

Building two-way trade and investment

- 3.1 This chapter explores the opportunities to grow Australia's trade with countries of the Middle East. It looks at the growth areas sector by sector and country by country. It also examines Australia's investment relations with the Middle East and the role of Islamic finance. The chapter concludes by summarising the opportunities to expand trade in specific countries.

Overview

- 3.2 Besides the strong population growth in MENA, the doubling of the size of the middle class in the region is expected to drive demand for higher end goods and services such as quality food, education, tourism and in health.¹
- 3.3 Associate President of the Middle East, North Africa and Central Asia program at Monash University, Dr Nizar Farjou, advised that almost 75 per cent of the people in the Middle East are under the age of 30. Successful education of their youth will be crucial for these countries. There are 180,000 students all over the world on scholarship schemes from Saudi Arabia.²
- 3.4 This expansion of cities, according to trade consultants Dearin & Associates, could place increasing strain on infrastructure including roads, electricity supply, schools and hospitals and create growing markets in many product and service sectors including electricity, construction, transport, education and health care. This would also place pressure on scarce natural resources, particularly water, and also on food supply and

1 Department of Foreign Affairs and Trade, *Submission 9*, p. 3.

2 Dr Nizar Farjou, Monash University, *Committee Hansard*, Melbourne, 17 October 2014, p. 31.

costs. Countries in the region are said to be actively seeking to secure their food supply by sourcing food from foreign markets or acquiring agricultural land in other countries.³

- 3.5 Austrade's General Manager of Growth and Emerging Markets, Mr Grame Barty, told the Committee that the countries of the Middle East, and especially the member nations of the Gulf Cooperation Council (GCC), are placing an emphasis on educating their young and developing employment opportunities:

...the issues that have become clear to us are the young and growing population and the requirement and desire for the GCC countries to educate that young population. There is a lot of emphasis on being employed in government, for young men in particular, and the countries are seeking to find diverse employment opportunities by creating new industries and new skilling capability. That is clearly an opportunity that is open to us.⁴

- 3.6 Mr Barty asserted that Middle Eastern nations want greater food security and to develop more sustainable communities. Australia has an opportunity to provide these needs:

The significant amount of food that is imported into the region is of great issue to them. The region is very sensitive to food shocks and, of course, they have a significant amount of subsidisation of food and utilities to their citizens. That will have to be offset at some point, and the reducing oil price is a factor in their ability to sustain that continued subsidy. So unquestionably the region is looking for ways in which it can find new industries, educate and skill a new and growing young workforce and create an environment that is sustainable for human critical needs. That means more energy efficiency.⁵

- 3.7 The University of Sydney's Vice Chancellor Dr Michael Spence submitted that the Australian Government could also utilise universities to help build stronger relations with the Middle East, and do so by developing future leaders with a better cultural understanding of the region.

Australia should be well placed to take advantage of emerging opportunities for trade in goods and services with Middle Eastern countries in a wide range of areas. Our capacity to do so over the long term, however, will depend on the quality of our formal and

3 Dearin & Associates, *Submission 17*, p. 6.

4 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 1.

5 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, pp. 1 - 2.

people-to-people links with the region, and the extent to which we invest strategically in a new generation of leaders who have a strong understanding of Arabic culture, politics and languages. We see significant potential for the Federal Government to deepen and strengthen Australia's social and economic ties with Middle East by utilising the expertise and resource of its universities more fully and effectively.⁶

3.8 According to the Department of Foreign Affairs and Trade (DFAT), the projected doubling of the size of the middle class from 105 million people in 2009 to 234 million by 2030 in the Middle East, is expected to drive demand for higher end goods and services:⁷

These new, increasingly young consumers will want to purchase high quality foods, education, tourism and health services that Australia is well prepared to provide. Besides prospects in the high income per capita Gulf countries, there is potential for Australia to develop niche trade opportunities in unique markets such as high tech Israel and emerging Morocco.⁸

3.9 The Gulf states are net food importers, while Australia is a net food exporter. The importation of food by the GCC member countries of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates is projected to grow to about US\$49 billion in 2020, according to DFAT. Whilst some 400 food items and industrial inputs are tariff-free, most imports from non-GCC countries attract a tariff rate of 5 per cent.⁹

3.10 The region will also stage global events such as the UAE hosting Expo 2020 and Qatar hosting the FIFA Football World Cup in 2022 that will require Australian expertise in construction, engineering, project management and hospitality.¹⁰

3.11 According to DFAT:

- Negotiating a Free Trade Agreement with the \$1.7 trillion economies of the GCC has the potential to spur a transformational growth in trade and investment ties with these countries by removing tariff and other barriers.¹¹
- The rapidly expanding air links with more than 150 flights between Australia and the Gulf states will open up more connectivity between

6 University of Sydney, *Submission 11*, pp. 1 - 2.

7 Department of Foreign Affairs and Trade, *Submission 9*, p. 3.

8 Department of Foreign Affairs and Trade, *Submission 9*, p. 3.

9 Department of Foreign Affairs and Trade, *Submission 9*, p. 56.

10 Department of Foreign Affairs and Trade, *Submission 9*, p. 27.

11 Department of Foreign Affairs and Trade, *Submission 9*, p. 27.

people and businesses in both Australia and the Middle East, creating more opportunities to further trade.¹²

- Australia is a globally recognized as a leader in renewable energy, according to DFAT, and green building design at a time when many of the Gulf states are looking to build more sustainable communities.¹³

3.12 Provision of healthcare services in the Middle East will lead to growth opportunities for Australian companies. Bruce Armstrong, the Chief Executive Officer of Australian-owned healthcare provider Aspen Medical advised the company's future growth strategy is based on expanding its operations overseas like others in the services industry:

Aspen Medical appreciates the objectives of the economic diplomacy to grow trade, support economic growth, increase international investment and advance the interests of Australian companies overseas. We believe that these are important initiatives that positively impact on exporters like Aspen Medical and are very good for Australia.¹⁴

3.13 Aspen Medical, which has 2,200 employees worldwide, is targeting the Middle East as a growth market for the range of medical services and training it provides:

We entered the region through the United Arab Emirates...due to its wealth, growth, relatively low health spending and the local government's vision to improve health care for its people. We believe that the UAE's focus on improving health care will be replicated by some of the surrounding Gulf Cooperation Council states. The UAE is our regional hub to project our business into other Gulf Cooperation Council economies.¹⁵

3.14 Aspen Medical's Co-Founder and Executive Director Glenn Keys highlighted the importance of developing relationships with key people in the UAE and other Middle Eastern countries when seeking out new business opportunities, especially in the public health sector:

These are countries where you have to build trust and reputation, and we have been doing that. I think our success in that area has seen that growth, but they are countries that require a long-term commitment. We see great future expansion.¹⁶

12 Department of Foreign Affairs and Trade, *Submission 9*, p. 27.

13 Department of Foreign Affairs and Trade, *Submission 9*, p. 27.

14 Mr Bruce Armstrong, Aspen Medical, *Committee Hansard*, Canberra, 2 December 2015, p. 1.

15 Mr Bruce Armstrong, Aspen Medical, *Committee Hansard*, Canberra, 2 December 2015, p. 1.

16 Mr Glenn Keys, Aspen Medical, *Committee Hansard*, Canberra, 2 December 2015, p. 2.

3.15 Professor Matthew Gray from the ANU's Centre for Arab & Islamic Studies offered that the Middle East could become a valuable source of foreign investment for Australian projects:

I think it would be very important to look to a handful of places around the world where there is a surplus of currency to be invested back out abroad. Beyond China, the Gulf states are one of the few areas where that is the case and where we could potentially attract substantial amounts of investment.¹⁷

Delegation discussions relating to MENA trade objectives

3.16 During its visit to the UAE, Saudi Arabia, Kuwait and Qatar, the Committee delegation was briefed by Austrade Senior Trade Commissioner, Mr Gerard Seeber, on the long-term market objectives for Australia in the Middle East.

3.17 According to Mr Seeber, Austrade's long-term objectives in MENA are:

- To engage Australia in areas where there is renewed growth and it has capabilities across multiple markets;
- To effectively position Australia to capture the emerging opportunities arising in MENA and the greater region, leveraging Dubai's growth as a 'mega hub';
- To better position MENA with the Australian business community;
- Develop strategies around potential sectors where Australia has recognised innovation and capability;
- Make Australia a strategically important investment destination for sovereign wealth funds and major companies;
- Prepare for the re-emergence of major economies Iran, Tunisia and Egypt, to global business;
- To build an effective level of federal and state cooperation in the MENA region involving six Australian Embassies and four state government representatives; and
- Support the implementation of a GCC-Australia FTA in conjunction with DFAT, and the Trade and Investment Minister's office.

3.18 The need for Australian exporters and service providers to think long-term in their approach to the Middle East were points often discussed with the delegation by Australian businesspeople when they would meet

17 Prof Matthew Gray, Australian National University, *Committee Hansard*, Canberra, 24 September 2014, p. 2.

them at functions hosted by the Australian ambassadors to UAE, Saudi Arabia and Kuwait.

Agricultural commodities

- 3.19 The Department of Agriculture expects the Middle East and North Africa (MENA) region to provide ongoing opportunities for Australian agricultural exporters. The growth of food exports in recent years should be able to be maintained given that:
- Climate, limited agricultural land and the scarcity of water in the Middle East restricts development of agriculture in the region and it will continue to rely on food imports. Bahrain ranks as the most water-stressed country in the world, followed by Qatar, Kuwait, Saudi Arabia and Libya.
 - With the population of the MENA region estimated at more than 355 million, with strong further growth forecast, food security is an increasing priority and target for economic planning by Middle Eastern governments.
 - Strong consumer demand for Australian products and a shift in demand from traditional staple foods to imported higher value products.
 - Development of hospitality and tourism sectors in a number of MENA countries provides further potential in this high-end food market segment.¹⁸
- 3.20 With one of the highest population growth rates in the world and limited productive agricultural capacity, DFAT submitted there is scope for Australia to increase food and agriculture exports to the Middle East. The Australian brand is well known in the region as providing clean, safe, and reliable produce. Australia continues to supply meat into the retail, hospitality, and food ingredients sector across the Gulf, particularly in Saudi Arabia, where there has been a large per cent increase in chilled beef exports year-on-year. Australian companies are active in large-scale tenders for commodity and bulk products across meat, dairy, and grain. Three Australian companies won the tender in 2013 to supply red meat worth US\$40 million to the Moroccan Royal Armed Forces, bringing the total awarded contracts to US\$52 million.¹⁹

18 Department of Agriculture, *Submission 27*, p. 10.

19 Department of Foreign Affairs and Trade, *Submission 9*, p. 27.

- 3.21 Mr Barty advised that the growth in airline flights between Australia and the Gulf states was bolstering the trade in fresh produce to the Middle East, especially in chilled sheep meat and beef:

There is a clear and significant requirement, particularly for countries in the Gulf to increase the amount of protein they eat. Australia has a significant advantage in providing all levels of protein, and a lot of that is now able to be shipped chilled. The other significant advantage we now have...is direct flights into the region: Dubai, Qatar and Abu Dhabi...I think it is around 148 direct flights a week. It means that those holds are providing a significant advantage to us to be able to ship fresh produce and chilled meats directly into the market...It is not dissimilar to how we opened up Japan, in that fresh produce could now be shipped in 24 hours into the region.²⁰

- 3.22 The UAE is a regional food hub, importing over 85 per cent of its own food, and re-exporting over 60 per cent of food imports to the region. The growing food processing industry in the Middle East, and in particular in the UAE, is the largest consumer of Australian agriculture commodities, incorporating mainly grains and livestock. Growth in air freight capacity as a result of the Qantas-Emirates partnership is another important structural change to Australia's food and beverage export capability.²¹

- 3.23 Gulf markets are accelerating their plans for staple food production and source diversity. There is increasing interest in investing in Australia's agricultural and food sectors to help avoid the risk of acute price shocks and food insecurity. Concern about food security is being driven by the disappointing performance of food bowl investments in East Africa and the increasing global demand for staple, quality foods. Australia is one of the few low risk, reliable, food safe, and high volume exporting countries available for GCC countries to invest in, and their current interest is high.²²

- 3.24 Hassad Australia (HA) submitted that the demand for Australian produce in the Middle East was a driver in Qatar's \$425 million investment in Australian agriculture:

HA carries a mix of Merinos, crossbred and Awassi sheep on the east coast operations, and grows a range of crops in rotation with wheat and barley in the east coast, South Australia and Western Australia. HA production is aimed at both export and domestic

20 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 2.

21 Department of Foreign Affairs and Trade, *Submission 9*, p. 27.

22 Department of Foreign Affairs and Trade, *Submission 9*, p. 27.

markets, but there is a focus on exporting to the Middle East as we see market opportunities and security based on the growth of this market, and our parent company's connections.²³

3.25 Hassad Australia expected food exports to the Middle East to grow:

The region is increasing its demand for a wide range of high quality safe fresh foods. But the region has limited natural resources able to satisfy this demand and will be dependent on increasing levels of food imports. Australia, with existing trade links and investments by GCC members such as HA, is well placed to grow its exports to this region.²⁴

Dairy

3.26 The General Manager of Trade and Industry Strategy for Dairy Australia, Mr Charlie McElhone, told the Committee that the Middle East is one of those regions alongside China and South East Asia where the largest growth in dairy consumption is occurring due to increasing incomes helping to drive increased demand for protein. This demand for dairy is also leading to investment in Middle Eastern dairy producers such as the Almarai in Saudi Arabia, which uses more than 130,000 cows to produce over a billion litres of milk a year from its dairy farms in the desert.²⁵

Grains

3.27 Australian grains and oilseeds exports to MENA countries face strong and increasing competition from the European Union and the Black Sea region (Russian Federation, Ukraine and Kazakhstan). Favourable transport costs and lower production costs, particularly in the Black Sea region, mean that grains and oilseeds from these sources are more cost competitive.²⁶

3.28 Despite the increase in competition, Australia is likely to retain an important share of the Middle East and North Africa market, particularly at the specialised high value end of the market, reflecting Australia's reputation and ability to consistently supply quality grains and oilseeds.²⁷

Rice

3.29 The branded rice market in the Middle East is expected to be one of the largest growing markets globally over the next five years based on

23 Hassad Australia *Submission 33*, pp. 1 - 2.

24 Hassad Australia *Submission 33*, p. 2.

25 Mr Charlie McElhone, Dairy Australia, *Committee Hansard*, Melbourne, 17 October 2014, p. 26.

26 Department of Agriculture, *Submission 27*, p. 10.

27 Department of Agriculture, *Submission 27*, p. 10.

Euromonitor research, with an expected increase in total value from \$4 billion in 2012 to \$8 billion in 2017. This presents a valuable growth opportunity for Australian grown rice, according to SunRice, which exports more than \$440 million of its rice.²⁸

- 3.30 The Middle East is also one of the most competitive markets globally. Despite increasing competition from both local Middle Eastern brands and those from overseas markets such as the US, SunRice's submission states it is well placed to take advantage of the expected growth in the Middle East in order to build its market share in the region:

This presents a valuable growth opportunity for Australian grown rice, provided we can successfully overcome the increasing challenges and threats from subsidised competitors, including United States suppliers who are obtaining a significant advantage through government funded support.²⁹

- 3.31 SunRice states its own success in the Middle East has been achieved over a long period of time by 'focusing on quality, innovation and speed to market; and through significant product and brand investment, and well-established relationships' with its customers and distributors.³⁰

