup>27</sup> *ibid.*

<sup>28</sup> *ibid.*, pp. 199-200.

<sup>29</sup> Committee Hansard, pp. 199-200.

8.29 The Committee has advocated elsewhere in this Report that Australia should acknowledged more fully the importance of the Latin American countries in today's world, and pay greater attention to its relationship with that region.

**8.30 Recommendation fifty two:** The Committee recommends that Australia build on existing links with the Latin American countries on issues that come before the United Nations. Greater effort should be made to identify issues of common concern and a more regular pattern of pre-General Assembly consultation instituted. Such habits of consultation would be facilitated if DFAT were to initiate a series of regular briefings of Latin American Heads of Mission in Canberra, two or three times a year, on issues of common interest. The basis would thus be more firmly laid for the Minister for Foreign Affairs and Trade to expand his contact with the Foreign Ministers of the Latin American countries in the bilateral round of negotiations traditionally conducted with Australia's more important international partners before each session of the United Nations General Assembly.

## Cooperation in International Law Enforcement

8.31 There are two main areas of co-operation between Australia and the countries of Latin America in the field of law enforcement. These are, first, the negotiation of Extradition Treaties and Treaties on Mutual Assistance in Criminal Matters and, second, co-operation in policing international drug trafficking.

### Treaties for Extradition and Mutual Assistance in Criminal Matters

#### *Concepts*

8.32 The Attorney-General's Department defines the basic concepts involved in cooperation on extradition and criminal matters as follows:

*"Extradition* is the delivery up of a person who has been convicted of a crime or who is accused of having committed an offence against the laws of one country, by the authorities of another country in which he/she has taken refuge, to the authorities of the country having jurisdiction to deal with the offence.

*Mutual assistance in criminal matters* is ... concerned with the granting of assistance to other countries and the requesting of assistance from other countries relating to:

- (a) the investigation and prosecution of crime; and
- (b) proceeds of crime.<sup>30</sup>

8.33 The Department explained that such international assistance is vital to the proper conduct of criminal investigations and prosecution of crime where there is need for:

- one country to take evidence, at the request of another country, for use in the courts of the requesting country;
- search and seizure to be carried out in one country at the behest of another;
- persons (including persons in custody) to travel from one country to another to give evidence in criminal proceedings or to assist with investigations; and
- orders relating to the proceeds of crime, such as orders to restrain or forfeit property, to be enforced in one country on behalf of another.<sup>31</sup>

#### *Existing Arrangements With Latin American Countries.*

8.34 According to the Attorney-General's Department, until the mid 1980s Australia's legal relationships with Latin America were based on treaties entered into between the United Kingdom and the various Latin American countries in the late 19th and early 20th centuries. Australia had succeeded to them either directly or by implication. These treaties are virtually useless. They impose on civil law countries (ie all the Latin American countries with which they were negotiated) seeking extradition, obligations which cannot be met because of the particular requirements for evidence of guilt admissible in Australian courts. Few, if any, of them provided for extradition for modern offences such as drug trafficking.<sup>32</sup>

8.35 A list of the treaty arrangements between Australia and the Latin American republics in this area was provided by DFAT.<sup>33</sup>

---

<sup>30</sup> Attorney-General's Department, submission, p. 2.

<sup>31</sup> *ibid.*

<sup>32</sup> *ibid.*, pp. 4-5.

<sup>33</sup> A list of the 'inherited' British extradition treaties still in force with Latin American countries, are in DFAT, submission, Committee Hansard, p. 113.

### *Negotiations with Latin American Countries*

8.36 Australia's contacts with Latin American republics on matters involving criminal investigation and prosecution date from 1986. They may be traced to the then Australian Attorney-General, Mr Lionel Bowen's announcement in February 1985 that Australia would seek to modernise its international extradition relationships and to establish bilateral relationships in the area of mutual assistance in criminal matters.<sup>34</sup>

8.37 Three initiatives were taken in the area of extradition. These were:

- . the preparation of amendments to Australia's extradition law to facilitate the conclusion of arrangements with other countries;
- . the approval of a model treaty to be used as a basis for extradition negotiations with other countries; and
- . the establishment of a Task Force devoted to concluding extradition arrangements with appropriate countries as a matter of urgency.<sup>35</sup>

8.38 The Committee was told that the Task Force, comprising officers of the Attorney-General's Department, DFAT and a member of the Attorney-General's personal staff, initially concentrated on negotiating extradition treaties with the countries of Western Europe. However, the Task Force soon turned its attention also to the countries of Latin America.<sup>36</sup>

8.39 The Committee was informed that Australian Task Force officials have so far visited Latin America twice to negotiate extradition treaties:

- . from late October to early December 1986, extradition treaty negotiations were conducted with Chile, Argentina, Uruguay, Ecuador, Brazil, Venezuela and Mexico;
- . from May to June 1990, the Task Force went to Mexico, Peru, Ecuador, Venezuela, Uruguay and Argentina.<sup>37</sup>

8.40 The Attorney-General's Department further informed the Committee that the outcome of the negotiations since 1985 is as follows:

- . modern bilateral extradition treaties have come into force with Argentina, Ecuador and Mexico;

---

<sup>34</sup> Attorney-General's Department, submission, p. 2.

<sup>35</sup> *ibid.*

<sup>36</sup> *ibid.*, pp. 3-4.

<sup>37</sup> *ibid.*, pp. 5-6.

- . extradition treaties have been signed and are awaiting ratification with Uruguay and Venezuela;
- . substantial progress has been made on an extradition treaty with Peru;
- . while treaties on mutual assistance in criminal matters have been signed with Argentina and Mexico, neither has as yet entered into force. Australia is awaiting notification that the domestic procedures in these States have been completed before giving effect to the treaties;
- . negotiations on a mutual assistance in criminal matters treaty have been concluded with Ecuador; and
- . preliminary discussions on mutual assistance in criminal matters have been held with Uruguay and Venezuela, but a treaty text has not yet been concluded.<sup>38</sup>

### *Future Plans*

8.41 The Committee notes that the efforts to negotiate these new treaties have been planned as part of an overall effort to modernise Australia's international legal agreements and not a part of a specific Latin America oriented project.

8.42 The Committee supports the efforts to achieve a comprehensive network of extradition and mutual assistance treaties in Latin America. The Committee notes that the Attorney-General Department's submission provides a list of future priorities including:

- . the conclusion of the partly negotiated extradition treaties with Chile, Brazil and Paraguay;
- . the negotiation of extradition treaties with Colombia and Bolivia; and
- . the conclusion of mutual assistance treaties with Uruguay and Venezuela.<sup>39</sup>

8.43 According to the Attorney-General's Department future work on these priorities will be influenced by resource constraints, including the high cost of travel to and within the Latin American region. The Committee is pleased to note that consideration will, however be given to a further negotiating visit to the region during the 1992-1993 financial year. These negotiations will help consolidate and expand the extent of cooperation between Australia and the Latin American countries concerned. It is to

---

<sup>38</sup> *ibid.*, pp. 6-7, Committee Hansard, p. 114.

<sup>39</sup> Attorney-General's Department, submission, p. 9.

be hoped that the necessary domestic procedures in the Latin American countries as well as Australia will be completed without delay for ratification to proceed.

**8.44 Recommendation fifty three:** The Committee fully supports the Government's efforts to negotiate and bring into effect new extradition treaties and mutual assistance in criminal matters treaties with Latin American countries and recommends that the negotiation of the treaties identified in para 8.42 be pursued as a matter of urgency with a view to finalising agreed texts by the end of the 1992-1993 financial year.

## Co-operation in Controlling International Drug Trafficking

### *The Illicit Drug Industry in Latin America.*

8.45 According to the Department of Foreign Affairs, Defence and Trade, the cocaine drug problem in Latin America is focussed primarily in the Andean region (Colombia, Bolivia, Ecuador and Peru). Sixty percent of the world's coca leaves are produced in Peru by about 250,000 peasants, for whom the income derived from the sale of coca leaves is their sole source of income. However, the coca is not processed in Peru, but in other Latin American countries.<sup>40</sup> According to DFAT, there has been an increase in the number of small-scale, highly mobile cocaine processing plants located in the north of Argentina near the Bolivian border. Brazil is increasingly becoming a major producer of the precursor chemicals acetone and ether, used in refining cocaine hydrochloride.<sup>41</sup>

8.46 The Ambassador of Colombia, H.E. Mr Fernando Navas de Brigard, is of the view that Colombia is winning the war against the narco-terrorists. Some of the main drug lords are in jail in Colombia and elsewhere. In 1991 alone, 77 tonnes of cocaine were confiscated and destroyed by the Colombian Government; 1,500 hectares of poppy plantations for opium and heroin production were also destroyed.<sup>42</sup>

8.47 DFAT assessed that the intensified drive against cocaine production in Colombia has forced the problem into other Latin American countries. The DFAT submission considers that, for the rest of the region, trafficking in cocaine is the most serious drug-related problem. Both Argentina and Brazil have traditionally been transit routes for cocaine and marijuana. Despite Chile's tough anti-narcotics controls, drug couriers are increasingly using Chile as a transit route for narcotics from other Latin American countries.

---

<sup>40</sup> Ambassador of Peru, H.E. Mr Gonzalo Bedoya, Committee Hansard, p. 1860.

<sup>41</sup> DFAT, submission, Committee Hansard, p. 115.

<sup>42</sup> Ambassador of Colombia, H.E. Mr Fernando Navas de Brigard, Committee Hansard, pp. 1768, 1772.



8.48 DFAT also claims that Latin American countries are themselves now experiencing an increasing domestic drug problem attributed largely to expansion of drug production and trafficking in the region.<sup>43</sup> This, however, is at variance with the view expressed by Professor Maddock, who has spent time working in Colombia, and who considers that there is still very little drug usage in Colombia itself.<sup>44</sup>

*Responses by United States and Europe*

8.49 DFAT informed the Committee that in an effort to combat cocaine production and trafficking in the region, the Presidents of the United States, Bolivia, Colombia and Peru held a summit meeting in Cartagena, Colombia, in February 1990. The leaders agreed to cooperate in exchanging information and intelligence on narcotics and all four countries will sponsor programs designed to raise public awareness of the drug problem.

8.50 The United States agreed to provide increased equipment and training to law enforcement agencies in the Andean countries and to help train Andean farmers to switch from coca to other crops, in addition to providing an aid package to help offset losses caused by the move away from coca production. According to DFAT, the United States also agreed to try to open its markets to more South American goods and to provide balance of payments assistance to stabilise the economies of the Andean countries.

8.51 The total program planned by the United States to combat the drug problem in the Andean countries will cost US\$2.2 billion over the period 1990-94. The program is to include a substantial economic development package if there are positive results from the initial assistance.<sup>45</sup>

8.52 Professor Maddock drew attention to preferential trade agreements between the European Community and the countries of the north-west of Latin America, namely Colombia, Ecuador, Peru and Bolivia. Under these three and four-year agreements the Latin American countries have preferential access for some exports to the European market. This access is very explicitly:

"... a payment for the efforts that these countries have made to try and repress the drug trade."<sup>46</sup>

---

<sup>43</sup> DFAT, submission, Committee Hansard, p. 115.

<sup>44</sup> Professor Maddock, Committee Hansard, p. 447.

<sup>45</sup> Committee Hansard, pp. 115-6.

<sup>46</sup> *ibid.*, p. 422. See also footnote 104 of this Chapter.

8.53 The Ambassador of Peru confirmed the importance of crop substitution programs to the eradication of coca farming. According to the Ambassador, if the Peruvian Government were to try to eliminate the coca crop in an aggressive way, it would result in the peasants turning to the narco terrorists for protection.<sup>47</sup> The importance of the special trade preferences for export products granted by the United States and European Community was stressed by the Ambassador of Colombia in his evidence.<sup>48</sup>

8.54 According to another witness, Professor Maddock, the United States, has been "quite sensible" in its treatment of Colombia. For example, the United States encouraged the Barco Government's military attacks on the narco-traffickers without offering huge amounts of money or offering to send in troops, which, according to Professor Maddock, would have been counter-productive.<sup>49</sup>

8.55 However, Professor Maddock added that the biggest problem is the fact that the United States market is so profitable:

"The US market is such a powerful magnet and the fact that the US demand for drugs seems to be inexhaustible means that Colombians and Bolivians and Brazilians and Panamanians will continue to supply it."<sup>50</sup>

8.56 The problem of reducing demand must be recognised as a central problem and one that is essentially tied to the socio-economic situation in the United States and therefore beyond Australia's capacity to assist materially.<sup>51</sup>

8.57 The DFAT submission notes that:

"... the Latin American countries are keen to develop a new international convention on demand reduction."<sup>52</sup>

---

<sup>47</sup> Ambassador of Peru, H.E. Mr Gonzalo Bedoya, Committee Hansard, p. 1860.

<sup>48</sup> Ambassador of Colombia, H.E. Mr Fernando Navas de Brigard, Committee Hansard, p. 1768.

<sup>49</sup> Committee Hansard, p. 435.

<sup>50</sup> *ibid.*, p. 436.

<sup>51</sup> The Committee is pleased to note that the great complexity of the drug problem, including the role of demand in coca production, is fully acknowledged in the agreement signed between the Governments of Peru and the United States on 14 May 1991 on Drug Control and Alternative Development Policy. The agreement foreshadows a comprehensive joint strategy to address the drug problem. See attachment to letter from H.E. Mr Gonzalo Bedoya, dated 12 September 1991.

<sup>52</sup> Committee Hansard, p. 115.

Australia may be able to assist the South American countries in international forums in lobbying for increased demand reduction programs in the major markets, such as the United States.

8.58 The Committee agrees with DFAT's view and that of the Latin American countries that, in considering the most effective form of assistance to combat the drug problem:

"... there needs to be a balance between supply control and demand reduction."<sup>53</sup>

In this context, the Committee found Professor Maddock's comments on crop substitution of interest.

"I think that if you followed that sort of policy you probably could stop people in Bolivia growing coca, but then you would find people starting to grow it somewhere else. The point is it is driven by the profits so you would get substitution, I think, of one group of growers for another and that may be desirable. I mean if you can get people who are peasant farmers who absolutely depend upon that crop away from growing that crop and so it becomes people who are doing it for profit in the jungle somewhere ..."<sup>54</sup>

8.59 The committee concurs with DFAT's conclusion that:

"... it is important that it is not just crop eradication but crop substitution and integrated development of the economies of the places of production."<sup>55</sup>

#### *The Extent of Australian-Latin American Drug Trade.*

8.60 According to DFAT, the importation of cocaine itself is not of great significance to Australia. While there has been an increase in the number of interdictions since 1988, the amounts involved remain relatively small. The most recent full year for which DFAT is able to supply information is 1989. In that year, according to

---

<sup>53</sup> *ibid.*, p. 221.

<sup>54</sup> *ibid.*, p. 437.

<sup>55</sup> *ibid.*, p. 221.

Mr Vaughn, 44 kilos of cocaine were seized:

"... almost a 100 per cent increase on the year before - but it is still in relatively small quantities."<sup>56</sup>

Nevertheless, Mr Vaughn concluded that:

"... on the information available to me in discussions with the other agencies, principally AFP and ACS, both the supply of and demand for cocaine in Australia seems to be relatively stable. It does not seem to be on the increase."<sup>57</sup>

8.61 Mr Vaughn dismissed a suggestion that increased and better direct transport links between Australia and Latin America might mean an increase in drug traffic using those links. He argued that:

"Indirect supply of cocaine to Australia - that is not direct transshipment across the Pacific - is not an insurmountable problem to the suppliers. The profits are so great that taking indirect routes will only marginally increase their costs and maybe increase the likelihood of a successful entry into Australia. So my understanding is that enhanced direct transport links to Latin America, whether by sea or by air, would not cause a substantial increase in the threat to Australia ..."<sup>58</sup>

8.62 The Ambassador of Colombia made the point that drugs from Colombia do not necessarily come to Australia through the direct route of concealment in Colombian exports. The Ambassador told the Committee:

"I have been told that the cocaine coming from Colombia basically is a transshipment not only in Colombian vessels, but also in other country's vessel or transportation ... also some of the cocaine crossing is refined in Colombia but is sent from Colombia to the United States, and from the United States it is coming here by regular mail ... Most of

---

<sup>56</sup> *ibid.*, p. 222.

<sup>57</sup> *ibid.*, p. 227.

<sup>58</sup> *ibid.*, p. 212.

the drugs coming here are by mail or in ships from any nationality."<sup>59</sup>

8.63 This accords with the view expressed by Mr Vaughn:

"A mixture of routes is being used. Some comes directly, hidden in consignments, in containers; others are brought in either on direct flights or transhipped by the United States or - what we are particularly concerned about and agencies are watching - via Pacific Island countries."<sup>60</sup>

#### *Australia's Response*

8.64 The control and eventual elimination of the illegal production and trade in cocaine is obviously a massive problem. The Committee is aware of the immense power of the narco-traffickers. The Committee heard graphic evidence from Professor Maddock about the "war of blood" that took place in Colombia in an effort to bring the narco-traffickers under control.<sup>61</sup>

8.65 The Committee is also aware, as noted earlier, that the other side of this problem is the massive demand for cocaine in the United States market.

8.66 In relation to both these problems, Australia does not have either the resources, nor the influence, to play a major role. Nevertheless, if Australia is to implement a policy of upgrading relations with Latin America, the importance of the problem of illegal trade in narcotics in South America cannot be ignored.

8.67 According to the DFAT submission, the Latin American countries recognise that the fight against the narcotics traffickers must involve all members of the international community. The Andean countries were particularly actively involved in the drafting of the 1988 UN Convention Against Illicit Trafficking, and have sought early ratification of the Convention by their governments.

8.68 Australia was amongst the first to sign the Convention and negotiations are in progress with the State Government, who share responsibility with the Commonwealth Government for implementation of the provisions of the Convention, to permit Australia to ratify it.

---

<sup>59</sup> H.E. Mr Fernando Navas de Brigard, Committee Hansard, pp. 1779-80. The use of Argentina and Brazil as transit routes for cocaine and marijuana was noted in the DFAT submission, Committee Hansard, p. 115.

<sup>60</sup> Committee Hansard, p. 222. Recommendation ten in Chapter 3 addresses the question of customs inspections.

<sup>61</sup> Committee Hansard, p.432.

8.69 Both the Ambassadors of Colombia and Peru stressed to the Committee the importance of early ratification of the 1988 Convention. The Ambassador of Colombia indicated that he would like to see the ratification process of the 1988 Convention in Australia expedited.<sup>62</sup>

**8.70 Recommendation fifty four: The Committee recommends that steps be taken without delay to enable Australia to proceed to ratification of the 1988 UN Convention Against Illicit Trafficking.**

8.71 The primary multilateral forum for drug control is the new United Nations international drug control program which has brought together previously separate United Nations drug agencies.

8.72 DFAT's submission advises that in 1989/90 Australia contributed A\$1,060,000 to the United Nations Fund for Drug Abuse Control (UNFDAC).<sup>63</sup> This included a special allocation of 12% of our total contribution, \$A150,000, to assist in funding a computer project in Colombia with law enforcement and drug preventative education objectives. The project was co-funded by the Netherlands and undertaken by UNFDAC.<sup>64</sup>

8.73 According to DFAT, this small contribution was intended as a practical demonstration of Australia's support for the vital role being exercised by Latin American governments in the fight against illicit drugs.

**8.74 Recommendation fifty five: The Committee recommends that Australia continue to participate actively in the United Nations drug control program, including participation in elements of the program specifically directed to Latin America.**

#### *Police Cooperation*

8.75 The Australian Federal Police (AFP) informed the Committee that before 1989, there was little close law enforcement co-operation between Australia and Latin America and the few contacts made with Latin America on matters of international law enforcement were at international forums dealing with illicit drug trafficking. Such

---

<sup>62</sup> H.E. Mr Fernando Navas de Brigard and H.E. Mr Gonzalo Bedoya, Committee Hansard, pp. 1768, 1860.

<sup>63</sup> Committee Hansard, p. 116.

