

A Proposed Australian Strategy for Latin America to 2020

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As an advisory board to the Minister for Foreign Affairs and Minister for Trade, COALAR's strategy since its creation in 2001 has been to enhance Australia's economic, political and social relations with Latin America.

COALAR has made strengthening Australia's commercial relationships with Latin America an overarching goal. In support of this, COALAR has established four priorities: education, tourism, business and culture and has made considerable progress on all fronts, in particular on business and education. It has done so through the provision of targeted, modest seed funding and through the dedication of its Council members, many of them very senior business leaders, to promoting all things Latin American in Australia and vice versa at every opportunity.

What COALAR feels has been lacking, however, is a dedicated, high level government led strategy to build, systematically, long term political, economic and cultural relations with the leading Latin American economies: Brazil, Mexico, Argentina, Chile, Peru and Colombia, with their regional groupings, and through them, with the whole region.

In that context I note that Foreign Minister Smith recently acknowledged in Lima that the Australian government had some catching up to do to keep pace with increased Australian people-to-people, industry, educational and commercial exchanges with Latin America. And COALAR warmly welcomes the Prime Minister's recent announcement in Lima that Australia will establish a fully fledged embassy in Peru, as a first, important, step.

COALAR Chairman, Bernard Wheelahan, has written to the Prime Minister, the Foreign Minister and the Minister of Trade on 7 November this year proposing the government adopt a high level strategy for Latin America, **now**, backed up by a number of key action items. In doing so COALAR has argued it is important that Australia engage with these countries of the Latin American region within their own right, rather than only in the context of APEC meetings. Furthermore, the recently concluded APEC meeting in Lima will be the last in Latin America for the next 15 years.

We understand that this proposal is currently being considered by Ministers and we hope its recommendations will be compelling to them.

In tough economic times, allocating more resources to this region may seem counterintuitive, but the arguments in favour are strong and these are the arguments we have put to Ministers:

- There are good national interest reasons for a national strategy to support and accelerate greater engagement in Latin America. New Zealand does, and is doing very nicely out of Latin America. All other major global economies do: Chinese influence in the early 21st century is nowhere more evident than in the consolidation of its economic and political partnerships in Latin America, forming China into a significant counterweight to US influence in the region.
- The Australian Government seeks leadership in a number of global issues, including financial regulation, membership of the UN Security Council (where Latin America holds 21 votes), climate change, nuclear disarmament, an Asia/Pacific partnership, and hosting of the World Cup in 2018 –in addition to our traditional strong positions on the WTO, APEC, the G20 and the Cairns Group. The G20 alone has assumed much higher status and impact in international fora and has three Latin members currently chaired by Brazil.
- The leading Latin American economies have made good progress this century. Most have open, liberal, democratic economies, which encourage trade and direct foreign investment. Brazil, Chile, Peru and Mexico have all achieved investment grade, reflecting respect for assets and the rule of law. Leading Australian companies have recognised the potential of Latin America and have invested heavily, seizing the opportunity to diversify their market exposure beyond the Anglophone world and Asia. Led by BHP Billiton, Rio Tinto and Orica,

scores of service companies and education providers have established offices and business links there.

- A government-led strategy can build on successful Australian business engagement with the region, and provide Australia with an outstanding opportunity to diversify and strengthen relations with an increasingly successful and influential region.
- We should begin by increasing the number of diplomatic missions and trade posts, to match the size of the Latin American diplomatic commitment in Australia.

Examples of the proposed Key Action Items are summarised below, this is not a comprehensive list:

1. Higher National Priority: Latin America to be raised formally in priority in Australia's foreign relations through an increase in embassies and trade posts; increasing the status of Latin America within DFAT
2. Team Australia Whole of Government approach: (Federal and State) to be underpinned by regular ministerial visits to the region from Foreign, Trade, Resources, Agriculture, Tourism, Science and Technology portfolios, accompanied by industry leaders for the relevant sector
3. Maximising Business: Pursuit of FTAs where appropriate, conversion of air services agreements; Double Taxation agreements; Investment protection agreements where missing; targeted deepening of political and economic relationships with the larger economies.
4. People to People: More Australian Education International offices in the region; Australian Tourism offices in the region (currently a minor add on, working out of Los Angeles serviced by English-speaking representatives), to increase students and visitors to Australia-; a serious scholarship scheme; targeted development assistance programs, regular reciprocal cultural exchange programs.

Resourcing of these key items should commence in the next budgetary cycle. Many other initiatives will be both feasible and desirable by 2020.

Now I know I am preaching to the converted here. But we have to acknowledge that there will be plenty of people, including no doubt in government, who will argue that real additional resources devoted to Latin America simply cannot be considered a priority, especially in the context of the global financial crisis and the impact this will have on government expenditure.

But it could be argued that the current global fluidity arising from the Global Financial Crisis strengthens the argument for Australia to be looking for opportunities in places where it has not been accustomed to look in the past.

Australia is in a relatively strong position as a result of prudent regulation and financial management at home and focussed attention on gaining and retaining trading linkages abroad. Latin America is better prepared to confront a global financial crisis than at any time in the last 50 years. Both will be hit hard by falling commodity prices. The crisis, however, provides an opportunity for Australia to extend assertively its "Australian Model" of innovation and investment in agriculture, mining services, education and tourism into Latin America.

Australia, Latin America and Asia can build a formidable commercial political and economic base from which to capitalise on future global growth. Australia's Asian connections and expertise together with Latin America's huge potential for added value in mining and agriculture, offer glittering prizes from closer co-operation. The Australia-China relationship is an added incentive for Latin American interest in Australia.

Research into the impact of climate change is a common interest, particularly for southern hemisphere continents. We can forge a co-operative approach to meet future global challenges and protect and enhance future food production to rapidly growing markets in East Asia in particular.

Confident strategic leadership from government agencies and ministers (as demonstrated by our major competitors) will greatly strengthen business confidence in the region and should accelerate rapidly growing Australian business engagement there.

Yes, we are small fish in a huge Latin American pond and competition is formidable. With a comprehensive national strategy however, Australia can make a disproportionate impact on developing new allies, new commercial relationships, new markets and new cultural linkages in Latin America.