- 3.32 SunRice's regional office in Jordan plays an instrumental role in maintaining the company's relationships with key stakeholders³¹ and also in its delivery of its sales and marketing activities in the region.³²

- 3.33 In 2003 SunRice made a substantial investment, in partnership with a major Jordanian company, in a rice processing and packing plant in Aqaba, Jordan. SunRice has made significant additional investment, including high value manufacturing upgrades, staff training and gaining internationally recognized certifications such as Hazard Analysis and Critical Control Points (HACCP):

This investment has helped to ensure the company can continue to trade and compete successfully in the region.³³

- 3.34 To maintain its success in the Middle East and help grow its market, SunRice's submission stated it invests in consumer insight research to better understand the needs of its consumers and monitor changes in eating habits, shopping behaviours and even social activities. SunRice is constantly undertaking research to gain an up to date understanding of

28 SunRice, *Submission 31*, p. 8.

29 SunRice, *Submission 31*, p. 3.

30 SunRice, *Submission 31*, p. 3.

31 SunRice, *Submission 31*, p. 9.

32 SunRice, *Submission 31*, p. 11.

33 SunRice, *Submission 31*, p. 9.

consumer trends to ensure its products meet their needs and its sales and marketing campaigns are effective:

In the Middle East, the cultural and social behaviours of consumers are rapidly changing. For example, the internet and social media has opened up a broad platform for exchanges between people...with an increasing number of females becoming significant users of social media. Also, in many Middle Eastern countries more females are entering the workforce, which is impacting and to some extent challenging the very core of the family unit.³⁴

Red meat

3.35 The expected growth of world population along with associated income growth and increasing demand for animal protein indicates that the Middle East and Africa will be a major growth market of the future:

These markets represent huge opportunities for Australia but at the same time, as developing markets they also represent the most significant access risk. As import tariffs fall around the world, developing countries turn increasingly to non-tariff trade barriers as their last resort mechanism for controlling imports.³⁵

3.36 The value of lamb exports to the Middle East is expected to rise, reflecting the lower Australian dollar, strong consumer demand, and reduced competition from New Zealand. The New Zealand sheep flock has been contracting as a trend in land use has shifted toward dairy farming. However, exports of Australian mutton to the Middle East are expected to fall, with exporters shifting product away from the Middle East to meet growing demand from Asian markets.³⁶

3.37 Bahrain has recently emerged as a major export destination for Australian lamb meat, due in part to the suspension of the live sheep export trade in Bahrain in August 2012. The re-opening of the live export trade in April 2014 will impact on lamb meat exports.³⁷

3.38 Exports of beef and veal to the region are also expected to rise in 2015, with demand for Australian beef being supported by limited supplier options, including bans on beef from the US and Brazil in some Middle

34 SunRice, *Submission 31*, p. 13.

35 Australian Meat Industry Council, *Submission 34*, pp. 7-8.

36 Department of Agriculture, *Submission 27*, p. 10.

37 Department of Agriculture, *Submission 27*, p. 10.

Eastern markets due to concerns about bovine spongiform encephalopathy in these source countries.³⁸

- 3.39 A representative of Fletcher International Exports and member of the Australian Meat Industry Council (AMIC), Graham Lyon, told the Committee there were many reasons behind the growing demand for Australian red meat in the Middle East beyond rapid population growth and higher incomes:

The fundamental shift has been multifaceted – the rise of shopping malls and, with them, supermarkets; the rise of hotels restaurants and resorts; the rise of high-end catering, such as airlines, business travel and events; and the need for global hygienic passive systems that are supplying these institutions and shopping malls. Each of the governments in the region has had a critical focus on food security in the past five to 10 years. That is why we are pushing so hard for market access into this region...³⁹

Camel meat

- 3.40 Australian meat exporter Samex, which has an office in Egypt to cover UAE, Qatar, Bahrain and Kuwait, has invested heavily in the camel meat industry. Its acquisition of Peterborough meatworks in 2012 meant Samex became one of the 'largest exporters of camel meat in the world'.⁴⁰
- 3.41 Located 260 km's north of Adelaide, Peterborough is according to Samex ideally situated to process the camels that are mustered in central Australia. Samex Peterborough is the largest processor of Australian free range camels, processing all year round. All camels processed at the site are slaughtered according to Islamic rites and therefore meet the strict religious requirements of all Muslim consumers.⁴¹
- 3.42 Samex believes it can play a role in supplying the many markets that require camel meat as part of their daily diet. All Samex camel meat is processed from 'free range, chemical free livestock making it a completely natural product'.⁴²
- 3.43 Camels are an introduced species in Australia and are widely considered a pest. Samex works in alliance with the Australian Government's camel management framework in order to reduce the impact of feral camels on the environment. All camels are processed in fully accredited export

38 Department of Agriculture, *Submission 27*, p. 10.

39 Mr Graham Lyon, Australian Meat Industry Council, *Committee Hansard*, Sydney, 9 September 2014, p. 13.

40 Samex website, viewed 3 April 2016, <<http://samex.com.au/#!/associate-companies>>.

41 Samex website, viewed 3 April 2016, <<http://samex.com.au/#!/associate-companies>>.

42 Samex website, viewed 3 April 2016, <<http://samex.com.au/#!/associate-companies>>.

registered abattoirs under Australian Government supervision and undergo veterinary inspections to ensure all food safety requirements are met.

- 3.44 Samex exports 300 tonnes of camel meat to the United States where it has been developing the market in conjunction with a local importer since 2008. Samex is also developing markets for camel meat in the Middle East, Africa, Europe and Asia.⁴³
- 3.45 The Exports Division of the Department of Agriculture is responsible for maintaining and expanding technical market access for meat and meat products, including camel meat. Currently, Australia has agreed access conditions to export camel meat to a number of markets, including the European Union member states, the US, Canada and several other markets. The Exports Division works with interested commercial parties and the camel meat industry to pursue new market access opportunities as they arise such as in Iraq and Oman.
- 3.46 According to a review of commercial options for management of feral camels by the Desert Knowledge CRC, there is a significant camel industry internationally based on meat, live animals, and by-products. By contrast in Australia, the review found the industry has struggled to gain momentum because it has been based on the 'ad-hoc harvest of a feral animal herd that is located in very remote parts of the country and a long distance from domestic markets, let alone international markets'.⁴⁴
- 3.47 The camel industry in Australia is still very small when compared internationally. However, the size of the feral camel resource of approximately one million animals makes the Australian herd one of the largest in the world behind Somalia, Sudan, Ethiopia, and Mauritania.

Horticulture

- 3.48 Exports of Australian summerfruit such as peaches, nectarines, apricots, plums, grapes and citrus into the Middle East have been growing. The Department of Agriculture expects the demand for fresh fruit to remain high since the climate in much of the Middle East is not conducive to fresh fruit production:

In addition, increased air links to the region, particularly to the Gulf states are opening up new opportunities for high quality,

43 Samex website, viewed 3 April 2016, <<http://samex.com.au/our-products/camel/>>.

44 Desert Knowledge Cooperative Research Centre website, *Managing the impacts of feral camels in Australia*, p. 225, viewed 3 April 2016, <http://www.nintione.com.au/resource/DKCRC-Report-47-Managing-the-impacts-of-feral-camels-in-Australia_A-new-way-of-doing-business.pdf>.

time sensitive horticulture trade such as summerfruit and cherries. Australia's major competitor is South Africa (southern season) which is strongest for citrus. South American suppliers also compete to a lesser extent due to distance from market.⁴⁵

3.49 Australian vegetable exports to the Middle East have more than doubled since 2009-10. The increase in exports has been concentrated in Egypt, mostly of beans, lentils and chickpeas, and the UAE importing Australian lentils, pumpkins and peas. The Department of Agriculture submitted:

This general upward trend is expected to continue as Australia takes advantage of its reputation for reliable supply. China is the main competitor for vegetable products and supplies at much lower price points. The consistency in high quality and year round supply, targeting premium market sectors, provide Australia's competitive advantage.⁴⁶

3.50 Demand for Australian tree nuts in the Middle East is growing due to greater awareness of health benefits and rising disposable incomes. Some the world's main export markets include Middle Eastern countries:

- Egypt is the world's third largest importer of unshelled almonds (35,000 tonnes in 2010-11), the largest importer of pistachios (114,000 tonnes in 2010-11) and second largest importer of unshelled hazelnuts (74,000 tonnes in 2010-11).
- Algeria imported 6,000 tonnes of shelled almonds/kernel in 2010-11.
- Lebanon imported 3,000 tonnes of chestnuts in 2010-11.⁴⁷

Barramundi and aquaculture

3.51 Australian company Mainstream Aquaculture noted the strong interest from the Middle East in farming Australian barramundi and its export of hundreds of thousands of fingerlings or juvenile fish from Victoria to Saudi Arabia in 2014. The barramundi fingerlings grown at its Werribee hatchery are exported to the National Aquaculture Group's extensive operations south of Jeddah to reach maturity in the Red Sea inside large sea cages five kilometres offshore. The fingerlings are transported by air to Saudi Arabia and upon maturity will be marketed in the Middle East and other international markets as Red Sea Barramundi. Mainstream's head of aquaculture, Dr Paul Harrison, said:

45 Department of Agriculture, *Submission 27*, p. 11.

46 Department of Agriculture, *Submission 27*, p. 11.

47 Department of Agriculture, *Submission 27*, p. 11.

The potential for business there [Saudi Arabia] looks very large. In fact, we recently made a single one-off sale that was larger than last year's annual sales... We are quite excited by the opportunity of getting into that region. We are a small business with 15 people at the moment, but we are growing. We had some contacts already in place and we have attended three of the super trade missions. During that time, we have increased our exposure and our networks and been able to generate more business.⁴⁸

- 3.52 According to Mainstream Aquaculture, barramundi is the most likely species of fish to be widely farmed behind salmon because it is so well suited to farming, it has white flesh, and there is also suitable seed stock available. While salmon farming has grown into a \$21 billion aquaculture industry worldwide, Mainstream's Dr Harrison believes barramundi has high growth potential too. Mainstream has collaborated with James Cook University to develop its selective breeding program and produce high quality brood stock:

For aquaculture there is a big opportunity looking forward because there is a real need for protein for food security. Aquaculture offers a very efficient way of producing protein. For white-fleshed fish, and barramundi in particular, there is a big opportunity, because there is a lot of salmon available in the world and a lot of tuna available in the world but there is no white-fleshed fish that has been properly industrialised. Everywhere you go in the world, the consumer preference is for a white-fleshed product...⁴⁹

- 3.53 Besides fingerlings, Mainstream hopes Middle Eastern aquaculture will also become interested in importing or investing in its recirculation aquaculture system:

We are actually the fifth-largest growing farm in Australia and we grow using a recirculation aquaculture system – a water re-use system. Our strategy as a business is to develop that technology, which we see as the way of the future for aquaculture – particularly in areas like the Middle East where a lot of this can be done on land. That form of aquaculture does not really stack up economically against pond farms or sea-cage aquaculture at the

48 Dr Paul Harrison, Mainstream Aquaculture, *Committee Hansard*, Melbourne, 17 October 2014, p. 45.

49 Dr Paul Harrison, Mainstream Aquaculture, *Committee Hansard*, Melbourne, 17 October 2014, p. 45.

moment. We are, if you like, bidding our time – we are investing and doing a lot of R&D into the recirculating technology.⁵⁰

Delegation discussions relating to agricultural exports

- 3.54 During the Committee delegation's visit to the Middle East, there was much interest shown by hosts in Kuwait, Saudi Arabia and the UAE in the quality and variety of Australian agricultural produce available to Middle Eastern people. According to Austrade, \$4 billion worth of Australian agricultural commodities is exported to MENA, representing 45 per cent of all Australia's exports to the region.
- 3.55 The delegation was impressed by the display and variety of Australian produce and processed foods available during an inspection of the Sultan Center supermarket in Kuwait City. The Group International Director, Mr Makram Malaeb, and Senior Category Manager, Supermarket Division, Mr Ibrahim Issa, informed the delegation of the strong interest shown by Kuwaitis to purchase Australian product.
- 3.56 During a tour of the supermarket, the range of product available was of great interest the Committee delegation. According to Mr Malaeb, the packaged Australian wagyu beef was popular, even at over \$100 a kilo.
- 3.57 The delegation attended a roundtable lunch in Dubai with representatives of major food exporters and food importers in the UAE, which was hosted by Austrade's Senior Trade Commissioner Mr Gerard Seeber.
- 3.58 The Managing Director Middle East for Australian meat exporters the Midfield Group, Mr Moustafa Kamel, told the Committee delegation that more needs to done to export more Australian meat into Morocco, but it needs government to government negotiations to overcome the obstacle of a 150 per cent tariff on imported meat.
- 3.59 Meat & Livestock Australia's Mr Nick Meara told the roundtable that there were increasing opportunities for more chilled meat in the UAE because most Emiratis want to cook their meat at home.
- 3.60 Australia's Consul for Agriculture in the Middle East, Dr James Wallner, told the delegation that he had been trying for a long time to solve the short shelf life issue for meat exports into Egypt. He also observed that being based in the UAE meant he exerted less influence on government officials in Egypt, or those officials in other MENA countries away from the UAE.

50 Dr Paul Harrison, *Mainstream Aquaculture, Committee Hansard*, Melbourne, 17 October 2014, p. 47.

- 3.61 Dairy producers Murray Goulburn Cooperative told the delegation that more trade roadshows were needed to raise the profile on the quality of Australian produce and also inform the top chefs of the restaurant franchises in the region about what was available. Mr Seeber stressed to the delegation the importance of food companies promoting their products at regional food shows, as well as the higher profile Gulfood exhibition in the UAE.
- 3.62 At the roundtable, the Western Australia Trade Office Commissioner, Mr Pankaj Savara, stated he was focused on exporting fresh food produce since UAE imported nearly 90 per cent of its food. The increase in airlines and air freight flying between Perth and the Middle East was especially helpful for exporters of seafood and other fresh produce from WA. He observed that in agribusiness, most of the decisions are made by the UAE government.
- 3.63 A highlight of the delegation's visit to the Middle East was visiting the vast Almarai dairy farm and nearby dairy processing plant in Al-Kharj, more than 120kms from Saudi Arabia's capital Riyadh. The farm's dry grassless paddocks were unlike any dairy farm seen in Australia, yet the farm's herd of nearly 50,000 cows produced large quantities of quality milk, mostly on a diet of 600,000 tonnes of imported lucerne or alfalfa hay. As a water saving measure, Saudi Arabia is phasing out the growing of its own feed and importing feed from places such as the US.
- 3.64 The Almarai dairy milks 22,000 of its 48,000 herd of cows three times a day to produce 28 million litres of milk per week. The milk is sold as various fresh dairy products daily across Saudi Arabia and the other GCC countries. The nearby Almarai processing plant turns a billion litres of milk a year into a wide range of cheeses, cream cheese and yoghurts, as well as a range of milk drinks.