<sup>64</sup> Senate Hansard, 28 November, 1989, p. 3431.

meetings were usually organised by the International Criminal Police Organisation (Interpol) and the United Nations.<sup>65</sup>

8.76 The AFP told the Committee that the emergence of cocaine as a drug of choice around the world as well as signs of an increase in cocaine usage in Australia have brought about the need for closer contact between Australian authorities and law enforcement agencies in the Latin American region, particularly those of South America. According to the AFP, the illicit traffic in cocaine has also increased the potential for more involvement by organised criminal groups with common backgrounds, which are known to be active in both Australia and various Latin American countries.<sup>66</sup> AFP comments on cocaine usage in Australia contradicts some of the evidence noted in para. 8.60. On the basis of the evidence before it, the Committee found it difficult to form a view on the level of cocaine usage in Australia.

8.77 In April 1985 the AFP established its first liaison office in Latin America, at the Australian Embassy in Buenos Aires. The AFP informed the Committee that its decision to locate the office in Buenos Aires was based on a number of factors:

- . the policy of locating police liaison offices within Australian diplomatic missions;
- . the existence of the Qantas/Aerolineas Argentinas trans-polar air route, which has tended to make Buenos Aires the gateway to South America from Australia; and
- . the unsuitability of the other possible locations where Australia has missions in Latin America for operational reasons.<sup>67</sup>

8.78 The Committee was further informed that the principal role of the AFP liaison officer in Argentina is to establish effective liaison with the law enforcement agencies of the countries of Latin America. This liaison supports investigations by both Australian Federal and State police forces and develops and maintains a flow of criminal intelligence. Since the Buenos Aires office opened, it has established firm lines of communication with ten major countries of Latin America. Of these, Argentina, Brazil, Bolivia, Colombia and Chile are particularly important to Australia as they represent the main sources of Australia's cocaine supply.<sup>68</sup>

---

<sup>65</sup> AFP, submission, p. 1.

<sup>66</sup> *ibid.*

<sup>67</sup> AFP, submission, pp. 1-2. Law enforcement matters in Mexico are monitored through the AFP liaison offices in Washington and Los Angeles.

<sup>68</sup> AFP, submission, p. 2.

**8.79 Recommendation fifty six:** The Committee recommends that the level of police liaison with Latin American law enforcement authorities be regularly reviewed by the Australian Government in the light of any growth in interdictions or intelligence indicating an increase in direct importation of drugs into Australia from Latin America.

8.80 The Committee agrees with the views expressed by Professor Maddock on the need also to generally support the rule of law in countries facing major problems of narcotics trafficking and narco-terrorism:

"I think that we just really have to try to offer them as much support as we can to maintain and develop their legal and law enforcement institutions in a fairly normal sort of way, accepting that there are going to be lots of failures and we are going to finish up supporting some people who turn out to be crooks. Unless you support the rule of law, you are abandoning a country, potentially, like Panama or Venezuela or somebody to very extreme sorts of solutions - the US solution in Panama to militarily take over. In Colombia you go through a blood bath. We are still searching I think for middle ways of dealing with the drug problem ..."<sup>69</sup>

8.81 The AFP referred in its submission to a greater willingness on the part of Latin American law enforcement agencies in recent times "to co-operate at both regional and international levels."<sup>70</sup> The AFP also concluded that:

"There appears to be no reason why with continued judicious allocation of modest human and financial resources, Australia cannot consolidate the relationships already established with Latin America countries and maintain a level of cooperation commensurate with its law enforcement needs."<sup>71</sup>

**8.82 Recommendation fifty seven:** The Committee recommends that the Australian Government give favourable consideration to providing modest and selective law enforcement assistance to countries in the Latin American region along the lines of some already delivered in South East Asia.

---

<sup>69</sup> Committee Hansard, p. 437.

<sup>70</sup> AFP, submission, p. 4.

<sup>71</sup> *ibid.*



## Antarctica

8.83 As a consultative party to the Antarctic Treaty, Australia participates with eight Latin American countries in the operation of the treaty. Of the Latin American countries, Argentina, Chile, Brazil, Peru, Ecuador and Uruguay are parties to the treaty. Colombia is a non-consultative party to the treaty.<sup>72</sup>

8.84 There are extensive contacts between Australia and these Latin American countries concerning Antarctica, such as involvement in the preparation for, and participation in, the formal Antarctic Treaty Consultative meetings which are held biennially. In addition to these meetings, Australia takes part in formal and informal exchanges, both of a multilateral and bilateral nature, with the Latin American countries on Antarctic issues. Exchanges of information and scientists take place concerning Antarctic scientific and logistic activities under the cooperative framework established by the treaty system.<sup>73</sup>

8.85 Australia, Argentina, Brazil and Chile are members of the Commission for the Conservation of Antarctic Marine Living Resources. This Commission and its scientific committee, meet annually in Hobart. Although Peru and Uruguay are not members of the Commission they have acceded to the Convention for the Conservation of Marine Living Resources.<sup>74</sup>

8.86 All Latin American Antarctic Treaty parties and Australia are members of the Scientific Committee on Antarctic Research (SCAR). Although SCAR, which is a part of the International Council of Scientific Unions, is independent of governments it plays an import role within the Antarctic Treaty System.<sup>75</sup>

8.87 The Committee was pleased to learn that the Australian and Argentine Antarctic agencies are developing an agreement providing for the exchange of information and staff and for logistic and research cooperation.

**8.88 Recommendation fifty eight: The Committee recommends that scientific exchanges on Antarctic issues be considered for inclusion in the science and technology agreements proposed by the Committee in Recommendation six.**

---

<sup>72</sup> DFAT, submission, Committee Hansard, p. 107.

<sup>73</sup> *ibid.*

<sup>74</sup> *ibid.*

<sup>75</sup> *ibid.*

8.89 The Committee was also pleased to learn that earlier differences in perception between Australia and the countries of Latin America on how to approach the question of the environmental protection of Antarctica have:

"... narrowed now to the point where they no longer exist."<sup>76</sup>

It is a tribute to all parties that, through discussion and dialogue, a commonality of view has been achieved. The Committee welcomes this achievement and expresses the hope that close cooperation on issues of major importance, such as the future of the Antarctic, will continue between Australia and the countries of Latin America.

### **Nuclear Issues, Arms Control and Disarmament**

8.90 Four countries in Latin America, Argentina, Brazil, Mexico and Cuba, have nuclear power programs. Of the Latin American countries concerned, only Mexico has satisfied the three criteria necessary to purchase Australian uranium. These criteria are to:

- . be a party to the Treaty on the Non-proliferation of Nuclear Weapons (NPT);
- . have in place an NPT full scope safeguards agreements with the International Atomic Energy Agency (IAEA); and
- . have concluded a bilateral safeguards agreement with Australia.<sup>77</sup>

In recent years Australian uranium companies have shown an interest in becoming suppliers to the Mexican electric power utility (CFE).<sup>78</sup>

8.91 Australia's contacts, including those by the Australian Nuclear Science and Technology Organisation, with Latin American countries in respect to nuclear issues have been largely in multilateral forums. Most Latin American countries are members of the IAEA, with Argentina, Brazil, Chile, Venezuela and Uruguay presently serving on the Board of Governors. Australia is also a member of the Board.<sup>79</sup>

---

<sup>76</sup> Committee Hansard, p. 204.

<sup>77</sup> DFAT, submission, Committee Hansard, p. 117.

<sup>78</sup> *ibid.*

<sup>79</sup> *ibid.*, p. 118.

8.92 DFAT is of the view that:

"Latin American countries share with Australia a commitment to nuclear non-proliferation and a strong desire to achieve effective nuclear arms control and an end to nuclear testing."<sup>80</sup>

Most Latin American countries are members of the NPT, which prohibits all nuclear explosions by parties to the treaty. It is significant that Argentina, Brazil and Chile are not parties to the treaty.<sup>81</sup>

8.93 There are however, indications that progress towards a greater commitment to non-proliferation is being made. On 13 December 1991, a nuclear safeguards agreement was signed in Vienna between Argentina, Brazil, the Brazilian-Argentinian Accounting and Control of Nuclear Materials Agency and the International Atomic Energy Agency (IAEA). The aim of this agreement is to implement safeguards on the nuclear industries of Brazil and Argentina. Since then, Argentina has announced a new comprehensive regime to prevent Argentine exports being misused for the development of weapons of mass destruction.<sup>82</sup> Australia has welcomed these developments. The Committee hopes that in the near future Argentina, Brazil and Chile will become parties to the NPT.

8.94 All the Latin American countries have signed the regional Treaty of Tlatelolco, which is designed to establish a nuclear free zone in Latin America.<sup>83</sup> The objectives of the Treaty of Tlatelolco are similar to those set out in the South Pacific Nuclear Free Zone Treaty, of which Australia is a member, with the exception that the Tlatelolco Treaty provides for peaceful nuclear explosions. Although there are no formal links between the two organisations responsible for the treaties, informal contact and exchanges have taken place between the two bodies.<sup>84</sup>

8.95 Australia has a strong commitment to nuclear disarmament. The Committee was pleased to learn of the close cooperation of a number of Latin American countries on nuclear non-proliferation and disarmament initiatives with which Australia has been associated. For example, Peru and Uruguay were amongst the 28 countries which co-sponsored an Australian proposal at the 1990 NPT Review Conference to endorse full scope safeguards as a necessary condition of new nuclear supply. The achievement of a single text for a resolution in support of a comprehensive test ban treaty, to which both Australia and Mexico were able to subscribe at the last United

---

<sup>80</sup> *ibid.*

<sup>81</sup> *ibid.*

<sup>82</sup> Press Release, Minister for Foreign Affairs and Trade, dated 1 May 1992.

<sup>83</sup> An important non-signatory is Cuba; nor is Cuba a signatory of the NPT.

<sup>84</sup> DFAT, submission, Committee Hansard, p. 119.

Nations General Assembly in 1991 is another welcome development and augurs well for continued close cooperation on nuclear issues.

8.96 A number of Latin American countries, particularly Peru, have provided valuable support to the campaign opposing French nuclear testing in the South Pacific. The Permanent Commission on the South Pacific (PCSP) established by Peru, Chile, Colombia and Ecuador along with OPANAL, the body responsible for the Treaty of Tlatelolco has also been active in the pursuit of this objective.<sup>85</sup>

8.97 Australia has played an active role in efforts to eliminate, or at least reduce, chemical weapons. In respect to the issue of eliminating both chemical and biological weapons, Australia has had contact with Latin American countries through the Conference on Disarmament (CD). Argentina, Brazil, Mexico, Peru and Venezuela are members of the CD and participate in negotiations concerning chemical weapons through an ad hoc committee of the Conference.<sup>86</sup>

8.98 The Committee was interested to learn of the dialogue that has been established between Australia and Argentina on the implementation of a future Convention on the Prohibition of Chemical Weapons. The Committee was also pleased to learn that Venezuela has taken the initiative to sponsor a Latin American regional seminar on chemical weapons.

**8.99 Recommendation fifty nine: The Committee recommends that:**

- . **dialogue of the kind initiated with Argentina on the implementation of a future convention on the Prohibition of Chemical Weapons be extended to other countries of Latin America; and**
- . **that Australia, as the sponsor of the Chemical Weapons Regional Initiative in its own region, maintain close contact with the regional initiative taken by Venezuela.**

### **International Commodity Agreements**

8.100 International Commodity Agreements (ICA) have led to the establishment of multilateral organisations in which Australia relates to, and negotiates with, a large number of diverse countries. However, there are only a few ICAs and associated bodies in which Latin American countries are important members in terms of their

---

<sup>85</sup> *ibid.*

<sup>86</sup> *ibid.* Chile, Honduras and Uruguay have observer status in the CD.

share of world trade, political importance or significance of their financial contributions to the body.

8.101 Among the most significant ICAs, which involve both Australia and Latin American countries, are the International Wheat Agreement (IWA) and the International Sugar Agreement (ISA).

#### *International Wheat Council (IWC)*

8.102 The International Wheat Council is the administrative body of the International Wheat Agreement. It represents the interests of both wheat exporting and importing countries. The IWC administers the Wheat Trade Convention, an agreement among member nations to expand international cooperation in dealing with wheat and other grain problems worldwide. This agreement is designed to encourage international grain commerce and contribute to the stability of the international grain market.<sup>87</sup>

8.103 Argentina is a member of the IWC as well as being a member of the big five world wheat exporters who meet informally outside the IWC. Other members of this informal group are Australia, the United States, Canada, and the European Community.<sup>88</sup>

8.104 Although Australia and Argentina are competitors on the world grain market they have common concerns with conditions and situations that may affect both of them adversely. DFAT told the Committee that Australia and Argentina share common positions on substantive issues related to the wheat trade. The two countries have used the IWC as a forum to:

"... expose and criticise the trade distorting policies of the EC and US in relation to wheat and grain trade."<sup>89</sup>

#### *International Sugar Organisation (ISD)*

8.105 Australia and the sugar-exporting nations of Latin America are signatories of the ISA and are members of the International Sugar Organisation. Currently the ISA is an

---

<sup>87</sup> *Encyclopedia of Associations: International Organisations*, 26th Edition, Part 1, Descriptive Listings, Gale Research, Detroit, 1992.

<sup>88</sup> DFAT, submission, Committee Hansard, p. 127 and Department of Primary Industries and Energy, submission, Committee Hansard, p. 1195.

<sup>89</sup> DFAT, submission, Committee Hansard, p. 127.

administrative agreement and the ISO is essentially a consultative body providing a forum for discussion and the exchange of information regarding the sugar industry.<sup>90</sup>

8.106 Within the ISO there is a difference of opinion between Australia and the Latin American members in respect to the International Sugar Agreement. The ISA contains provision for consideration of an economic agreement aimed at price stabilisation and Latin American countries favour the retention of such a provision in the current renegotiation of the ISA. However, Australia is opposed to an economic ISA and therefore sees no need for this provision in the agreement.<sup>91</sup>

8.107 Despite this particular difference of opinion, generally speaking, Australia and Latin American sugar producers share a common position in being critical of the sugar industry policies of the United States and the European Community.<sup>92</sup>

#### *International Wool Secretariat (IWS)*

8.108 The International Wool Secretariat is composed of the wool boards, or corporations, of Australia, New Zealand, South Africa and Uruguay.<sup>93</sup> The Secretariat encourages growth in the wool industry through advertising and the international promotion of wool products. Other activities the IWS is involved in include research on wool and wool based materials, development of new products, fashion research and economic analysis.<sup>94</sup>

8.109 Argentine membership has been on the agenda of IWS for some years but has not yet been finalised. According to the Australian Department of Primary Industries and Energy, Australia would welcome Argentine membership of the International Wool Secretariat. However, a problem preventing such membership of the Secretariat relates to difficulties in Argentina putting forward a single organisation to represent that country's wool industry on the IWS.<sup>95</sup>

---

<sup>90</sup> Department of Primary Industries and Energy, submission, Committee Hansard, p. 1195. At present the ISO is composed of 36 sugar exporting and 9 importing countries. Latin American members of the ISO include: Argentina, Belize, Bolivia, Brazil, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Peru and Uruguay.

<sup>91</sup> Department of Primary Industries and Energy, submission, Committee Hansard, pp. 1194-5.

<sup>92</sup> DFAT, submission, Committee Hansard, p. 127.

<sup>93</sup> Department of Primary Industries and Energy, submission, Committee Hansard, pp. 1195.

<sup>94</sup> *Encyclopaedia of Associations: International Organisations*, 26th Edition, Part 1, Descriptive Listings, Gale Research, Detroit, 1992, p. 194.

<sup>95</sup> Department of Primary Industries and Energy, submission, Committee Hansard, pp. 1195.

### *International Tropical Timber Organisation (ITTO)*

8.110 The International Tropical Timber Organisation composed of timber producers and consumer nations, was established in 1985. The ITTO administers the provisions of the United Nation's International Tropical Timber Agreement. This agreement, signed in 1983, was created to provide a framework for cooperation and consultation between producers and consumers of tropical timber. The Organisation encourages the development of policies aimed at the sustainable utilisation and conservation of tropical forests. The ITTO also promotes the expansion and diversification of international trade in tropical timber.<sup>96</sup>

8.111 Seven members of the ITTO are from Latin America, namely Bolivia, Brazil, Colombia, Ecuador, Honduras, Panama and Peru. Australia is a consumer member of the Organisation. The submission from the Department of Primary Industries and Energy to the inquiry states that:

"The ITTO reaches decisions by consensus between producer and consumer nations. While it is inevitable that the interest and concerns of Australia will differ in some respects from those of the Latin American members, to date the issues under consideration by the ITTO have been addressed in a cooperative and constructive spirit."<sup>97</sup>

### *Inter-American Tropical Tuna Commission (IATTC)*

8.112 Australia maintains multilateral contacts with Latin American countries in a number of bodies of which Australia is not a formal member. For example, the Bureau of Rural Resources (BRR) of the Department of Primary Industries and Energy maintains contacts with the Inter-American Tropical Tuna Commission. The IATTC, whose members are Japan, France, Nicaragua, Costa Rica, Panama and the United States, manages tuna stocks in the Eastern Pacific. The Commission conducts studies on Pacific Ocean tuna and dolphins associated with tuna and makes recommendations to member countries on conserving tuna and dolphin stocks. The BRR's involvement with the Commission is limited to supplying technical information and methodologies related to fisheries science.<sup>98</sup>

---

<sup>96</sup> *Encyclopedia of Associations: International Organisations*, op. cit., p. 260.

<sup>97</sup> Department of Primary Industries and Energy, submission, *Committee Hansard*, pp. 1196.

<sup>98</sup> *Encyclopedia of Associations: International Organisations*, op. cit., p. 307. See also Department of Primary Industries and Energy, submission, *Committee Hansard*, pp. 1196. The Bureau of Rural Resources also maintains contacts with other organisations on which Latin American countries have members, such as the International Union of Forest Research.

8.113 The Australian Fisheries Service of the Department of Primary Industries and Energy also maintains contact with organisations which have Latin American members. For example, the Fisheries Service is involved in the work of the Fisheries Cooperation and Development Task Force of the Pacific Economic Cooperation Committee (PECC). Mexico, Peru and Chile are members of PECC. According to the Department of Primary Industries and Energy the PECC's Task Force:

"... has been instrumental in developing fisheries cooperation among Pacific Island countries and Pacific Latin America through the establishment of a Trans Pacific Fisheries Consultative Committee."<sup>99</sup>

### General Agreement on Tariffs and Trade (GATT)

8.114 In recent years one of the most significant areas of multilateral cooperation between Australia and Latin America has taken place in the context of the General Agreement on Tariffs and Trade. DFAT states in its submission to the inquiry that:

"Australia, as a young middle-sized country with a trade profile of high dependency on bulk agricultural and mineral commodities, has developed a high level of cooperation with many Latin American countries in the GATT and other international commodity forums."<sup>100</sup>

8.115 The GATT was negotiated in 1947 and entered into force on 1 January 1948. Although the agreement was intended as an interim arrangement it has remained as the only international instrument laying down trade rules accepted by countries responsible for nearly 90 per cent of the world's trade. In December 1990 there were 100 contracting parties to the agreement and another 28 countries applying GATT rules on a de facto basis.<sup>101</sup>

8.116 Of the 21 separate states or entities which comprise Latin America, 16 are contracting parties to GATT.<sup>102</sup> Two additional Latin American countries, Paraguay

---

<sup>99</sup> Department of Primary Industries and Energy, submission, Committee Hansard, p. 1196.

<sup>100</sup> DFAT, submission, Committee Hansard, p. 102.

<sup>101</sup> *The Statesmart's Year-Book 1991-1992*, Macmillan Press, London, 1991, p. 25.

<sup>102</sup> These countries and their year of accession are:

Argentina	(1967)	Belize	(1983)
Brazil	(1948)	Costa Rica	(1990)
Bolivia	(1990)	El Salvador	(1991)



and Honduras, are seeking membership of GATT and their applications are being supported by Australia.<sup>103</sup>

8.117 All Latin American members of GATT are classed as developing countries. Australia has put in place a number of arrangements designed to assist developing countries in the area of trade. Under a specific provision of GATT, developing countries are entitled to receive concessional tariff treatment under Australia's Generalised System of Preference (GSP).<sup>104</sup>

8.118 Australia's willingness to provide tariff advantages to developing countries has assisted Australia in furthering its economic relations with several countries in Latin America. DFAT states that:

"Australia's high profile and respected image in the GATT has resulted in a longstanding and close relationship with a number of Latin American countries."

