Future looks bright in Latin America

Minister for Trade, Tourism and Investment
The Hon Steven Ciobo MP

Having recently returned from the Asia-Pacific Economic Cooperation meeting in Peru, which was also attended by Prime Minister Malcolm Turnbull, I am delighted to present the Latin American edition of business envoy.

The Government has created new opportunities for Australian exporters and investors by concluding trade agreements with China, Japan and Korea and expanding the Singapore-Australia Free Trade Agreement. But we are focused on creating opportunities that allow Australian businesses to diversify their export markets.

Latin America promises much in this regard. There are now more than 280 Australian companies in Latin America.

Fresh off the back of a decade powered by soaring commodities prices and increased international investment, Latin America is at a crucial phase in its development. The region’s leading economies have made significant strides in creating wealth and improving the business environment. The Pacific Alliance bloc of Chile, Mexico, Peru and Colombia – which together represent about 35 per cent of Latin American GDP – have already gone a long way in welcoming foreign investment, trade and policy convergence, signing numerous bilateral and multilateral trade agreements and establishing MILA, an integrated stock market platform. New governments in Argentina and Brazil are pursuing economic reforms.

Continued page 2
The region is seeing history making and transformative events in several countries that provide differentiated opportunities for Australian businesses.

A number of Latin American countries are increasingly focused on investing in education creating real opportunities for one of our major export sectors. Indeed, education, including technical and vocational education, is an area where Australia’s policy experience is being welcomed as Latin American countries continue to skill their workforces.

Recognising the potential to grow collaboration between our education sectors, I signed an MoU on Cooperation in Education with Peru’s Minister of Education, Mr Jaime Saavedra, during my visit to Lima.

Mining and mining equipment, technology and services have been the primary driver of economic engagement in Latin America with the region having many world-class mineral and metal deposits that have attracted Australian mining companies.

The Turnbull Government is strengthening our relationship with Latin America to enable Australian business to capitalise on the emerging opportunities in this region.

In August, I visited Colombia and Chile to signal Australia’s interest in developing stronger trade, investment and tourism links.

As a country with five major cities, straddling the Pacific Ocean and the Caribbean, a population of over 48 million people, and a Government keen to attract trade and investment, Colombia has the potential to be a base for companies seeking to access the Latin American market.

When the peace process to end the long-running civil conflict is finalised, our governments will explore what more we can do to make it easier for our farmers, services suppliers and manufacturers to do business with each other.

For more than two decades, Chile has been the gateway for many Australian companies to South America – a development supported by the Australia-Chile Free Trade Agreement.

This month, the second Australia-Chile Economic Leadership Forum will take place in Melbourne. The forum aims to foster new ideas for building our bilateral ties as well as ideas on how Australia and Chile can act as launching pads for each other’s companies to access our respective regions.

The Turnbull Coalition Government is transitioning our economy following the mining boom to one built on innovation, diversification and engagement with international markets. Renewing and expanding our ties with Latin American countries is part of this plan. I would encourage Australian business to explore the opportunities emerging in this dynamic region to diversify markets for your exports.

The Turnbull Government is strengthening our relationship with Latin America to enable Australian business to capitalise on the emerging opportunities in this region.
From Berlin: Australia now, celebrating Australia in Germany 2017

The Australian Embassy in Berlin, in close collaboration with DFAT Canberra, will host a year-long celebration of Australian culture and innovation in Germany in 2017. Australia now will promote Australia’s creative excellence and diversity, highlighting our world-class business, science, tourism, education and research sectors, as well as Australian artists’ depiction of our rich cultural heritage. Opportunities for collaboration and networking with local entrepreneurs and businesses will be a major part of the program. Australian businesses are invited to become partners of Australia now and help deliver a dynamic festival that will engage German audiences, reach valued stakeholders and develop future networks. The program will be rolled out to Germany’s best cultural venues in Berlin, Munich, Frankfurt and Hamburg from February to November 2017. The cultural diplomacy initiative Australia now offers a wide range of sponsorship opportunities for Australian stakeholders. Sponsorship packages range from platinum to bronze and include benefits such as speaking opportunities, invitations to official functions and merchandising rights at particular events. Package benefits can be tailored to suit sponsors’ specific interests and requirements. More information and the Australia now partnership invitation is available for download at dfat.gov.au/people-to-people/public-diplomacy/programs-activities/Pages/join-the-celebration-of-australian-culture-in-germany.aspx

From Seoul: Opportunities in innovation

Both the Korean and Australian Governments place a high priority on innovation policy. Harnessing these common interests, the Australian Embassy in Seoul held a Australia-Korea Innovation and Collaboration in the FTA Era symposium in September with the University of Technology Sydney. The symposium provided a platform to promote each Government’s innovation agenda, and to highlight new opportunities for business under the Korea-Australia Free Trade Agreement. The symposium focused on three areas: Innovation in Agriculture, Medical Technology and ICT. Australian guest speakers presented on innovation in dairy farming and greenhouse horticulture, and Australia’s vibrant medtech industry’s innovation ecosystem. Korean guest speakers presented on smart farming and the potential value of using common insects for food, Korea’s biomedical landscape and the concept of smart healthcare. Leading Australian and Korean ICT providers presented on a variety of innovative business plans including cloud computing, the Internet of Things and big data services. The symposium was supported by the Australia-Korea Foundation and the Australian Chamber of Commerce in Korea. Information, fact sheets and guides for business interested in learning more about the advantages of KAFTA are available at dfat.gov.au/trade/agreements/kafta/Pages/korea-australia-fta.aspx

From Beijing: China’s new filing system eases the burden on foreign investors

China remains a complex market for foreign investors, but the Chinese Government is taking steps to relax restrictions for foreign investment. Since 1 October, approval from the Ministry of Commerce is no longer required for the establishment of foreign invested enterprises so long as the business scope of the FIE does not fall under a yet to be issued nationwide negative list. Instead, FIEs will only have a filing obligation. There is no formal timetable for publishing and bringing into effect the nationwide negative list. Until then, the Catalogue for the Guidance of Foreign Investment Industries, which divides investment into ‘encouraged’, ‘restricted’ and ‘prohibited’ sectors, will stand in the place of the negative list. The new filing measures are expected to ease the administrative burden for FIEs, and are a positive development for foreign investors.

