

## AUSTRALIA AND MEXICO: A PARTNERSHIP WITH POTENTIAL

Address by Senator Gareth Evans, Australian Minister for Foreign Affairs and Trade, to the Mexican Business Council for International Business, 5 October 1990, Mexico City

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First let me say how pleased I am to be in Mexico, to have the opportunity at first hand to see the exciting changes which are taking place and to absorb some of the richness of Mexico's cultural heritage. I am equally pleased to be able to pursue my own country's links with Mexico, in particular our trade and economic contacts.

I would particularly like to express my thanks to CEMAI for arranging this working breakfast and for giving me the opportunity to have this personal contact with you this morning. The contribution from the private sector will be crucial to the further development of trade between Mexico and Australia and, with that, closer links in a host of other ways as well.

Australia and Mexico are countries who are really just beginning to get to know each other economically - who are not yet as closely involved with each other as I know they can and should be. Yet it is a partnership whose enormous potential is clear.

There is much to learn on both sides, a process for which there is no substitute for first hand contact but we do not yet visit each other as often as I think we should. In calendar year 1989, for example, while 3,600,000 Mexicans visited the USA, just a handful came to Australia. Our Embassy in Mexico City issued only 1227 visas for Mexicans to visit us in an age when the new generation of aircraft brings Sydney only fourteen hours from Los Angeles. We would like to see these statistics increase, giving us the chance to offer Australian hospitality to more and more Mexicans both as tourists and business visitors.

Nevertheless, the groundwork for closer understanding has been and continues to be laid. We were delighted to welcome President Salinas to Australia this year - the first visit to Australia by a serving Mexican President. My visit here is the first by an Australian Foreign Minister for six years. The fact of these visits signals a fresh approach to our relationship which will be very important to ensuring awareness of the opportunities which exist for mutual economic benefit, especially in trade.

We in Australia have noted with interest Mexico's move towards negotiation of a free trade agreement with the USA and other efforts towards Latin American integration. In Australia we also have recognised the advantages of an expanded marketplace, with the negotiation of our own Closer Economic Relations Agreement with New Zealand.

But in looking to our immediate neighbours as sources of economic growth it is vital that we not lose sight of the world picture. Mexico's entry into GATT in 1986 has brought Australia and Mexico together in the current Uruguay Round of trade negotiations. We welcome the positive approach that Mexico has taken to the negotiation and the leadership role it has provided to developing countries. Mexico's initiative in hosting the Ministerial meeting in Puerto Vallarta in April this year to help find ways to moving the negotiations ahead, was especially welcome.

We particularly need a substantial outcome on agriculture. Australia believes that the long term interest of all countries, including those which are nett food importers, will be best served by a market-oriented agricultural trading system. Mexico's commitment to these, and other important economic issues is praiseworthy.

In truth though, and despite our good relations in the multilateral sphere, the Australia-Mexico bilateral relationship has been modest - although cordial. Our respective preoccupations within our own immediate regions, and with our traditional markets have placed natural limits on our contact, reinforced by our geography and our differing historical backgrounds. As a result, we have as yet no institutionalised bilateral trade discussions nor any major commercial treaties or arrangements.

Last year, two-way trade totalled between us around \$US110 million - well below what we believe is the real potential, especially between Pacific partners. Over the past ten years, your exports to Australia have shown a steady rise reaching around \$US80 million last year, while our own export growth to Mexico has been more gradual but nevertheless pronounced. In fact, over the first six months of this year Australian exports to Mexico have outstripped our entire 1989 performance by two-and-a-half times, rising to around \$US73 million. Total trade between us has in fact increased by over 60 per cent in the year to June 30, compared with the previous twelve months. I for one would like to see this trend maintained. Nevertheless, despite the fact that Corona beer is now a familiar sight in Australian bars and liquor outlets, overall neither of us can claim to have fully capitalized on the real opportunities there to be seized.

We are looking to our private sector to work actively to change this - to take advantage of the new prospects in a Mexico where tariffs are lower and foreign investment opportunities greater than they have been for more than a generation. You will no doubt be doing the same as you recognise the benefits of access to the markets of the Asia-Pacific - the most economically dynamic region of the world and likely to stay that way well into the next century.

The Mexican policies which have led to such new thinking are similar in a number of ways to those of my own Government in Australia. Both Mexico and Australia have moved dramatically to free up their economic systems, to deregulate, to open up their

markets and their industry to competition from outside their borders.

For our own part, statistics released last month show that as last year progressed a growing proportion of Australia's economic growth was generated by the export and import replacement sectors, and we expect in this financial year that trend to be even more dramatic.

All of this year's expected GDP growth of 2 per cent will be provided by these net export sectors, in large measure generated by growth in export volumes of seven and a half per cent - the largest since 1986-87.

Such encouraging statistics confirm that much reform has already been achieved in Australia, from the floating of the dollar in 1983 to the fundamental modernisation of industrial awards and union structures that is going on today. Our taxation system now no longer penalises those who invest to produce income rather than speculative profits. Tariffs have been reduced, encouraging our industries to become more competitive. Far-reaching reforms are now taking place on the waterfront and in aviation and shipping.

The Hawke Government is determined to extend these reforms to other areas where the public sector is involved with industry and business enterprises. The guiding light will be to continue to make government business enterprises more innovative, efficient and competitive to ensure that they are not holding back our industries and are delivering a proper level of services to the community - in particular the investment community.