In particular, DFAT pointed to a substantial increase in exports from Argentina and Brazil that has resulted from the operation of the Australian GSP during the last ten years.<sup>105</sup>

8.119 GATT functions both as a multilateral treaty, that seeks to lay down a common code of conduct in international trade and trade relations, and as a forum for negotiation and consultation to overcome trade problems and reduce trade barriers between countries.<sup>106</sup>

8.120 There have been seven rounds of multilateral trade negotiations completed within GATT since it was first established. On 20 September 1986 agreement was reached within GATT to launch the Uruguay Round of multilateral trade negotiations. This round was originally scheduled for completion in December 1990. However, the

---

Chile	(1949)	Guatemala	(1991)
Colombia	(1981)	Mexico	(1986)
Peru	(1951)	Nicaragua	(1950)
Uruguay	(1953)	Suriname	(1978)
Venezuela	(1989)	Guyana	(1966)

DFAT, submission, Committee Hansard, p. 102.

<sup>103</sup> *ibid.* For information on reservations some South American countries have regarding GATT see Keith Hughes, "Gatt and Some International Trade Issues", *Background Papers (Economics and Commerce Group)* Commonwealth Parliamentary Library, 17 June 1991, pp. 4-5.

<sup>104</sup> Under the Australian tariff preference system (ASTP) a 5-point percentage preference is available to all developing countries, including the countries of Latin America.

<sup>105</sup> DFAT, submission, Committee Hansard, p. 102.

<sup>106</sup> *The Statesmart's Year-Book 1991-1992*, op. cit., p. 25.

deadline was not met. By December 1990 there were 106 countries participating in these negotiations. Negotiations resumed in February 1991 and have continued with repeatedly deferred deadlines. The objective of the negotiations is to:

"... bring about further liberalisation and expansion of world trade; to strengthen the role of GATT and improve the multilateral trading system; to increase the responsiveness of GATT to the evolving international economic environment; and to encourage co-operation in strengthening the inter-relationship between trade and other economic policies affecting growth and development."<sup>107</sup>

8.121 In order to pursue these objectives 15 negotiating committees were established as part of the Uruguay Round. In early 1991 the original 15 negotiating groups were replaced with seven dealing with access issues, agriculture, textiles, rules, trade related intellectual property rights (TRIPs), institutional issues and services.<sup>108</sup>

8.122 The failure so far to conclude a general agreement on the entire package of issues being negotiated under the Uruguay Round is seen by most observers as being principally caused by a long standing dispute between the European Community (EC) and the United States over agricultural trade reform.<sup>109</sup>

#### **Agriculture - the Cairns Group**

8.123 The Cairns Group of Fair Trading Nations was formed in Cairns in August 1986 as part of the Uruguay Round of multilateral trade negotiations. Of the Latin American GATT members, Argentina, Brazil, Chile, Colombia and Uruguay are members of the Cairns Group. The other members of the Group are Australia, Canada, Hungary, Indonesia, Malaysia, New Zealand, the Philippines and Thailand.<sup>110</sup>

---

<sup>107</sup> *The Statesman's Year-Book 1991-1992*, op. cit., p. 26. See also Keith Hughes, op. cit., p. 3.

<sup>108</sup> For a more detailed listing of the issues examined under the Uruguay Round and the Round's history see *The Statesman's Year-Book 1991-1992*, op. cit., p. 26. See also Keith Hughes, op. cit., p. 3.

<sup>109</sup> *Keesing's Record of World Events*, Volume 35, Number 2, 1989, p. 36508. See also Richard A Higgott and Andrew Fenton Cooper, "Middle Power Leadership and Coalition Building: Australia, the Cairns Group, and the Uruguay Round of Trade Negotiations", *International Organisation*. Vol. 44, No. 4, Autumn 1990, p. 623.

<sup>110</sup> Committee Hansard, p. 199. See also Higgott and Cooper, op. cit., p. 590.

8.124 The DFAT considers that Australia's longstanding friendship and cooperation with many Latin American countries through GATT and other international forums:

"... was an important factor in the inclusion of the five Latin American members of the Cairns Group."<sup>111</sup>

Australia's chairmanship of the Cairns Group has acted to further strengthen ties with the Latin American members.

8.125 The Cairns group is composed of countries which are dissimilar in respect of their comparative levels of economic development and the nature of their political systems. Although Australia and Canada, which have played central roles within the Group, can be described as middle powers, the Cairns Group is primarily composed of developing countries, particularly agricultural exporting ones. The Group has been described

"... as a coalition unlike any other in the contemporary international political economy. Members are, in simple terms, from both sides of the East-West and North-South divides in the international order."<sup>112</sup>

8.126 Despite differences between members of the Group they share important similarities. Each of the countries has a significant internationally competitive export-oriented agricultural sector with agricultural exports representing between 18% and 73% of their exports. The members of the Group provide between 21.4% and 91.8% of the world's market in thirteen different commodities. The agricultural exports of the group are considerably larger than those of the United States and are second only to those of the European Community.<sup>113</sup>

8.127 The Cairns Group emerged as a response to the increasingly intense competition in the international agricultural arena between the United States and the European Community. The countries of the Group were faced with the prospect of losing their traditional markets due to the subsidisation of producers in the United States and Europe. To counter these developments the countries of the Cairns Group believed they had to take collective action to save their markets.<sup>114</sup>

---

<sup>111</sup> DFAT, submission, Committee Hansard, p. 102.

<sup>112</sup> Higgott and Cooper, *op. cit.*, p. 601.

<sup>113</sup> Higgott and Cooper, *ibid.*, p. 604. The combined GDP of the Group at close to \$1.06 trillion is not much less than that of Japan at \$1.3 trillion.

<sup>114</sup> For information on the issues involved in the reform of agriculture internationally and the arguments presented by the EC in defence of its position see Higgott and Cooper, *ibid.*, pp. 597, 599.

8.128 The aim of the Cairns Group is to secure major reform in international agricultural trade. The aims of the Group are set out in two major documents, the *Declaration of the Ministerial Meeting of Fair Traders in Agriculture*, adopted at the Group's meeting in Cairns on 26 August 1986 and *Comprehensive Proposal for the Reform of Agriculture*, adopted by the Group at a meeting held in November 1989. The 1989 proposal called for the full integration of agricultural trade in the GATT process, which over ten years would ensure a stronger market-oriented agricultural system.<sup>115</sup>

8.129 Two of the main reforms of the world agriculture system being pressed for by the Cairns Group are:

- . the reduction of distorting internal support measures; and
- . the phasing out of existing export subsidies and the prohibition of new ones.<sup>116</sup>

8.130 An article published in the journal *International Organisation* in 1990 described the behaviour of the Cairns Group in the Uruguay Round

"... as one geared to securing its desired aim of substantial agricultural reform via the mitigation of tensions and conflict between the major actors."

In other words:

"... the fundamental goal of the Cairns Group has remained that of restraining and modifying the behaviour of larger, more powerful actors through the strengthening of order in the world economy."<sup>117</sup>

8.131 As noted by the authors of the article, the:

"... members of the Cairns Group, led by Australia, have come to emphasise reforms in the global agricultural system that would reward efficiency and free market forces."<sup>118</sup>

---

<sup>115</sup> Higgott and Cooper, *ibid.*, p. 612.

<sup>116</sup> *ibid.*, p. 613.

<sup>117</sup> *ibid.*, p. 600.

<sup>118</sup> *ibid.*, p. 605.

According to the then Secretary of the DFAT, Mr Woolcott, the Cairns Group has turned into:

"... a very useful and I think important instrument of Australian trade policy diplomacy."<sup>119</sup>

8.132 The Department put the view that:

"... [the] Cairns Group has been a major force, indeed the "third force" in the Uruguay Round. Its role in setting the agenda and providing an important "middle way" for progress when negotiations between the United States and the EC have appeared to be heading for deadlock has been of the utmost significance."<sup>120</sup>

8.133 Australia's prominent position in the Cairns Group has been invaluable in strengthening and furthering contacts with Latin American members of the Group, who for their part have played significant roles in promoting the interests of the Group. In its submission to the inquiry DFAT states that:

"The Latin American countries are strongly committed to the Group's objectives and have played an active role in the Group and in pressing the critical nature of agriculture in the Uruguay Round negotiations."<sup>121</sup>

8.134 As with any significant organisation with a diverse membership, the Cairns Group of countries has not been without some internal problems. For example, both Brazil and Argentina have gone further than the Group in demanding special and differential treatment for their agricultural economies. The harder line views of Argentina and Brazil are the result of both nations feeling under pressure to obtain funds to cope with their enormous debt problems.

8.135 Australia has played a prominent role in defusing tensions which have surfaced from time to time within the Cairns Group, due to differences in views and priorities held by member countries. In dealing with these internal problems Australia has been brought into close contact with several of the Latin American countries.<sup>122</sup>

---

<sup>119</sup> Committee Hansard, p. 199.

<sup>120</sup> Higgott and Cooper, op. cit., p. 625.

<sup>121</sup> DFAT, submission, Committee Hansard, p. 103

<sup>122</sup> Higgott and Cooper, op. cit., pp. 617-8.

8.136 Much of the success of the Cairns Group in holding together in the face of in both internal and external pressures has been attributed by some observers to "Australian entrepreneurial and technical leadership."<sup>123</sup>

### **Trade in Services, TRIPS, Market Access**

8.137 As might be expected, the broad coincidence of views of Latin American members of the Cairns Group and Australia does not necessarily extend to other Latin American members of GATT. For instance, while Mexico generally supports the goals of agricultural liberalisation, as an importer of some agricultural products, it has some concerns about possibly higher import prices that might result from agricultural liberalisation.

8.138 On a number of issues the Latin America countries have sought special treatment for developing countries. For example, Peru has done so in the case of agriculture. Most Latin American countries have sought the inclusion of special and differential rights and obligations in relation to trade in services. More recently, however, Latin American countries have joined Australia, and other countries in opposing United States proposals to weaken this section of the agreement.

8.139 Another area where differences between Australia and the Latin American countries is evident is on the question of trade-related intellectual property rights (TRIPs).

8.140 Australia, along with most industrialised countries, favours a comprehensive GATT based agreement covering standards for the protection of intellectual property and measures for the enforcement of intellectual property rights. However, Latin American countries, in general, have opposed the inclusion of TRIPS in the GATT negotiations. They have argued that the World Intellectual Property Organisation is the appropriate body to set international standards in these areas. The Latin American countries believe that any GATT agreement should be limited to combating the trade in counterfeit and pirated goods.<sup>124</sup>

8.141 Nevertheless, it appears that some Latin American countries are changing their views on TRIPs. According to DFAT, since negotiations first started Latin American:

"... participation has been more constructive through their involvement in the various formal and informal negotiating groups."

---

<sup>123</sup> *ibid.*, p. 627.

<sup>124</sup> DFAT, submission, Committee Hansard, pp. 103-4, 105.

The Department states that in Latin America:

"There seems to be an increasing recognition that intellectual property protection is necessary to stimulate indigenous technology development through local innovation as well as to encourage technology transfer."<sup>125</sup>

8.142 With regard to market access negotiations, it is somewhat disappointing for Australia that the commitments offered by Latin American countries have so far been limited. Mexico and Brazil are the only countries in the region which have offered to make significant tariff reductions.<sup>126</sup> In its submission to the inquiry DFAT states that:

"Most other Latin American countries have offered to bind tariffs at ceilings often well above present nominal rates, so that the net effect is for an apparent increase in maximum tariff levels rather than a negotiated reduction."<sup>127</sup>

8.143 It is the hope of the Committee that more Latin American countries will see their way clear, as negotiations in the Uruguay Round proceed, to increase their offers to reduce tariffs and other barriers to trade as part of international efforts to liberalise world trade.

## Regional Cooperation

8.144 In addition to furthering our relations with individual countries in the Latin American region, Australia's multilateral contacts with these countries have also shown the potential that exists for the possible development of other formal and informal coalitions between Australia and Latin American nations.

8.145 In its submission to the inquiry DFAT states that:

"The effectiveness of the Cairns Group in the Uruguay Round should ensure that both sides are alert to the

---

<sup>125</sup> *ibid.*, p. 104.

<sup>126</sup> Mexico has offered a significant tariff reduction (19%) and Brazil has undertaken significant unilateral tariff cuts. Submission, Committee Hansard, p. 105. It must also be acknowledged that Chile already has low across the board tariffs in place.

<sup>127</sup> DFAT, submission, Committee Hansard, p. 105.

possibility of future ad hoc coalitions on particular issues of mutual interest.<sup>1128</sup>

The Committee however formed the impression during the course of the inquiry that little has so far been done, to date, to actively look for and exploit such opportunities.

8.146 One such important area where there may well be scope for mutually beneficial contact is the development of closer links between Australia and some of the Latin American countries in the context of regional trade groupings.

8.147 There is a bewildering array of regional arrangements amongst the countries of Latin America. Some have a long history, others have sprung up or been revitalised in recent years. They include bilateral free trade agreements between several pairs of countries, small groupings of countries at similar stages of economic development as well as region-wide organisations such as the Latin American Integration Association (ALADI). Most are confined to countries of the region although some important ones, like the proposed North America Free Trade Agreement seek to link one and possibly, in time, more Latin American countries to the very large economies of North America. As DFAT put it in its submission:

"A new enthusiasm for regional integration has gripped the region, although differing rates of economic reform and continuing inflation and debt problems have impeded progress."<sup>129</sup>

However the submission concludes that the prospects for regional economic integration look better than ever before.<sup>130</sup>

8.148 The DFAT submission gives a brief outline of the following regional arrangements.

- Organisation of American States (OAS)
- Latin American Economic System (SELA)
- Economic Commission for Latin America and the Caribbean (ECLAC)
- Inter-American Development Bank (IADB)
- Andean Pact
- Latin American Integration Association (ALADI)
- The Rio Group
- United States "Enterprise for the Americas" Initiative
- Bilateral framework agreement with the United States
- North America Free Trade Agreement (NAFTA)
- Southern Cone Common Market (MERCOSUR)

---

<sup>128</sup> *ibid.*, p. 14.

<sup>129</sup> Submission, Committee Hansard, p. 61.

<sup>130</sup> Committee Hansard, p. 61.



Latin American Economic Integration Fund  
Southern Cone Agricultural Cooperation Council (CONASUR)  
Mexico/Central America Economic Complementarity Agreement  
Group of Three Energy Basin Initiative (COMEVEN)  
Partnership for Democracy and Development  
Chile/Venezuela Free Trade Agreement

8.149 The DFAT submission draws attention to the "remarkable congruity of outlook amongst governments in the region" and attributes this in large part to a recognition by these governments

"... that a drastic overhaul of both domestic and regional economic structures is vital to the fate of their own administrations, as well as to democracy in Latin America."<sup>131</sup>

8.150 The Committee agrees with DFAT's conclusion that, provided these economic groupings are outward looking, then the enhanced growth of Latin American economies should also present enhanced trade and investment opportunities for countries outside the region, such as Australia. The Department believes that the negotiations for integration themselves

"... are already putting external pressure on some countries to accelerate the pace of economic reform and trade liberalisation."<sup>132</sup>

It is not entirely clear, however, whether the move to greater regional integration might disadvantage Australia in any way.

### **North American Free Trade Agreement (NAFTA)**

8.151 A development that has the potential to have a major impact on Australia in the future is the establishment of a North America Free Trade Agreement (NAFTA) between the United States, Canada and Mexico. Evidence before the Committee on the nature of the Agreement itself and how it might specifically affect Australia was slim. Both DFAT and Austrade gave very brief accounts of the process of negotiations taking place between the United States, Canada and Mexico. Neither submission sought to forecast the possible outcome of the negotiations or analysed the impact that such an Agreement might have on Australia's interests.

---

<sup>131</sup> *ibid.*, p. 71.

<sup>132</sup> *ibid.*, p. 72.

8.152 In part, this lack of more detailed analysis may be accounted for by the rapid developments in the negotiations themselves. The Presidents of Mexico and the United States, and the Prime Minister of Canada, first announced their intention to negotiate a Free Trade Agreement in February 1991. By the time this Committee had an opportunity to meet privately with the Head of Mexican Foreign Ministry, Dr Rozental, in March 1992, Dr Rozental informed the Committee that agreement on a text had practically been reached; it now remained for the text to be put to the United States Congress.

8.153 During the course of the inquiry, the Committee became aware of work being undertaken by a group of academics and officials at the University of Texas in Austin on the NAFTA. Members of the group come from both Australia and the United States.<sup>133</sup>

8.154 It is evident that some work is now being done to examine in greater detail the impact of the likely NAFTA arrangements on Australia. However the Committee is concerned that progress so far has been very slow. For instance, the Committee is unaware of any commodity studies being done in Australia to determine more accurately the impact of NAFTA.<sup>134</sup>

8.155 The Committee acknowledges that there has been a great deal of uncertainty about the exact nature of the provisions in the Agreement. However, the potential for impact on Australia is such that considerable effort to evaluate it is, in the Committee's view, justified.

8.156 North America is the largest market for most countries in Asia. According to an article "Western Trade Blocs" published by the Centre for International Economics:

"Protectionist developments in this market are therefore possibly of even greater significance to the Asia-Pacific region than are those in the EC".<sup>135</sup> Moreover, the article cites the potential expansion of the North American trade

---

<sup>133</sup> *ibid.*, p. 1594. The Committee was informed that academics at the University of Adelaide and Flinders University are also engaged in bringing together experts on the subject in Adelaide for a conference in July 1992. Committee Hansard, p. 1592.

<sup>134</sup> Committee Hansard, pp. 1608-9.

<sup>135</sup> Andrew Stoeckel, David Pearce and Gary Banks, *Western Trade Blocs*, Centre for International Economics, Canberra ACT, 1990, p. 48. The authors note US Administration arguments that the existing US-Canada Agreement, CANUSTA will help the multilateral liberalisation in GATT; at the same time they cite "... six good reasons for fearing CANUSTA could lead to more protectionist policies", pp. 58-9, p. 48.

bloc to include Mexico as being of particular importance. The authors argue that:

"US-Mexico free trade is likely to impose substantial trade diversion losses on Asian economies, which compete with Mexico in US markets for steel, textiles, clothing, footwear and other light manufactures."<sup>136</sup>

8.157 This view is shared by Dr Findlay of the University of Adelaide. In evidence to the Committee, Dr Findlay said:

"... there could be, to some extent, some diversion of or trade out of North America towards Mexico ... if Mexico becomes a more attractive origin as a result of the free trade area, then there could be some diversion of trade."<sup>137</sup>

8.158 Dr Findlay made two further related points that the Committee consider to be very important. First, the anticipated trade diversion would occur

"... even if there is no new trade barrier against Australia."<sup>138</sup>

In other words, even if no GATT rules against discriminatory practices are broken, a NAFTA Agreement could have undesirable consequences for Australia. Moreover, it was pointed out to the Committee that NAFTA might well put in place agreements in areas, such as trade in services, which have not yet been dealt with under GATT and are therefore "unconstrained by GATT rules." This clearly opens up the possibility of practices being sanctioned that may not be in the interests of countries such as Australia.<sup>139</sup>

8.159 It seems to the Committee that it is vital for the Commonwealth Government to make those matters priority concern when being given assurances about the content of agreements such as NAFTA.

8.160 The second matter of concern, alluded to by Dr Findlay, is the lack of depth of research into the consequences of NAFTA for Australia, as opposed to consequences

---

<sup>136</sup> *ibid.*, p. 61.

<sup>137</sup> Committee Hansard, p. 1604.

<sup>138</sup> *ibid.*, p. 1604.