From Tokyo: Abe’s “Womenomics” and labour supply

Labour reform is an integral part of Japan’s key economic and social policy objectives. Japan hopes to raise its potential growth rate, slow the rate of population decline, prepare for a fast-ageing society, stem low birth rates and alleviate acute labour shortages. A top priority is the reform of out-dated work practices and legislation to address chronic labour shortages, as a means to help alleviate these trends and increase economic growth. One focus is increasing the workforce participation of non-employed and under-employed women. Prime Minister Abe has dedicated political muscle to the issue by creating a new cabinet position tasked with Promoting Dynamic Engagement of All Citizens, Working-style Reform, Women’s Empowerment, and addressing Measures for Declining Birth Rate and Gender Equality. Meaningful reform in Japan will require legislative amendments and cultural changes in most workplaces, including offering more opportunities for part-time work and addressing access to child care. Some businesses are introducing adjustments to traditional pay scales to recruit and retain new staff.
From Bangkok: Supporting an angel investor network in the Mekong

Prime Minister Malcolm Turnbull launched the Laos chapter of a new network of angel investors supporting startups in the Mekong region. The Mekong Angel Investor Network connects international and regional investors to start-ups and entrepreneurs in emerging ASEAN markets – Cambodia, Laos, Myanmar, and Vietnam. Supported by the Australian-funded Mekong Business Initiative, the Network brings investment capital and business advice to help entrepreneurs kick-start their ideas. The aim is for the Network to support at least 60 companies across the region, with half of those owned and/or operated by women. So far, successful business pitches have included a new online bus ticket booking platform in Cambodia and a women-led food cart business in Ho Chi Minh City. The Network is on its third tour of the Mekong and will be visiting Phnom Penh, Siem Reap, Ho Chi Minh City, and for the first time, Yangon.

From Nairobi: Mixed signals on local content and ownership

Proposed and actual amendments to Kenyan legislation and regulations are sending mixed signals for local content and ownership requirements for foreign investments in Kenya. The changes come amidst debate in Kenya about ensuring its people benefit from its natural resources, build local capacity and become more globally competitive. On 1 August 2016, the National Construction Authority moved that new infrastructure projects from foreign contractors will not be registered unless they meet the minimum 30 per cent local ownership requirement. The new regulations are designed to facilitate local contractors’ participation in major projects. The 30 per cent local ownership requirement echoes a plan by the Senate Energy Committee to introduce a ‘Local Content’ Bill which will force foreign companies in the extractives sector to divest holdings to locals. The draft Bill also requires foreign companies in extractives to procure a certain percentage of locally produced goods and services in the community where the activity is taking place. However, the Kenyan Government has repealed its 2005 emissions profile. This GHG reduction commitment is ambitious, as fossil fuels currently contribute over 89 per cent of Taiwan’s GHG emissions. The Government’s retirement of its nuclear power plants by 2025 is spurring on the electricity sector to scale up alternate power generation sources and reduce emissions through renewables, energy efficiency and carbon capture and storage. Australia and Taiwan’s over two decade long history of collaboration on energy and minerals formed the backdrop to the 21st Joint Energy and Minerals Trade and Investment Cooperation Consultations in September. An Action Plan agreed at the meeting identifies eight areas of interest to Taiwan: information on LNG and mine investment opportunities, carbon capture and storage technology and knowledge sharing, solar technology R & D and demonstration sites, LED lighting testing methodologies, biofuels and bio products from agricultural waste, clean energy precincts and for the first time, Yangon.

From Jakarta: Update on AANZFTA-wide regional certification

Indonesia’s Parliament has commenced outreach with its business community to bring it into line with Australia, New Zealand and the other ASEAN states to update the regional free trade agreement of which it is a member – the ASEAN-Australia-New Zealand Free Trade Agreement. The 12 parties signed AANZFTA in 2009 and in 2015 it was amended through a process called the First Protocol to Amend AANZFTA. Indonesia is the only one of the 12 AANZFTA parties yet to ratify the First Protocol – which, among other updates, amends requirements relating to certificates of origin. This has implications for the business community in the region who use the certificates to benefit from the preferential tariff rates offered under AANZFTA. Indonesia has foreshadowed it is seeking to finalise the ratification process of the First Protocol by the end of this year. The First Protocol will enter into force for Indonesia as soon as it notifies the other Parties it has completed its domestic requirements. The First Protocol entered into force in October 2015 for 10 Parties, including Australia, and in January 2016 for Cambodia. On 1 July 2016, 11 AANZFTA Parties moved to a new Certificate of Origin and Operational Certification Procedures. Indonesia continues to require old Certificates of Origin and Operational Certification Procedures, creating a situation where traders have different administrative requirements for trading among AANZFTA parties. Consistent documentation and procedures will ease the burden on businesses seeking to tap into international supply chains in this dynamic region.
From Port Louis: Mauritius, developing the Blue Economy

The Republic of Mauritius, an Indian Ocean island state, has developed into a regional hub and business gateway to Africa. In the Blue Economy sphere, the Mauritius Government Program 2015 aims to transform Mauritius into an ocean state, with the ocean economy as one of the main pillars of development. Mauritius has a total marine zone of 2.3 million square kilometres, with an EEZ of 1.96 million square kilometres. One of the Mauritian Government’s priorities is toward Mauritius becoming a high value-added services economy in this sector, as a regional platform for marine finance, marine ICT, ship registration and marine biotechnology. Mauritius has developed a freeport as a trading and logistics platform and has preferential market access for its seafood products into the European and US markets, as well as concessional or duty free access among the 19 fellow Common Market for Eastern and Southern Africa member states and Southern African Development Community countries, where products meet the rules of origin criteria. Perth-based Austral Fisheries base their four-vessel Southern Indian Ocean fishing fleet at the Mauritius Freeport. Mauritius has identified business potential in container trans-shipment, cruise travelling, port services and bunkering. Opportunities also exist for Australian businesses in fish farming and high value marine aquaculture and in coral reef rehabilitation. The Ministry of Fisheries’ Aquaculture Master Plan provides a pre-approved list of species for lagoon and offshore lagoon cage culture, inland aquaculture farms and tuna ranching. Mauritius was the top-ranked African country in the 2016 World Bank Ease of Doing Business Report, and Africa’s most competitive economy in the World Economic Forum’s 2015–16 Report, having risen over twenty places in the latter over the last seven years.

