Council on Australia Latin America Relations White Paper Response - Summary Points

Why Australia should engage with Latin America and some suggested areas for engagement:

Australia’s International Environment
- Latin America is emerging as an important economic and regional power bloc and Australia’s engagement in the Latin American region is significantly underdone.
- In the current international environment of uncertainty, with challenges to international order, Australia needs to look to new and different partners, building a set of dependencies and networks that reduces the risk of being left behind as new alliances emerge in the fast changing global environment.
- The ‘Pacific Pumas’ of the Pacific Alliance (Chile, Colombia, Peru and Mexico) are focussed on modelling economic and political development – aligning well with Australia’s economic diplomacy objectives. And the Alliance has 49 observer states, including Japan, China, Germany, France, the United Kingdom, and the United States – also providing opportunities to strengthen relationships in a new forum and broadening Australia’s global sphere of influence. (source - https://en.wikipedia.org/wiki/Pacific_Alliance)
- Critical that there be a specific reference in the White Paper to the importance of Latin America as a priority region for engagement - including through the Pacific Alliance.

Economic Opportunities and Risks
- Increased engagement with Latin America offers both significant opportunity to strengthen traditional diplomatic aims of supporting peace and also key Australian economic diplomacy aims to advance Australia’s prosperity through promoting trade, encouraging growth, attracting investment and supporting Australian business.
- Important to put investment in and with Latin America on the government’s radar – as a region, the size of the population and its economic growth present significant opportunities:
  - Mexico and Brazil to become two of largest economies in the next 10 years – amongst the top seven globally
  - Chile, Peru, Colombia and Argentina emerging
  - The increasing interest in liberalisation of their markets on the Andean side also presents many opportunities for two-way trade and investment.
- Diversification in our trade and investment beyond NE Asia and China is good risk management in the multi polar environment. The key issue is our reliance on Asia and the need for diversification in trading partners for Australian exports.
- Australia is grossly underweight with trade in Latin America. We need to build stronger cultural and economic relationships with Latin America to grow our trade exports with Brazil, Mexico, Argentina, Chile, and other emerging economies. Latin America’s average share of global GDP, current prices is 7.5 per cent. (2010 -2015 IMF World Economic Outlook October 2016)
- The Latin America region has undergone significant transformation and is shaping up to be the world’s most reliable medium to long-term growth sector.
- Australia and Latin American countries have far more in common with each other than with Asian countries – scale, culture, similar primary industries, living standards and quality of
life. Australia has much to offer Latin America, and equally importantly Latin America has much to offer Australia.

- Latin America is seeking stability and growth and looks to Australia for leadership and as a model to replicate its governance, institutions and engagement with Asia.
- Investment opportunities are growing and Australia’s investment profile in Latin America is increasing. Over 280 Australian owned or managed companies are already active in Latin America (129 ASX listed with 96 having mining projects in the region).
- Latin America accounts for seven per cent of international student enrolments in Australia with over 53,000 enrolments in the first ten months of 2016, an increase of 20 per cent from the same period in 2015 – Brazil is the only non-Asian source in the top ten. 78% growth since 2012 in Latin American students enrolling in Australian universities and education systems.
- International education continually brings people from overseas into the Australian economy. Not only do they create jobs (130,000 jobs attached to international education), international education also has a huge multiplier effect across the whole economy. It is not only those who are being employed directly at universities and other education providers – it is driving key industries like tourism and can also contribute to the growth of service exports.

**Capabilities and Partnerships**

- Australia has the potential to work in partnership with Latin America on global value chains, harnessing joint innovation and technology (Singapore model).
- Post TPP, countries in the region are looking to bilateral Free Trade Agreements with Australia, another alternative is to negotiate with the Pacific Alliance as a bloc.
- Latin American countries are interested in working with Australia as a trusted partner and to share – value adding, not competing.
- The services sector, METS, water and energy, agribusiness, tourism, education and research, health and biosciences are seen as areas where Australia can add value and partner with countries in Latin America.
- Need to review the government’s assets and infrastructure in place in Latin America to support increased trade and economic engagement - and look to opportunities for more flexible and cost efficient mechanisms to provide this. (CSIRO, Austrade, Education, Tourism)
- With limited financial resources COALAR has used its grants program to effectively leverage both public and economic diplomacy. An increased financial allocation could raise Australia’s profile exponentially. Some key COALAR achievements to date include:
  - Inaugural Australia – Chile Leadership Forum
  - Australia’s Regulatory Frameworks – Presentations and follow up in six Latin American Countries
  - Broad ranging sports and cultural diplomacy
  - Research and Training exchanges and partnerships
  - Support to the development of a Sustainable Minerals Institute in Colombia and Sustainable Mining Initiatives in Peru.
• A trade delegation (second half of 2017 or early 2018) and other Ministerial visits to the region (Science, Education, and Health for example) should be prioritised to highlight Australia’s interest in closer engagement.

• A high profile pilot education initiative (internships, reverse Fellowships), for Latin America would also promote Australia’s engagement with and competitiveness in the region.

• Negotiate Double Taxation Agreements with Brazil and Peru as priorities (we already have DTAs with Argentina, Chile and Mexico). Tourism has been identified as one of five ‘super-growth’ sectors for Australia. Need to ensure Australia has a competitive visa framework to encourage visitation.

• Air links between Australia and Latin America are improving, which will underpin further growth in trade and people flows. Important that government removes regulatory impediments to airline commercial decision-making by establishing a comprehensive framework of air services arrangements with the region.

• Promotion and publication of aggregated data on Latin American trade and investment growth and opportunities would help to raise awareness of the significance and opportunities of the region, including as a market for Australia.

Some key facts about Trade and Latin America

• As of 2015, its population was estimated at more than 626 million and in 2014, Latin America had a combined nominal GDP of 5,573,397 million USD and a GDP PPP of 7,531,585 million USD. (Source – Wikipedia)

• The Pacific Alliance was founded by Chile, Colombia, Peru and Mexico in 2011. This bloc comprises 38 % of Latin American GDP. (source – IMF 2016 Estimate)

• Mexico, Chile and Brazil have combined GDP of over $ 3 trillion – they are our 3 largest Latin American countries with investment in Australia. (source – IMF 2016 Estimate)

• The value of Australian exports to Brazil in 2015/16 was $970m and Mexico $690m - less than 1% of the GDP trade of these two powerhouse economies.

• 2015 -16, Australia’s total trade in goods and services with Latin America was A$11.2 billion.

• DFAT estimates the stock of Australian investment in Latin America is in the order of $24 billion. (difficult to quantify given commercial in confidence issues)

• Brazil and Mexico are set to be among the top seven economies in 2030.

• Since 2012 Australia has had 78% growth in Latin American students enrolling in Australian universities and education systems.