<sup>139</sup> *ibid.*, p. 1607.

for the Asia-Pacific region as a whole. Dr Findlay told the Committee that:

"... people have done a lot of work on the impacts on Asia, but nobody has isolated the effect on Australia."<sup>140</sup>

8.161 This impact may be two-fold - direct and indirect. Mexico, as a labour-intensive exporter, is a direct competitor with many Asian countries. In Dr Findlay's words, if NAFTA gives the competitive edge to Mexico:

"... our mates in Asia would also be knocked out of North American markets. So we get the knock-on effect of that."<sup>141</sup>

8.162 There could be more direct effects from NAFTA in specific sectors, such as steel. The Committee has been advised, for example, that no detailed work appears to have been done so far, in Australia, on the possible implications of greater integration, through NAFTA, of the US and the Mexican steel industry on any plans by Australian companies to enter the intermediate steel product area. This needs to be addressed immediately. The possibility of flow-on effects on related matters such as Australian iron ore sales to Japan's steel industry should also be examined.

8.163 At the same time the Committee is aware of the potential of NAFTA to create new opportunities for Australian business. DFAT in its report on the 1991 CAI Delegation to Mexico noted, for example, that:

"... the Mexican textile industry might expand significantly under the NAFTA generating improved prospects for wool exports."<sup>142</sup>

8.164 More generally, the Centre for International Economics argues that a free trade area may create more trade than it diverts and that removing barriers to regional trade can substantially boost regional income.<sup>143</sup> Dr Andrew Elek of the Australian National University makes a similar point:

"Preferential lowering of market access barriers inevitably causes some diversion of trade: net damage to non-participants can be avoided only if this is outweighed by

---

<sup>140</sup> Committee Hansard, p. 1605. Mention was made of some work being done by the Industry Commission and in the East-West Centre.

<sup>141</sup> Committee Hansard, p. 1604.

<sup>142</sup> DFAT report on the CAI Trade Delegation visit to Mexico, 28 April to 1 May 1991, attachment G to letter dated 21 April 1992 from Mr I. Wilcock, Assistant Secretary DFAT, to Committee.

<sup>143</sup> Stoeckel, *op. cit.*, p. 72.

new trading opportunities created by the increased dynamism of FTA [Free Trade Agreement] participants or by the simultaneous lowering of some external trade barriers."<sup>144</sup>

Dr Elek points out that the NAFTA partners expect that:

"... the trade creating affects of a more integrated and efficient North American economy will outweigh any trade diversion costs."<sup>145</sup>

The economists of the Centre for International Economics put it succinctly:

"... a free trade area need not be a drain on the world economy IF it covers most trade and IF average protection does not rise."<sup>146</sup>

However, these are important "ifs". Much more investigation must be undertaken before firm judgements about the impact of NAFTA on Australia can be confidently made.

8.165 Dr Findlay pointed out to the Committee that, in the specific case of NAFTA:

"The integration of, say, Mexico into North America, the support that would give for the reform program in Mexico - all those things are growth promoting."<sup>147</sup>

Increasing purchasing power by a country like Mexico that **might** result from a NAFTA agreement **might** also be of indirect advantage to Australia.

8.166 As far as the Committee is aware, no empirical research into the total impact of NAFTA on Australia has yet been completed.

8.167 The Committee accepts that, in the absence of a firm, agreed NAFTA text, ratified by all the parties to it, it is difficult to reach definitive conclusions. The Committee also accepts that the NAFTA agreement will, in the beginning, in all likelihood cover only part of the possible range of arrangements that might eventually be agreed upon between the three parties. There will therefore be opportunities for Australians, further down the track, to seek to influence future developments in the NAFTA.

---

<sup>144</sup> Dr A. Elek, submission, attachment, p. 6.

<sup>145</sup> *ibid.*

<sup>146</sup> Stoeckel, *op. cit.*, p. 72.

<sup>147</sup> Committee Hansard, p. 1605.

8.168 The Committee also accepts that it is essential to remind the parties to the negotiations, as the Australian Government has done, that:

"... they have got obligations to do things in a non-discriminatory way so as not to raise trade barriers."<sup>148</sup>

8.169 The Committee welcomed the assurance in the submission from the Ambassador of Mexico that:

"... the proposed North American Free Trade Agreement will be fully compatible with the principles of GATT."

and that it will:

"... not involve the raising of additional barriers to third countries."<sup>149</sup>

8.170 According to Dr Findlay, Australian Government authorities are monitoring progress on NAFTA and have good access to information on the negotiations.<sup>150</sup> The Committee is not, however, satisfied that enough has been done in the way of examination of specific consequences for Australia of NAFTA. Nor is the Committee convinced that the negotiations should be allowed to run their course without addressing the question of specific impact on Australia. General reminders to the negotiators that NAFTA should be consistent with GATT are necessary. So also, in the Committee's view, is informed judgement about impact on specific sectors of the Australian economy that would enable well-founded representations to be made, if necessary, **before** the final text is agreed between the parties.

8.171 The fact that further accessions to NAFTA by other Latin American countries, such as Chile and Peru, are considered by many observers to be real possibilities adds to the urgency of establishing a more comprehensive and detailed analysis of the consequences of NAFTA for Australia. As Dr Elek pointed out:

"It may prove more difficult to ensure that adding more economies to NAFTA will also be of net benefit to the rest

---

<sup>148</sup> *ibid.*, p. 1609. According to the DFAT report on the CAI 1991 delegation visit to Mexico "At almost every opportunity, including with President Salinas, Serra Puche and Foreign Minister Solana, Dr Blewett said that Australia supported the negotiation of a NAFTA but would be watching closely for any possible unintended, adverse effects on third parties such as Australia. He received assurances in each case that Mexico would be particularly careful to ensure that such consequences would not develop and that Mexico would not be party to rules discriminating against others." Attachment G to letter dated 21 April 1992 from Mr I. Wilcock.

<sup>149</sup> Ambassador of Mexico, H.E. Mr A. Morales, submission, p. 22.

<sup>150</sup> Committee Hansard, p. 1594.

of the world, since the potential synergy will be less than in the case of Mexico."<sup>151</sup>

**8.172 Recommendation sixty:** The Committee recommends that the Australian Government, as a matter of utmost urgency, conduct, in close consultation with the private sector, a detailed study of the implications of arrangements that are likely to be included in any North America Free Trade Agreement (NAFTA), and which have the potential to have a significant impact on Australia. Particular sectors that might be the subject of such study include the steel, textile, dairy, meat and sugar industries. The purpose of the studies would be to enable the Australian Government to seek to influence, in a timely manner, the outcome of NAFTA negotiations.

8.173 The Government should also be alert to future areas of negotiations on NAFTA where Australian interests may be affected and institute specific studies of those areas at the earliest possible stage. An issue of importance to Australia that should be addressed in detail is the possible value to Australia of seeking, together with New Zealand, some kind of linkage with NAFTA.

8.174 If relatively little has been done to date on detailed analysis of the implications of NAFTA for Australia, even less attention has been paid to the implications of the other regional groupings that have recently gained momentum in Latin America. Of these, MERCOSUR, the free trade agreement being negotiated between Argentina, Brazil, Uruguay and Paraguay is considered by DFAT to be the most important.

8.175 There are probably several reasons for this lack of attention. Latin American efforts at regional integration in the past have generally yielded little in the way of concrete results. Also, as a region it has, as noted repeatedly in this Report, for long been regarded as remote and of little consequence for Australia. It is also true that Australian Government resources have been stretched and primarily devoted to areas that rightly, have been considered as having the highest priority, namely the multilateral GATT negotiations and the development of Australia's economic relationship with the economies of its immediate region.

8.176 However, just as the Committee concluded in earlier Chapters of this Report that more attention must now be paid to Australia's bilateral links with the Latin American region, so also greater attention must now be paid to understanding and analysing the regional developments taking place there. Not only are prospects for the success of sub-regional groupings such as MERCOSUR and NAFTA greater than ever before, the prospects of region-wide significant integration, be it through the United States initiative "Enterprise for the Americas", or through a complex network of bilateral arrangements, must not be ignored.

---

<sup>151</sup> Dr A. Elek, submission, attachment, p. 6.

8.177 **Recommendation sixty one:** The Committee recommends that the Government institute a detailed study of the implications of Latin American regional trade and economic groupings for Australia. The study should, as far as possible, draw on expertise available in both the academic and business world.

8.178 These regional integration proposals assume added importance in the light of the interest of several Latin American countries in closer association with economic developments in the Asia-Pacific region.

### Latin American Involvement in the Pacific

8.179 A number of Latin American countries border on the Pacific, namely Chile, Colombia, Ecuador, Peru, Costa Rica, El Salvador, Guatemala, Mexico, Nicaragua, Honduras and Panama. With the exception of Mexico, and to some extent Chile and Peru very recently, the involvement of these countries in South Pacific issues, so far has been "slight".<sup>152</sup>

8.180 Little interest has, for example, been shown in the South Pacific Forum<sup>153</sup> by the Latin American countries. At present two Latin American countries, Ecuador and Chile are technically eligible to be members of the Forum. However, only Chile has indicated an interest in joining the South Pacific Forum and currently attends Forum meetings as an observer.<sup>154</sup>

8.181 Substantially more interest has been shown by Pacific Latin American countries in the **Pacific Basin Economic Council (PBEC)**.<sup>155</sup>

8.182 The PBEC is an international association of more than 600 corporations which do business in the Pacific Basin. The Council was established in 1967 at the initiative of Japanese and Australian business groups. At present, members are drawn from eleven countries including three from Latin America, Chile, Mexico and Peru. The other members of the PBEC come from Canada, Hong Kong, Japan, the Republic of Korea, New Zealand, Taiwan, the United States and Australia. The Australian

---

<sup>152</sup> DFAT, submission, Committee Hansard, p. 130.

<sup>153</sup> The Forum, of which Australia is a member, is an international organisation which provides technical advice, training and the dissemination of information concerning social and economic issues to 22 governments and administrations in the South Pacific.

<sup>154</sup> DFAT, submission, Committee Hansard, p. 131.

<sup>155</sup> Committee Hansard, pp. 198-9



Department of Foreign Affairs, Defence and Trade said in its submission to the inquiry that Chile, Mexico and Peru had joined the Council as:

"... part of their push to become more involved in regional economic forums."<sup>156</sup>

8.183 These three countries have also in recent years, demonstrated their interest in the **Pacific Economic Cooperation Conference (PECC)**. This is an unofficial organisation of government officials, business, representatives and academics from countries in the Asia-Pacific region. The aim of the Conference is to promote regional economic cooperation by:

"... encouraging regional consultations, coordination of information and promoting public awareness of the increasing interdependence of the Pacific economies."<sup>157</sup>

The PECC resulted from a seminar held in Canberra in 1980, which was organised at the initiative of the then Australian and Japanese Prime Ministers, and brought together government officials, academics and business leaders from a large number of countries in the Pacific region.<sup>158</sup>

8.184 At a meeting of the PECC held in Singapore in May 1991 applications from Chile, Mexico and Peru were approved for full membership of the Council. Mexico had been participating in activities of the PECC for some years before its membership was approved. Australia assisted in bringing the three Latin American countries into the Council by arguing for the lifting of a moratorium on new PECC members, which had been in place between 1986 and 1989.<sup>159</sup>

8.185 In addition to the three Latin American members and Australia, the PECC is composed of Brunei, Canada, China, Chinese Taipei, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, Pacific island nations, who participate through the South Pacific Forum, the Philippines, Singapore, Thailand and the United States. The Pacific Trade and Development Conference (PAFTAD) and the PBEC are represented on the PECC's International Standing Committee.<sup>160</sup>

8.186 Mexico and Chile are the two countries in Latin America which have shown the most interest in furthering and improving their relations with Pacific and Asian nations.

---

<sup>156</sup> DFAT, submission, Committee Hansard, p. 123.

<sup>157</sup> *ibid.*

<sup>158</sup> *ibid.*

<sup>159</sup> *ibid.*

<sup>160</sup> *ibid.* PAFTAD is the academic wing of PECC.

8.187 Chile has traditionally been an outward looking country seeking extensive participation in international affairs. However, during the military dictatorship in that country in the seventies, restricted diplomatic contacts were in force. With the return of a civilian government to power, Chile has sought to return to its normal role in international relations. As noted previously, Chile is a member of the PBEC and in May 1991 became a full participant in the PECC.<sup>161</sup>

8.188 Like Chile, Mexico has also become an outward looking, diplomatically active country. The interest of Mexico in developing its presence in the Asia-Pacific region has been demonstrated in recent years by its action in opening embassies in all the ASEAN countries (except Brunei), while at the same time giving heightened focus to its relations with Australia and New Zealand. Mexico's membership of the PBEC and the PECC, along with its expressed strong interest in joining the Asia Pacific Economic Cooperation process (APEC), are all indicative of its desire to broaden its diplomatic and trade contacts. This broadening of its contacts appears to be part of a Mexican strategy to lessen, to some extent, its traditional trade dependency on the United States.<sup>162</sup> As the Ambassador of Mexico said in his submission:

"Mexico is displaying a very active policy of trade diversification."<sup>163</sup>

### **Asia Pacific Economic Cooperation (APEC)**

8.189 By far the most significant effort at regional economic cooperation in the Asia Pacific region is the Asia Pacific Economic Cooperation (APEC) process that has evolved from the initiative first put forward by the then Australian Prime Minister, Mr Hawke in Seoul in January 1989.

8.190 In an address to an international conference in March 1991, Mr Woolcott, the Prime Ministers' Special Envoy on APEC, spelt out the essence of APEC's principles and of APEC's general outlook on the world as follows:

- ". first, cooperation should be aimed at strengthening the open multilateral trading system;
- second, it should involve what might be called open regionalism, in which the aim is to strengthen the gains from interdependence - including by encouraging flows of goods, services and technology - but without disadvantage to other economies;

---

<sup>161</sup> DFAT, submission, Committee Hansard, pp. 36-7.

<sup>162</sup> *ibid.*, p. 46.

<sup>163</sup> Ambassador of Mexico, H.E. Mr A. Morales, submission, p. 5.

third, it should complement existing bodies in the region, including ASEAN, the Pacific Economic Cooperation Conference (PECC) and the Pacific Basin Economic Council (PBEC); and

fourth, it involves non-formal cooperation with equal respect for the views of all participants and with policies, including in the area of participation, built upon consensus."<sup>164</sup>

8.191 Mr Woolcott laid particular stress on the increasingly significant role that he expected APEC to play in "the successful management of developing regional inter-dependence".<sup>165</sup> The Committee particularly noted his expectation that APEC would assist in identifying difficulties and antagonisms, "hopefully before they have grown into disputes."<sup>166</sup>

8.192 At the inaugural APEC ministerial level meeting held in Canberra in 1989 it was agreed, in general terms, that participation in the group should be assessed on the basis of economic linkages with the region. It was also agreed at this meeting that membership of APEC could be extended to countries by consensus of all participants.

8.193 Both Mexico and Chile have expressed an interest in participating in APEC.<sup>167</sup> During discussions with the Mexican Foreign Minister in 1991 Dr Blewett, then Trade and Overseas Development Minister, stated that Australia was sympathetic to Mexico's desire for closer involvement in APEC. However, Dr Blewett pointed out that any decision on membership for Mexico would have to be taken by all members of the group.<sup>168</sup>

8.194 Australia's first priority with regard to membership was to ensure that the People's Republic of China, Taiwan and Hong Kong are involved in APEC. Australia's view was that without the involvement of the so called "three Chinas", APEC was "really rather incomplete".<sup>169</sup> Mr Woolcott, told the Committee that, "Once the three China issue is settled I think the next cab off the rank would be likely to be Mexico."<sup>170</sup> Since then, the question of the membership of "the three Chinas" has been satisfactorily resolved.

---

<sup>164</sup> Address by the then Secretary of the DFAT, Mr Richard Woolcott on "The ASEAN Countries and the World Economy: The Challenge of Change" in *The Monthly Record*, March 1991, p. 80.

<sup>165</sup> *ibid.*, p. 81.

<sup>166</sup> *ibid.*, p. 81.

<sup>167</sup> Committee Hansard, p. 199.

<sup>168</sup> DFAT, submission, Committee Hansard, p. 122.

<sup>169</sup> Committee Hansard, pp. 224-5.

<sup>170</sup> Committee Hansard, p. 225.

8.195 The Committee considers that there is likely to be considerable benefit, both for Australia and for APEC more generally, in extending membership to a number of Latin American countries. Furthermore, the Committee believes this should be done sooner rather than later.

8.196 There may be reservations amongst some APEC participants about the credentials of the Latin American countries interested in membership. While it is certainly true that Latin American participation in PECC and PBEC is relatively recent, this should be seen in the total context of the very rapid change that has been taking place in the economic orientation of the Latin American countries in a few short years. The Committee has no reason to believe that the Latin American countries that have expressed an interest in APEC are anything other than genuine. Nevertheless, the Committee considers it important that those countries confirm and reinforce their interest by active participation in both PECC and PBEC activities as a precursor to participation in APEC.

8.197 The Committee has noted the view of existing APEC participants that participation in the group should be assessed on the basis of economic linkages with the region. In this respect, the Committee was struck by the fact, drawn to their attention by Mr Rozental, the Head of the Mexican Foreign Ministry, that 90% of Mexico's trade is with the region.<sup>171</sup> Obviously this largely reflects the heavy dependence of Mexico on trade with the United States. Nevertheless, with the United States an important member of APEC, it is also true that this puts Mexico into the category of countries with one of the strongest economic linkages with the region.

8.198 Chile, too, has substantial trade links with the Asia-Pacific region. Its main trading partners in order of importance are the United States, Japan and Germany. In 1990 Chile's total trade with Asia and Pacific (excluding the United States and Canada) accounted for over US\$3 billion and represented 20% of Chile's total foreign trade.<sup>172</sup>

8.199 The Committee concludes that it is in Australia's interests to see Mexico and appropriate Latin American countries included in APEC.

8.200 One of the positive developments in APEC has been the consensus on the importance of maintaining its strong commitment to the multilateral trading system and the part APEC has been able to play in encouraging the maintenance of such a system in international economic forums such as GATT. Mr Woolcott has argued that a multilateral trading system:

"... is particularly important for small and middle powers like the economies of ASEAN and Australia, which cannot

---

<sup>171</sup> Private meeting of the Committee with Mr Rozental on 28 February 1992.

<sup>172</sup> Committee Hansard, p. 1331. The percentage of Chilean exports going to the Asia-Pacific region is even higher, 26%.

rely on economic or political power to achieve access to their major markets."<sup>173</sup>

8.201 In the Committee's view, a country like Mexico could make a valuable contribution to strengthening the voice of small and middle powers within APEC, and hence also within wider international economic forums. As Dr Garnaut said in his submission:

"Latin American countries are potential allies for Australia in its own international efforts to promote open multilateral trading arrangements and in its efforts to ensure the Asia-pacific remains open and dynamic."<sup>174</sup>

8.202 In the case of Mexico, there is the added consideration that a cross-linkage of membership between all the potential members of NAFTA with APEC could be helpful in ensuring that NAFTA remains an outward-looking and non-discriminatory regional grouping.

**8.203 Recommendation sixty two: The Committee recommends that the Australian Government actively support the application by Mexico for membership of APEC.**

8.204 The Committee is very much aware of the sensitivities amongst some members of APEC over membership questions and concerns about the impact of APEC on ASEAN. At the same time, the Committee is in agreement with the view of Dr Elek that:

"... since no discrimination against other economies is involved there is no reason why Latin American economies could not participate in any understanding reached."<sup>175</sup>

8.205 The Committee shares the view of the Ambassador of Chile that the participation of a selection of Latin American countries in APEC:

"... would only strengthen their relationship with Australia but it would also mean additional support to Australian objectives of promoting transpacific economic cooperation and the liberalisation of world trade."<sup>176</sup>

---

<sup>173</sup> *ibid.*, p. 81.

<sup>174</sup> Professor R. Garnaut, submission, p. 3.

<sup>175</sup> Dr A. Elek, submission, p. 1.

<sup>176</sup> Committee Hansard, p. 1323.

8.206 Recommendation sixty three: The Committee recommends that Australia also encourage the favourable consideration by APEC members of applications by other Latin American countries for membership of APEC.