From Wellington: Trade policy strategy refresh

New Zealand has commenced its first major trade policy review in 20 years. The review is focused on four broad ‘shifts’ to increase international opportunities available to its domestic businesses and contribute to the Government’s goal to lift the share of exports to 40 per cent of GDP by 2025. The four shifts that may form part of the refreshed trade policy are: achieving a balance between FTA negotiations and making the most of existing agreements; dedicating more resources to reducing non-tariff barriers; increasing focus on services; and engaging more with its home grown businesses to help them compete successfully offshore. New Zealand businesses to date have been broadly supportive of these shifts. The high-level strategy refresh is likely to see Australia’s sixth-largest two way trading partner looking more closely at the implementation of opportunities in its myriad of FTAs, which including those it wishes to conclude in the future, could grow to cover approximately 90 per cent of its exports. As the largest contributor to New Zealand’s GDP, a renewed focus on the services sector could deliver positive economic benefits not only to the New Zealand economy, but also across the Tasman, as Australia is New Zealand’s number one destination for services exports.

From Beijing: China’s E-Health Industry – The Next Big Thing?

China has identified “healthcare big data” as a strategic national resource. Development of the e-health big data industry has the potential to transform healthcare in China and generate significant economic opportunities in the health, medical, aged care, computing and data storage industries. China’s grand vision is to consolidate all of its national and provincial health data into a single national database by 2020. Optional wearable devices will provide health-related data directly to a data cloud. A prominent role is envisaged for the private sector in developing new healthcare-related services and technologies, with home-based health information services, online pharmaceutical services, aged-care health consultations, and health-focused sports, fitness and diet-related applications. The Chinese Government has called for the development of intelligent, digital healthcare devices and signalled support will be provided for research and development in health-related artificial intelligence, biological 3-D printing, clinical robotics, rehabilitation equipment, wearable devices and micro sensors. The basic technologies to develop the e-health sector already exist and infrastructure is being built. China already leads the world in supercomputing capacity and now that e-health has been designated for priority development, businesses are expected to channel significant new investment into the sector. Australian firms that thrive on fierce competition and have world class capabilities could benefit from this ambitious agenda to exploit healthcare big data to deliver better national health and aged care services.
From Lima: A growing demand for water

Peru is the only Latin American country that is expected to experience water stress or shortages by 2025. Increased demand driven by economic growth, greater urbanisation in the arid Pacific coastal area and loss of glaciers from climate warming all contribute to this outlook. Currently, four million Peruvians lack access to water services and only three out of every 100 rural homes have a secure water supply. Newly-elected President Pedro Pablo Kuczynski has taken up the water challenge as a key priority. His Government has set policy targets of delivering clean potable water to all Peruvian urban households as well as proper waste water and sewage treatment for all by 2021. In order to achieve this goal, the Government is planning to invest around US$5 billion in projects to expand and upgrade water and sewage networks, mostly implemented through co-financed PPP schemes. This builds upon the previous government’s investment in the supply of urban potable water and sewage services under the National Sanitation Plan 2014–2021 at a cost of US$18.7 billion. Australia has strong capabilities, water technologies and services that match Peru’s needs, including in the key areas of irrigation efficiency, dry-land agriculture, drought management, water storage and storm water harvesting, urban and remote community water supply and sewage solutions, water for environmental needs, efficient mineral processing, and others. The Australian Embassy in Lima is working closely with stakeholders to showcase Australian best practice and assist Australian companies to enter the Peruvian market.

From Pretoria: Tapping into an expanding middle-class

South Africa has always boasted Africa’s most sophisticated economy. Despite anaemic growth, it has also regained the mantle of being Africa’s largest economy. With a strong finance sector, including a stock exchange judged the world’s best from 2011–15, it remains a competitive base for Australian investors willing to accept some risk to tap into Africa’s growing middle class, and population expansion in a continent expected to reach 2.7 billion by 2050. In addition to Australia’s historic strengths in mining, equipment, technology and services, the high disposable income of South Africa’s middle class provides potential for Australian investment in sectors where we have a competitive advantage, including education, retail and professional services. The Disrupt Africa African Tech Startups Funding Report found that South Africa was Africa’s favoured destination in 2015 for startups in renewable energy and financial technology – innovative financial technology services are a key area where Australian providers are growing in Africa. Opportunities also exist in energy, with South Africa’s Independent Power Producers Programme unlocking significant private sector participation in the domestic electricity market with plans to source up to 6GW of new renewable energy. Potential may also exist for Australia’s building and construction sector to participate in urban renewal projects, including inner-city apartment construction.
Brazil hosted the Olympic and Paralympic Games, Peru hosted APEC, Colombia's President Juan Santos won the Nobel Peace Prize and the Western Bulldogs, sponsored by Mexico's Mission Foods, won the AFL Grand Final.

These major events are taking place at a time when Latin America is continuing to record strong economic growth, raising employment and lifting millions out of poverty.

Increasingly, countries are looking to pro-market policies to improve efficiency and to lift productivity through micro-economic reform.

An affluent middle class is emerging across the region, providing a market for Australian produce, as well as education and tourism services.

Last year, there were 48,000 student enrolments from the region in Australia.

More than 280 Australian-owned or managed companies are active in Latin America.

Our free trade agreement with Chile and close working relations with the pro-trade liberalisation Pacific Alliance (Chile, Colombia, Mexico and Peru) have helped connect Australia in the region.

Economic reforms in Argentina and Mexico are providing new opportunities, particularly in agribusiness, energy and mining. Across the region, new infrastructure spending provides opportunities for both Australian engineering firms, as well as reducing energy and transport costs.

There is also strong recognition of Australia's skills and training management framework as part of the solution to addressing a region-wide skills shortage.

This plays into a broader narrative of Australia and the countries of Latin America sharing experiences that have contributed to the kind of economic success and lifestyle that Australians have enjoyed over the last quarter of a century of economic growth.

Companies from Latin America, such as JBS from Brazil and Grupo Grumo (the parent company of Mission Foods) from Mexico, are investing in Australia, including to tap into Australia's supply chains to Asia.