Infrastructure and mining

- 3.65 According to DFAT, the Gulf states are prioritising infrastructure development, with an emphasis on transportation, housing, education facilities, and healthcare. For example, the Saudi Government has allocated US\$120 billion for social infrastructure, including for building schools, universities, and hospitals. Infrastructure projects also include the US\$22.5 billion Riyadh Metro and the 900 kilometre Saudi land-bridge. Elsewhere, freight and passenger rail has become a 'nation building' mandate across much of the GCC. Requiring an estimated US\$106 billion

investment, the proposed GCC rail network will connect Oman, UAE, Saudi Arabia, Qatar, Kuwait, and Bahrain.⁵¹

- 3.66 DFAT submitted that the UAE is developing its own extensive rail network, at an estimated cost of US\$11 billion, as part of the GCC rail network.⁵² Austrade's Grame Barty stated that the UAE wanted Dubai to become the main logistics hub for the region:

One is 1,800 kilometres of rail across the Emirates that will also link up with Saudi Arabia. That is to be completed by 2018, so it is about \$6 billion worth of rail to be deployed over a four to five year period. It is strategic in that it also bypasses the Strait of Hormuz, so it is an alternative route through Oman, for example. But the real aim is to link the logistics hub from air and port with rail and to marry that across the Emirates and across to Saudi Arabia...It is a very strategic deployment and it is also connected to the logistics hub of Dubai, which will be a very powerful global logistics hub very shortly.⁵³

- 3.67 Mr Barty contended these rail projects would also create opportunities for Australian companies with the necessary expertise in building or operating long-haul and bulk handling railways in dry, sandy conditions:

So one of the areas of interest for Australia is that Australia is expert at creating long haul freight rail over desert conditions and harsh environments. That has been clearly acknowledged and we recently had a rail mission to Dubai and Abu Dhabi. We took 22 companies – including some Queensland companies, I am sure – and that was very well received. So we have already started some training and I know that commercially a reasonable deal will be signed...⁵⁴

- 3.68 Mr Barty stated another major of interest to Australia was the construction of the 175 kilometre metro rail network throughout Saudi Arabia's largest city, Riyadh, with a population of four million:

That is again a significant deployment over a very short time frame – about four years – and has a number of social benefits as well as purely transport infrastructure benefits. For example, women will be able to travel in the same carriage – in a segregated area, but in the same carriage. But it is a rapid deployment and Australians have been involved in advising on that project. There

51 Department of Foreign Affairs and Trade, Submission 9, p. 28.

52 Department of Foreign Affairs and Trade, Submission 9, p. 28.

53 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 3.

54 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 3.

have been subcontractors doing work on the project. Australia has the six largest rail networks in the world and we are very highly regarded for long haul freight rail and bulk port handling. We also have a lot of metro rail expertise. So that is a very good opportunity for us.⁵⁵

- 3.69 According to DFAT, Kuwait's five year National Development Plan will see it spend US\$107 billion on upgrading infrastructure and improving the efficiency of the oil industry.⁵⁶
- 3.70 Qatar's successful bid to host the FIFA World Cup in 2022 has also created a US\$100 billion construction boom, including the building of nine new stadiums and renovation of three existing stadiums, 90,000 hotel rooms, and a new international airport. The UAE will host the World Expo 2020, the 2019 Asian Cup football competition, and is also considering bidding for the FIFA Youth Games, and the 2024 Olympics.⁵⁷
- 3.71 The Chief Executive Officer of the Australia Arab Chamber of Commerce and Industry, Mrs Suzannah Moss-Wright, told the Committee about a Western Australian mining company Byrncut Offshore that has been successfully operating an underground mine in Saudi Arabia for more than two decades. She said Byrncut Offshore's management of risk was a major reason behind its ongoing success:

The thing that has stood out for me is their ability to manage risk. Any company wishing to move into the Middle East region and operate there needs to have a very rigorous due diligence process because it is a totally different corporate environment. The ability to manage risk is probably the single factor that separates those who succeed from those who do not succeed.⁵⁸

Delegation discussions relating to rail and mining

- 3.72 During its visit to the UAE, the Committee delegation was briefed by Austrade Senior Trade Commissioner, Mr Gerard Seeber, on the opportunities in both infrastructure and mining sectors for Australian companies in the Middle East.

55 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 3.

56 Department of Foreign Affairs and Trade, *Submission 9*, p. 28.

57 Department of Foreign Affairs and Trade, *Submission 9*, p. 29.

58 Mrs Suzannah Moss-Wright, Australia Arab Chamber of Commerce and Industry, *Committee Hansard*, Canberra, 25 June 2014, p. 4.

- 3.73 According to Mr Seeber, Austrade expects opportunities in supporting the building and operation of the new GCC rail network spanning more than 2,000kms to link Oman, UAE, Saudi Arabia, Qatar, Kuwait and Bahrain by 2018 at an estimated cost of US\$130 billion. Austrade believes Australian companies can offer expertise across railway management, consulting and engineering services. With minimal past experience of constructing or running railways, the Gulf states are seeking guidance and support internationally on track construction and maintenance, all forms of rolling stock, signalling, communications, training, and workshop services.
- 3.74 The delegation met an Australian rail consultant with Saudi Arabia Railways, Mr Kent Donaldson, in Riyadh. He raised some of the issues the operators of the recently completed new rail lines and train stations will face from the harsh desert environment. The ever present desert sand will increase wear and tear on train wheels and the tracks. This is a similar issue to that faced by the Australia mining companies and their iron ore trains in the Pilbara.
- 3.75 According to Mr Seeber's brief to the Committee delegation, Austrade is expecting strong growth in the mining sector to create opportunities across the mining supply chain for Australian companies, including those providing geological services, mining equipment, minerals processing, environmental management, mine safety, and research. Mr Seeber believes Australian expertise is highly-regarded and sought after because of Australia's well-established and successful mining sector.
- 3.76 The MENA countries with the biggest potential in mining are:
- Morocco with 70 per cent of the world's phosphate, and significant reserves of gold, silver, uranium, zinc, iron ore, copper and rare earth elements;
 - Saudi Arabia, which is the largest producer of gold in the Middle East, also has reserves of phosphate, bauxite and tantalum; and
 - UAE, which has limited mining opportunities for limestone, gabbro, and dolomite.
- 3.77 During its visit to Saudi Arabia, the delegation attended a meeting with the President of the National Industrial Clusters Development Program, HE Dr Khalid Mohammed Al Salem, and the program's vice presidents.
- 3.78 The main aim of these industrial clusters in various non-oil sectors is to create skilful jobs for Saudi nationals. The program will support foreign investors with their feasibility studies, find land to develop and help them with the opportunities. He stated the government will also offer tax incentives and with the training of new Saudi staff.

- 3.79 The aim of the Minerals & Metals Processing Cluster, according to Vice President Mr Turki A. Al-Babtain, is to develop mining into the number three industry behind the oil and petrochemical sectors, and he told the delegation that he wanted Australia's help and expertise in mining to get new projects underway, especially in rare earths.
- 3.80 The delegation also participated in a roundtable meeting with the Council of Saudi Chambers in Riyadh. The Assistant Secretary General for Foreign Affairs, Council of Saudi Chambers, Mr Waleed H. Alorainan, indicated that the Saudi mining sector was interested in training, and closer cooperation with Australian mining companies. Mr Alorainan said Saudis were looking for more Australian mining companies to get involved as mining will be pushed by the government, especially as the oil price lowers.

Water and energy infrastructure and management

- 3.81 Australia's national science agency CSIRO submitted that opportunities exist for Australian companies with experience in water infrastructure and sustainable water usage, as the Middle East's high temperatures and low precipitation levels make it one of the world's driest regions:
- ...the similarities between Australia and the Middle East in climate, understanding of arid conditions and access to sunlight mean that Australia has significant opportunities to collaborate with Middle Eastern countries to deal with the specific issues and opportunities these conditions present.⁵⁹
- 3.82 On average only 78 mm of rain falls on the UAE yearly, according to the United Nations Food and Agriculture Organisation's Aquastat Survey 2013.⁶⁰
- 3.83 According to Austrade, local businesses and households in the UAE continue to embrace the use of modern water technologies, resulting in the upgrading and installation of more efficient irrigation mechanisms including water efficient plumbing, piping and water sourcing.

59 CSIRO, *Submission 12*, p. 6.

60 Austrade, *Water Solutions*, viewed 3 December 2015, <<http://www.austrade.gov.au/Australian/Export/Export-markets/Countries/United-Arab-Emirates/Industries/water-solutions>>.

Regulations have also been implemented to improve water use management.⁶¹

- 3.84 According to the Minister for Trade and Investment the Hon Steven Ciobo MP, Austrade will re-open its office in Tehran, Iran, in 2016 to assist Australian companies with expertise in water infrastructure and sustainable water usage seek out new opportunities in Iran:

Water management is a critical resource issue for Iran and Australia is very well placed to provide policy and research advice in this regard. This industry sector is expected to be a major area of opportunity for Australian technology and service companies.⁶²

- 3.85 An Australian consultancy, Seventh Sense, which provides high-level regulation, policy, planning and strategy advice to government departments in the UAE sees good opportunities for Australian expertise on water regulation, management strategies and planning, and also in improving water efficiency by the use of technology and rating systems.⁶³
- 3.86 According to Austrade, the UAE Government spends in excess of US\$800 million annually on maintaining water desalination plants with estimates this cost will continue to grow to over US\$3.22 billion by 2016.⁶⁴
- 3.87 Following the success of various water infrastructure projects throughout Australia, Austrade has identified numerous possibilities for companies to effectively enter the water sector in the UAE, including:
- water management
 - green building expertise
 - facility management
 - project management
 - building materials and products.⁶⁵
- 3.88 The Managing Director of Seventh Sense, Mr Ibrahim Awad, claimed the University of Technology Sydney wants to develop an Institute for

61 Austrade, *Water Solutions*, viewed 3 December 2015, <<http://www.austrade.gov.au/Australian/Export/Export-markets/Countries/United-Arab-Emirates/Industries/water-solutions>>.

62 S Ciobo (Minister for Trade and Investment), *Renewed commercial relationship with Iran*, media release, Parliament House, Canberra, 15 March 2016.

63 Seventh Sense, *Submission 41*, p. 2.

64 Austrade, *Water Solutions*, viewed 3 December 2015, <<http://www.austrade.gov.au/Australian/Export/Export-markets/Countries/United-Arab-Emirates/Industries/water-solutions>>.

65 Austrade, *Water Solutions*, viewed 3 December 2015, <<http://www.austrade.gov.au/Australian/Export/Export-markets/Countries/United-Arab-Emirates/Industries/water-solutions>>.

Sustainable Futures with the Center of Waste Management in Abu Dhabi.⁶⁶

- 3.89 Mr Awad expects there will be opportunities for Australian expertise in demand management strategies, solar heating, and solar photovoltaics as the UAE government remove some of its water and energy subsidies:

There is good potential for some of these companies to move into the Middle East to try to find a footing. At the moment, it is premature because there are a lot of subsidies and the cost-benefit is limited, but that is changing very quickly. We need to be aware of that and position ourselves for those changes.⁶⁷

Services

- 3.90 Australian design, engineering, and construction companies are already well represented in markets of the Gulf, contributing to the Dubai Metro, Dubai Airport, sewerage treatment plants, water desalination, hotels and buildings, master planning, and gas and power plant design. According to DFAT, the UAE's strategy to position itself as a business and financial hub is creating potential for Australian firms. Opportunities also exist in finance and banking, business services, legal services and consultancy.⁶⁸
- 3.91 The Director of the Export Council of Australia, Mr Stephen Deady, asserted Australian service providers had a good reputation in the Middle East:
- ...the success of Australian service providers, particularly to the UAE, was very significant and demonstrated that Australia does have the capacity to provide those sorts of exports to the world but particularly to that region where Australia is held in very high regard. In the UAE we did create a real niche in the sense that the UAE saw Australia as a very competitive supplier. One of the strengths of Australian exporters is their flexibility and ability to deal with particular problems and overcome them.⁶⁹
- 3.92 Mr David Mitford-Burgess, a consultant with the Links Group, which assists businesses from Australia, and also from the UK and US, with the set-up of limited liability companies, branch offices, representative offices,

66 Mr Ibrahim Awad, Seventh Sense, *Committee Hansard*, Sydney, 9 September 2014, p. 3.

67 Mr Ibrahim Awad, Seventh Sense, *Committee Hansard*, Sydney, 9 September 2014, p. 3.

68 Department of Foreign Affairs and Trade, *Submission 9*, p. 29.

69 Mr Stephen Deady, Export Council of Australia, *Committee Hansard*, Canberra, 1 October 2014, p. 1.

professional services, licences and unincorporated association agreements in the UAE and Qatar, saw diverse opportunities beyond hospitality, tourism, construction and related services:

...the UAE has prioritised the growth of the Islamic economy, green technology and finance sectors over the next 10 years. Having said that, Dubai currently has an ambitious growth strategy for its hospitality sector. The hospitality sector is proving to be a big draw among international players with Dubai expecting 20 million tourists by the end of the decade.⁷⁰

- 3.93 The Chief Executive Officer of Aspen Medical, Mr Bruce Armstrong, told the Committee that the Australian medical services provider has been expanding rapidly since entering the Middle East healthcare market in 2011 by going into partnership with the Abu Dhabi Police department in the UAE to provide a new ambulance service in Abu Dhabi:

National Ambulance has been providing emergency services since 2011 and it has expanded through the region to now include over 600 staff and 200 dedicated emergency vehicles operating in six of the seven emirates in the UAE. National Ambulance also provides helicopter emergency medical services to each of the 14 Abu Dhabi National Oil Company subsidiary companies across 17 sites. ADNOC is one of this world's top 10 oil and gas companies.⁷¹

- 3.94 Aspen Medical also delivers care-of-battlefield-casualties training in the UAE, including for up to 20,000 military trainees recruited under the UAE's recently introduced national military service program:

Training is delivered across 17 sites for the UAE Army, Navy, Air Force, Presidential Guard and Customs service personnel. All courses are delivered in field locations by mobile training teams certified through the American Heart Association. Aspen Medical has provided advanced clinical trauma training for approximately 650 UAE personnel prior to their deployment on combat operations in Yemen.⁷²

- 3.95 Aspen Medical has also been short-listed to provide primary health care centres in the UAE's regional areas and also in other Gulf states.⁷³

- 3.96 According to DFAT, the growth in the hospitality industry in the region, particularly in the Gulf, has the potential to provide new opportunities for

70 Mr David Mitford-Burgess, The Links Group, *Committee Hansard*, Sydney, 9 September 2014, p. 27.

71 Mr Bruce Armstrong, Aspen Medical, *Committee Hansard*, Canberra, 2 December 2015, p. 1.

72 Mr Bruce Armstrong, Aspen Medical, *Committee Hansard*, Canberra, 2 December 2015, p. 2.

73 Mr Glenn Keys, Aspen Medical, *Committee Hansard*, Canberra, 2 December 2015, p. 2.

Australian companies involved in design, engineering, construction, food and beverages, and in particular tourism training. Under the UAE's *Tourism Vision for 2020*, Dubai is looking to double its tourist intake to 20 million per annum by 2020. Dubai currently has 85,000 hotel rooms and is aiming to provide 140,000–160,000 by 2020.⁷⁴

3.97 The UAE, Bahrain, Qatar, Kuwait and Saudi Arabia all have growing interest in sports and major events such as Qatar hosting the FIFA World Cup in 2022 and the World Expo in UAE in 2020, which will be creating demand for more services and related tourism and infrastructure projects. Oman is promoting high value tourism through its Vision 2020. Expecting a sixfold increase in arrivals by 2020, the Muscat International Airport will be upgraded and a range of resort projects are also planned.⁷⁵

3.98 Mr Awad told the Committee his company, Seventh Sense, was first established in the UAE a decade ago. Seventh Sense has provided high-level advice on regulation, policy, planning and strategy for more than 33 projects for over 10 state government clients in the UAE, and also worked for more than 10 private sector clients.⁷⁶

3.99 Mr Awad argued there was strong demand across the UAE for Australian knowledge on green building design, sustainable development, master planning of communities, expansion of the tourism industry, organic farming and growing organic produce. While some experts consider Australia's building regulations 20 years ahead of those in the UAE, Mr Awad believed the state governments of the UAE's federation of seven sheikhdoms were quickly catching up:

Here [in Australia], green building requirements or schemes are largely voluntary in nature; over there, they have made them mandatory. They have legislated. And there is no better driver than a regulatory driver for doing business, because it is mandated. For example, in Dubai and Abu Dhabi they have green building legislation which says that all new developments, all new buildings, must comply with minimum green building standards. That has created a lot of demand for green building design, green building technologies, and green building products and supplies.⁷⁷

3.100 Mr Awad also saw potential for Australian advice on how to certify and regulate organic farming and organic produce:

74 Department of Foreign Affairs and Trade, *Submission 9*, p. 29.

75 Department of Foreign Affairs and Trade, *Submission 9*, p. 29.

76 Mr Ibrahim Awad, Seventh Sense, *Committee Hansard*, Sydney, 9 September 2014, p. 1.

77 Mr Ibrahim Awad, Seventh Sense, *Committee Hansard*, Sydney, 9 September 2014, p. 2.

Australia probably has the largest area of land with organic farming and is a leader in producing organic produce as well as organic products. In Abu Dhabi, the Quality and Conformity Council, which is one of our existing clients, is looking at a scheme to develop mandatory standards and certifications for organic products, green building products, and energy and water rating schemes, which is what we have here in Australia – our appliances have water energy ratings – they are looking at doing the same thing. There are all these emerging opportunities...with the clients we work with.⁷⁸

- 3.101 The Emiratis will look to Western companies and Western consultancies as world leaders in most fields, according to Mr Awad, who used to be the head of environment and sustainability for Australian construction company Bovis Lend Lease overseeing their Middle East operations. Australia's major competitors in the UAE are companies from the United Kingdom, Canada, United States, Germany and France but Mr Awad says Australian companies remain very highly regarded:

Western companies during the financial crisis packed up and left. In the UAE...It is about building relationships and about respecting culture and understanding culture and maintaining loyalty. At the time the financial crisis hit in 2008-09, a lot of companies packed up and left. We stayed and they were our best years because we were able to maintain relationships.⁷⁹

Education

- 3.102 According to DFAT, there are 'extensive opportunities for education providers to pursue in the Middle East, with young populations driving growth in demand for education':

A number of markets in the region, such as Saudi Arabia, are developing their vocational education and training sector to reduce the dependence on foreign labour, address domestic skill shortages, and tackle growing unemployment.⁸⁰

- 3.103 The University of Wollongong, which has a well-established campus in Dubai, submits there is a huge demographic window of opportunity for Australian universities and colleges during the next 10 years to help

78 Mr Ibrahim Awad, Seventh Sense, *Committee Hansard*, Sydney, 9 September 2014, p. 2.

79 Mr Ibrahim Awad, Seventh Sense, *Committee Hansard*, Sydney, 9 September 2014, p. 2.

80 Department of Foreign Affairs and Trade, *Submission 9*, p. 29.

educate the Middle Eastern people. The MENA region's employable population is expected to almost double by 2050 to reach 278 million from the current 145 million:

Over the next decade the UAE's population is expected to be at its peak, resulting in the most rapid growth of young people as a proportion of the population in recorded human history. This shift, especially the unprecedented rapid increase in the proportion of young people and the broader integration of women into the workforce will have significant impact on the region.⁸¹

3.104 According to a 2013 report 'Out of the Shadows' by the Talent Enterprise, growing numbers of highly-educated women who typically achieve higher education outcomes than their male counterparts in the GCC are due to enter the workforce over the next decade. The Middle East region will have the fastest increase in female labour force participation in the world and government policies (especially in Saudi Arabia) are already geared to reducing unemployment among local women.⁸²

3.105 These factors will alter not only alter the size and quality of the workforce supply, but the associated education and training requirements. According to a 2014 study 'The Path Toward Human Capital Excellence' by the Talent Enterprise, the FIFA World Cup in Qatar and World Expo 2020 in Dubai will help create employment opportunities. The University of Wollongong submission stated that up to 300,000 additional jobs could be created in Dubai by 2020 with over 25 to 30 million people expected to visit the UAE during the Expo:

Careers in retail, hospitality, event management, media and the arts will be increasingly promising and exciting for Emirati youth. The Australian education sector is well placed to provide the vocational education, blended learning methods and qualification based training programs important to meet demand.⁸³

3.106 Aspen Medical's Glenn Keys stressed to the Committee the value of Emiratis, who have studied at Australia universities, returning to the UAE with a favourable attitude about Australians and their skills. Mr Keys recalled it was a 'strong help' for Aspen Medical that a number of Emiratis it engaged with, who were alumni of Australian academic institutions, had initiated contact with Austrade looking for expertise in developing a new ambulance service for Abu Dhabi.⁸⁴

81 University of Wollongong, *Submission 45*, p. 4.

82 University of Wollongong, *Submission 45*, p. 4.

83 University of Wollongong, *Submission 45*, pp. 4 - 5.

84 Mr Glenn Keys, Aspen Medical, *Committee Hansard*, Canberra, 2 December 2015, p. 3.

- 3.107 Associate President of the Middle East, North Africa and Central Asia program at Monash University, Dr Nizar Farjou, told the Committee that hosting international students from the Middle East will be important for building relations between Australia and the Middle East:

I am proud to say we have, now, four of our PhD graduates who are deans in different universities, and in the military. Actually, not only that – Monash was kind enough to give them adjunct appointments, so they are continuing the good work with us, and they are really ambassadors for us. Each year, at the Australian Embassy in Riyadh – and we take part in this – they hold an alumni event during the education exhibition, and we can meet all our graduates over there.⁸⁵

- 3.108 The Deputy Vice-Chancellor and Vice-President of Global Engagement at Monash University, Professor Abid Khan, agreed with Dr Farjou on the positive influence many of these alumni from Australian universities, who return home to careers in government, military or business, can have on strengthening the bonds between Australia and Middle Eastern countries:

Graduates from the good universities seem to do okay in a range of jobs. A lot of them are in the public sector. The public sector is huge in the Middle East... It is fair to say that our sector in the whole of Australia produces global graduates who go on to do exceptionally well. They really do top the tiers in terms of the roles they go into. It is very impressive, actually.⁸⁶

- 3.109 Dr Farjou also explained why Australia may not be as preferred a destination for students from Saudi Arabia on the King Abdullah's Scholarship Program as the US universities. He said it was mostly due to Australian universities having reached near full capacity for numbers of Saudi students in the view of the Kingdom's education authorities:

What we mean is that it is not a preferred destination because the Saudis think that Australia is saturated now with Saudi students. We have 10,000 scholarship students from Saudi Arabia, which make the number, with their dependents, around 18,000 Saudis in different universities.⁸⁷

- 3.110 Professor Khan said that he believes Australian universities do have the capacity to take more Saudi students but they will need to give international students a 'much more rounded experience' to attract them:

85 Dr Nizar Farjou, Monash University, *Committee Hansard*, Melbourne, 17 October 2014, p. 35.

86 Prof Abid Khan, Monash University, *Committee Hansard*, Melbourne, 17 October 2014, p. 35.

87 Dr Nizar Farjou, Monash University, *Committee Hansard*, Melbourne, 17 October 2014, p. 31.

The biggest issue they had identified collectively is this sense of international students coming in and being treated too much as a clustered cohort that then saturates a particular subject, discipline or area. In fact, since I took over this role, my big strategic push – certainly within Monash, and I would hope it would be adopted more broadly – is around diversification, so that people move away from the default that people from certain regions will go into business, people from another region will go into IT et cetera. We have viewed parts of the Middle East within that context as a diversification argument.⁸⁸

- 3.111 The Deputy Director International at Deakin University's Centre for Citizenship and Globalisation, Professor Shahram Akbarzadeh, told the Committee that the fact Australia is not the United States is what makes it more appealing to some Middle Eastern students and their families:

...there is a romantic view of Australia in the Middle East. Australia is seen as a land of kangaroos and koalas and everything is all fun and surf. Queensland is quite popular among wealthy Gulf families as a holiday destination. That spills into education at universities in Queensland. So Griffith University has a high enrolment from the Gulf region, I believe, because of that... That positive image is now becoming a bit shaky, I must admit, given that we do have a military presence in the region and are involved in military operations in Iraq and Syria. The political backlash that is traditionally directed against the United States is now coming somewhat towards Australia as well. But by and large Australia still enjoys quite a benign image in the region.⁸⁹

- 3.112 Professor Akbarzadeh argued universities in the US still remain an attractive drawcard for many Middle Eastern international students and their families. According to the US Department of Commerce, there were more than 111,000 Saudi students studying at US universities in 2014:

I think it is popular cultural clout a lot more than political clout. There are a lot more opportunities in America than in Australia or any other place. There are so many more universities and job prospects. With the people who have gone, there is always a chain movement of populations and people – their brothers, their uncles

88 Prof Abid Khan, Monash University, *Committee Hansard*, Melbourne, 17 October 2014, p. 31.

89 Prof Shahram Akbarzadeh, Deakin University, *Committee Hansard*, Melbourne, 17 October 2014, pp. 19-20.

have gone to universities in the United States and they would like their nephews and cousins to go as well.⁹⁰

- 3.113 Monash University's Professor Khan said the high ranking and strong reputation of many American universities was what attracted so many students from Saudi Arabia and elsewhere in the Middle East to prefer to study in the US:

The US has a number of dominant universities; a very high number are ranked in the very high rankings. That is a bit of a game changer, because the way the world is working now quite often the major scholarship bodies just look to see who is in the top 50, who is in the top 100 and who is in the top 200. That is the first page they go to. A very large number of students will default to going somewhere irrespective of whether it is the best culturally holistic destination.⁹¹

- 3.114 From his own visits to Middle Eastern campuses, Professor Akbarzadeh believes many Australian universities are not at all well known in the region and Australia needs to lift its universities' profiles in a highly competitive international marketplace.⁹²

- 3.115 Monash University's Professor Khan said opportunities exist in the Middle East for Australian universities to undertake scientific research collaboration in fields such as medical science for example:

We have really seen a seismic shift in scale of research endeavours that that our competitors are bringing into the region. It is seen as a laboratory environment in many ways for some of the pressing issues facing the world. There are water management issues, lifestyle issues and health issues. So some of our larger competitors – organisations like Imperial College, just to use an alma mater of mine – are running a lot of their diabetes research work out of the Middle East...I imagine they are finding financial support there for large-scale research programs that are very hard to do in-country these days.⁹³

- 3.116 The University of Sydney's Vice Chancellor Dr Michael Spence submitted that his university was actively seeking out opportunities for closer linkages with leading research and educational organisations in MENA:

90 Prof Shahram Akbarzadeh, Deakin University, *Committee Hansard*, Melbourne, 17 October 2014, p. 20.

91 Prof Abid Khan, Monash University, *Committee Hansard*, Melbourne, 17 October 2014, p. 33.

92 Prof Shahram Akbarzadeh, Deakin University, *Committee Hansard*, Melbourne, 17 October 2014, p. 20.

93 Prof Abid Khan, Monash University, *Committee Hansard*, Melbourne, 17 October 2014, p. 30.

Fields where we see current or emerging synergies of interest between the region and Australia are in engineering broadly; urban and social service planning; agribusiness; soil science and salinity; renewable energy; the food-water-energy nexus; and the whole spectrum of health issues. We observe particularly strong expansion and investment in the health systems across the Gulf States. This is likely to continue as their middle classes expand, the burden of lifestyle related diseases grows, and community expectations about the quality of health care increase.⁹⁴

- 3.117 The ANU's Centre for Arab & Islamic Studies teaches an estimated 1,000 undergraduate students a year across Middle Eastern studies, Central Asian studies, contemporary Islamic studies, and also Arabic, Persian and Turkish languages. Associate Professor at CAIS, Professor Matthew Gray described the centre at ANU as 'unique':

We are unique in Australia in terms of covering the Middle East, Central Asia and contemporary Islam together, but we are also one of a handful of places around the world that join these three areas of study or examination together...unique in terms of having the spread of teaching, research, policy impact work, media work and service to the various professions that we represent.⁹⁵

- 3.118 CAIS's role is to teach students at every level – undergraduate, postgraduate, research students doing doctoral and other research degrees – to conduct academic research on the Middle East, Central Asia and the study of contemporary Islam and to become available as a pool of expertise.⁹⁶ Professor Gray told the Committee that Australia's 'successful' multiculturalism policy is also important for building closer links:

We have a significant Muslim population in Australia, a significant Middle Eastern population...and we have a large number of Middle Easterners who are not Muslim...the government has done quite a good job of...making Australian multiculturalism really quite successful. When you look at some of the problems abroad and some of the backlash against multiculturalism in, say, parts of Western Europe, our experience has been quite positive.⁹⁷

94 University of Sydney, *Submission 11*, p. 1.

95 Prof Matthew Gray, Australian National University, *Committee Hansard*, Canberra, 24 September 2014, p. 1.

96 Prof Matthew Gray, Australian National University, *Committee Hansard*, Canberra, 24 September 2014, p. 1.

97 Prof Matthew Gray, Australian National University, *Committee Hansard*, Canberra, 24 September 2014, p. 2.

Australian universities in the Middle East

- 3.119 Besides Middle Eastern students gaining education in Australia, US, Canada and the UK, many international universities have also established campuses in the UAE. According to the University of Wollongong, which has a campus in Dubai, the higher education market within UAE has demonstrated excellent growth but is subject to an increasing level of competition from other foreign universities setting up in the region.
- 3.120 According to research conducted by Dubai International Academic City (DIAC), in conjunction with Deloitte, the UAE is currently ranked the fourth most attractive education destination in the world, for students from the Middle East, Africa and Asia. Between 2008 and 2013, the growth rate of university enrolments in Dubai was 7.5 per cent. During this time the number of universities in the Emirate has expanded from 51 to 57. According to the Knowledge and Human Development Authority (KHDA), there were 48,058 students enrolled in Dubai's private and public universities in 2012.⁹⁸
- 3.121 To help build their profile in the Middle East, Deakin University's Professor Akbarzadeh believes some Australian universities not named after major Australian cities should consider establishing campuses in the Gulf states to gain recognition. While Saudi Arabia is funding its students to attend overseas universities, the Gulf states are also seeking to encourage many of its students to study at home universities:

Saudi Arabia has a very generous scholarship scheme that encourages its students to take up higher education outside Saudi Arabia. The UAE and Qatar have a different policy, a different approach to this. They are trying to build capacity in their own countries, so they invite universities in and they are assisting – in fact subsidising – universities to operate. Georgetown University, which has a campus in Qatar, is effectively operating completely on a subsidy from the Qatar Foundation. They have a very nice deal. There is potential either way. There is potential for attracting students or for Australian universities setting up a presence.⁹⁹

University of Wollongong Dubai

- 3.122 The University of Wollongong (UOW) submitted that it has a long history in the Middle East, particularly in the United Arab Emirates, having established the first foreign university campus in the country in 1993.

⁹⁸ University of Wollongong, *Submission 45*, p. 3.

⁹⁹ Prof Shahram Akbarzadeh, Deakin University, *Committee Hansard*, Melbourne, 17 October 2014, p. 20.