Graham Maguire  
Chairman

**WITNESSES WHO APPEARED AT PUBLIC HEARINGS**

**Aerolineas Argentinas**

Mr Robert Howard Samuels, General Manager

**Australia-Brazil Chamber of Commerce**

Mr John McGruther, President  
Mr Kevin Aitken, Member

**Australia-South America Business Council**

Mr Christopher Ian Mackay, Executive Director  
Mr Malcolm James Overland, Secretary-General  
Mr Edwin Peers Shawyer, Chairman

**Australian Barley Board**

Mr Michael Andrew Iwaniw, General Manager

**Australian Federation of Modern Language Teachers Associations**

Professor David Eric Ingram, President

**Australian Tourist Commission**

Mr Godfrey Santer, Director, Marketing Operations, and Acting Managing Director  
Mr Lancelot Franklin Schultz, Manager, Corporate Strategy

**Australian Trade Commission**

Mr Gary James Andrews, Project Manager, Americas Market Development Office  
Mr Donald Hentry Hunter, Deputy Managing Director  
Mr Geoffrey Leach, Policy Consultant to the Minister for Industry, Technology and Commerce  
Mr James David Moore, Manager, Insurance, Export Finance and Insurance Corporation Division

Mr Ian William Taylor, Manager, Americas Market Development Office

**Barbican Marine (Agencies) Pty Ltd**

Mr Enrique Olmos, Line Manager

**Bedoya, His Excellency Mr Gonzalo**, Ambassador, Republic of Peru

**Bora, Mr Bijit**, Lecturer in Economics, Flinders University

**Broken Hill Proprietary Company Limited (BHP)**

Mr Jeremy Kitson Ellis, Executive General Manager, Minerals

Mr Anthony John Wells, Manager, Public Affairs, Minerals

**Davis Gelatine Consolidated Ltd**

Mr Alan Thomas Norman, Business Development Manager

**Department of Employment, Education and Training**

Mr Bruce Roy Edwin Hanford, Director, Industry Strategies Section, International Division

Ms Anna Kamarul, Assistant Secretary, Language and Literacy Branch, International Division

Mr John William Muir, First Assistant Secretary, International Division

**Department of Foreign Affairs and Trade**

Mr Ian Cousins, Assistant Secretary, Nuclear Policy Branch

Mr Stephen Deady, Director, Agriculture Section, Multilateral Trade Division

Mr David George Pearce, Director, Canada, Caribbean and Latin American Section

Mr Ian William Russell, Executive Officer, Human Rights Section

Mr Jack Robbins Vaughn, Narcotics Liaison Officer

Mr Ian Newton Wilcock, Assistant Secretary, Americas Branch

Mr Richard Woolcott, Secretary, Department of Foreign Affairs and Trade

Mr Richard Hugh Wyndham, Assistant Secretary, Environment and Antarctic Branch



### **Department of Immigration, Local Government and Ethnic Affairs**

Ms Sue Patricia Ingram, Assistant Secretary, Refugee Asylum and International Branch  
Mr Ian Geoffrey Simington, First Assistant Secretary, Refugee and International Division  
Mr Mark Anthony Sullivan, First Assistant Secretary, Temporary Entry Compliance and Systems Division

### **Department of Industry, Technology and Commerce**

Mr David Phi, Director, Americas, New Zealand and South Pacific Section  
Mr Graeme Taylor, Assistant Secretary, Europe and Americas Branch, International Division

### **Department of Primary Industries and Energy**

Mr John Holmes Dean, Acting Senior Assistant Director, Plant Quarantine and Inspection Branch, Australian Quarantine and Inspection Service  
Mr Kevin Adrian Doyle, Senior Assistant Director, Animal Quarantine and Exports Branch, Australian Quarantine and Inspection Service  
Dr John Fryer, Principal Research Scientist, Bureau of Rural Resources  
Mr Alan John Glenn, Assistant Secretary, Crops Division  
Mr Michael Brady Huleatt, Principal Resource Geologist, Bureau of Mineral Resources, Geology and Geophysics  
Mr Robert Andre Hutchison, Director, Coal International B Section, Coal and Minerals Division  
Mr Alan Smart, First Assistant Secretary, Corporate Policy Division  
Mr Peter William Yuile, Assistant Secretary, Bilateral Relations Branch

### **Department of Transport and Communications**

Mr Ross Garfield Gough, Director, Americas and the Pacific Bilateral Relations Branch  
Mr Danny Scorpecci, Assistant Secretary, International and Commercial Shipping Policy Branch  
Mr Peter Vidler, Director, Shipping Relations Section, International and Commercial Shipping Policy Branch, Maritime Policy Division

### **Elcom Services Pty Ltd (Pacific Power International Pty Ltd)**

Mr Jorge Hrdina, Acting General Manager

**Findlay, Dr Christopher**, Associate Professor, Department of Economics, University of Adelaide

**Garnaut, Mr Ross Gregory**, Professor of Economics, Australian National University

**Giambruno, Mr Julio**, former Charge d'Affaires, Republic of Uruguay

**Insearch Institute of Commerce, University of Technology, Sydney**

Mr Murray Lister Laurence, Chief Executive Officer

**Julius Kruttschnitt Mineral Research Centre, University of Queensland**

Mr Donald James McKee, Director

**LAN-Chile Airlines**

Mr Santiago Chicharro, Manager, Australia and New Zealand

**Leighlands Pastoral Holdings Pty Ltd**

Mr Ian Macpherson Metherall, Managing Director

**Maddock, Professor Rodney Russell**, Head, Department of Economics, La Trobe University

**Mine Site Technologies Pty Ltd**

Mr Gary Zamel, Managing Director

**Mitsui OSK Lines Ltd**

Mr Takeshi Yamamoto, Senior Representative

Mr Hirokazu Hatta, Sao Paulo Representative

Mr Bruce Downes, Representative

Mr Eric Leslie Hayward, South American Trade Manager

**Mount Isa Mines (MIM) Holdings Ltd**

Mr Peter Francis Beard, External Relations Manager

Mr Rodney Stewart Charlton, Manager, Coal Marketing Services

Mr Peter John Slaughter, Executive General Manager, Corporate Development

**Navas de Brigard, His Excellency Mr Fernando**, Ambassador, Republic of Colombia

**Parsons, Mr David**, Executive Director, Pacific Economic Cooperation Conference (PECC) Minerals and Energy Forum

**Pasminco Ltd**

Mr Thomas Edmund Slattery, Executive General Manager, Business Development

**Qantas Airways Limited**

Mr Garry Stephen Saunders, Manager, Capacity Agreements  
Mr Julian Michael Smith, Senior International Relations Manager

**Salazar Sparks, His Excellency Mr Juan**, Ambassador, Republic of Chile

**Scurrah, Dr Martin John**, Head, Spanish Discipline and Program for Latin-American Studies, Flinders University

**Smith, Mr Gregory Wayne**

**South Australian Department of Fisheries**

Dr Philip Richard Wladislaw Sluczankowski, Senior Scientist

**State Chamber of Commerce (New South Wales)**

Mr Michael Jones, Chairman, International Trade Policy Committee  
Mr Hendrik Van Der Westhuizen, Manager, International Trade Department

**Union Bulkships**

Mr Eric Leslie Hayward, South American Trade Manager

**Varig Brazilian Airlines**

Mr Christopher Alexander Efstathakis, General Manager, Australia and South-West Pacific Region

**Victorian Trades Hall Council**

Mr Peter Alan Holding, Social Policy Officer

**Western Mining Corporation**

Mr Donald Marshall Morley, Director of Finance and Administration

**INDIVIDUALS AND ORGANISATIONS  
WHO MADE WRITTEN SUBMISSIONS TO THE COMMITTEE**

Academy of the Social Sciences in Australia, Australian National University,  
Canberra, ACT

Aerolineas Argentinas, Sydney, NSW

AFS International Exchanges, Strawberry Hills, NSW

Ambassador of Argentina, His Excellency Mr J.C.M. Beltramino, Canberra, ACT

Ambassador of Chile, His Excellency Mr Juan Salazar Sparks, Canberra, ACT

Ambassador of Colombia, His Excellency Dr Antonio Puerto,  
Canberra, ACT

Ambassador of Mexico, His Excellency Mr Alejandro Morales, Canberra, ACT

Ambassador of Peru, His Excellency Mr Gonzalo Bedoya, Canberra, ACT

Amnesty International Australia, Canberra, ACT

Andes Group Inc, Stirling, WA

Anleu, Edmer, Adelaide, SA

Ansell International, Glen Waverley, VIC

ANZ Bank, Melbourne, VIC

Arellano, Dr Alejandro, Department of Microbiology, Flinders Medical Centre,  
Bedford Park, SA

Asian/Pacific Basin Studies Unit, Queensland University of Technology, Zillmere, QLD

Attorney-General's Department, Barton, ACT

Austrade, Canberra, ACT

Austral Computer Systems, Kensington Park, SA

Australia-Brazil Chamber of Commerce, North Sydney, NSW

Australian-Chile Chamber of Commerce, Sydney, NSW

Australia-Chile Friendship Society of ACT, Canberra, ACT  
Australia Council for the Arts, Strawberry Hills, NSW  
Australia-South America Business Council, Canberra, ACT  
Australian Barley Board, Adelaide, SA  
Australian Council for Overseas Aid, Canberra, ACT  
Australian Countertrade Association, Mawson, ACT  
Australian Dairy Corporation, Glen Iris, VIC  
Australian Federation of Modern Language Teachers' Associations, Cleveland, QLD  
Australian Horticultural Corporation, Sydney, NSW  
Australian Mineral Industries Research Association Ltd, Melbourne, VIC  
Australian National Commission for UNESCO, Parkes, ACT  
Australian Residents' Committee, Managua, Nicaragua  
Australian-Spanish-Latin American Institute Inc, Bowden, SA  
Australian Tourist Commission, Sydney, NSW  
Aviation Industries of Australia Pty. Ltd., Shepparton, VIC  
Babidge, Mr Mark H., Applecross, WA  
Balhas, Ms Violeta, Bairnsdale, VIC  
Banco Santander, Sydney, NSW  
Barclay, Mr Glen St. J., Department of History, University of Queensland, St. Lucia, Qld  
Barrett Burston (International) Pty Ltd, South Yarra, VIC  
Biogenesis Limited (Chile), Jesmond, NSW  
Bora, Mr Bijit, Flinders University, Adelaide, SA  
Brand, Ms Jan, Wagga Wagga, NSW  
Brazil-Australia Chamber of Commerce, Sao Paulo, Brazil

Broken Hill Proprietary Co. Ltd., Melbourne, VIC

Bullock, Mr Harry, Chairman, Magellan Society, Canberra, ACT

Centre for Clinical Epidemiology and Biostatistics, Royal Newcastle Hospital,  
Newcastle, NSW

Centre for Housing and Planning, Swinburne Institute of Technology, Hawthorn, VIC

Charge d'Affaires of Uruguay, Mr Julio Giambruno, Phillip, ACT

CMC (Australia) Pty Limited, Hurstville, NSW

Committee in Defence of Human Rights in El Salvador, Belconnen, ACT

Committees in Solidarity with Latin America and the Carribean, Melbourne, VIC

CRA Corporate Services, Melbourne, Vic

CRI Limited, Sydney, NSW

Cryle, Professor Peter, Department of Romance Languages, University of Queensland,  
Brisbane, QLD

Davis Gelatine Consolidated Ltd, Botany, NSW

Department of the Arts, Sport, the Environment, Tourism and Territories, Canberra,  
ACT

Department of Defence, Canberra, ACT

Department of Foreign Affairs and Trade, Canberra, ACT

Department of Immigration, Local Government and Ethnic Affairs, Canberra, ACT

Department of Industry, Technology and Commerce, Canberra ACT

Department of Primary Industries and Energy, Canberra, ACT

Department of Transport and Communications, Canberra, ACT

Dingle, Mr Anthony, London, UK

Drysdale, Mr Peter, Australian-Japan Research Centre, Australian National University  
Canberra, ACT

Elcom Services Pty Ltd, Sydney South, NSW

Elek, Dr Andrew, Australian National University, Canberra, ACT

Espinosa, Mr Rene, Director, Confederacion de Camaras de los Estados Unidos Mexicanos

Findlay, Dr Christopher, University of Adelaide, Adelaide, SA

Florez Marquez, Mr Oscar, University of Canberra, Belconnen, ACT

Fogarty, Dr John, Fairfield, VIC

Garnaut, Professor Ross, Australian National University, Canberra, ACT

Gillissen, Mr Albert, Aldinga Beach, SA

Insearch Language Centre, University of Technology, Sydney, NSW

Institute of International Studies, Santiago, Chile

Institute of Latin American Studies, La Trobe University, Bundoora, VIC

Julius Kruttschnitt Mineral Research Centre, Department of Mining and Metallurgical Engineering, University of Queensland, Indooroopilly, QLD

Lan Chile Airlines, Sydney, NSW

Latin Americas Support Committee, Adelaide, SA

Leal, Professor R.B., Macquarie University, Sydney, NSW

Leighlands Pastoral Holdings Pty. Ltd., Springhurst, VIC

Mac Aonghus, Mr James, Middlesex, UK

McCall, Assoc. Prof Grant, School of Sociology, University of NSW, Kensington, NSW

Macdonnell Promotions Pty Ltd, Sydney, NSW

McElligott, Mr Philip, Hawker, ACT

McKanna, Mr Guy, Australian Financial Review, Sydney, NSW

Maddock, Professor Rodney, Head of the Department of Economics, La Trobe University, Bundoora, VIC

Mario Moreira Media Services International, Perth, WA

Menendez, Ms Rita, Kensington, WA



Metz Pty Ltd, Marayong, NSW

Millard, Mr Peter, Wy Yung, VIC

M.I.M. Holdings Ltd, Brisbane, QLD

Mine Site Technologies Pty Ltd, Alexandria, NSW

Mitsui OSK Lines Ltd, Sydney, NSW (not public)

National Languages Institute of Australia, East Melbourne, VIC

National Library of Australia, Parkes, ACT

Orellana, Mr Ovidio, The Committee for Human Rights in Guatemala,  
Fortitude Valley, QLD

Osborne, Ms Gillian, Vacluse NSW

Ortuzar, Professor Santiago, Schools of Architecture, Central and Mayor Universities,  
Santiago, Chile

Overseas Service Bureau, Fitzroy, VIC

Pasminco Limited, Melbourne, VIC

P.A.Z. International Marketing, Crows Nest, NSW

Peruvian Australian Humanitarian Association of South Australia, Rosewater, SA

Potts Associates, Parramatta, NSW (not public)

Qantas Airways Limited, Sydney, NSW

Results (Aust) Inc, Griffith, ACT

Roach Anleu, Dr Sharyn, Flinders University of South Australia, Adelaide, SA

Rodriguez, Mr Fernando, Adelaide, SA

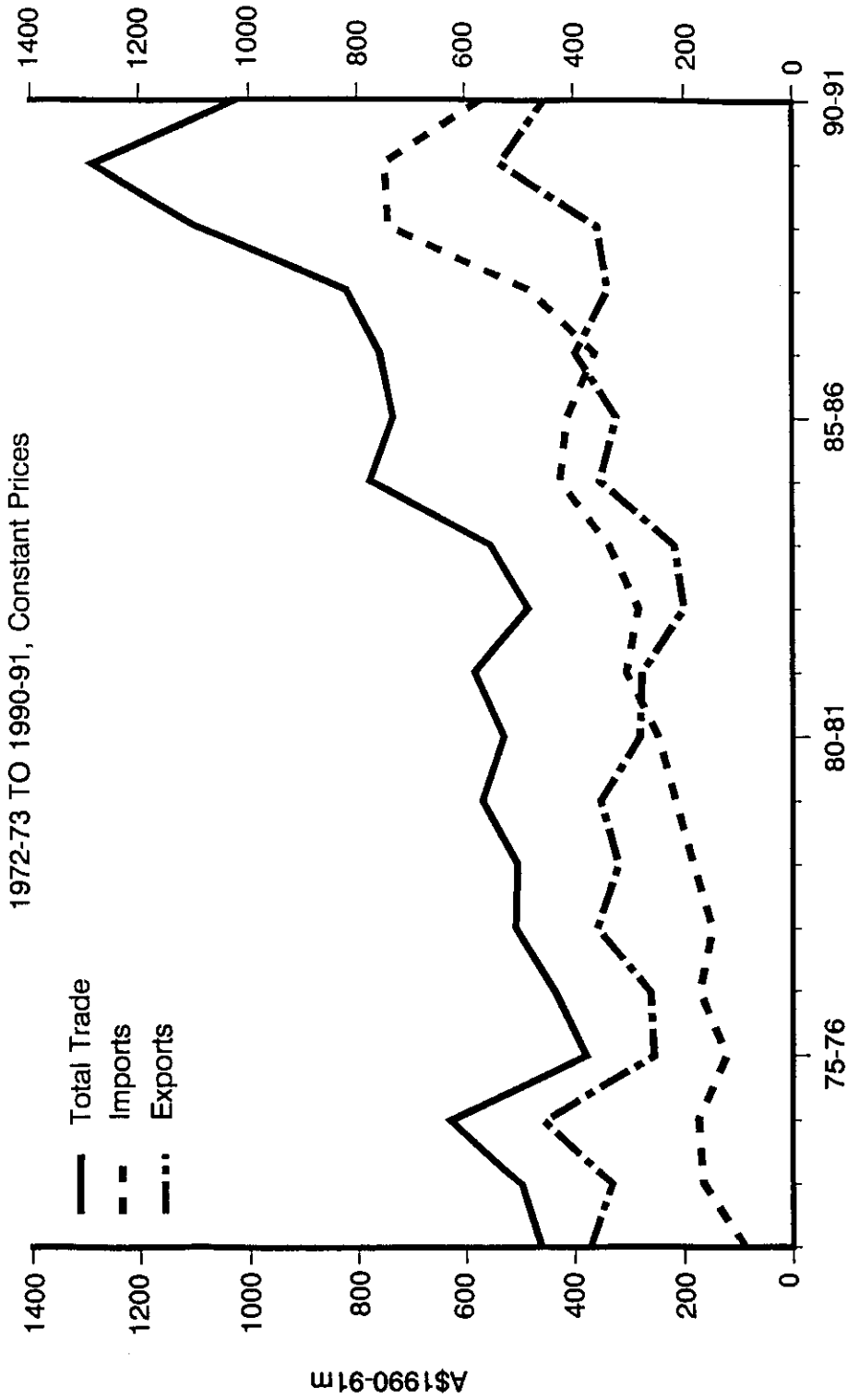
School of Spanish and Latin American Studies, University of New South Wales,  
Kensington, NSW

Scurrah, Mr Martin J., School of Humanities - Spanish Discipline, Flinders University  
of South Australia, Adelaide, SA