In December, the second Australia-Chile Economic Leadership Forum will take place in Melbourne. As the gateway for many Australian companies in Latin America, the Australia-Chile relationship helps to lead the way for further engagement in the region.

Similarly, Australia's participation in M2KTA (Mexico, Indonesia, South Korea, Turkey and Australia) illustrates a new dimension of Australia’s relations with Latin America – middle power democracies working together on the global stage.

Indeed, this is something Australia has been doing well with Latin America. An early success was the creation of the Cairns Group and the inclusion of agriculture in the Uruguay Round of multilateral trade negotiations. A more recent success was the declaration of a marine sanctuary in Antarctica’s Ross Sea.

From addressing the impact of climate change on agriculture to curing tropical diseases, Australia and Latin America have a strong imperative to work together to combat the challenges of our time.

In keeping with Australia’s growing interest, Australia’s consular and diplomatic representation in Latin America has continued to grow. Thirteen Latin American countries now have embassies in Australia, up from nine in 2009.

Rising employment, a growing middle class and an economy that’s heating up

Latin America is attracting greater attention in Australia thanks to recent major events. At the same time, recognition of Australia’s skills is gaining traction over there.

Americas Division, DFAT
Opportunities for Australian businesses in Latin America

By Grame Barty, Executive Director, International Operations, Austrade

If Latin America is having a ‘moment’ as often described then it has been having that moment for the last decade. And now fast-growing economies of the Pacific Alliance are banding together to capitalise on this long streak of political stability, sizeable investments from China, a commodities supercycle and significant policy reforms.

Growth across the region may have slowed, but in many countries, the fundamentals are strong and clear.

**Argentina: regaining market confidence**

After almost one year in office, Argentine President Mauricio Macri has made significant progress on his economic reform agenda, which has opened up the Argentine economy and improved business confidence.

An agricultural powerhouse, with an abundance of unexploited natural resources and an impressive pipeline of infrastructure projects, Argentina has become a highly prospective destination for Australian investors. Alongside this, the Argentine Government is regularly looking to Australia as a reference for good policy making and best practice across a number of industries, an encouraging sign for business in general.

**Colombia: agribusiness, energy and resources**

President Juan Manuel Santos estimates that a ‘peace dividend’ could add two percentage points a year to its GDP by 2018. Even if that proves overly optimistic, the disarming of the FARC (Revolutionary Armed Forces of Colombia) and the ELN (National Liberation Army), which joined the peace talks post-plebiscite, would open vast territories for resource exploration and extraction, agriculture and energy projects.

A proposed tax reform would also lift the country’s credit rating and significantly improve the terms of business and the general mood and opportunities across the economy should increase.

**Peru: improvements to business environments**

Still the fastest growing major Latin economy despite the commodities downturn, Peru’s new President Pedro Pablo Kuczynski is a resolutely pro-business and pro-trade figure. His ministers are already reaching out to Australian and other foreign business figures to listen to their views on how best to improve the business environment, particularly in sectors like mining or water management where we excel.

**Mexico: financial services**

Mexico’s US$1.14 trillion economy is already the 15th biggest in the world, and it is forecast to be among the world’s top 10 within a decade. An extensive reform agenda has opened its energy sector to private investment after a 76-year state monopoly. The pipeline of Australian companies seeking to enter the market has never been so full, and Macquarie Group’s US$3 billion portfolio in Mexico suggests there are opportunities in financial services.

Mexico’s close relationship with the US’s economy is especially attractive to Australian companies looking to nearshore outward investments, and through the Pacific Alliance, enhance access to South America.

**Brazil: agribusiness and services**

Brazil, the region’s biggest economy, is undergoing political challenges and a protracted recession, but it remains a market of ongoing and diverse opportunity for Australian businesses. The big picture of a large middle class, agricultural strength and a dynamic services sector will continue to be attractive to Australian investors seeking long-term growth.

Brazil also represents a significant potential source of foreign investment for Australia, particularly in agribusiness.

**Chile: low-risk, transparent business environment**

Chile continues to offer a low-risk, high-transparency business environment with demonstrated resilience across the economy in spite of a dependency on the price of copper.

**Other market triggers**

The region is also increasingly a major contributor of international students to Australia’s education system. Since 2008 203,600 Latin American students have studied in Australia. In the year to July, Latin American student enrolments grew to 42,300, up 19 per cent on the same period in the previous year. Brazil is Australia’s second largest market for English language students on a student visa after China and the fifth largest for vocational education and training students. Overall, Brazil is Australia’s seventh largest market for international students – with an 86 per cent increase in enrolments in the past four years – while Colombia is ranked 13th.
Where does Austrade see Latin American opportunities in the year ahead?

While Australia’s presence in the region used to be defined by names such as BHP Billiton and Rio Tinto, we have entered a new period of engagement where companies such as SEEK, carsales.com.au, Lorna Jane, Amcor, Latam Autos, Cochlear, Cotton On and Nufarm are seizing a different set of opportunities.

Austrade is also working to exploit niches including:

- **Tropical agriculture**, where Brazil’s expertise is an excellent fit for Australia, given our drive to develop the north.
- **Tropical medicine**, where scientists are collaborating in the race to cure some of the world’s most damaging tropical illnesses including Zika virus, dengue virus and leishmaniasis. After a Austrade-organised tropical medicine mission Australian researchers cemented links with peak bodies, while Australian company Implicit Bioscience signed agreements with Colombian and Brazilian partners.
- **Rail transport** in Chile, where Australian transport infrastructure expertise is finding a receptive audience as the Chilean Government looks to double rail cargo and more than triple passenger numbers by 2020 with a US$7.6 billion reform.
- **Mining, education, agribusiness, infrastructure and policy consultation** in Argentina, where the country’s ‘renaissance’ is creating opportunities for Australia. This was underscored powerfully when President Macri released Argentina’s Productivity Plan, which refers to Australia’s experience and models in every chapter.
- **Water management** engagement covering the full spectrum of policy, research, equipment, technology, services and skills. In Brazil, the city of São Paulo faces crippling urban supply issues. Austrade has put Australian water expertise front-of-mind for local decision makers through an agreement with the state of São Paulo on water and environmental management as well as education, trade, investment and cultural links. In Peru, Austrade has brokered a deal between Australian scientists and Southern Copper to reform its water management.