Originally known as the Institute for Australian Studies, the University of Wollongong in Dubai (UOWD) now hosts over 4,000 students, has 23 accredited degree programs in finance and accounting, business and management, computer science and engineering and more recently in humanities. The university also has a dedicated language centre. In September 2014, UOWD recorded the highest intake in its 21 year history, with more than 1,000 new students enrolled for the autumn semester. The university now boasts an international alumni network of more than 7,000 members.¹⁰⁰

- 3.123 Despite the growth in enrolments, UOWD has had mixed success in maintaining its position within this fast growing, yet highly competitive education market in the UAE. UOWD's market share in Dubai has declined from 6.2 per cent in 2008 to 5.5 per cent in 2013:

The education market in the UAE is quite clearly differentiated into two streams. The first being management programs designed specifically to promote the local Emirati population, usually working in the public sector, to senior management positions. These Emirati students are often drawn to the local public and private universities – including the three federal universities, which are free to the local population, such as Zayed University.¹⁰¹

- 3.124 For the expatriate community from countries such as India, Bangladesh, Pakistan, who make up 80 per cent of the UAE population, UOWD is now competing in Dubai with European institutions such as the London Business School, and the European Institute for Business Administration (INSEAD) in Abu Dhabi and the HEC Paris business school in Qatar. According to UOWD this plethora of international education institutions means that it has become increasingly difficult for students to differentiate quality products.¹⁰²

- 3.125 The UOWD believes the Australian Government needs to increase the international marketing of Australia's universities and colleges in an increasingly competitive international education marketplace.

Strengthening the international reputation of Australia's education system in comparison to the United States and the United Kingdom is essential to ensuring that our institutions remain a competitive choice in this busy education market.¹⁰³

100 University of Wollongong, *Submission 45*, p. 2.

101 University of Wollongong, *Submission 45*, pp. 3 - 4.

102 University of Wollongong, *Submission 45*, p. 4.

103 University of Wollongong, *Submission 45*, p. 4.

Delegation discussions relating to Middle Eastern universities and vocational training colleges

- 3.126 During its visit to Middle East, the Committee delegation held meetings with the senior staff of a number of university or college campuses in UAE, Saudi Arabia and Kuwait. The delegation inspected a university and two vocational colleges.
- 3.127 In the UAE, the Committee delegation held a meeting with the Director of Administration and Strategy at the University of Wollongong Dubai (UOWD), Mr Brett Lovegrove, and other UOWD staff followed by a tour of the campus in Dubai.
- 3.128 Mr Lovegrove told the delegation that the UOWD was established 1993 and has since been joined by another 80 educational institutions from around the world. The UOWD is wholly owned by the University of Wollongong and has a turn-over of about \$40 million. Mr Lovegrove estimated it returns about 15 per cent of its profit to the University of Wollongong.
- 3.129 The Committee delegation heard that UOWD was targeting 6,000 enrolments. Mr Lovegrove stated that enrolments in UOWD's post-graduate courses had dropped about 20 per cent from 1700 in 2014 to 1300 in 2015. This was due mostly to the Australian government's requirement that the duration for post-graduate programs be not less than 18 months. As of 1 January 2015, the level 9 requirement of the Australian Qualification Framework stipulates that the volume of learning must be equivalent of 18 months full-time for a masters. This stipulation made it harder for UOWD to compete with other international universities in Dubai, which offered 12 month programs for a masters. The UOWD Wollongong believed that those students with a level 8 qualification in an undergraduate degree should be allowed to skip some of those subjects so they can complete their masters within 12 months.
- 3.130 Mr Lovegrove told the delegation that about 80 different nationalities were enrolled at UOWD with about 15 per cent being Emiratis. Many of the students were coming from India or were Indian nationals growing up in the Emirates, and also from south Asia and North Africa.
- 3.131 Mr Lovegrove gave the example of a Pakistani student who would find obtaining a student visa for the UAE much easier than a student visa for Australia. All courses are taught in English. Currently Dubai, according to Mr Lovegrove, is a more expensive place than Australia for education due to strength of the US Dollar, but many parents prefer to keep their children studying closer to home.

- 3.132 During its visit to Saudi Arabia, the Committee delegation saw firsthand the Saudi push into vocational education and training (VET) at an aviation college joint venture between a Saudi investor, and a Queensland college. Saudi Arabia wants to make its youth more job ready, according to the Dean of the Aviation Australia Riyadh College, Mr Colin Jameson. Mr Jameson told the Committee delegation that the 25,000 square metre purpose-built aviation college is a training provider under the Saudi Colleges of Excellence initiative. According to the Chairman of the Board of Directors, Mr Turki Bin Abdulaziz Bin M. Al-Saud, the initiative is designed to raise awareness and status of vocations and vocational training to provide an alternative employment pathway for Saudi youth.
- 3.133 The delegation toured the college to watch instructors provide professional hands on training through the practical elements of aircraft maintenance so the students can combine theory learning with doing.
- 3.134 During its visit to Kuwait, the Committee delegation inspected the Australian College of Kuwait (ACK) and a tour of the campus which included a state of the art computerised ship simulator on a deck with steering wheel and also a hangar with a variety of aircraft for flight engineer training.
- 3.135 The Chairman of the Board of Trustees of the ACK, Mr Abdullah A. O. Al-Sharhan, told the delegation that accessing the Australian-style of vocational education system has helped more than 70 per cent of the 4,000 graduates of the college find employment. About 85 per cent of the student intake was Kuwaiti.
- 3.136 Mr Al-Sharhan stated the college offered a broad range of courses, including electrical, mechanical and petro-chemical engineering. ACK is unique in the Gulf region, according to Mr Al-Sharhan, by offering a basic education alongside courses such as aircraft maintenance. The students receive a lot of practical training, and then further vocational training with an airline.
- 3.137 ACK's business management course was linked with the University of Central Queensland. The management of ACK found the University of Central Queensland was more flexible in its dealings with its Kuwaiti business students than some other Australian universities. ACK also teaches its students skills in time management, communication and ethics.
- 3.138 During its visit to Saudi Arabia's Shura Council, the Committee delegation held a roundtable with the Saudi-Australia Friendship Committee. Member of the Shura Council and Professor of Family Medicine, Dr Lubna bint Abdulrahman Al-Ansari, raised whether Australian medical training schools would be able to assist Saudi Arabia with addressing the country's shortage of 2,000 family physicians or general practitioners. According Dr

Al Ansari, Saudi Arabia was in need of a well organised post-graduate program over three years to help address the shortage, due to her belief that too many Saudi medical students seek to become specialists, ahead of being general practitioners.

Tourism

- 3.139 The rapid expansion of flights from the Gulf states to Australia over the past decade has provided more opportunity to sell Australia as a tourism destination for both Gulf nationals and also to high numbers of expatriates from Australia, the UK, Europe and North America who work in the Middle East.
- 3.140 Potential exists to increase tourism visitors from the region, with Tourism Australia estimating the market will be worth over \$1 billion to the Australian tourism industry by 2020. Tourism Australia's focus is on the UAE and Saudi Arabia, and the high spending Gulf nationals travelling with family and friends as its target market.¹⁰⁴
- 3.141 Vice President of International and Public Affairs at Etihad Airways, Mr Vijay Poonosamy, saw potential in carrying more passengers to Australia. In 2016, Etihad Airways began using its newest aircraft on the Brisbane route from Abu Dhabi, and A380s to the Melbourne and Sydney routes:
- As a sign of our confidence in the Australian market, Etihad Airways will bring its newest and largest aircraft in June, with our direct B787-9 Dreamliner service to Brisbane and our A380 service to Sydney.¹⁰⁵
- 3.142 Etihad Airways wanted to use the A380 on its main Australian routes in 2016 so it can also offer to its wealthier passengers the opportunity to access Etihad's latest first class suites branded 'The Residence'. Etihad believe there will be demand from high-end travellers to access The Residence, which comprises of a living room, separate double bedroom, an ensuite shower room, and is accompanied by a personal butler service.¹⁰⁶
- 3.143 According to Tourism Australia, the popular activities many tourists from the Gulf states want to do includes visiting beach and coastal locations, enjoying hotel facilities, dining out and shopping. Shopping is the primary

104 Department of Foreign Affairs and Trade, *Submission 9*, p. 19.

105 Etihad Airways, *Submission 47*, p. 3.

106 Etihad Airways, *Submission 47*, p. 3.

activity of leisure travellers from the Gulf states, who are enthusiastic consumers of luxury goods. For Arab travelers, visiting religious landmarks is also an important activity.¹⁰⁷

- 3.144 Vice President of International, Government & Environment Affairs at Emirates Airline, Mr Will Lofberg, told the Committee that Emirates welcomed the state of Queensland actively marketing the Gold Coast for family holidays for Gulf nationals:

I know certain places like Queensland made a big push to make Australia attractive for Gulf families coming over. Gulf people do come in groups; they just happen to be in family groups. They spend a lot per head. So, in the push to attract big groups of Chinese visitors, I think it is also about quality of spend, not just numbers of people. Do not lose track of that.¹⁰⁸

- 3.145 Manager of International & Government Affairs at the Emirates Airline, Mr Trent Mumford, added that the Gold Coast has marketed itself to the Gulf states and some UAE nationals' with large families find the serviced apartments available on the Gold Coast appealing:

The Gold Coast has done a terrific job of marketing itself, particularly to UAE nationals and more broadly in the Gulf. It is seen as a very attractive destination and a family-friendly destination as well. Part of that has been the accommodation of two things. One is that the Gold Coast has gone out of its way and, from a government point of view, done things to make itself family friendly and friendly on religious grounds for them to visit.¹⁰⁹

- 3.146 According to DFAT, the \$135 cost of the visitor visa (subclass 600) Tourist stream to enter Australia available to GCC nationals applying on-line from overseas is argued to be internationally competitive, providing for multiple-entry for three months' stay, validity of two years, and approval within 24 to 48 hours. With over 13,800 students from the Gulf states studying in Australia, family visits provide an extra incentive to Gulf nationals considering a holiday in Australia.¹¹⁰

- 3.147 The National Chairman of the Australia Arab Chamber of Commerce and Industry, Mr Geoffrey Puttick, argued that if Australia can attract more tourism from the Middle East it will also help grow other trade opportunities:
-

107 Tourism Australia, *Submission 53*, pp. 2 – 3.

108 Mr Will Lofberg, Emirates Airline, *Committee Hansard*, Canberra, 29 October 2014, p. 3.

109 Mr Trent Mumford, Emirates Airline, *Committee Hansard*, Canberra, 29 October 2014, p. 3.

110 Department of Foreign Affairs and Trade, *Submission 9*, p. 19.

I see tourism from the region as an opportunity for us. I think it is an important opportunity because it helps support trade, creates a broader awareness of our culture and gives us the opportunity to better understand the people from within the region and their culture as well. The Arab people have a very good affiliation with Australians. We are well liked. We have a strong affinity as a country with them uniquely because we are probably one of the only countries that have an isolated camel population, which intrigues them.¹¹¹

- 3.148 Australia attracted 73,319 arrivals from Gulf Cooperation Council countries for the year ending September 2013, representing an increase of 13 per cent on the previous year. A high proportion of these arrivals were expatriates and non-GCC nationals. The Victorian Government estimated that two thirds of all visitors travelling to Australia from the GCC are expatriate residents from Australia, the UK, India and other countries.¹¹²
- 3.149 Tourism Research Australia's International Visitor Survey (IVS) for calendar year 2014 estimated visitors from the Gulf states of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE spent \$500 million in Australia for that year. Over the last five years, visitor arrivals from the Gulf states grew on average by 4 per cent, whilst growth in Tourism Australia's priority markets in Asia (China, Hong Kong, Japan, Indonesia, India, Malaysia, South Korea and Singapore) had an average annual growth rate of 9 per cent over the same period.¹¹³
- 3.150 While Qatar is not a significant inbound tourism market for Australia, Qatar is significant to the Australian tourism industry as a strategically located aviation hub in Doha, according to Tourism Australia.¹¹⁴
- 3.151 The National Chairman of the AACCI, Mr Geoffrey Puttick, believes that Tourism Australia and the state and territory tourism agencies could do more together to capitalise on the increasing numbers of flights to Australia from the region:

I think there is an opportunity where our tourism boards could probably work more closely with the tourism boards of those countries, particularly if you look at Jordan, for example, which has expressed that. It also enables us – if we collectively work with

111 Mr Geoffrey Puttick, Australia Arab Chamber of Commerce and Industry, *Committee Hansard*, Canberra, 25 June 2014, p. 2.

112 Victorian Government, *Answers to Question on Notice*, No. 6, p. 8.

113 Tourism Australia, *Submission 53*, p. 2.

114 Tourism Australia, *Submission 53*, p. 4.

them – to broaden the tourism coming into the country from outside of that region.¹¹⁵

- 3.152 Etihad Airway's Mr Poonosamy stated the airline was pleased with the growth in passengers numbers into Australia:

In 2014, we flew well over 900,000 guests to and from Australia, an increase of 17 per cent over the previous year. Over three-quarters of guests on our flights to Australia came from the United Kingdom, the UAE, Ireland, Germany, France, Greece, Lebanon, Italy, Serbia and Turkey.¹¹⁶

- 3.153 Australia only ranks 15th among all of the out of region destinations for residents from the Gulf states. As at year ending September 2014, Queensland was the most visited state by Gulf state nationals.

Gulf state nationals typically get away for the hot summer months to cooler destinations for a long holiday lasting at least three weeks and expatriates tend to take their annual leave vacation back to their native country.¹¹⁷

- 3.154 Tourism Australia submitted that leisure travellers from the Gulf states are majority male, with 50 per cent in the 18 to 34 years category.

They are mostly married with at least one child in the household, and travel in large, extended family groups of eight to twelve during the summer months. They are well educated, belong to the upper socio-economic strata and 40 per cent have an annual household income of over US\$50,000.¹¹⁸

- 3.155 Australia's two-way travel services trade with the Middle East was worth \$1.7 billion in 2012-13. The balance of these travel services, which include business travel, education-related travel, and other personal travel services, was in Australia's favour in 2012-13. Australia exported \$930 million of travel services and imported \$729 million.¹¹⁹

- 3.156 Just over two-thirds of Australia's global travel services exports to the Middle East are for education-related travel services with \$682 million from total travel services exports of \$930 million in 2012-13:¹²⁰

This reflects the relative importance of our education trade services with the Middle East. Given the high per capita income of

115 Mr Geoffrey Puttick, Australia Arab Chamber of Commerce and Industry, *Committee Hansard*, Canberra, 25 June 2014, p. 2.