Shell Company of Australia Ltd, Melbourne, VIC

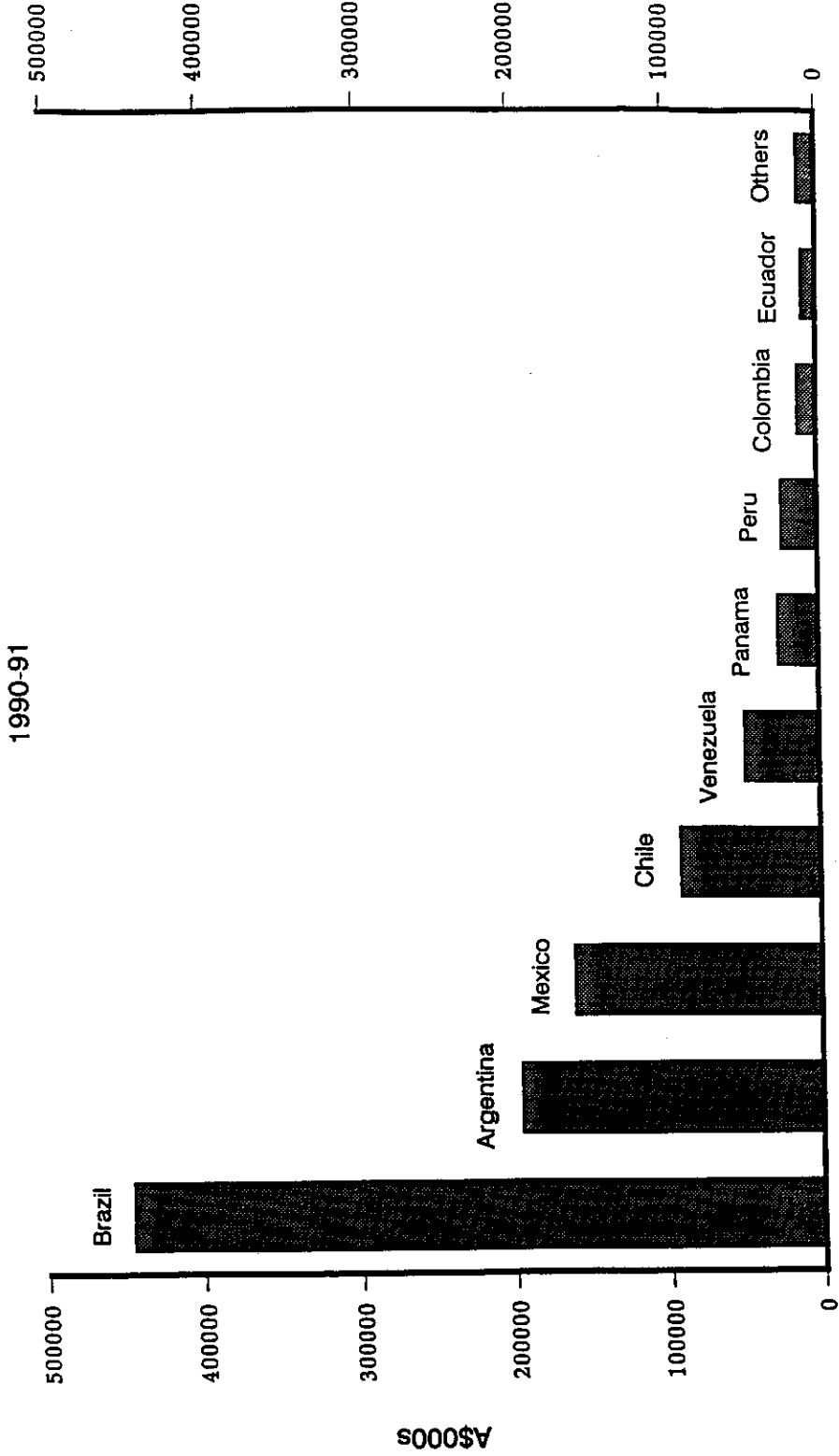
Smith, Mr Greg W., Browns Plains, QLD  
Stack, Ms Marilyn, Highgate Hill, QLD  
State Chamber of Commerce (New South Wales), Sydney, NSW  
Steele, Mr Colin, Secretary, Magellan Society, Canberra, ACT  
South Australian Department of Fisheries, Adelaide, SA  
Telecom Australia, Melbourne, VIC  
Trinidad, Mr Mario, Adelaide, SA  
Valverde, Dr Estela, School of Education & Language Studies, University of Western  
Sydney, Campbelltown, NSW  
Varig Brazilian Airlines, Sydney, NSW  
Victoria University of Technology, Melbourne, VIC  
Victorian Paediatric Cardiac Surgical Unit, Royal Children's Hospital, Parkville, VIC  
Victorian Trades Hall Council, Carlton South, VIC  
Western Mining Corporation Ltd, Melbourne, VIC  
Wilson, Ms Susan, Daw Park, SA  
Witham & Company Pty Ltd, Pennant Hills, NSW

# AUSTRALIA'S TRADE WITH LATIN AMERICA



Sources: *Direction of Trade Australia, Time Series 1971-72 to 1988-89 and Composition of Trade Australia 1990-91*, Central Statistics Section, Department of Foreign Affairs and Trade; *ABS Catalogue 5206.0*, Australian Bureau of Statistics.

# AUSTRALIA'S TRADE WITH MAJOR LATIN AMERICAN TRADING PARTNERS



Sources: *Direction of Trade Australia, Time Series 1971-72 to 1988-89 and Composition of Trade Australia 1990-91*, Central Statistics Section, Department of Foreign Affairs and Trade; *ABS Catalogue 5206.0*, Australian Bureau of Statistics.

## AUSTRALIA'S TRADE WITH EIGHT LATIN AMERICAN COUNTRIES

1972-3 TO 1990-91

Argentina

Year	Imports	Exports	Total Trade	Trade Balance
		(A\$'000)		
1972-73	972	10,691	11,663	9719
1973-74	4,093	7,046	11,139	2953
1974-75	7,143	41,854	48,997	34711
1975-76	3,126	27,991	31,117	24865
1976-77	3,679	27,314	30,993	23635
1977-78	4,601	40,955	45,556	36354
1978-79	3,775	45,596	49,371	41821
1979-80	6,852	91,395	98,247	84543
1980-81	6,144	55,326	61,470	49182
1981-82	11,972	70,431	82,403	58459
1982-83	6,295	37,904	44,199	31609
1983-84	9,734	57,609	67,343	47875
1984-85	15,289	58,603	73,892	43314
1985-86	33,707	47,398	81,105	13691
1986-87	48,678	77,143	125,821	28465
1987-88	64,252	74,920	139,172	10668
1988-89	103,745	95,920	199,655	-7825
1989-90	171,338	159,047	330,385	-12291
1990-91	69,547	125,691	195,508	56414

**Source:** Based on data in *Direction of Trade, Australia, Time Series 1971-72 to 1988-89* and *Composition of Trade, Australia, 1990-91*, Central Statistics Section, Department of Foreign Affairs.

Brazil

Year	Imports	Exports	Total Trade	Trade Balance
		(A\$'000)		
1972-73	9,338	4,815	14,153	-4,523
1973-74	22,106	7,699	29,805	-14,407
1974-75	28,032	31,190	59,222	3,158
1975-76	28,931	14,661	43,592	-14,270
1976-77	44,431	10,335	54,766	-34,096
1977-78	48,187	10,176	58,363	-38,011
1978-79	67,724	20,439	88,163	-47,825
1979-80	82,093	24,962	107,055	-57,131
1980-81	107,144	39,235	146,379	-67,909
1981-82	136,138	19,852	155,990	-116,286
1982-83	154,495	38,358	192,583	-116,137
1983-84	177,101	48,347	225,448	-128,754
1984-85	257,189	83,531	340,720	173,658
1985-86	245,972	98,085	344,057	-147,887
1986-87	219,549	139,014	358,563	-80,535
1987-88	298,467	99,552	398,019	-198,915
1988-89	430,359	117,584	547,943	-312,775
1989-90	351,928	124,663	476,591	-227,265
1990-91	316,097	128,715	444,812	-187,382

Source: Based on data in *Direction of Trade, Australia, Time Series 1971-72 to 1988-89* and *Composition of Trade, Australia, 1990-91*, Central Statistics Section, Department of Foreign Affairs.

Chile

Year	Imports	Exports	Total Trade	Trade Balance
		(A\$'000)		
1972-73	2,067	42,140	44,207	40073
1973-74	4,343	39,161	43,504	34818
1974-75	2,345	23,166	25,511	20821
1975-76	486	421	907	-65
1976-77	194	135	329	-59
1977-78	413	394	807	-19
1978-79	589	7,607	8,196	7018
1979-80	1,149	19,822	20,971	18673
1980-81	6,545	7,947	14,492	1402
1981-82	3,429	4,484	7,913	1055
1982-83	1,785	8,466	10,251	6681
1983-84	3,854	5,705	9,559	1851
1984-85	5,238	8,570	13,808	3332
1985-86	10,726	14,193	24,919	3467
1986-87	15,132	15,564	30,696	432
1987-88	23,407	20,803	44,210	-2604
1988-89	43,003	22,823	65,836	-20180
1989-90	64,599	32,294	96,893	-32305
1990-91	39,683	51,643	91,326	11960

**Source:** Based on data in *Direction of Trade, Australia, Time Series 1971-72 to 1988-89* and *Composition of Trade, Australia, 1990-91*, Central Statistics Section, Department of Foreign Affairs.

Colombia

Year	Imports	Exports	Total Trade	Trade Balance
		(A\$'000)		
1972-73	178	3,040	3,218	2862
1973-74	497	798	1,295	301
1974-75	466	1,693	2,159	1227
1975-76	830	1,768	2,598	938
1976-77	1,389	496	1,885	-893
1977-78	1,364	960	2,324	-404
1978-79	1,395	821	2,216	-574
1979-80	2,046	927	2,973	-1119
1980-81	2,690	1,254	3,944	-1436
1981-82	2,181	1,124	3,305	1057
1982-83	2,108	704	2,812	-1404
1983-84	6,887	2,668	9,555	-4219
1984-85	3,043	1,028	4,071	-2015
1985-86	5,467	22,714	28,181	17247
1986-87	3,414	18,332	21,746	14918
1987-88	5,688	8,331	14,019	2643
1988-89	7,989	12,746	20,735	4757
1989-90	9,564	24,667	34,231	15103
1990-91	8,168	4,264	12,432	-3904

**Source:** Based on data in *Direction of Trade, Australia, Time Series 1971-72 to 1988-89* and *Composition of Trade, Australia, 1990-91*, Central Statistics Section, Department of Foreign Affairs.



Mexico

Year	Imports	Exports	Total Trade	Trade Balance
		(A\$'000)		
1972-73	5,070	10,475	15,545	5405
1973-74	7,313	14,788	22,101	7475
1974-75	9,537	19,268	28,805	9371
1975-76	6,717	17,268	23,985	10551
1976-77	8,512	16,889	25,401	8377
1977-78	8,459	16,170	24,629	7711
1978-79	10,670	26,146	36,816	15476
1979-80	16,583	23,107	39,690	6524
1980-81	15,863	38,437	54,300	22574
1981-82	29,736	31,373	61,109	1637
1982-83	30,039	10,153	40,192	-19886
1983-84	31,145	16,313	47,458	-14832
1984-85	45,357	90,889	136,246	45532
1985-86	66,151	48,029	114,180	-18122
1986-87	55,330	41,742	97,072	-13588
1987-88	64,632	54,436	119,068	-10196
1988-89	80,510	53,259	133,769	-27251
1989-90	94,071	114,994	209,065	20923
1990-91	94,342	65,602	159,944	-28740

**Source:** Based on data in *Direction of Trade, Australia, Time Series 1971-72 to 1988-89* and *Composition of Trade, Australia, 1990-91*, Central Statistics Section, Department of Foreign Affairs.

Peru

Year	Imports	Exports	Total Trade	Trade Balance
		(A\$'000)		
1972-73	1,033	6,026	7,059	4,993
1973-74	791	15,904	16,695	15,113
1974-75	3,568	24,466	28,034	20,898
1975-76	343	9,722	10,065	9,379
1976-77	282	11,952	12,234	11,670
1977-78	822	10,030	10,852	9,208
1978-79	891	2,525	3,416	1,634
1979-80	1,583	9,112	10,695	7,529
1980-81	1,823	7,867	9,690	6,044
1981-82	2,991	11,829	14,820	8,838
1982-83	3,629	6,442	10,071	2,813
1983-84	5,161	3,719	8,880	-1,442
1984-85	6,257	7,246	13,503	989
1985-86	4,918	13,230	18,148	8,312
1986-87	6,122	24,686	30,808	18,564
1987-88	2,210	33,003	35,213	30,793
1988-89	8,392	20,053	28,445	11,661
1989-90	10,449	15,617	26,066	5,168
1990-91	7,276	16,459	23,735	9,183

**Source:** Based on data in *Direction of Trade, Australia, Time Series 1971-72 to 1988-89* and *Composition of Trade, Australia, 1990-91*, Central Statistics Section, Department of Foreign Affairs.

Uruguay

Year	Imports	Exports	Total Trade	Trade Balance
		(A\$'000)		
1972-73	10	369	379	359
1973-74	22	502	524	480
1974-75	16	868	884	852
1975-76	37	1,238	1,275	1,201
1976-77	211	562	773	351
1977-78	246	1,381	1,627	1,135
1978-79	638	1,982	2,620	1,344
1979-80	523	2,592	3,115	2,069
1980-81	639	1,594	2,233	955
1981-82	572	3,304	3,876	2,732
1982-83	541	4,085	4,626	3,544
1983-84	877	6,613	7,490	5,736
1984-85	4,973	1,786	6,759	-3,187
1985-86	3,809	1,921	5,730	-1,888
1986-87	5,166	5,148	10,314	-18
1987-88	16,454	1,580	18,034	-14,874
1988-89	5,206	2,427	7,633	-2,779
1989-90	3,062	2,573	5,635	-489
1990-91	3,520	844	4,364	-2,676

**Source:** Based on data in *Direction of Trade, Australia, Time Series 1971-72 to 1988-89* and *Composition of Trade, Australia, 1990-91*, Central Statistics Section, Department of Foreign Affairs.

Venezuela

Year	Imports	Exports	Total Trade	Trade Balance
		(A\$'000)		
1972-73	206	2,827	3,033	2,621
1973-74	14	1,549	1,563	1,535
1974-75	51	3,835	3,886	3,784
1975-76	20	6,492	6,512	6,472
1976-77	9,174	20,599	29,773	11,425
1977-78	562	34,464	35,026	33,902
1978-79	998	22,025	23,023	21,027
1979-80	11,358	15,570	26,928	4,212
1980-81	184	10,406	10,590	10,222
1981-82	754	22,898	23,652	22,144
1982-83	24	17,648	17,672	17,624
1983-84	7,698	1,487	9,185	-6,211
1984-85	826	5,609	6,435	4,783
1985-86	770	7,087	7,857	6,317
1986-87	1,167	10,471	11,638	9,304
1987-88	1,280	10,712	11,992	9,432
1988-89	3,376	27,198	30,574	23,822
1989-90	12,654	66,519	79,173	53,865
1990-91	21,441	27,514	48,955	6,073

Source: Based on data in *Direction of Trade, Australia, Time Series 1971-72 to 1988-89* and *Composition of Trade, Australia, 1990-91*, Central Statistics Section, Department of Foreign Affairs.

## ECONOMIC AND POPULATION CHANGES IN LATIN AMERICA

1970 to 1988

Country	Average Annual Change			Total Change Between 1970-88		
	GNP	Pop.	GNP Per Capita	GNP	Pop.	GNP Per Capita
		(%)			(%)	
Argentina	1.0	1.5	-0.5	19.7	31.5	-9.0
Belize	5.0	2.3	2.7	142.7	50.0	61.8
Bolivia	1.5	2.6	-1.1	31.6	59.9	-17.7
Brazil	5.4	2.3	3.1	159.7	50.0	73.1
Chile	2.1	1.7	0.4	44.8	34.3	7.8
Colombia	4.3	2.2	2.1	115.2	48.4	45.0
Costa Rica	3.6	2.5	1.1	87.5	54.6	21.3
Ecuador	6.0	2.9	3.1	187.9	66.5	72.9
El Salvador	1.5	1.9	-0.3	31.8	40.2	-6.0
Guatemala	3.2	2.8	0.4	76.8	65.6	6.8
Guyana	-1.8	1.0	-2.7	-27.5	19.3	-39.2
Honduras	3.9	3.4	0.5	100.1	84.1	8.7
Mexico	3.9	2.6	1.3	99.3	58.5	25.7
Nicaragua	-0.9	3.2	-4.0	-15.3	76.5	-52.0
Panama	2.8	2.3	0.4	63.5	51.7	7.8
Paraguay	5.8	3.1	2.6	174.0	71.9	59.4
Peru	2.1	2.5	-0.4	45.4	56.8	-7.3
Suriname	0.8	0.8	0.1	15.8	14.8	0.9
Uruguay	1.5	0.5	1.0	29.9	9.0	19.2
Venezuela	2.2	3.2	-1.0	47.7	76.8	-16.5
Australia	3.1	1.6	1.5	72.2	32.2	30.2

Source: *World Tables 1991*, The World Bank, Washington D.C.

Latin America: Gross National Product per Capita  
1970 to 1990

	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Argentina	920	1000	1040	1240	1630	1810	1680	1610	1570	1800	1970	1960	1880	1970	2150	2140	2380	2400	2570	2160	2260
Belize	430	470	520	570	660	790	840	860	910	1080	1170	1220	1140	1090	1100	1140	1240	1390	1560	1720	
Bolivia	230	250	270	290	320	360	400	410	440	470	490	560	530	480	450	420	440	510	590	620	
Brazil	450	500	570	710	880	1070	1300	1470	1640	1870	2070	2030	2070	1840	1730	1670	1810	1960	2120	2540	
Chile	840	990	1080	1080	1140	860	880	1030	1330	1680	2100	2600	2220	1930	1680	1450	1350	1370	1510	1770	1890
Colombia	340	360	390	430	500	550	600	680	840	1010	1180	1320	1390	1380	1370	1280	1220	1180	1180	1190	1200
Costa Rica	560	610	660	750	860	950	1070	1320	1560	1790	1960	1540	1150	1060	1250	1400	1550	1650	1680	1780	1940
Ecuador	290	290	300	370	430	540	680	790	930	1080	1260	1490	1490	1320	1160	1170	1140	1060	1090	1020	1010
El Salvador	290	300	310	330	380	430	500	590	700	760	750	750	740	760	820	840	830	860	960	1070	1090
Fr. Guiana																					
Guatemala	360	380	390	430	500	570	660	790	900	1030	1120	1200	1190	1170	1180	1200	1050	950	900	910	910
Guyana	380	410	400	410	510	640	660	620	620	650	720	730	610	520	500	510	500	400	400	340	
Honduras	270	280	290	310	340	360	400	460	530	600	640	690	690	700	720	740	760	820	860	900	610
Mexico	820	800	820	940	1120	1360	1500	1490	1580	1820	2320	3000	2820	2290	2130	2180	1890	1770	1750	1990	2360
Nicaragua	380	390	390	430	560	630	700	780	740	560	690	810	850	860	860	840	850	870			
Panama	680	740	770	840	920	1030	1080	1120	1290	1420	1630	1820	1950	1950	1980	2060	2170	2210	1810	1760	1830
Paraguay	260	270	300	350	440	550	620	720	830	1030	1340	1680	1740	1640	1490	1170	950	890	970	1030	1150
Peru	520	580	620	700	850	1000	1040	970	840	850	990	1240	1380	1150	1120	980	1080	1170	1040	1010	1090
Suriname														2870 <sup>2</sup>				2618 <sup>2</sup>	2600	3020	3400 <sup>2</sup>
Uruguay	780	910	910	990	1140	1370	1440	1450	1650	2110	2800	3590	3410	2450	1940	1680	1910	2210	2440	2620	
Venezuela	1240	1260	1340	1540	1920	2380	2890	3160	3390	3730	4070	4730	4920	4790	4250	3830	3570	3180	3130	2450	2420

(US\$)

Source: *The World Bank Atlas 1990*, The World Bank, Washington DC, pp. 6-9; *World Tables 1991*, The World Bank, Washington DC, pp. 4-5; and *Countries of the World and Their Leaders Yearbook 1992*, Detroit, 1992.

<sup>1</sup> GNP per capita estimated to be in the \$1,500 - \$3,499 range.

<sup>2</sup> GDP per capita.