The digital economy

While established opportunities in the region are largely within the ‘traditional economy’, Australian businesses need to appreciate that the global digital economy is emerging rapidly. Fintech, medtech, agritech, edutech and cyber security are the future of a fully connected global environment with which Australia is already showing leadership.

Every Latin American economy needs to identify its opportunities with the digital economy and find a way to participate. It is where growth for the next generation of jobs, and where an important part of future innovation and services prosperity and potential collaboration exists and it could represent a new and exciting level of opportunities for ongoing engagement between our regions over the next 20 years.

Mexico and Australia New era of commercial engagement

There are more than 150 Australian companies and institutions developing business in Mexico across diverse sectors.
Pacific Alliance support reaps success

Economic integration has seen the Pacific Alliance emerge as the most outward-looking in the region.
The Pacific Alliance, a pro-trade-liberalisation, Asia-Pacific focused initiative founded by Chile, Colombia, Peru and Mexico in April 2011, was implemented by a “Framework Agreement” signed in Chile in June 2012.

In February 2014, the four member countries signed the first Additional Protocol covering goods, services and investment, which eliminate 92 per cent of tariff lines upon entry into force.

Unlike other economic blocs in the region, the Pacific Alliance is the most outward-looking. Through economic integration, the Alliance is looking to function as a single economic entity rather than a club of competing countries. Integration of financial markets and harmonisation of regulatory regimes has been key to its success, and has been supported across the political spectrum.

The Alliance builds on existing free-trade agreements between members to deliver a free flow of goods, services, people and investment. The Alliance aims to promote competitiveness, increase trade with the Asia-Pacific and contribute to members’ economic and employment growth. Mexico, Chile and Peru are members of the Trans-Pacific Partnership, with Colombia also expressing an intention to join the TPP at some point in the future.

This bloc comprises 37 per cent of Latin American GDP and is the seventh largest goods exporting entity worldwide. The regulatory and tax regimes of Pacific Alliance countries are stable, predictable, transparent, and investor-friendly. The World Bank has consistently identified the member countries as leading the region in the Ease of Doing Business Survey. Members have also shown a remarkable ability to be adaptive during the drop in commodity prices and a global economic slowdown.

Australia was one of the first observers of the Alliance (since November 2012), and is considered as one of the most active. The Alliance has prioritised four thematic areas for cooperation with Observer States: science; technology and innovation; trade facilitation; small to medium enterprises; and education. Australian Government engagement with the Alliance countries has focussed on the vocational education and training sector, with emphasis on the logistics industry.

The opportunities in Alliance countries has been around direct investment and services, building on the Australian expertise in established industries, particularly in the education sector. The economic growth of Alliance countries will see further opportunities for Australian business in agriculture technologies, port and rail infrastructure, oil and gas, minerals, health, transport and logistics, information technology and communications, and infrastructure more broadly.

The 2016 Leading Practice Sustainable Development Program handbooks, outline best practices in mining and provide guidance for the mining industry on sustainable development issues.

Australia is a recognised leader in mining and the handbooks are used by mine managers in Australia and overseas.

In line with the Government’s aid for trade objectives, the handbooks will be shared with developing countries in the Indo-Pacific and Africa and translated into selected foreign languages including Indonesian, Mongolian, Vietnamese, French, and Spanish.

The first editions of the handbooks were launched in 2006. This year’s edition consists of a 17 book series with several new and updated handbooks.

For further information on the Leading Practice Sustainable Development Program visit: www.industry.gov.au
Australia in Latin America

The Australian Government has a network of Department of Foreign Affairs and Trade and Austrade offices across Latin America.

DFAT and Austrade work closely together to advance Australia’s interests in Latin America, particularly in creating conditions for increased trade and investment to strengthen our economy and create jobs.

DFAT officers deliver Australia’s economic diplomacy agenda, implement foreign and trade policy, negotiate international agreements and provide consular assistance.

Austrade is responsible for attracting foreign direct investment into Australia, promoting Australia as a place to research and study, and supporting Australian companies looking to export or participate in global value chains.

Mexico City

The Embassy has helped facilitate a rapid rise in trade and investment with Mexico. It works closely with the business community and uses outreach and social media to change perceptions of Australia in Central America.

Ambassador to Mexico
David Engel

Trade Commissioner
Chris Rodwell

Lima

Australia’s relations with Peru have expanded quickly recently, mirroring strong growth in South America’s third-largest country. The Embassy sees opportunities for Australia in Peru’s mining, infrastructure and education sectors. The relationship with Bolivia is positive but modest.

Ambassador to Peru
Nicholas McCaffrey

Trade Commissioner
Marie Hill
Santiago

The Australian Embassy in Santiago is broadening and deepening an already diverse relationship as we pursue new opportunities in joint research and development, infrastructure, agribusiness and food, vocational training, healthcare and work to shape institutions to strengthen the Chilean and Colombian economies, both members of the open-trading Pacific Alliance.

Ambassador to Chile
Mr Tim Kane

Senior Trade Commissioner
Shannon Powell

Bogota

Colombia, the fourth biggest economy in Latin America, is working towards ending a half century of conflict with the FARC. Its economy has grown at an average of 4.4 per cent over the past decade and the Andean nation is a founding member of the Pacific Alliance trade bloc and Mils, the Integrated Latin American Market, which also groups the stock exchanges of Peru, Chile and Mexico.

Consul General, Trade Commissioner
Said Metwalli

Buenos Aires

Argentina’s new Government has returned the country to political and economic orthodoxy. The Australian Embassy in Buenos Aires is promoting the new opportunities this presents for Australia especially in mining, energy, agribusiness and education.

Ambassador to Argentina
Noel Campbell

Senior Trade Commissioner
Shannon Powell

Brasilia

Australia enjoys significant engagement with Brazil – Brazil is a top destination in Latin America for Australian FDI – and our products and services benefit from Australia’s reputation for delivering quality and a fair-go.

Ambassador to Brazil
John Richardson

São Paulo

Colombia, the fourth biggest economy in Latin America, is working towards ending a half century of conflict with the FARC. Its economy has grown at an average of 4.4 per cent over the past decade and the Andean nation is a founding member of the Pacific Alliance trade bloc and Mils, the Integrated Latin American Market, which also groups the stock exchanges of Peru, Chile and Mexico.