Such injections of reform are not without pain, for either of us. They do, however, represent a genuine commitment by each of our Governments to the long term health of our nations. We can only succeed though if our private sectors meet the challenges for greater innovation and efficiency head-on and seek markets beyond our own shores. Australia and Mexico are both looking to secure their future well-being through export led growth.

What does the Australian partner have to offer Mexico? I believe we have a lot. It includes the products of a large and efficient Australian agricultural sector - milk, grains, beef and lamb. These are important but so too are other items, both in heavy and high tech industries, where the "made in Australia" label is gaining increasing recognition world wide as a badge of quality and reliability.

But let me begin with the familiar.

It is probably true to say that many of you here today may be wearing something Australian - wool. Last year we sold Mexico \$US13 million of Australian wool - we would like to do better. In spite of all the developments with artificial fibres, we still

believe the best label to have inside a suit is "Australian Merino Wool". With Mexico's success in the world's fashion and clothing markets we hope for a growing partnership as Mexican designers and textile mills weave Australian wool into their products.

We are partners too in energy production. Mexico has oil and Australia has coal. Wisely, you want to do more with such a precious and non-renewable resource as your oil - especially in the current environment - than simply burn it in furnaces to generate electricity. We look forward to working with your planners and engineers in the Mexican Federal Electricity Commission on proposals to give Mexican electricity power stations access to high quality, reliable supplies of steaming coal at competitive prices. Australian coal also represents an intelligent choice because it is kinder to the environment with its very low sulphur and ash content - many times lower than that produced by most of our competitors. We can work with you therefore, in helping to preserve and protect the environment, through the supply of low polluting coal at competitive prices.

Environmental protection is as important for Australians as it is for Mexicans. It is a long term interest we have in common. We also have in common the problem of what to do with the waste, the rubbish that we humans generate. The bigger the city the bigger the problem. The world's largest city, Mexico City, clearly confronts a challenge of enormous proportions each day of every year in what to do with waste generated by over 15 million people. Australia has developed special expertise in the area of recycling which we believe has great potential to assist in the battle I know you are already waging here against pollution.

As you will know, Australia has vast reserves of minerals. Our experience in their extraction has facilitated the development of technical expertise and equipment which we believe would have profitable applications in Mexico. A major factor influencing Mexico's purchases of imported mining equipment and services has been the proximity of its traditional and current suppliers. However, Australia, too, with today's modern communications and transport services has both the capability and the will to supply Mexico's mining industry with extraction, processing and analysing equipment. We also offer consultancy services in rock mechanics, airborne geophysics and process control.

As one of the world's leading exporters of minerals, Australia is at the forefront of bulk handling at ports for getting large volumes of material into and out of ships quickly and efficiently. I am sure there is a useful partnership to be developed for us in port development in Mexico in the years ahead.

In the sugar industry too there is potential for us to do business in equipment for both the sugar field and the sugar mill. Telecommunications is another area of potential - Australian companies have recently been highly successful in winning contracts for upgrading communications systems in Asian countries - especially in low density, long

distance digital systems where we are world leaders. Australian companies are competitive too in many other fields such as electricity distribution, including transmission towers and lines. You might also be interested in work of some of our protective security companies, one of which has helped provide the security systems at some of the world's most famous addresses.

As two-way trade develops, as we come to know each other better, I believe we will see Australian investment coming into Mexico and also see a growth in the number of business partnerships in the private sector. One of your own active members, Oscar Peralta, is showing businessmen and women on both sides of the Pacific a good example, by his Mexican/Australian endeavours.

We all have a worthwhile process of discovery ahead and while that road will not be paved with gold, dollars or pesos for every kilometre of the way, it promises more than trinkets for those prepared to get out and make things happen.

I have spoken a lot about the potential development of our bilateral partnership and touched on our multilateral cooperation. In closing I would also like to mention briefly our prospects for cooperation in the context of regional partnerships.

Both the Australian and Mexican Governments and private sectors are taking a strong interest in "La Cuenca Del Pacifico" - the Pacific Basin. We welcome this Mexican interest, just as we welcomed President Salinas to Australia only a few months ago. We are pleased to see Mexico actively involved in the regional economic groupings such as the Pacific Basin Economic Council (PBEC) and the Pacific Economic Cooperation Conference (PECC). There are many senior business people in Australia who are looking forward to coming to Guadalajara in May next year to take part in the PBEC international meeting. My colleague, Australia's Minister for Trade Negotiations, Dr Neal Blewett, is presently considering the very kind invitation from the Mexican Organising Committee for him to take part in the Ministers Forum planned as a public sector contribution to the private sector gathering.

Australia also welcomes Mexico's interest in membership of the Asian Pacific Economic Cooperation Group (APEC). As in the past with PECC membership, joining APEC will require unanimous support from all members. While APEC members are currently concentrating on facilitating the entry of China, Taiwan and Hong Kong, they are well aware that Mexico is knocking on the door. You can rest assured that your voice is being clearly heard.

In summary, our partnership is one laced with unrealised potential - not only in terms of bilateral trade and investment but also in terms of enhanced consultation and dialogue not just with each other but with all the countries of the Asia-Pacific. As we view this

dynamic region from opposite sides of the Pacific Basin, I for one have no doubt that, with commitment, we can realise this potential. Our partnership has been until now a quiet one - uncharacteristically so for countries who are so noisy in so many other ways. But if we work at the potential that is there, it will not be quiet for long.