## LATIN AMERICA: AVERAGE ANNUAL INFLATION

1970 to 1991

	1970-80	1980-88	1970-88	1989 (1)	1990 (1)	1991 (2)
			(%)			
Argentina	121.3	256.7	173.6	4923.8	1343.9	91.3 Nov
Belize (3)	n.a.	4.2	n.a.	n.a.	n.a.	n.a.
Bolivia	18.8	316.5	107.5	16.6	18.0	16.0 Nov
Brazil	35.2	197.1	91.9	1863.6	1585.2	465.8 Nov
Chile	130.3	20.0	72.4	21.4	27.3	17.8 Nov
Colombia	21.0	22.7	21.8	26.1	32.0	29.0 Oct
Costa Rica	10.9	27.6	18.0	10.0	27.5	26.7 Nov
Ecuador	12.6	30.7	20.3	54.2	49.5	46.8 Nov
El Salvador	10.7	18.6	14.1	23.5	19.3	14.3 Oct
Guatemala	9.5	11.8	10.6	17.9	59.6	24.6 Sep
Guyana	10.1	16.5	12.9	n.a.	n.a.	n.a.
Honduras	8.1	5.7	7.0	11.4	36.4	33.2 Sep
Mexico	16.0	77.2	40.0	19.7	29.9	19.9 Oct
Nicaragua (4)	17.0	305.8	99.8	1690.0	13490.9	1183.2 Nov
Panama	7.0	2.2	4.8	-0.2	1.5	2.9 Oct
Paraguay	13.2	19.3	15.8	28.5	44.1	13.5 Oct
Peru	30.2	132.5	68.5	2776.6	7657.8	185.4 Nov
Suriname (3)	9.8	12.4	11.0	n.a.	n.a.	n.a.
Uruguay	62.7	52.8	58.2	89.2	129.0	85.5 Nov
Venezuela	8.4	15.3	11.4	81.0	36.5	32.7 Oct
Australia	10.4	8.3	9.5	8.5	6.9	1.5 Dec

**Sources:** *World Tables 1991*, The World Bank, Washington DC; *Preliminary Overview of the Latin American and Caribbean Economy 1991*, Economic Commission for Latin America and the Caribbean, United Nations Organisation, December 1991.

**Notes:** (1) December to December.  
(2) Month to month as indicated.  
(3) To 1987.  
(4) From 1972.

**LATIN AMERICA: GNP AND FOREIGN DEBT  
1990**

Country	GNP	External	Debt
	(US\$m)	(US\$m)	(%GNP)
Argentina	99135	61144	61.7
Belize	371	158	42.6
Bolivia	4235	4276	101.0
Brazil	510239	116173	22.8
Chile	25981	19114	73.6
Colombia	38959	17241	44.3
Costa Rica	5448	3772	69.2
Ecuador	10033	12105	120.7
El Salvador	5280	2132	40.4
Guatemala	7398	2777	37.5
Guyana	247	1960	793.5
Honduras	2469	3480	140.9
Mexico	230151	96809	42.1
Nicaragua	n.a.	10497	n.a.
Panama	4380	6676	152.4
Paraguay	5489	2131	38.8
Peru	35100	21105	60.1
Uruguay	7896	3707	46.9
Venezuela	46934	33305	71.0

Source: *World Debt Tables 1991-92*, The World Bank, Washington DC.



STATISTICAL PROFILES OF LATIN AMERICAN COUNTRIES

Appendix 10

Official Name	Republic of Argentina	Belize	Republic of Bolivia	Federative Republic of Brazil	Republic of Chile	Republic of Colombia	Republic of Costa Rica
Independence	9 July 1816 (from Spain)	21 Sept 1981 (from UK)	6 Aug 1825 (from Spain)	7 Sept 1822 (from Portugal)	18 Sept 1810 (from Spain)	20 July 1810 (from Spain)	15 Sept 1821 (from Spain)
Area (Sq km)	2,771,300	22,963	1,084,390	8,511,965	756,950	1,138,910	51,032
1991 Population	32.7m	228,069	7.15m	155.3m	13.2m	33.8m	3.1m
Capital	Buenos Aires	Belmopan	La Paz	Brasilia	Santiago	Bogota	San Jose
Other Cities	Cordoba Rosario	Belize City Punta Gorda	Santa Cruz Cochabamba	Sao Paulo Rio de Janeiro	Concepcion Valparaiso	Medellin Cali	Alajuela Limon
Leader	Pres. Carlos Saul Menem	PM George Cradle Price	Pres. Jaime Paz Zamora	Pres Fernando Collor de Mello	Pres. Patricio Aylwin Azocar	Pres. Cesar Gaviria Trujillo	Pres. Oscar Arias Sanchez
Main Ethnic Make-up	White 85% Mestizo <sup>1</sup> & Others 15%	Creole 40% Mestizo 33% Maya 10%	Aymara 25% Quechua 30% Mixed 25-30%	White 55% Mixed 38% Black 6%	Epn & Mestizo 95% Indian 3%	Mestizo 58% White 20% Mulatto <sup>2</sup> 14%	White & Mestizo 96% Black 2%
Language(s)	Spanish (off.) English, Italian	English (off.) Spanish, Mayan	Spanish ) all Aymara ) off. Quechua)	Portuguese (off.), Spanish English	Spanish	Spanish	Spanish (off.)
Religion	R.C. 92% Protestant 2%	R.C. 62% Protestant 30%	R.C. 95%	R.C. 89%	R.C. 89% Protestant 11%	R.C. 95%	R.C. 95%
Adult Literacy	95%	91%	78%	81%	94%	87%	93%
Life Expectancy	70 yrs	69 yrs	61 yrs	65 yrs	73 yrs	71 yrs	77 yrs
Unemployment	8.6% (1990)	12% (1988)	21.5% (1990)	4.4% (1990)	6.0% (1990)	10.4% (1990)	6.0% (1990)
Trade with Australia (1990-91)	A\$195.5m	A\$10,000	A\$750,000	A\$444.8m	A\$91.3m	A\$12.4m	A\$2.3m
Balance of Trade <sup>3</sup>	+ A\$56.4m	+ A\$4,000	- A\$428,000	- A\$187.3m	+ A\$12m	- A\$3.9m	- A\$1.7m

Abbreviations: Epn (European); RC (Roman Catholic); off. (official)

<sup>1</sup> Mixed Spanish and Indian.<sup>2</sup> Mixed white and black.<sup>3</sup> From Australian perspective.

## STATISTICAL PROFILES OF LATIN AMERICAN COUNTRIES

Official Name	Republic of Ecuador	Republic of El Salvador	Falkland Islands/Islas Malvinas	French Guiana	Republic of Guatemala	Cooperative Republic of Guyana	Republic of Honduras
<b>Independence</b>	24 May 1822 (from Spain)	15 Sept 1821 (from Spain)	Dependent UK Territory	French Overseas Dept.	15 Sept 1821 (from Spain)	26 May 1966 (from UK)	15 Sept 1821 (from Spain)
<b>Area (Sq km)</b>	276,000	21,476	16,654	89,941	108,780	215,000	112,090
<b>1991 Population</b>	11m	5.4m	1,988	101,603	9.2m	756,072	4.9m
<b>Capital</b>	Quito	San Salvador	Port Stanley	Cayenne	Guatemala City	Georgetown	Tegucigalpa
<b>Other Cities</b>	Guayaquil Cuenca	Santa Ana San Miguel	Port Howard	Kourou	Quezaltenango Escuintla	Linden	San Pedro Sula La Ceiba
<b>Leader</b>	Pres. Rodrigo Borja Cevallos	Pres. Alfredo Cristiani	Appointed Governor	Appointed Prefect	Pres. Jorge Serrano Elias	Pres. Hugh Desmond Hoyte	Pres. Rafael Leonardo Callejas
<b>Main Ethnic Make-up</b>	Mestizo 55% Indian 25% Spanish 10% Black 10%	Mestizo 89% Indian 10% Caucasian 1%	Mainly British	Black & Mulatto 66% Epn 12% CH & AM 12%	Ladino <sup>1</sup> 56% Indian 44%	E. Indian 50% Black & ) Mixed ) 43% Amerindian 4%	Mestizo 90% Indian 7% Black 2% White 1%
<b>Language(s)</b>	Spanish (off.) Quichua	Spanish (off.) some Nahua	English	French (off.) Creole	Spanish 23 Indian lang.	English AM dialects	Spanish Indian dialects
<b>Religion</b>	R.C. 95%	R.C. 75%	Anglican R.C.	R.C. Hindu	R.C. Protestant	Christian 57% Hindu 33%	R.C. 97% Protestant
<b>Adult Literacy</b>	86%	73%	Not Available	82%	55%	95%	73%
<b>Life Expectancy</b>	66 yrs	65 yrs	Not Available	74 yrs	55 yrs	65 yrs	66 yrs
<b>Unemployment</b>	7.0% (1990)	10% (1989)	Not Available	15% (1987)	13% (1989)	Not Available	15% (1989)
<b>Trade with Australia (1990-91)</b>	\$9.3m	\$585,000	\$343,000	\$62,000	\$791,000	\$957,000	\$216,000
<b>Balance of Trade</b>	-2.7m	-473,000	+343,000	+62,000	-533,000	-879,000	+100,000

Abbreviations: Epn (European); AM (Amerindian); RC (Roman Catholic); CH (Chinese)

<sup>1</sup> Mixed European and Indian.

## STATISTICAL PROFILES OF LATIN AMERICAN COUNTRIES

Official Name	United Mexican States	Republic of Nicaragua	Republic of Panama	Republic of Paraguay	Republic of Peru	Republic of Suriname	Oriental Republic of Uruguay	Republic of Venezuela
Independence	16 Sept 1810 (from Spain)	15 Sept 1821 (from Spain)	28 Nov 1821 (from Spain)	14 May 1811 (from Spain)	28 July 1821 (from Spain)	25 Nov 1975 (from Neth.)	25 Aug 1825 (from Spain)	5 July 1811 (from Spain)
Area (Sq km)	1,972,550	129,494	77,381	406,750	1,285,220	163,265	176,215	912,050
1991 Population	90m	3.7m	2.5m	4.8m	22.3m	402,385	3.1m	20.1m
Capital	Mexico City	Managua	Panama City	Asuncion	Lima	Paramaribo	Montevideo	Caracas
Other Cities	Guadalajara	Leon	Colon	Caaguazu	Arequipa	Albina	Paysandu	Maracaibo
Leader	Pres. Carlos Salinas de Gortari	Pres. Violetta Barrios de Chamorro	Pres. Guillermo Endara	Pres. Andres Rodriguez	Pres. Alberto Fujimori	Pres. Johannes Kraag	Pres. Luis Alberto Lacalle	Pres. Carlos Andres Perez
Main Ethnic Make-up	Mestizo 60% A.M. 30%	Mestizo 69% White 17%	Mestizo 70% W.I. 14%	Mestizo 95%	Indian 45% Mestizo 37%	E.I. 37% Creole 31%	White 88% Mestizo 8%	Mestizo 67% White 21%
Language(s)	Spanish	Spanish (off.) English	Spanish (off.)	Spanish (off.) Guarani	Spanish (off.) Quechua (*)	Dutch (off.) English	Spanish	Spanish (off.)
Religion	R.C. Protestant	R.C. 95% Protes 5%	R.C. 93% Protes 6%	R.C. 90%	R.C.	Hindu 28% Protes 25%	R.C. 66% Protes 2%	R.C. 96% Protes 2%
Adult Literacy	88%	57%	88%	90%	85%	95%	96%	88%
Life Expectancy	72 yrs	62 yrs	74 yrs	69 yrs	69 yrs	68 yrs	72 yrs	74 yrs
Unemployment	15% (1990)	35% (1990)	20% (1990)	12% (1989)	20% (1989)	33% (1990)	8.8% (1990)	10.4% (1990)
Trade with Aust. (1990-91)	A\$160m	A\$1.0m	A\$26.7m	A\$320,000	A\$23.7m	A\$6,000	A\$4.4m	A\$49.0m
Balance of Trade	- A\$28.7m	+ A\$550,000	+ A\$23.7m	+ A\$192,000	+ A\$9.2m	+ A\$6,000	- A\$2.7m	+ A\$6.0m

Abbreviations: Epn (European); AM (Amerindian); RC (Roman Catholic); W (West Indian); EI (East Indian); Neth (Netherlands); Protes (Protestant)

<sup>1</sup> Black and mixed.

Source: The Europa World Yearbook 1991, London, 1991; Handbook of the Nations, Detroit, 1986; The World Factbook 1991, Washington DC, 1991; Countries of the World and Their Leaders Yearbook 1992, Detroit, 1992.

**SUMMARY OF SHIPPING SERVICES TO SOUTH AMERICA****Direct Service - Westbound**Mitsui OSK Lines

Brisbane	to	Brazil	6 weeks
	to	Argentina	7 weeks
	to	Chile	8.5 weeks
Sydney	to	Brazil	5.5 weeks
	to	Argentina	6.5 weeks
	to	Chile	8 weeks
Melbourne	to	Brazil	5 weeks
	to	Argentina	6 weeks
	to	Chile	7.5 weeks
Fremantle	to	Brazil	4 weeks
	to	Argentina	5 weeks
	to	Chile	6.5 weeks

**Direct Service - Eastbound**Mitsui OSK Lines

Brisbane	to	Brazil	6 weeks
	to	Argentina	5 weeks
	to	Chile	4 weeks
	to	Peru	3 weeks
Sydney	to	Brazil	6.5 weeks
	to	Argentina	5.5 weeks
	to	Chile	4.5 weeks
	to	Peru	3.5 weeks
Melbourne	to	Brazil	7 weeks
	to	Argentina	6 weeks
	to	Chile	5 weeks
	to	Peru	4 weeks

Fremantle	to	Brazil	8 weeks
	to	Argentina	7 weeks
	to	Chile	6 weeks
	to	Peru	5 weeks

Mitsui's ships sometimes also call in at Port Adelaide.

### **Direct Service - Eastbound**

#### Barbican Line

Brisbane	to	Brazil	6 weeks
Sydney	to	Brazil	6.5 weeks
Melbourne	to	Brazil	7 weeks
Fremantle	to	Brazil	8 weeks

### **Direct Service - Eastbound - Mexico**

#### Australia-New Zealand Direct Line

Brisbane	to	Mexico	5.5 weeks
Sydney	to	Mexico	6 weeks
Melbourne	to	Mexico	6.5 weeks
Adelaide	to	Mexico	7 weeks

Note: While this is advertised as a direct service it is in fact a transshipment service. Details of Mexican services are listed below;

- . cargo to ports on the west coast of Mexico and to Mexico City allow 6 to 10 days transit time from Long Beach, California. Vessels leaving every 10 days
- . cargo to ports on the east coast of Mexico, allow 8 days transit time to rail goods from Long Beach to Houston, then by feeder vessel, a further 2 to 3 days transit time. Vessels leaving Houston every 10 days.

(This information was supplied to the committee in a letter dated 3 September 1991 from Mr Danny Scorpecci, Assistant Secretary, International and Commercial Shipping Policy Branch, Department of Transport and Communication and in a letter dated 4 June 1992 from Mr Bunny Hayward of Mitsui OSK Lines and Union Bulkships.)

**AUSTRALIA'S LINER TRADE WITH LATIN-AMERICA  
LINER EXPORTS (TONNES) BY COUNTRY OF DESTINATION**

<i>COUNTRY</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
Argentina	474	886	460	655	704
Belize	-	-	34	-	-
Bolivia	2	1	1	3	25
Brazil	10726	14362	1387	6328	6693
Chile	293	489	309	34730	40925
Colombia	41	356	851	1635	23899
Costa Rica	22	1	7	619	36
Ecuador	101	149	207	88	121
El Salvador	4	5	12	1	1
Falklands/Malvinas	-	-	-	-	58
French Guiana	-	-	-	-	16
Galapagos	-	-	-	-	-
Guatemala	1	1	18	42	33
Guyana	18	34	-	17	-
Honduras	1	-	1	-	482
Mexico	3343	2008	2966	30351	37125
Nicaragua	-	90	204	6	18
Panama	233	287	118	82	20
Paraguay	-	-	-	-	-
Peru	247	566	2267	7464	24114
Surinam	3	-	-	-	-
Uruguay	160	119	126	224	340
Venezuela	1306	2166	920	1320	481
<b>TOTAL</b>	<b>16974</b>	<b>21500</b>	<b>9888</b>	<b>83565</b>	<b>135091</b>

Table 2

**AUSTRALIA'S LINER TRADE WITH LATIN-AMERICA  
LINER IMPORTS (TONNES) BY COUNTRY OF ORIGIN**

<i>COUNTRY</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
Argentina	2451	7142	18250	34018	26872
Belize	-	11	-	-	-
Bolivia	52	1	1	92	210
Brazil	39681	56179	121790	198311	107664
Chile	6234	6818	6739	30055	25730
Colombia	831	587	1212	1836	1384
Costa Rica	754	8200	266	555	302
Ecuador	1103	629	686	1516	484
El Salvador	19	2	1	17	111
Falklands/Malvinas	-	-	15	-	-
French Guiana	-	-	-	-	-
Galapagos	-	-	-	-	-
Guatemala	832	88	199	1172	297
Guyana	2	4	2	1616	-
Honduras	1	1	36	73	-
Mexico	7775	7557	13825	22840	20189
Nicaragua	78	3	4	1	24
Panama	65	33	121	135	-
Paraguay	1	1	1	2	4
Peru	9311	7968	398	351	623
Suriname	-	-	-	-	-
Uruguay	1066	1549	3483	1852	1212
Venezuela	5	88	190	545	871
<b>TOTAL</b>	<b>70261</b>	<b>96861</b>	<b>167219</b>	<b>294987</b>	<b>185977</b>

Table 3

**AUSTRALIA'S NON-LINER TRADE WITH LATIN-AMERICA**  
**NON-LINER EXPORTS (TONNES) BY COUNTRY OF DESTINATION**

<i>COUNTRY</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
Argentina	348598	471742	531836	725510	616325
Belize	-	-	-	-	-
Bolivia	-	-	-	-	1
Brazil	972251	1687490	1556924	1677255	1576714
Chile	203500	239558	246664	271570	250895
Colombia	128234	89654	10055	9744	45253
Costa Rica	1	1	-	4	296
Ecuador	29575	15750	28710	31403	43702
El Salvador	-	-	-	-	-
Falklands/Malvinas	-	-	-	50	17
French Guiana	-	-	-	-	-
Galapagos	-	-	-	-	-
Guatemala	-	-	-	-	-
Guyana	-	-	-	-	-
Honduras	-	-	-	-	-
Mexico	141788	244934	101942	110723	111119
Nicaragua	3	-	-	-	-
Panama	-	1	-	6	-
Paraguay	-	1	-	-	-
Peru	62514	33420	170969	73858	40830
Surinam	-	-	-	-	-
Uruguay	19950	26454	2300	-	44
Venezuela	36098	8157	93242	22567	143050
<b>TOTAL</b>	<b>1942512</b>	<b>2817162</b>	<b>2742642</b>	<b>2922690</b>	<b>2828246</b>



Table 4

**AUSTRALIA'S NON-LINER TRADE WITH LATIN-AMERICA  
NON-LINER IMPORTS (TONNES) BY COUNTRY OF ORIGIN**

<i>COUNTRY</i>	<i>1985-86</i>	<i>1986-87</i>	<i>1987-88</i>	<i>1988-89</i>	<i>1989-90</i>
Argentina	18385	20887	47424	112557	272581
Belize	-	-	-	-	-
Bolivia	-	-	-	45	1
Brazil	91409	99277	197337	210249	781066
Chile	4782	21879	13328	79451	146881
Colombia	114	114	167	336	709
Costa Rica	18	61	-	88	124
Ecuador	190	532	572	960	1024
El Salvador	1	-	3	-	-
Falklands/Malvinas	-	-	-	-	-
French Guiana	-	-	-	-	-
Galapagos	-	-	-	-	-
Guatemala	210	43	-	156	55
Guyana	2125	3500	2750	-	-
Honduras	17	-	17	4850	15000
Mexico	13450	9155	4025	8896	5836
Nicaragua	1	-	-	-	5
Panama	34	16	-	32509	1
Paraguay	-	5	-	1	1176
Peru	14206	10024	44	14700	10974
Surinam	-	-	-	-	7
Uruguay	1506	565	2518	1079	200
Venezuela	90	90	27	40660	201137
<b>TOTAL</b>	<b>146538</b>	<b>166148</b>	<b>268212</b>	<b>506537</b>	<b>1436777</b>

(These tables taken from Department of Transport and Communications, submission, Committee Hansard, pp. 264-7.)