116 Mr Vijay Poonosamy, Etihad Airways, *Submission 47*, p. 3.

117 Tourism Australia, *Submission 53*, p. 2.

118 Tourism Australia, *Submission 53*, p. 2.

119 Department of Foreign Affairs and Trade, *Submission 9*, p. 17.

120 Department of Foreign Affairs and Trade, *Submission 9*, p. 17.

the Gulf states, and the strong people-to-people links with Lebanon (approximately 76,450 people born in Lebanon are living in Australia), Egypt (36,533), Iraq (48,169) and Iran (34,454), the relative dominance of education-related travel reflects an underdeveloped tourism services trade with the Middle East.¹²¹

3.157 The current air services arrangements for the main Middle Eastern airlines permits Emirates and Etihad to operate a total of 154 weekly services between the UAE and Australia. In both March 2014 and March 2015, an additional 14 services per week were added under the bilateral agreement. Currently, Emirates operates 84 services per week across Sydney, Melbourne, Brisbane, Perth and Adelaide. Etihad will operate 32 services per week across Sydney, Melbourne and Brisbane, and daily services from Perth. Tourism Australia submitted:

During the calendar year 2014, Emirates carried 648,200 tourists to Australia, an increase of nine per cent compared to calendar year 2013. In 2014 Emirates carried 9.4 per cent of Australia's total international air traffic.¹²²

3.158 Qantas operates daily services from Sydney and Melbourne to Dubai, while Virgin Australia operates three services per week from Sydney to Abu Dhabi. Both Australian carriers code-share on services operated by their Middle Eastern partners (Qantas on Emirates, Virgin Australia on Etihad) from Australia to the UAE.¹²³

3.159 In September 2015, the Australian and Qatar governments announced approval of an expanded air services agreement to potentially increase the numbers of flights by 50 per cent and to new destinations. The new bilateral agreement, allowed airlines of Australia or Qatar to operate up to 21 flights a week between Qatar and Australia's four major international gateways of Brisbane, Melbourne, Perth and Sydney. Qatar Airways announced on 30 September 2015 that flights from Qatar to new destination Sydney would begin in March 2016.¹²⁴

3.160 The then Minister for Infrastructure and Regional Development the Hon Warren Truss MP stated the extra flights would be a boost for the Australian tourism industry, with many travellers utilising Qatar's capital Doha as a hub on their way from destinations throughout Europe into Australia:

121 Department of Foreign Affairs and Trade, *Submission 9*, p. 17.

122 Tourism Australia, *Submission 53*, pp. 3 - 4.

123 Tourism Australia, *Submission 53*, p. 4.

124 W Truss (The then Minister for Infrastructure and Regional Development), *Up to 50% more flights between Australia and Qatar*, Media release, Parliament House, Canberra, 24 September 2015.

The new arrangements provide for an immediate 50 per cent increase in available capacity between Qatar and Australia's major gateway locations of Sydney, Melbourne, Brisbane and Perth. It will allow for up to 21 flights each week, each way, for airlines of both countries to the major gateways, catering for growth in the Australia-Qatar and Australia-Europe routes. Under our air services arrangements with Qatar, airlines can also operate unlimited services between Qatar and regional locations, such as Darwin, Adelaide, Gold Coast and Cairns.¹²⁵

- 3.161 Due to bilateral restrictions Qatar Airways had previously operated 14 services to Perth and Melbourne per week. That used to be the maximum number of services currently permitted under the previous air services arrangements between Australia and Qatar. During calendar year 2014, Qatar Airways carried 61,300 tourists to Australia, an increase of one per cent compared to calendar year 2013.¹²⁶

Delegation discussions relating to the UAE's two airlines

- 3.162 During its visit to the UAE, the Committee delegation met the senior executives of both UAE airlines dominating routes to Australia, Emirates in Dubai and Etihad in Abu Dhabi.
- 3.163 The Chairman and Chief Executive of Emirates Airline, Dubai Airports and the Dubai Civil Aviation Authority, HH Sheikh Ahmed bin Saeed Al Maktoum, told the delegation about the strong growth in Emirates flights between the UAE and Australia, and also the increase in Australians visiting and working in the UAE. He commented on the continued growth of Emirates with 30 new planes due for delivery in 2016.
- 3.164 Sheikh Al Maktoum claimed while the Australian routes were challenging at first, Emirates was very committed to the Australian market and was now using the Airbus A380s to meet passenger demand. He welcomed the global partnership with Australia's national carrier Qantas and the offering of codeshare services since 2013. Sheikh Ahmed also pointed to Emirates record of delivering 20 years of profit.
- 3.165 Sheikh Al Maktoum noted the importance of direct flights to Adelaide, Brisbane and Perth to allow customers a single stop before transiting to Europe or other ports in the Middle East as key to success in the

125 W Truss (The then Minister for Infrastructure and Regional Development), *Up to 50% more flights between Australia and Qatar*, Media release, Parliament House, Canberra, 24 September 2015.

126 Tourism Australia, *Submission 53*, p. 4.

- Australian market. Sheikh Ahmed also talked about the opportunities for Australian companies seeking out new markets in Iran and Africa, and the ease of using Dubai as a base for their operations. Emirates was already expanding its operations into Iran in advance of the removal of sanctions.
- 3.166 Sheikh Al Maktoum commented that a major benefit of the strong growth in passenger flights between the Australia and the Middle East was the cargo side of Emirates' business. The growth in freight meant Dubai was becoming an important transport hub for Australian exporters wanting to fly fresh produce or products into markets in Africa and elsewhere in the Middle East.
- 3.167 On a tour of Emirates' network operations centre, the Vice President of Emirates Network Control, Gareth Williams, explained to the Committee delegation the role of the centre in managing hundreds of Emirates flights a day across the globe. One key objective was trying to get Emirates airliners to take advantage of the jet streams in the atmosphere because the shortest routes may not necessarily be the most economical.
- 3.168 The Committee delegation witnessed first-hand the cooperation between Air Services Australia and Emirates in the provision of jet stream information to allow more efficient route planning across the Indian Ocean.
- 3.169 The Committee delegation visited Etihad Airways' Innovation Centre in Abu Dhabi to meet with the Senior Vice President of Corporate and International Affairs, Mr Hareb Mubarak Al Muhairy, and the Vice President, International and Public Affairs, Mr Vijay Poonoosamy, and other senior management.
- 3.170 Mr Poonoosamy thanked Australia for the recent upgrade to Australia's Air Services Agreement with the UAE, which provided additional flight frequencies. Etihad Airways also signed a five-year \$30 million partnership with Tourism Australia.
- 3.171 In 2015, Etihad flew 39 flights a week to Australia with 11 weekly to Sydney including code-sharing three flights with Virgin Australia, twice daily to Melbourne, and daily to Brisbane and Perth. Etihad has carried more than 4 million passengers to Australia since 2007, according to Mr Poonoosamy. Etihad also carries 30,000 tonnes of cargo annually from Australia.
- 3.172 Mr Poonoosamy stated that when Etihad Airways was formed in 2003 by the Abu Dhabi Government, it needed a point of difference in competition with two larger, more established airlines operating nearby, Emirates in Dubai and Qatar Airways in Doha.

- 3.173 Mr Poonoosamy informed the delegation that Etihad returned a 3 per cent profit which he said was 'good on world terms'. Etihad also invested in other airlines, owning a 25 per cent share in Virgin Australia. He also highlighted the commitment Etihad has to Australia through jobs for Australians throughout the airline, growing number of routes and passenger numbers, as well as the strong commercial links with Virgin Australia through its equity partnership. Virgin Australia was said to benefit because 62,000 passengers from Etihad use Virgin Australia services. Etihad employs 160 staff in Australia and 480 Australians worldwide.
- 3.174 Questioning from the Committee delegation focused on tourism and Etihad's partnership with Tourism Australia, particularly their lack of promotion within the Gulf region. When asked by the delegation what else could improve business for Etihad in Australia, Mr Poonoosamy cited lifting the curfew at Sydney Airport for the quieter, modern aircraft, removing Perth from prescribed international gateway airports, and Australia signing an FTA with the GCC would help.

Motor vehicles and automotive components

- 3.175 The Middle East remains a major export destination for vehicles and parts manufactured in Australia and represents more than 15 per cent of all Australian exports.¹²⁷
- 3.176 Toyota Australia exports 70,000 vehicles to the region – the Toyota Camry and Aurion. Following the closure of Toyota's vehicle manufacturing in Australia in 2017, the Department of Industry's submission stated that the region will continue to be an important destination for automotive parts manufactured in Australia.¹²⁸
- 3.177 Saudi Arabia is the largest single export market for Australian-made vehicles, with other key markets including the Kuwait, UAE and Oman. The biggest importers of Australian cars in 2014-15 were Saudi Arabia (\$778 million), Kuwait (\$243 million), UAE (\$242 million), Oman (\$64 million) and Qatar (\$59 million). In percentage terms Australian passenger car exports represented more than a third of the value of all Australian exports into Saudi Arabia and Kuwait in 2014-15. The biggest importers of Australian-made vehicle parts and accessories in 2014-15 were the UAE

127 Department of Foreign Affairs and Trade, *Trade statistical pivot tables*, accessed 14 January 2016

128 Department of Industry, *Submission 26*, p. 9.

(\$78 million), Saudi Arabia (\$31 million), Kuwait (\$6 million), Oman (\$4.9 million) and Qatar (\$2.9 million).¹²⁹

- 3.178 DFAT submitted that the closure of the car manufacturing in Australia will impact on Australia's trade balance with the Middle East:

This trade will disappear as Australian automotive manufacturers wind down operations in Australia.¹³⁰

- 3.179 DFAT submits that work will need to be undertaken to maintain and potentially expand exports of automotive parts and aftermarket products to the region:

Saudi Arabia has expressed interest in developing its own car industry, to which Australia could supply automotive components. The Australian Automotive Aftermarket Association attends Automechanika Dubai every year, and has indicated a desire to assist manufacturers to access the Saudi market.¹³¹

- 3.180 DFAT's First Assistant Secretary of the Middle East and Africa Division, Mr Marc Innes-Brown, said:

If we stop exporting [vehicles] it will have an impact, but there are other areas of trade that are growing...including agriculture. I think the prospects are quite bright for that to continue to grow, and there are also services and other areas.¹³²

- 3.181 According to Austrade's Mr Barty, the manufacturing of cars, particularly Toyota cars in Australia, was 'always subject to Toyota's global decision making':

Even though we might have continued to make Toyota Camrys it is up to Toyota to decide where it sources those from – South Carolina or wherever. We do not impact on those decisions.¹³³

- 3.182 Mr Barty recalled some former car-manufacturing companies being part of an Australian trade delegation to Singapore to examine its potential as an air hub for their products, and he believed the same could apply to Dubai:

The skill set is the same but the product is different. For the aftermarket, and even in the case of looking for new markets for the aftermarket, we have done something in Mexico, for example.

129 Department of Foreign Affairs and Trade, *Trade statistical pivot tables*, accessed 14 January 2016

130 Department of Foreign Affairs and Trade, *Submission 9*, p. 28.

131 Department of Foreign Affairs and Trade, *Submission 9*, p. 28.

132 Mr Marc Innes-Brown, DFAT, *Committee Hansard*, Canberra, 26 November 2014, p. 6.

133 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 6.

We have promoted our capabilities there...it is about finding new markets and opportunities.¹³⁴

- 3.183 In Morocco, the low duty zone in Tangier has provided incentives for global car suppliers to establish operations that serve the European market. Renault, with the construction of a second assembly line by 2014, will increase capacity from 200,000 to 340,000 vehicles per year. Toyota is also considering new operations in Tangier, providing further opportunities for Australian automotive components.¹³⁵

Delegation discussions relating to the car industry

- 3.184 During its visit to Saudi Arabia, the Committee delegation attended a meeting with the National Industrial Clusters Development Program in Saudi Arabia. The main aim of the automotive cluster was to create skilful jobs for Saudi nationals.
- 3.185 The Vice President of the Automotive Cluster, Mr Abdallah S. Alhazani, explained that Saudi Arabia was wanting to pursue automotive manufacturing because Saudi Arabia makes no vehicles and imports more than 750,000 vehicles per year. Mr Alhazani noted that the GCC as a whole imports 1.6 million cars. Mr Alhazani stated the Saudi government was trying to entice component manufacturers from the Australian car industry to establish themselves in Saudi Arabia.

Sovereign wealth funds and institutional investors

- 3.186 The then CEO of the Bank of Sydney, Ms Julie Elliott, asserted there were opportunities for investment and funds management from the Middle East:

There is considerable opportunities for two-way investment opening up in the region. A good example is the Saudi Arabia stock exchange, which is opening for foreign investment this year. Also, we know that the Gulf Cooperation Council are keen to invest in sustainable food sources overseas.¹³⁶

- 3.187 The Department of Agriculture's submission stated it is aware that a number of countries in the MENA region have an interest in investing in
-

134 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, pp. 6 - 7.

135 Department of Foreign Affairs and Trade, *Submission 9*, p. 28.

136 Ms Julie Elliott, Bank of Sydney, *Committee Hansard*, Canberra, 9 September 2014, p. 22.

Australia. The countries of the Gulf Cooperation Council were said to have enormous capacity through their various sovereign wealth funds to undertake strategic investment.¹³⁷

3.188 The Hassad Food Company (HFC) was established in 2008 as a wholly owned subsidiary of Qatar Holdings, which is one of the operating arms of Qatar's sovereign wealth fund, the Qatar Investment Authority (QIA).¹³⁸ In 2009, the Australian company Hassad Australia (HA) was formed to acquire and manage a diversified portfolio of sheep and grain enterprises across the mainland states of Australia, consisting of a quarter of a million hectares of farmland, producing 165,000 tonnes of grain and exporting about 110,000 Awassi fat-tailed sheep annually to Qatar.¹³⁹

3.189 Hassad Australia submitted that its investment highlighted Qatar's commitment to Australian agriculture:

There can be no better example of importance placed by Qatar on trade with Australia than the \$425m investment the Qatar Government has made, through its subsidiaries, in Hassad Australia. In our experience the importance of trade with Australia is recognised widely in the Middle East region.¹⁴⁰

3.190 According to Hassad Australia, it would welcome a closer trade relationship between Australia and Middle Eastern countries:

Ensuring a stable, open and free trading relationship between Australia and the Middle East is critical to the long term viability of HA's investment in Australia, and improving food security in the Middle East.¹⁴¹

3.191 According to DFAT, both Austrade and DFAT are working actively to facilitate visits and meetings with sovereign wealth funds and high net-worth individuals to promote investment in Australia. This has resulted in visits to Australia by representatives of two of the UAE's largest government-owned investors in the Mubadala Development Company, with more than US\$56 billion in assets under management, and the Abu Dhabi Investment Authority, with estimated assets worth more than US\$750 billion. DFAT also uses its Special Visitors Program to introduce influential Middle Eastern business people, executives of sovereign wealth

137 Department of Agriculture, *Submission 27*, p. 8.

138 Hassad Australia *Submission 33*, p. 1.

139 Department of Agriculture, *Submission 27*, p. 8.

140 Hassad Australia *Submission 33*, p. 1.

141 Hassad Australia *Submission 33*, p. 1.

funds and government leaders to come to Australia and examine investment opportunities.¹⁴²

- 3.192 According to the sovereign wealth fund rankings compiled by the Sovereign Wealth Fund Institute (SWFI), a number of Middle Eastern governments have some of the largest funds in the world. The Abu Dhabi Investment Authority with assets worth US\$773 billion is second on the SWFI list, Saudi Arabia's SAMA Foreign Holdings with US\$632 billion is fourth, the Kuwait Investment Authority with US\$592 billion is fifth, the Qatar Investment Authority with US\$256 billion is ninth, the Investment Corporation of Dubai with US\$183 billion is 12th and the Abu Dhabi Investment Council with US\$110 billion is 13th ahead of Australia's largest, the Australia Future Fund, worth US\$95 billion. The UAE has two other funds of note with the International Petroleum Investment Company and the Mubadala Development Company both worth US\$66 billion each. The Libyan Investment Authority also has a US\$66 billion fund, the National Development Fund of Iran has assets worth US\$62 billion and Oman's State General Reserve Fund is worth US\$34 billion.¹⁴³
- 3.193 The Saudi Arabian King Abdullah Initiative for Agricultural Investment Abroad (KAI) has expressed interest in investing in Australia. The US\$800 million initiative supports private investment in agricultural projects outside of Saudi Arabia by providing finance and grants to projects. Saudi investment authorities recently indicated an interest in Australia's wheat, barley and red meat sectors across the value chain, rather than simply purchasing property. However, Australia's high labour costs and perceived investment limitations were raised, and Saudi authorities noted other regions were also being considered for investment including South America, Canada and Europe.¹⁴⁴
- 3.194 DFAT submitted that they have intensified efforts to strengthen investment relationships with the Middle East region. A key vehicle for building investment interest has been via the annual regional promotion initiative - *Australia Unlimited MENA*. According to DFAT, the event showcases Australia's capabilities in key trade and services sectors of interest, and also promotes Australia as a premier investment and tourism destination:

142 Department of Foreign Affairs and Trade, *Submission 9*, p. 32.

143 SWFI website, *Sovereign Wealth Fund Rankings*, viewed 5 April 2016, <<http://www.swfinstitute.org/sovereign-wealth-fund-rankings/>>.