Consul General, Senior Trade Commissioner
Greg Wallis

Port of Spain

The distant Caribbean, a traditional market for our lamb, beef and cheese, has an appetite for fast-ferries and other Australian high-tech products. There are opportunities for Australian suppliers of oil, gas and mining equipment, technology and services.

High Commissioner to Trinidad and Tobago
John Pilbeam

Buenos Aires

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Ambassador to Argentina
Noel Campbell

Senior Trade Commissioner
Shannon Powell

São Paulo

São Paulo, a city of 11.3m, is Brazil’s business centre and a major research hub for Latin America, where Australian water management and tropical medicine expertise have gained a foothold. The big picture of a large middle class, agricultural strength and a dynamic services sector will continue to be attractive to Australian investors seeking long term growth, and a significant potential source of foreign investment for Australia, particularly in agribusiness.

Consul General, Senior Trade Commissioner
Greg Wallis
Ambassadors in Latin America

Argentina: is open for business
Mr Noel Campbell
Ambassador to Argentina

After more than a decade of populist rule Argentina is under new management. The new centre-right government has made significant progress over the past ten months to open the economy, enhance productivity, encourage investment and re-engage internationally. It is also working rapidly to adopt international norms in transparency and business regulation.

The government’s objective is to restore growth by maximizing the country’s undoubted economic potential. Argentina is a leading exporter of agricultural products. But has the potential to double its current capacity. It also has significant untapped reserves of copper, gold, silver, lead and lithium – as well as the world’s second and fourth largest reserves of shale gas and shale oil. The government’s growth agenda also includes ambitious new infrastructure projects in transport, energy, tourism, and regional inter-connectivity. And it has promised major social reforms in health, education and welfare.

These developments present important opportunities for Australia. We are viewed positively as a country with a similar economic profile and a record of economic reform it wishes to emulate. It is keen to draw on the experience of the Productivity Commission, for instance. We are also regarded as a source of international best-practice in sustainable mining, technical education, productive agriculture and delivery of social services. The message to Australian investors and service providers is clear. Argentina is open for business.

The legal framework for closer engagement by Australian companies is already in place through investment protection and double taxation agreements. Indeed, Australian mining and energy firms have already begun to expand their activities. Orocobre, Energi Resources and First Quantum are cases in point. New opportunities exist in all sectors.

Increased interest in Argentina will also have positive spin-offs for Australia’s relations with Uruguay and Paraguay. Although small in size, both countries have open economies and offer excellent potential in such sectors as agriculture, renewable energy and education.

Brazil: bouncing back
Mr John Richardson
Ambassador to Brazil

Where else in the world would you queue for an hour and half to buy a beer and enjoy the experience? If there was a negative to the Olympics Opening Ceremony, this was the only one and the sheer friendliness, exuberance and sense of fun of those in the crowd with us washed it away.

Brazil presents a complex and, at times, contradictory face to the world. Despite a deep economic recession, paralysing corruption scandals and the impeachment of a President in 2016, Brazil also successfully staged world-class Olympic and Paralympic Games, defying the expectations of doomsday naysayers.

Brazil remains a difficult and puzzling place in which to operate but given its exceptional natural resource base, sophisticated agribusiness and mining sectors, large population of 205 million, economic weight and a growing middle class who increasingly seek education overseas, opportunities exist in all sectors.

Austrade is building on already strong education links (with the Embassy’s Education Counsellor), promoting two way investment, particularly in agribusiness, and promoting trade in the mining technology, health and medical, aviation component and transport infrastructure technology industries.

The new Temer administration is committed to reform with its market-friendly agenda receiving support from Congress and a tick from investors. A Constitutional amendment limiting public spending increases to previous year’s CPI will be a key step toward fiscal sustainability, as will proposed reforms to the social security system. Also critical are decisions to divest various State concessions including regional airports and to terminate Petrobras’ exclusive control of Brazil’s pre-salt oil extraction reserves. Business investment confidence is returning to Brazilian markets and the IMF expects Brazil to return to growth next year. Australian products and services benefit from Australia’s reputation for delivering quality and a fair-go. These are key assets that we can leverage further.
Chile remains Australia’s gateway to South America with either non-stop Qantas or one-stop LATAM flights from Sydney every day of the week. Over 100 Australian companies and the Trade and Investment Offices of Queensland and Victoria are based in Santiago.

Australia’s business presence is led by BHP Billiton, with its majority share in the world’s largest copper mine, Escondida, in northern Chile. Australia is well positioned to take advantage of the broad relationship with Chile – our bilateral Free Trade, Double Taxation and Air Services Agreements, are just a few of the advantages for business people in Chile.

Responding to calls from Australian businesses, the embassy helped shape Chile’s Productivity Commission, based on the Australian model. The Australia-Chile Economic Leadership Forum in December will highlight new opportunities in infrastructure, education, mining and the scope for Australia and Chile to be the best platforms into their respective regions.

Colombia is the rising star of the continent with a lasting peace within grasp and opportunities for Australian business ranging from mining and hydrocarbons, to infrastructure, animal genetics, tourism development and franchise opportunities.

Geographically located close to almost everything and a market of 50 million people in a country twice the size of France, Colombia presents itself in a new light. Australian companies such as Orica, WorleyParsons and Noble Metals Ltd are leading the way in seeking new opportunities and helping to advance the economic prospects of all Colombians.

Investment groups in Bogota and Medellin are also looking for opportunities in Australia and the Asia Pacific and we’re connecting them to the best prospects.

Ecuador is something of the South American quiet achiever. After considerable expenditure on infrastructure in the last few years, the country is well served by quality roads, airports, transport services and ports which are conveniently located within easy reach of cities and business hubs. SolGold has shown the way with its impressive Cascabel gold development project which has attracted the attention of mining giants, and QBE is the country’s biggest insurer. LatAm Autos, the ASX-listed company and one of the largest online auto classifieds businesses in Latin America, calls Quito, Ecuador home and continues to grow.
Good economic opportunities exist for Australian business in Peru and the growth in our commercial presence in this Andean nation demonstrates that. In 2003, there were ten Australian companies in Peru, now there are over 80 with around A$5 billion invested.