**A SELECTED LISTING OF CULTURAL EXCHANGES/RELATIONS BETWEEN  
AUSTRALIA AND LATIN AMERICAN COUNTRIES, 1990-1992<sup>1</sup>**

- March 1990 - Australian film festival held in Mar del Plata
- June 1990 - Exhibition at the Australian National Library titled "Chile and Australia in the Pacific Sea of the New World"
- July 1990 - Museo De La Acuarela Mexicano hosted an exhibition of Australian watercolours.
- August 1990 - Australian Chamber Orchestra, under auspices of the Argentine Mozateum, toured Argentina and Chile.
- Professor Max Cooke of Melbourne University attended seminar and delivered a series of lectures in Buenos Aires concerning music education, video tapes and books presented to the International Society of Music Education.
- November 1990 - Jill Scott attended international video festival in Brazil
- April 1991 - Australian Youth Orchestra toured Brazil, Venezuela and several other Latin American countries, organised by the Australian National Music Camp.
- Aboriginal Island Dance Theatre visited Argentina, Chile, Brazil and Venezuela.
- October 1991 - Southern Crossings visited Mexico
- November 1991 - Angela Chaplin visited Venezuela
- March 1992 - Darling Downs Trio visited Mexico
- April 1992 - Chamber Made Opera visited Colombia
- Circus Oz visited Venezuela and Colombia

---

<sup>1</sup> This list was compiled from information set out in: Department of Foreign Affairs Defence and Trade, submission, Committee Hansard, p.134-135; Macdonnell Promotions Pty Ltd, submission, pp. 7-8; the Australia Council for the Arts, submission; Letter to Committee dated 8 April 1992 from Mr Con Chatham, Americas Liaison Officer, Cultural Relations Officer, Department of Foreign Affairs and Trade.

- Theatre of Image visited Venezuela
  - Sydney Dance Company visited Venezuela
  - Stretch MK1 visited Venezuela and Colombia
  - Three playwrights, John Romeril, Aima de Groen and Richard Walley attended a playwright conference in Venezuela.
- April/May  
1992
- An Australian jazz group visited Chile and Brazil
  - Frankenstein's Children by Australian writer David Carlin to be produced at the Venezuelan National Young People's Theatre
- June 1992
- Proposed exhibition of works by Bronwyn Bancroft and Banduk Marika at the Australian Embassy, Buenos Aires
- October 1992
- Australia Ensemble to visit Argentina, Chile Uruguay and Brazil
- 1993
- Australian Chamber Orchestra to visit Argentina, Chile, Uruguay and Brazil
  - Exhibitions to be held by the Crafts Council of Australia in Montevideo, Buenos Aires and Santiago
  - Australian Youth Orchestra and the Flying Fruitfly Circus to visit Mexico, Venezuela and Brazil

## RECOMMENDATIONS OF AGB REPORT

### **Recommendation 1**

Australia should investigate mechanism for obtaining market share data on major competitors. Arranging for exchanges of information with the diplomatic missions of the major competitors is a potential source of current data on student flows from target countries.

### **Recommendation 2**

That Asia and of Europe/USA be regarded as separate theatres for the purposes of strategic planning. Within each theatre, consideration should be given to the particular characteristics of each country when targeting each market segment.

### **Recommendation 3**

That Australia take measures to increase awareness of its commitment to uniformly high standards in education.

### **Recommendation 4**

That Australia promote expertise and achievement in selected study disciplines to promote an automatic link between study course and institution.

### **Recommendation 5**

That promotional tactics are developed with the strategic aim of reinforcing quality education. Activities which could be considered include case studies (using past students who are successful), independent academic comment on Australian courses/institutions, development of exchange programs and a government and business endorsement of Australian qualifications in student source countries.

### **Recommendation 6**

That Australia continue to develop exchange programs, particularly with 'first tier' institutions in First World countries. This strategy, while not necessarily generating substantial fees, would serve to increase awareness of Australia as a significant destination with selected discipline strengths and acknowledged centres of excellence.

## **Recommendation 7**

There is an opportunity to differentiate Australia as superior in terms of the consistency and appropriateness of advice supplied to students and gatekeepers in student source countries. Achieving this goal requires a structured investment in improving information services. The needs include improvements in the strategic focus and customer relevance of print reference materials and in training and communications support for staff.

The format of published data could include a general information folder with course and institution specific inserts available for inclusion.

A review of Australia's entries in general study abroad publications could be undertaken. This study has suggested that, for example, Australia's entry in the Ryugaki Journal (Japan) was less detailed than some competitors.

(AGB Australia, International Competitive Study, Commonwealth of Australia, 1992, pp. 5-7.)

## BILATERAL AND OTHER VISITS

### Argentina

#### **Ministerial Visits**

- 1965 Minister for Agriculture and Livestock Kruger visited Australia.
- 1974 Foreign Minister Willesee visited Argentina.
- 1980 Agriculture Minister Zorreguieta visited Australia.
- 1984 Immigration and Ethnic Affairs Minister West visited Argentina.
- 1986 Trade Minister Dawkins visited Argentina (Cairns Group)
- 1987 Trade Negotiations Minister Duffy visited Argentina (Cairns Group).
- 1987 Science Minister Jones visited Argentina.
- 1988 Trade Negotiations Minister Duffy visited Argentina (Cairns Group).
- 1988 Attorney-General Bowen visited Argentina (Extradition Treaty).
- 1992 Foreign Affairs and Trade Minister Senator Evans visited Argentina.
- 1992 Latter half of year Argentine Foreign Minister Di Tella to visit Australia as guest of Government.
- 1992 Argentine Economy Minister Cavallo to visit Australia as guest of Government.

#### **Parliamentary Visits**

- 1992 Australian parliamentary delegation is to visit Argentina in June.
- 1992 Argentine parliamentary delegation to visit Australia during this year.

#### **Senior Officials**

- 1990 Department of Foreign Affairs and Trade Secretary Woolcott and Australia's Ambassador for Environment, Sir Ninian Stephen, visited Argentina.
- 1992 Department of Foreign Affairs and Trade First Assistant Secretary Wood visited Argentina.

1992 Argentine Agricultural, Livestock, Breeding and Fishing Under Secretary Regunaga to visit Australia as guest of Government.

### **IPU Activities**

1986 76th IPU Conference, Buenos Aires, October

### **Brazil**

#### **Ministerial Visits**

1973 Minister for Mines and Energy Dias Leite visited Australia.

1974 Foreign Minister Willesee visited Brazil.

1984 Trade Minister Bowen visited Brazil.

1986 Trade Minister Dawkins visited Brazil.

1987 Science Minister Jones visited Brazil.

1987 Trade Negotiations Minister Duffy visited Brazil.

1988 Environment Minister Richardson visited Brazil.

1989 Science Minister Jones visited Brazil.

1990 Trade Negotiations Minister Blewett visited Brazil.

1991 Trade Negotiations Minister Blewett visited Brazil (Cairns Group).

1992 Foreign Affairs and Trade Minister Senator Evans visited Brazil.

1992 Australian parliamentary delegation is to visit Brazil in June.

1992 Brazilian Agricultural Minister Cabrera to visit Australia as guest of Government.

#### **Parliamentary Visits**

1980 Australian parliamentary delegation visited Brazil.

1990 House of Representatives Speaker McLeay visited Brazil.

1992 Australian parliamentary delegation to visit Brazil in June.

1992 Brazilian parliamentary delegation to visit Australia in August.

## **Senior Officials**

- 1989 Deputy Secretary Costello visited Brazil.
- 1990 Department of Foreign Affairs and Trade Secretary Woolcott and Australia's Ambassador for Environment, Sir Ninian Stephen, visited Brazil.
- 1992 Department of Foreign Affairs and Trade First Assistant Secretary Wood visited Brazil.

## **Chile**

### **Ministerial Visits**

- 1977 Economy Minister Baraona visited Australia.
- 1984 Immigration and Ethnic Affairs Minister West visited Chile.
- 1990 Trade Negotiations Minister Blewett visited Chile (Cairns Group).
- 1991 Resources Minister Griffiths visited Chile.
- 1992 Foreign Affairs and Trade Minister Senator Evans visited Chile.
- 1992 Chilean Under Secretary for Foreign Affairs Vargas to visit Australia.
- 1992 Latter half of year President Aylwin to visit Australia as guest of Government.
- 1992 Latter half of year Chilean Foreign Minister Silva Cimma to visit Australia as guest fo Government (accompanying President Aylwin).
- 1992 Latter half of year Chilean Agriculture Minister Figueroa to visit Australia as guest of Government (accompanying President Aylwin).
- 1992 Latter half of year Chilean Economy Minister Ominami to visit Australia (accompanying president Aylwin).
- 1992 Chilean Mining Minister Hamilton to visit Australia in September.

### **Parliamentary Visits**

- 1991 Australia Parliamentary Delegation visited Chile.



### **Senior Officials**

1990 Department of Foreign Affairs and Trade Secretary Woolcott and Australia's Ambassador for Environment, Sir Ninian Stephen, visited Chile.

1991 Deputy Secretary Costello visited Chile.

### **IPU Activities**

1991 86th Conference, Santiago, October.

### **Colombia**

#### **Parliamentary Visits**

1989 Colombian parliamentary delegation visited Australia.

1992 Parliamentary Secretary to the Minister of Foreign Affairs and Trade, Martin, visited Colombia.

1992 Proposed visit to Colombia by an Australian Minister following UNCED conference in Brazil.

### **Costa Rica**

#### **Ministerial Visits**

1984 Foreign Minister Hayden visited Costa Rica.

1984 Immigration and Ethnic Affairs Minister West visited Costa Rica.

#### **Parliamentary Visits**

1984 Australian parliamentary delegation visited Costa Rica.

### **Ecuador**

#### **Ministerial Visits**

1988 Attorney-General Bowen visited Ecuador (Extradition Treaty).

## El Salvador

### **Ministerial Visits**

1984 Foreign Minister Hayden visited El Salvador.

1984 Immigration and Ethnic Affairs Minister West visited El Salvador.

### **Parliamentary Visits**

1984 Australian parliamentary delegation visited El Salvador.

## Guatemala

### **Parliamentary Visits**

1988 Australian parliamentary delegation visited Guatemala (79th Inter-Parliamentary Union, IPU, meeting).

### **IPU Activities**

1988 79th IPU Conference, April

## Guyana

### **Ministerial Visits**

1989 Minister for Foreign Affairs Jackson visited Australia (Committee of Commonwealth Foreign Ministers on Southern Africa meeting).

## Honduras

### **Ministerial Visits**

1984 Foreign Minister Hayden visited Honduras.

## Mexico

### **Ministerial Visits**

- 1973 Prime Minister Whitlam visited Mexico.
- 1974 Foreign Minister Willesee visited Mexico.
- 1979 Minister for Tourism Rossell visited Australia.
- 1984 Foreign Minister Hayden visited Mexico.
- 1984 Immigration and Ethnic Affairs Minister West visited Mexico.
- 1987 Arts/Environment Minister Cohen visited Mexico.
- 1987 Trade and Industrial Development Minister Hernandez visited Australia.
- 1988 Foreign Minister Sepulveda visited Australia.
- 1990 President Carlos Salinas de Gortari visited Australia.
- 1990 Trade Negotiations Minister Blewett visited Mexico (Trade Ministers Meeting).
- 1990 Foreign Affairs and Trade Minister Evans visited Mexico.
- 1991 Trade and Overseas Development Minister Blewett visited Mexico.
- 1992 Chihuahua Governor Melendez to visit Australia as guest of DFAT under the Special Visits Program in May/June.
- 1992 Mexican Transport and Communications Minister Caso Lombardo to visit Australia as guest of Government.
- 1992 Latter half of year Mexican Agriculture and Water Resources Minister Gonzalez to visit Australia as guest of Government.

### **Parliamentary Relations**

- 1980 Australian parliamentary delegation visited Mexico.
- 1984 Australian parliamentary delegation visited Mexico.
- 1985 Mexican parliamentary delegation visited Australia.
- 1991 House of Representatives Speaker McLeay visited Mexico.

1991 Mexican parliamentary delegation visited Australia (Asia-Pacific Parliamentary Forum).

1992 Mexican parliamentary delegation visited Australia.

#### **Senior Officials**

1989 Under-Secretary for Foreign Affairs Rozenthal visited Australia.

1991 Department of Foreign Affairs and Trade Secretary Woolcott visited Mexico.

1992 Department of Foreign Affairs and Trade Secretary-Designate Wilenski visited Mexico.

1992 Under-Secretary for Foreign Affairs Rozental visited Australia.

#### **IPU Activities**

1976 IPU Spring Meeting, Mexico City, April.

1985 IPU Symposium on Conventional Disarmament, Mexico City, May.

1986 75th IPU Conference, April.

### **Nicaragua**

#### **Ministerial Visits**

1984 Foreign Minister Hayden visited Nicaragua.

1984 Trade Minister Martinez visited Australia.

1985 Nicaraguan Foreign Minister D'Escoto visited Australia.

#### **Parliamentary Visits**

1984 Australian parliamentary delegation visited Nicaragua.

1987 Australian parliamentary delegation visited Nicaragua (77th IPU meeting).

## Peru

### **Ministerial Visits**

1974 Foreign Minister Willesee visited Peru.

### **Parliamentary Visits**

1980 Australian parliamentary delegation visited Peru.

### **Senior Officials**

1987 Australia/Peru Officials Talks (Canberra).

1990 Department of Foreign Affairs and Trade Secretary Woolcott and Australia's Ambassador for Environment, Sir Ninian Stephen, visited Peru.

## Uruguay

### **Ministerial Visits**

1986 Foreign Minister Iglesias visited Australia.

1986 Trade Minister Dawkins visited Uruguay (Cairns Group).

1987 Arts Environment Minister Cohen visited Uruguay.

1987 Trade Negotiations Minister Duffy visited Uruguay.

1988 Attorney-General Bowen visited Uruguay.

1991 Trade Negotiations Minister Blewett visited Uruguay.

### **Parliamentary Visits**

1990 Australian parliamentary delegation visited Uruguay (84th IPU meeting).

### **Senior Officials**

1990 Department of Foreign Affairs and Trade Secretary Woolcott and Australia's Ambassador for Environment, Sir Ninian Stephen, visited Uruguay.

### **IPU Conference**

1990 84th IPU Conference, October.

## Venezuela

### **Ministerial Visits**

- 1988 Attorney-General Bowen visited Venezuela (Extradition Treaty).
- 1992 Trade and Overseas Development Minister Kerin to visit Venezuela in June.
- 1992 Latter half of year President Perez to visit Australia as guest of Government.

### **Parliamentary Visits**

- 1980 Australian parliamentary delegation visited Venezuela.
- 1991 Australian parliamentary delegation visited Venezuela.
- 1992 Venezuelan parliamentary delegation to visit Australia in June.

(See Department of Foreign Affairs and Trade, submission, Committee Hansard, pp. 180-5. Information updated in correspondence to the Committee dated 31 March 1992 and 21 April 1992 from the Department of Foreign Affairs and Trade.)

## GLOSSARY

AACLAME	-	Australian Advisory Council on Languages and Multicultural Education
ABC	-	Australian Broadcasting Corporation
ABT	-	Australian Tourist Commission
ACFOA	-	Australian Council for Overseas Aid
ACS	-	Australian Customs Service
AFMLTA	-	Australian Federation of Modern Language Teachers Association
AFP	-	Australian Federal Police
AILASA	-	Association for Iberian and Latin American Studies in Australasia
ALADI	-	Latin American Integration Association
APEC	-	Asia Pacific Economic Cooperation
AOTC	-	Australian and Overseas Telecommunications Corporation
ASEAN	-	Association of Southeast Asian Nations
ASTP	-	Australian System of Tariff Preference
ATCP	-	Antarctic Treaty Consultative Party
Austrade	-	Australian Trade Commission
BISA	-	Bibliography of Southeast Asia Project
BRR	-	Bureau of Rural Resources
CAA	-	Civil Aviation Authority
CAI	-	Confederation of Australian Industry
CANUSTA	-	Canada/United States Trade Agreement
CAP	-	Common Agricultural Policy
CARICOM	-	Caribbean Common Market
CCAMLR	-	Commission for Conservation of Antarctic Marine Living Resources
CD	-	Conference on Disarmament
CER	-	Closer Economic Relations
CET	-	Common external tariff
CFE	-	Mexican electricity utility body
CILASA	-	Consortium for Iberian and Latin American Studies in Australasia
CIREFCA	-	International Conference on Central American Refugees
COMEVEN	-	Group of Three Energy Basin Initiative
CONASUR	-	Consultative council for agricultural cooperation, composed of Argentina, Brazil, Chile and Uruguay
CORFO	-	Corporacion de Fomento de la Produccion, the Chilean equivalent of DITAC.
CTBT	-	Comprehensive Test Ban Treaty
DASET	-	Department of the Arts, Sport, the Environment and Territories

DASETT	-	Department of the Arts, Sport, the Environment, Tourism and Territories (Responsibility for tourism was transferred to a new Department of Tourism on 27 December 1991)
DEET	-	Department of Education, Employment and Training
DFAT	-	Department of Foreign Affairs and Trade
DILGEA	-	Department of Immigration, Local Government and Ethnic Affairs
DITAC	-	Department of Industry, Technology and Commerce
DOTC	-	Department of Transport and Communications
DPIE	-	Department of Primary Industries and Energy
EAI	-	Enterprise for the Americas Initiative
EC	-	European Community
ECLAC	-	United Nations' Economic Commission for Latin America and the Caribbean
EEP	-	Export Enhancement Program
EFIC	-	Export Finance Insurance Corporation
EIU	-	Economist Intelligence Unit
ELICOS	-	English Language Intensive Courses for Overseas Students
ETMs	-	Elaborately Transformed Manufactures
FTA	-	Free Trade Agreement
GATT	-	General Agreement on Tariffs and Trade
GDP	-	Gross Domestic Product
GSP	-	Generalised System of Preference
IADB	-	Inter-American Development Bank
IAEA	-	International Atomic Energy Agency
IATA	-	International Air Transport Association
IATTC	-	Inter-American Tropical Tuna Commission
ICA	-	International Commodity Agreements
ICSU	-	International Council of Scientific Unions
IDB	-	Inter-American Development Bank
IMF	-	International Monetary Fund
INCLEN	-	International Clinical Epidemiology Network
INTERPOL	-	International Criminal Police Organisation
IPU	-	Inter-Parliamentary Union
ISA	-	International Sugar Agreement
ISO	-	International Sugar Organisation
ITTO	-	International Tropical Timber Organisation
IWA	-	International Wheat Agreement
IWC	-	International Wheat Council
IWS	-	International Wool Secretariat
JKMRC	-	Julius Kruttschnitt Mineral Research Centre
LOSC	-	United Nations Law of the Sea Convention
LOTE	-	Languages Other Than English
MERCOSUR	-	A regional economic integration agreement between Argentina, Brazil, Uruguay and Paraguay, to come into effect in January 1995
MTIA	-	Metal Trades Industry Association
NAFTA	-	North American Free Trade Agreement



NDEC	-	National Distance Education Conference
NGOs	-	Non Government Organisations
NLIA	-	National Languages Institute of Australia
NPT	-	Nuclear Non-proliferation Treaty
OAS	-	Organisation of American States
OECD	-	Organisation for Economic Cooperation and Development
ONUCA	-	United Nations Observer Group Central America
ONUSAL	-	United Nations Human Rights Observer Group in Central America
OPEC	-	Organisation of Petroleum Producing Countries
PAFTAD	-	Pacific Trade and Development Conference
PBEC	-	Pacific Basin Economic Council
PCSP	-	Permanent Commission of the South Pacific
PDD	-	Partnership for Development and Democracy
PECC	-	Pacific Economic Cooperation Conference
Prepcom	-	United Nations Preparatory Commission for the International Sea-Bed Authority and the International Tribunal for the Law of the Sea
PROMODEX	-	Association for the Promotion and Development of Peruvian Exports
SBS	-	Special Broadcasting Service
SCAR	-	Scientific Committee on Antarctic Research
SELA	-	Latin American Economic System
SMP	-	skim milk powder
SPNFZ	-	South Pacific Nuclear Free Zone
TRIPS	-	Trade-related Intellectual Property Rights
UN	-	United Nations
UNCED	-	United Nations Conference on Environment and Development
UNCHR	-	United Nations Commission on Human Rights
UNCTAD	-	United Nations Conference on Trade and Development
UNFDAC	-	United Nations Fund for Drug Abuse Control
UNGA	-	United Nations General Assembly
UNSW	-	University of New South Wales
VTHC	-	Victorian Trades Hall Council