144 Department of Agriculture, *Submission 27*, p. 9.

The business culture of the Middle East values high level ministerial engagement in promoting trade, and DFAT and Austrade have sought to facilitate increased ministerial contact.¹⁴⁵

- 3.195 Arab Bank Australia CEO, Mr Joseph Rizk, told the Committee that much of Australia's appeal is it's considered a secure stable place to invest in:

One of the greatest things about Australia is the security, the AAA rating that this country has got. The Arab world is very arid. It is just the nature of the climate. There are only a few countries that really do a lot of agri production. So they need some surety in their food supply. It is no different than looking at what Asia is trying to do here as well. Sovereign investment in places like Australia should be given ample hearing and enticed to a large extent.¹⁴⁶

- 3.196 Mr Rizk explained that Middle Eastern investors will take a long term approach when investing in Australia:

The Arab Bank PLC, which is our parent, based in Jordan and throughout the Middle East, views the investment here as a long-term investment. They have always taken that view. There are very few banks that have come to Australia and been here for the term that the Arab Bank has been here and have not pulled back one cent in terms of dividends or distribution. When they have generated profits in this country, it has been ploughed back into the country. They have never taken out a cent in terms of dividends. Their view is a long-term investment. This is the calibre of some of those corporations in the Middle East; when they invest in a country like Australia, they look at that as a long-term investment. That is a big plus for Australia. You know there is a commitment there. You know that, if you run into a period where profitability deteriorates for a few years, they are not going to close their doors and repatriate and so forth.¹⁴⁷

- 3.197 A number of Kuwaiti companies and Kuwait's main sovereign wealth fund have invested billions of dollars in Australia. According the Kuwait Embassy, the Kuwait Foreign Oil Exploration Company has more than \$8 billion invested in the Western Australian oilfields and the Kuwait Investment Authority has invested \$4 billion in Australia.¹⁴⁸

145 Department of Foreign Affairs and Trade, *Submission 9*, p. 31.

146 Mr Joseph Rizk, Arab Bank of Australia, *Committee Hansard*, Canberra, 18 June 2014, p. 5.

147 Mr Joseph Rizk, Arab Bank of Australia, *Committee Hansard*, Canberra, 18 June 2014, p. 2.

148 Mr Zaid Al-Harb, Embassy of the State of Kuwait, *Committee Hansard*, Canberra, 11 February 2015, p. 5.

- 3.198 Hassad Australia submitted that the return on the Hassad Food Company's \$425 million investment in Hassad Australia on behalf of a Qatar sovereign wealth fund was more of a priority than the Qatari desire for greater food security:

While food security was the initiator for HFC's investment in agriculture, the business plan and investment has changed to a totally commercial outcome requirement. By making good investment into productive agriculture, our investor sees food security then as a natural outcome, not a driver of that investment.¹⁴⁹

Delegation discussions relating to investment

- 3.199 Before an inspection of DP World's Jebel Ali Port facilities in Dubai, the Committee delegation had a meeting with the Chairman of DP World, HE Sultan Ahmed Bin Sulayem, at the helm of one of the Middle East's largest investors in Australia. As the owners of the largest container stevedore in Australia, HE Sultan Ahmed Bin Sulayem, discussed their role as Australia's largest ports operator and involvement in Australian ports since 2006. In 2015, the global company DP World recorded a US\$883 million profit from its 65 marine terminals across six continents, up 30 per cent from US\$675 million in 2014.¹⁵⁰
- 3.200 DP World Australia operates container terminals in Melbourne, Sydney, Brisbane and Fremantle it acquired from P&O in 2006.¹⁵¹ DP World Australia's new 30,000 sqm Melbourne terminal expansion, at the former Bentley Chemplax site, was planned for opening in 2016. DP World Australia's investment program in 2016-17 included a new quay, an empty container handling facility in Sydney, and 10 new next-generation straddle carriers in Melbourne.¹⁵²
- 3.201 DP World Australia has also acquired 50 per cent of an Australian company AWH that provides exporters and importers with warehousing, marketing, bonded, broking and freight forwarding services.

149 Hassad Australia *Submission* 33, p. 1.

150 DP World website, viewed 21 March 2016, <<http://web.dpworld.com/media-centre/media-releases/>>

151 DP World Australia website, viewed 21 March 2016, <<http://www.dpworldaustralia.com.au/who-we-are/strategy/>>

152 DP World Australia website, viewed 21 March 2016, <<http://www.dpworldaustralia.com.au/news-and-media/media-releases/more-space-for-melbourne-container-trade-growth/>>

- 3.202 DP World Australia's container terminals at Port Botany and Port of Melbourne have direct rail connectivity, and its plan is to extend the use of rail at all four of its Australian terminals to provide a better service.¹⁵³
- 3.203 According to *The Sydney Morning Herald* in 2014, DP World Australia posted a \$68 million after-tax loss for 2013, compared with a \$22 million loss in 2012. The company had also invested \$250 million in its semi-automated Brisbane terminal.¹⁵⁴
- 3.204 Sultan Sulayem told the Committee delegation about raising DP World's concerns with the Australian Government about the business of ports in Australia. DP World Australia did not believe there was enough business available in Queensland to justify a third operator in Brisbane Port, but the Australian Government wanted more competition, regardless. Sultan Sulayem also mentioned DP World Australia was experiencing some issues with unions opposed to the full automation of the trains.

Islamic finance

- 3.205 The Victorian Government submitted that Islamic finance (IF) has been experiencing rapid growth, with the global IF market growing by 23 per cent to over US\$1.2 trillion and is expected to reach US\$2.6 trillion by 2017. The world's Islamic population is projected to grow by 35 per cent by 2030, which will add demand for IF, particularly in Africa and Asia. A market exists in the emerging 'middle classes' for Islamic deposits, lending, protection (insurance) and payment products.¹⁵⁵
- 3.206 The Victorian Government stated it has made strong efforts to facilitate an Islamic finance-friendly environment in Victoria, including some key regulatory changes, including:
- supportive legal and regulatory environment. In 2004, Victoria enacted special arrangements needed to ensure specific IF transactions receive equitable state tax and legal treatment. Stamp duty reforms ensure mortgages can be sharia-compliant.
 - Melbourne is an established regional centre in finance and business education which includes Islamic finance capability.

153 DP World Australia website, viewed 21 March 2016, <<http://www.dpworldaustralia.com.au/who-we-are/strategy/>>

154 Matt O'Sullivan, *DP World posts \$68m annual loss*, *The Sydney Morning Herald* online, 22 April 2014, viewed 31 March 2016, <<http://www.smh.com.au/business/dp-world-posts-68m-annual-loss-20140421-370ey.html>>

155 Victorian Government, *Answers to Question on Notice*, No. 6, pp. 5-6.

- Kuwait Finance House (Malaysia), CIMB Malaysia, RBS Morgans and IF Equity fund managers have set up in Melbourne.
- Melbourne's strength in financial services is the funds management sector. This is the main area of commercial opportunity for Islamic finance.¹⁵⁶

3.207 The Victorian Government submitted that it expected the growth of this Islamic finance industry would help bring investment, create employment, drive innovation, and generate commercial activity. Victoria is seeking to position itself as a centre of Islamic finance in the Asia-Pacific and argued that supporting this industry was likely to lead to deeper engagement with South-East Asia and the Middle East, and greater visibility of trade, finance and investment flows from and to these regions.¹⁵⁷

3.208 Arab Bank Australia CEO, Mr Rizk, told the Committee that there is a good opportunity for Australia to attract Islamic investment from the Middle East to invest long-term in Australian infrastructure projects:

If we talk about investment funds that are Islamic-compliant coming here for investment, that can be done. That is not going to take an enormous amount of energy.¹⁵⁸

3.209 Mr Rizk argued that he believed there had not been enough consumer demand in Australia yet for Australia's major banks to provide fully sharia-compliant financial products or otherwise the banks would have pushed harder for the changes to tax and family laws and banking regulations to accommodate such products:

The majority of the Islamic community in Australia bank with the traditional banks—I am talking about 90-plus per cent of the community who would do that—so they do not have any real issues in that regard.¹⁵⁹

3.210 The Deputy Director International at Deakin University's Centre for Citizenship and Globalisation, Professor Shahram Akbarzadeh, told the Committee that the issue of sharia finance was complicated, and not actually used to regulate many of the Middle East's own financial sectors:

The financial sector in the Middle East, though, is not strictly based on sharia finance, so that becomes a separate issue. Dubai,

156 Victorian Government, *Answers to Question on Notice*, No. 6, p. 6.

157 Victorian Government, *Answers to Question on Notice*, No. 6, p. 6.

158 Mr Joseph Rizk, Arab Bank of Australia, *Committee Hansard*, Canberra, 18 June 2014, p. 7.

159 Mr Joseph Rizk, Arab Bank of Australia, *Committee Hansard*, Canberra, 18 June 2014, p. 3.

Qatar, even Saudi Arabia – it is basic international financial banking.¹⁶⁰

- 3.211 According to the Bank of Sydney, whose parent company is the Bank of Beirut, it submitted there were advantages for Australia making the legislative changes to develop institutional sharia banking in Australia:

Australia, unlike its Asian counterparts or even the UK, have been unable to advance the regulatory changes needed that currently deter and to some extent penalise wholesale investment in Australia from the Islamic finance market. This is a substantial exclusion from our capital markets.¹⁶¹

- 3.212 The Bank of Sydney believed opportunities could exist for Australia to access offshore capital pools at competitive rates in the area of sharia-compliant wholesale investment products:

The global market for Islamic finance is estimated to be around \$1.3 trillion and it is one of the fastest growing areas of the financial services industry operating in over 75 countries through 300 institutions. The growth has been largely driven by: petrodollar liquidity; the Muslim population; low penetration levels and the ethical character and financial stability of Islamic financial products. Notably during the Global Financial Crisis (GFC) the Islamic finance market fared far better than its conventional counterpart.¹⁶²

- 3.213 The Bank of Sydney observed that over the years, Australia's major banks seemed to have been more opportunistic, rather than systematic in their approach to Islamic finance.

The general impression by wholesale investors is it is considered 'too hard' especially from a tax perspective. Although not insurmountable, the tax considerations do cover: income tax, capital gains tax, GST, stamp duty and international aspects of the transaction.¹⁶³

- 3.214 According to the Bank of Sydney, a considerable amount of work had been undertaken into the regulatory changes required in Australia, involving: Treasury, Australian Taxation Office, Austrade, DFAT, and Australia's leading industry bodies, as well as the major banks, law firms and accounting firms. The recommended approach was to follow the UK

160 Prof Shahram Akbarzadeh, Deakin University, *Committee Hansard*, Melbourne, 17 October 2014, p. 20.

161 Bank of Sydney, *Answers to Question on Notice*, No. 3, p. 5.

162 Bank of Sydney, *Answers to Question on Notice*, No. 3, p. 5.

163 Bank of Sydney, *Answers to Question on Notice*, No. 3, p. 5.

model to ensure parity of regulation between conventional and Islamic finance:

The viability of the wholesale market for Islamic finance is largely unquestioned, however the biggest hurdle the Federal Government faces is that regulatory clarity, a level playing field and potentially a framework of incentives (to compete with direct competitors in the region such as Malaysia, Singapore and Hong Kong) will tend to need separate legislation. This would lead to debate in Parliament, which in all likelihood would provoke sectarian sentiment against the Muslim community.¹⁶⁴

Specific countries presenting opportunities for increased trade and investment relations

United Arab Emirates

- 3.215 DFAT and Austrade have identified education, investment, food and agriculture, and urban development as key growth areas for the bilateral trade relationship with the UAE, Australia's largest trading partner in the Middle East.
- 3.216 An estimated 15 to 20,000 Australians live and work in the UAE but in 2014-15, only 235 student visas were granted to Emirati students to study in Australia.
- 3.217 The UAE is also Australia's largest market for lamb meat exports in the Middle East, with 15,724 tonnes shipped in 2013.¹⁶⁵
- 3.218 Since the late 1990s, strong growth in direct air links between the two countries has greatly increased people-to-people connections, with more than 135 flights operating between the UAE and Australia each week. A new bilateral aviation agreement between Australia and the UAE to come into effect in October 2016 will increase services by an extra 28 flights a week for Australian and Emirati carriers Qantas, Virgin, Etihad and Emirates.
- 3.219 The Dubai Expo 2020, with an expected UAE budget of around US\$9 billion for infrastructure projects, will also present significant opportunities.
- 3.220 The Executive Chairman of ATC Paul Chapman told the Committee that UAE was very interested in Australia's expertise in food security,

164 Bank of Sydney, *Answers to Question on Notice*, No. 3, p. 6.

165 Dearin & Associates, *Submission 17*, p. 16.

renewable energy and water, and smaller regional Australian companies like ATC will also gain opportunities from large infrastructure projects in the region:

We build those things. I will get work in that. There is one project in Abu Dhabi at the moment called Kizad. It is 400 square kilometres of logistics infrastructure. We have been approached by the Dubai Airports Company to rotate their Airbus A380s ... We see marvellous opportunities for everybody. If Australia does the big things, the big infrastructure, and gets involved there, little fellas like ourselves will get a piece of the action.¹⁶⁶

- 3.221 By the end of the decade, Australia will supply uranium for use in UAE's civil nuclear power program and co-operate in nuclear-related activities (such as nuclear safeguards, security, safety, and nuclear science) under the Nuclear Co-operation Agreement signed between Australia and the UAE in 2012:

This is the first time that Australia will supply uranium to the Middle East and marks the Australia-UAE relationship as an extremely significant one.¹⁶⁷

Qatar

- 3.222 Major investments worth \$285 billion are planned for the 2022 FIFA World Cup and to achieve Qatar's National Vision 2030, creating major prospects in the infrastructure and construction industry. Nine new stadiums and three existing stadiums are undergoing major renovation in time for the 2022 FIFA World Cup at an estimated cost of \$US3 billion. Qatar is investing more than \$US17 billion on hotels, including 140 new hotels of various sizes. Qatar has committed \$US20 billion to expanding its road system with major new roads connecting the new \$US13 billion Doha International Airport to all cities in Qatar, and a major motorway to Bahrain, over the next five years. A new 340km-long metro network is projected to be 70 per cent operational by 2020.¹⁶⁸
- 3.223 According to DFAT, demand for Australian live animal exports, food, and meat products will continue to grow.¹⁶⁹

166 Mr Paul Chapman, Australian Turntable Company, *Committee Hansard*, Melbourne, 17 October 2014, p. 13.

167 Dearin & Associates, *Submission 17*, p. 15.

168 2022 FIFA *World Cup Bid Evaluation Report: Qatar*, viewed 25 February 2016, <<http://resources.fifa.com/mm/document/tournament/competition/01/33/74/56/b9qate.pdf>>.