The expansion in our trade and investment relationship with Peru matches the country’s impressive economic growth over the past 10-15 years. This growth is the result of structural reforms undertaken in the 1990s which opened the country up to the world.

In addition, the consistent application of regulations governing Peru’s economy has delivered it a reputation as a “business-friendly” destination for foreign investment.

Mining remains the most important part of our bilateral economic relationship with Peru.

There is much potential to do more in this sector with the development of mining in Peru still in its early stages, coupled with local authorities’ desire for greater Australian involvement.

Peru’s recently-elected President, Pedro Pablo Kuczynski, is determined to tackle a yawning infrastructure deficit; this presents Australia with opportunities as much of the work required centres on supporting the country’s natural resource development. Education is another area which is undergoing thorough reform, and Peru is keen to learn from our experience in order to address a major skills shortage, including in mining and energy-related training.

There are, of course, challenges to doing business in Peru. However, a strong record of attracting FDI in the last decade, allied to Peruvian government attempts to tackle these impediments, make it a destination worth careful investigation by Australian business.

Australia’s relationship with Bolivia is more modest, with currently little trade or investment exchange. Like its Peruvian neighbour, Bolivia is prospective from a mining geology point of view, however in recent years there has been less interest shown by international mining and energy companies.

Mexico is set to be one of the world’s top 10 economies by 2030, boosted by an extensive economic reform program that has seen it transform into an economic powerhouse. Its membership of The North American Free Trade Agreement, globally competitive cost structures and openness to foreign trade and investment make it a key emerging market.

Mexico has its challenges. But look beyond the media focus on drug cartels and you start to comprehend the skills and technology intensity of its manufacturing sector, which is among the highest in the world. The result is that the value of Mexico’s exports in this sector exceeds the rest of Latin America combined. It is the world’s largest producer of TVs and the fourth largest exporter of autos, where Australian companies are already active. It is emerging as a significant player in aeronautical production. It is intent on pursuing innovation, including through technology parks that bring together some of Latin America’s best research with a sophisticated business community.
Australian companies are starting to appreciate this. Mexico is Australia’s largest trading partner in Latin America. Australian investment in Mexico has increased from around $4 billion in 2010 to $5 billion today. More than 150 companies are now in the market in such diverse sectors as infrastructure, advanced manufacturing, agriculture and resources. Our energy and METS companies are already taking advantage of the opening up of Mexico’s mining and energy sector.

Others are set to follow. There are significant opportunities to inject Australian expertise into Mexico’s food and agribusiness sector. And Australia’s world class educational institutions, including in vocational and technical fields, can serve Mexico’s skills demand, particularly through innovative ‘borderless’ delivery models.

Nearby countries’ reputations also mask economic potential. Panama, Cuba and the Dominican Republic are places where Australian interests can expand in such sectors as resources, agriculture, education and services. Earlier this year, former Special Envoy for Trade Andrew Robb led Australia’s first trade mission to Cuba, noting that Cuba’s newly opening market could become a niche for our premium food products, among other things. Australian businesses stand to benefit from first mover advantage in these markets if they play their cards right.

Since the 1950’s the Caribbean countries have been useful markets for Australia as small but steady importers of lamb, beef and cheese. The Caribbean has also developed a taste for Australian wines as North Americans have brought their taste for Yellowtail with them on holiday.

Where an Australian product is a world-leader, Caribbean buyers have sought it out – fast ferries have been sold by Australian firms Incat and Austal in Trinidad and Tobago and in the French island of Guadeloupe while Thales is supplying 12 Bushmaster troop transports to the Jamaica Defence Force.

But the big Caribbean opportunity for Australian investors and exporters now is in resources. An Exxon-led consortium discovered a major oilfield in Guyana’s offshore waters in May 2015 and BHP Billiton is drilling for oil in the deep Atlantic 200km east of Trinidad, as part of a major, eight-hole exploration program, its largest anywhere at present. So global oil and gas equipment, technology and service firms are beefing-up their presence in the region.

Improved gold prices over last year have also seen mineral exploration pick-up in Guyana and Suriname in 2016 and in late October Perth-based Troy Resources celebrated a year of operations at its Karouni gold mine, Guyana’s second-biggest.
Australia-Chile Economic Leadership Forum

Australia and Chile enjoy a close and dynamic economic relationship with strong trade and investment links.

The Australia-Chile Free Trade Agreement is our fifth-longest standing bilateral trade agreement. The inaugural Australia-Chile Economic Leadership Forum was held in Santiago in December 2014. Participants included the Chilean President, the Chilean Ministers for Foreign Affairs and the Economy, Energy and Mining and Australia’s Trade and Investment Minister.

More than 300 Australian and Chilean government officials, businesspeople and academics attended the two-day event. The Forum produced a roadmap for the future development of bilateral relations across different sectors and encouraged growth of the Pacific Alliance, of which Australia is now an observer.

The second Australia-Chile Economic Leadership Forum will be held in Melbourne over the period 5-6 December 2016. The Forum will identify opportunities to expand the bilateral economic relationship, strengthen trade and investment ties, and explore ways we can access new markets together.

Australia-Chile Free Trade Agreement is our fifth-longest standing bilateral trade agreement.

COALAR has supported arts and cultural exchange programs in Latin America, vital to relationship building necessary to grow business, education, science and tourism opportunities. Recent COALAR grants have included an Australian Football International project to build sports linkages between Australia and Chile, a Vocational Education and Training Leadership and capacity building program supporting VET sector reform processes in Latin America and a collaboration between Australia and Mexico promoting understanding of how indigenous cultural values and practices are incorporated into the management of internationally important wetlands.

The Council on Australia Latin America Relations (COALAR) was established by the Australian Government in 2001 to enhance Australia’s economic, political and social relations with Latin America.

More information can be found at: dfat.gov.au/people-to-people/foundations-councils-institutes/coalar

Over the two days, Ministers, participants, technical specialists and industry leaders will focus on sectors of strategic mutual interest, including:

• mining and resources: innovation and mining equipment, technology and services (METS); sustainability; corporate social responsibility; community engagement; and gender balance;

• infrastructure: ports, rail, urban transport systems, connectivity; private public partnerships; and policy governance and frameworks;

• education leadership: vocational and workforce training; preparing the workforce of the future; industry-university relationships; and frameworks and regulations; and

• trade and business platforms: positioning Chile and Australia to be reciprocal gateways and investment hubs for Latin America and the Asia-Pacific respectively; goods, technology, services; considering new mechanisms such as the Pacific Alliance to enhance trade and investment.

Minister for Foreign Affairs, the Hon Julie Bishop MP, announced five new COALAR board members on October 20.

The new members – Ms Natalie Collard, Dr Robyn Eversole, Mr David McLoughlin, Mr Nigel Warren and Mr Rob Whiddon – bring skills and experience to COALAR to assist in strengthening and consolidating Australia’s relationships with Latin America.

These prominent Australians will join current Chair Chris Gale and board members Jane McKeon and Giovanna Webb.

Ms Collard’s experience in rural and agricultural business and innovation will support COALAR’s work in rural development, leadership and innovation.

Dr Eversole, Director of the Institute for Regional Development at the University of Tasmania, brings extensive experience working with industry, government and community organisations across regional Australia and Latin America.

Mr McLoughlin, Senior Vice President People and Global Capability, Woodside, has valuable mining and energy experience, including on the ground in South America.

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Trade and investment statistics

**TOP EXPORT & IMPORT COUNTRIES/REGIONS**

<table>
<thead>
<tr>
<th>Country</th>
<th>Exports ($ billion)</th>
<th>% Growth (YoY)</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>85.6</td>
<td>6.2</td>
</tr>
<tr>
<td>Japan</td>
<td>42.2</td>
<td>6.0</td>
</tr>
<tr>
<td>United States</td>
<td>22.1</td>
<td>19.3</td>
</tr>
<tr>
<td>Republic of Korea</td>
<td>20.0</td>
<td>9.2</td>
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<tr>
<td>India</td>
<td>13.4</td>
<td>19.3</td>
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<tr>
<td>ASEAN(a)</td>
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<tr>
<td>EU28</td>
<td>23.5</td>
<td>5.3</td>
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<table>
<thead>
<tr>
<th>Country</th>
<th>Imports ($ billion)</th>
<th>% Growth (YoY)</th>
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<td>China</td>
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<td>18.3</td>
</tr>
<tr>
<td>United States</td>
<td>48.1</td>
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<tr>
<td>Japan</td>
<td>22.7</td>
<td>14.3</td>
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<tr>
<td>Republic of Korea</td>
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<td>Thailand</td>
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<td>ASEAN(a)</td>
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<tr>
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**AUSTRALIA’S TRADE BY BROAD SECTOR**

<table>
<thead>
<tr>
<th>Category</th>
<th>Exports ($ billion)</th>
<th>% Growth (YoY)</th>
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<tbody>
<tr>
<td>Rural</td>
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<td>1.1</td>
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<tr>
<td>Resources</td>
<td>126.5</td>
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<tr>
<td>Manufactures</td>
<td>44.6</td>
<td>2.6</td>
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<tr>
<td>Other goods</td>
<td>11.9</td>
<td>4.4</td>
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<tr>
<td>Gold</td>
<td>17.9</td>
<td>26.0</td>
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<tr>
<td>Services</td>
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<td>9.0</td>
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<tr>
<td>Imports (total)</td>
<td>348.9</td>
<td>2.1</td>
</tr>
<tr>
<td>Balance of Trade</td>
<td>$ -36.7</td>
<td>56.8</td>
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**TOP EXPORTS & IMPORTS**

<table>
<thead>
<tr>
<th>Category</th>
<th>Exports ($ billion)</th>
<th>% Growth (YoY)</th>
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<tr>
<td>Iron ore and concentrates</td>
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<tr>
<td>Coal</td>
<td>34.5</td>
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<tr>
<td>Education services</td>
<td>19.9</td>
<td>9.4</td>
</tr>
<tr>
<td>Gold</td>
<td>16.6</td>
<td>22.7</td>
</tr>
<tr>
<td>Natural gas</td>
<td>16.5</td>
<td>2.1</td>
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<tr>
<td>Imports (total)</td>
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<td>2.1</td>
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<tr>
<td>Balance of Trade</td>
<td>$ -36.7</td>
<td>56.8</td>
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**AUSTRALIA’S INTERNATIONAL INVESTMENT POSITION**

<table>
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<tr>
<th>Country</th>
<th>Foreign Direct investment as at 2015</th>
<th>% Growth (YoY)</th>
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<tr>
<td>United States</td>
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<tr>
<td>Japan</td>
<td>$85.9</td>
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<tr>
<td>United Kingdom</td>
<td>$76.0</td>
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<tr>
<td>Netherlands</td>
<td>$44.4</td>
<td>13.7</td>
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<tr>
<td>China</td>
<td>$35.2</td>
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</tr>
<tr>
<td>ASEAN</td>
<td>$41.5</td>
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</tr>
<tr>
<td>EU28</td>
<td>$157.6</td>
<td>2.8</td>
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**Australian Direct investment abroad: 2015**

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<tr>
<th>Country</th>
<th>United States</th>
<th>United Kingdom</th>
<th>New Zealand</th>
<th>Singapore</th>
<th>China(a)</th>
<th>Germany(b)</th>
<th>Papua New Guinea(b)</th>
<th>ASEAN</th>
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<tbody>
<tr>
<td>Brazil</td>
<td>$105.2</td>
<td>$81.3</td>
<td>$60.5</td>
<td>$21.2</td>
<td>$14.1</td>
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<td>$111.8</td>
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<tr>
<td>Mexico</td>
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<tr>
<td>Chile</td>
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<tr>
<td>Argentina</td>
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</tbody>
</table>

(a) excludes some confidential items of trade.
(b) Data for PNG and Germany were not published by the ABS for 2015.

DFAT estimates that the value of investment would be around $14bn to $15bn. Therefore they have been ranked equal 5th with China. For more Australian trade and investment statistics see: www.dfat.gov.au/trade
Acknowledgements

Business envoy brings insights from Australia’s global diplomatic network to the Australian business community. It considers global geopolitical events and trends, their economic implications and what they might mean for Australian business.

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