169 Department of Foreign Affairs and Trade, *Submission 9*, p. 49.

Saudi Arabia

- 3.224 Saudi Arabia is the region's largest economy but the lower global price for oil has hit its revenues and impacted on the Saudi government's 2016 budget. The government predicts a budget deficit of US\$87 billion in 2016 after running a deficit of US\$98 billion in 2015 when oil accounted for 73 per cent of revenue.¹⁷⁰ When the price of oil was much higher in 2013, the Saudi government ran a budget surplus of US\$55 billion. According to Al Arabiya News, the Saudi government will review government projects to make them more efficient and ensure they are necessary and affordable. The Saudi government still plans to spend more than US\$50 billion on education.
- 3.225 In 2014-15, there were 8,739 new student visas granted to Saudi students to study in all Australian education sectors, contributing an estimated \$500 million annually to Australia. Vocational education and training are seen by DFAT and the Victorian Government as a growth area.

Kuwait

- 3.226 Approximately six per cent of the world's oil reserves are located in Kuwait, and petroleum exports account for nearly half of Gross Domestic Product and 70 per cent of export revenue. GDP growth projections for Kuwait are dependent on international oil prices, but continued growth is expected in non-oil sectors of the economy, driven primarily by private consumption and implementation of government infrastructure projects.¹⁷¹
- 3.227 There are substantial business opportunities for Australian companies in the Kuwait economy – notably in the energy sector (professional services and related equipment), non-oil infrastructure (for example, construction and management of transport facilities, hospitals, housing and educational institutions), knowledge-based industries, higher education and vocational training, agribusiness and food security, environmental management, advanced manufacturing, tourism and other services.¹⁷²
- 3.228 Australia will also remain a favoured destination for Kuwaiti investment, both sovereign and private. The Kuwaiti Investment Authority has held investments in Australia for several decades, largely in real estate and the oil and gas sector.

170 *Saudi Arabia unveils 2016 budget*, Al Arabiya News online, viewed 6 April 2016, <<http://english.alarabiya.net/en/special-reports/saudi-budget-2016/2015/12/28/Saudi-Arabia-to-unveil-2016-budget.html>>.

171 Department of Foreign Affairs and Trade, *Submission 9*, p. 43.

172 Department of Foreign Affairs and Trade, *Submission 9*, p. 43.

- 3.229 As Kuwait is a high-income, consumer-oriented market, there is scope for growth in exports of higher value consumer items. Australia remains a trusted Defence partner, having contributed to the liberation of Kuwait, and defence and security spending also offers opportunities for Australian contractors.¹⁷³

Morocco

- 3.230 Australian expertise is being sought in horticulture, agricultural training and research, education, mining, and aquaculture. Australia and Morocco face similar climatic conditions and challenges to agricultural production. Agwest International is assisting the Moroccan Government to implement its Green Morocco Plan to modernise the agricultural sector. Austrade has identified Morocco as a priority country in North Africa and employs a locally-engaged staff member in Rabat.¹⁷⁴
- 3.231 Austrade's General Manager of Growth and Emerging Markets, Mr Grame Barty, told the Committee that Austrade believe Morocco has great potential as another hub for moving Australian product into Africa, and Europe:

From an Austrade perspective, we really like Morocco. It has a number of significant attributes which make it unique. The first is its location – and not just its physical location, being closer to Europe than Rottneest Island is to Perth...Morocco has a wide range of EU free trade agreements, so establishing capability in Morocco actually gives you access to Europe. It is a couple of hours to London, but of course it is also direct access to North Africa and, increasingly, it is more direct access to West Africa.¹⁷⁵

- 3.232 Mr Barty asserted that Morocco has a lot of influence on trade into West Africa because there are only three main air hubs in Africa: Johannesburg in South Africa, Nairobi in Kenya and Casablanca in Morocco:

So it gives primary access to West Africa, course, which we are also very interested in. It has a reasonable sized population of around 30 million and it has diverse industries – agriculture, ICT and auto manufacturing – but it is also one of the largest sources of phosphate in the world. They just increased a whole range of tenements associated with phosphate mining, and of course they are also very interested in our shipbuilding capacity. When we

173 Department of Foreign Affairs and Trade, *Submission 9*, p. 43.

174 Department of Foreign Affairs and Trade, *Submission 9*, p. 46.

175 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 5.

look at Morocco we actually see a diversity of opportunities, which is always appealing to us.¹⁷⁶

3.233 Mr Barty stated that Morocco was also interested in Australian products and services:

...it is a highly stable country and well recognised and appears to be very open. We think the potential is strong. They are bringing a mission out to look at water sustainability, housing and urban environments, we are supplying meat to the military and we have miners going in there.¹⁷⁷

3.234 Monash University's Dr Nizar Farjou remarked that Australian universities should also be looking at Morocco as the gateway to the large African education market. On his visit to a number of Moroccan universities in 2014, Dr Farjou welcomed the Australian government's support with the visit, especially from an Austrade representative:

Most of the African countries look at Morocco as the gateway to Europe and to the US. Taking into consideration the Francophonic countries of Africa, they find Morocco as an area of transition into the English-speaking world, including Australia. We were in Morocco and we signed agreements with universities that have English as their language of instruction.¹⁷⁸

Iran

3.235 As the Australian Government has decided to suspend certain autonomous sanctions on Iran, while others will remain in place, Australian exporters should find new opportunities catering to Iran's population of over 75 million, who are well-educated and have a sophisticated private sector.¹⁷⁹

3.236 In response to the lifting of sanctions on Iran and a visit to the Parliament of Australia by the Iranian Foreign Minister HE Dr Mohammad Javad Zarif, the Joint Standing Committee on Foreign Affairs, Defence and Trade welcomes the announcement by the Minister for Trade and Investment, the Hon Steven Ciobo MP, that Austrade will re-open its office within the Australian Embassy in Tehran in 2016:

The recent lifting of sanctions has created opportunities for Australian business in areas we excel: mining equipment,

176 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 5.

177 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 5.

178 Dr Nizar Farjou, Monash University, *Committee Hansard*, Melbourne, 17 October 2014, p. 34.

179 Department of Foreign Affairs and Trade, *Submission 9*, p. 39.

technology and services sectors and the supply of our agricultural commodities such as barley and wheat.¹⁸⁰

3.237 Austrade has also identified opportunities for commercial cooperation in the health and medical and education and skills training sectors:

Iranian universities are seeking greater student mobility and research collaboration with Australian universities. There are currently around 3,500 Iranian students studying in Australia, with approximately 1,000 new enrolments each year.¹⁸¹

3.238 The Australian Government is implementing changes to Australia's sanctions on Iran in line with its international obligations under UN Security Council resolutions.¹⁸² The Government will apply the changes to United Nations sanctions on Iran as required by UN Security Council Resolution 2231, although others will remain in place:

Australia has lifted all nuclear-related economic and financial sanctions. However, some restrictions remain in force, including restrictions on the transfer of proliferation sensitive goods, the arms and ballistic missiles embargoes and the restrictive measures against some designated persons and entities.¹⁸³

3.239 The Joint Comprehensive Plan of Action on Iran's nuclear program agreed in July 2015 between Iran and the E3/EU plus 3 (China, France, Germany, the Russian Federation, the United Kingdom, and the United States plus the High Representative of the European Union for Foreign Affairs and Security Policy) paved the way for a lifting of United Nations sanctions. The UN Security Council sanctions were imposed due to international concerns about Iran developing a nuclear weapons program. The sanctions covered financial transactions with Iran, and especially exports from its oil and gas industry, and also impacted on Iranian students seeking higher education in Australia.¹⁸⁴

180 S Ciobo (Minister for Trade and Investment), *Renewed commercial relationship with Iran*, media release, Parliament House, Canberra, 15 March 2016.

181 S Ciobo (Minister for Trade and Investment), *Renewed commercial relationship with Iran*, media release, Parliament House, Canberra, 15 March 2016.

182 Department of Foreign Affairs and Trade website, viewed 16 February 2016, <<http://dfat.gov.au/international-relations/security/sanctions/sanctions-regimes/iran/Pages/iran.aspx>>.

183 Department of Foreign Affairs and Trade website, viewed 16 February 2016, <<http://dfat.gov.au/international-relations/security/sanctions/sanctions-regimes/iran/Pages/iran-sanctions-changes-frequently-asked-questions.aspx>>.

184 Department of Foreign Affairs and Trade website, viewed 16 February 2016, <<http://dfat.gov.au/international-relations/regional-architecture/eas/Pages/statement-on-the-joint-comprehensive-plan-of-action-to-address-irans-nuclear-programme-by-ministers-participating-in-the-5t.aspx>>.

- 3.240 Despite the lifting of some trade sanctions, Australian companies or individuals will still require authorisation from DFAT for transactions worth \$20,000 or more to or from Iran, as the *Anti-Money Laundering and Counter-Terrorism Financing (Iran Countermeasures) Regulation 2014* remains in force.¹⁸⁵
- 3.241 Iran will continue to be an importer of finished goods, particularly machinery, industrial inputs, food items and travel and educational services. The Australian Government has been in discussion with the Iranian Government to finalise health protocols that would allow for the export of Australia livestock to Iran.¹⁸⁶
- 3.242 The Meyar Investment Advisory Company based in Iran under license of the Securities and Exchange Organization of Iran supports a revised strategy for expanding trade and investment relationships between Australia and Iran. Owing to the expected lifting of sanctions with Iran, the Meyar Investment Advisory Company is planning to open an Australian branch office in Sydney in 2016.¹⁸⁷
- 3.243 Meyar estimated there was an Iranian community of about 60,000 living in Australia, up from the ABS's 2011 Census recording 34,453 Iranian-born people living in Australia, Meyar believed that this diaspora could also play a role in helping to grow trade with Iran.¹⁸⁸ According to Meyar, the World Bank data indicators show Iran has the world's fourth largest proven oil reserves and the world's second largest natural gas reserves. Iran was once the third-largest exporter of crude oil, until international sanctions saw Iran's crude oil exports drop to 1.5 million barrels per day in 2012. Meyar believed while most of Iran's gas reserves are undeveloped, Iran is likely to remain a major exporter of oil and petrochemicals, as well as manufactured and intermediate goods within the Middle East region.¹⁸⁹
- 3.244 Meyar agreed with the Australian government belief that there was good potential for further growth in commercial links due to a range of economic development programs in the region, and because the trade between Australia and Iran has been in the lower level in recent years¹⁹⁰. In 2014, two-way merchandise trade between Australia and Iran

185 Department of Foreign Affairs and Trade website, viewed 16 February 2016, <<http://dfat.gov.au/international-relations/security/sanctions/sanctions-regimes/iran/Pages/iran-sanctions-changes-frequently-asked-questions.aspx>>.

186 Department of Foreign Affairs and Trade, *Submission 9*, p. 39.

187 Meyar Investment Advisory Company, *Submission 54*, p. 2.

188 Meyar Investment Advisory Company, *Submission 54*, p. 12.

189 Meyar Investment Advisory Company, *Submission 54*, p. 4.

190 Meyar Investment Advisory Company, *Submission 54*, p. 4.

amounted to \$393 million, dominated by \$360 million of Australian exports that included \$338 million of Australian wheat. Australia exported \$138 million in services to Iran and imported \$62 million.¹⁹¹

- 3.245 The sanctions have impacted on Iran's banking and financial sector according to the Meyar Investment Advisory Company due to a gradual disconnection with international banking. This led to Iranian banks not being able to adapt properly in accordance with modern banking methods, systems and equipment in order to provide international services. Meyar saw new opportunities in modernising Iranian banks to facilitate trade by providing correspondent banking, trade settlements, bank to bank transfers, and shipment finance, and also in joint ventures with Australian banks. Meyar believed similar opportunities also exist for Australian companies to help modernise Iran's insurance sector.¹⁹²
- 3.246 New business opportunities are expected in modernising Iran's transportation and aviation sectors, according to Meyar. With a population approaching 80 million, Iran needs investment or joint ventures in air, road, rail and sea transport to improve its intercity and local transportation services to meet growing demand, while also minimising environmental issues such as air pollution, or any safety issues on Iranian roads and rail or with aviation. The sanctions restrictions impacted on Iran's ability to grow or modernise its commercial airlines:
- ...the current situation will change to a normal situation by presence of the other airlines, forming local and foreign airline partners, expanding international networks and related material service businesses.¹⁹³
- 3.247 With the potential for business and tourism travel to Iran, Meyar contends that the Australian aviation sector, including Qantas and Virgin airlines and related businesses should review the growth potential of air services to Iran and onto Europe to increase competition.¹⁹⁴
- 3.248 Deakin University submitted that any lessening in the sanctions against Iran will lead to an improvement in international student numbers from Iran. Deakin University's Professor Akbarzadeh, added that the sanctions against Iran have been a deterrent to both potential students, especially in the science and engineering fields, and Australian universities:

191 Department of Foreign Affairs and Trade, country information and fact sheets, <<http://www.dfat.gov.au>>.

192 Meyar Investment Advisory Company, *Submission 54*, p. 9.

193 Meyar Investment Advisory Company, *Submission 54*, p. 10.

194 Meyar Investment Advisory Company, *Submission 54*, p. 11.

It has become very difficult to recruit students from Iran. We have to go through quite a formal process of filling out forms to set out why bringing over the prospective student – and the subject they will study – will not benefit the nuclear weaponisation program in Iran. It is quite elaborate documentation that needs to be provided...But I understand that, for those who try to secure a position in engineering or chemical engineering – all of those hard sciences – it becomes a lot more difficult to show the distinction. It is a fine line between weaponisation and civilian use.¹⁹⁵

3.249 With an estimated 4.4 million students studying at Iranian universities, Iran is one of the most educated countries in the Middle East, according to the Meyar Investment Advisory Company. Many Iranian students also want to continue their studies at English-speaking universities in English-speaking countries such as Australia. There is a significant presence of Iranians at many Australian universities despite a lack of Iranian government scholarships to support them. Meyar believes that Australia's education strategy in the middle East should be re-designed to encourage more bilateral activities such as peer-to-peer research, and developing closer research relationships and cooperation with Iranian universities. Meyar sees opportunity for Iran to follow the successful vocational education and training structure offered by Australia's TAFE system to help provide suitable skills to its young population in need of work and to the benefit of Iranian industries.¹⁹⁶

3.250 An engineering firm from regional Victoria, the Australian Turntable Company (ATC), which specialises in designing, installing and servicing a broad range of large scale turntables for revolving restaurants, car dealerships and loading docks, provided the turntable for the world's largest revolving restaurant, which is located in Tehran.¹⁹⁷ Despite the trade sanctions and bureaucracy that hamper doing business in Iran, the Executive Chairman of ATC Mr Paul Chapman is expecting Iran to become an important market for his company:

Iran is very much in our sights. We know we can build on our prior history of designing and delivering the world's largest revolving restaurant in Tehran. That job was with a department of the Iranian Government and all throughout the project we noticed a great reluctance from Government employees to sign off on particular aspects of the project. The Government bureaucracy was

195 Prof Shahram Akbarzadeh, Deakin University, *Committee Hansard*, Melbourne, 17 October 2014, p. 19.

196 Meyar Investment Advisory Company, *Submission 54*, p. 11.

197 Australian Turntable Company, *Answers to Question on Notice*, No. 4, p. 3.

in line with other countries and it caused a high level of frustration. What we calculated to do in six weeks eventually took six months for the installation, mainly because of bureaucratic red tape and getting sign offs on site.¹⁹⁸

- 3.251 Mr Chapman believes Iran is undergoing significant change with plans and building going ahead for 350 new shopping centres and three super malls in Tehran. The increasing cost of land is impacting on density and building design, opening the door for ATC to provide its space-saving truck or bus turntables in loading docks or hotels. Iran will change even more rapidly when UN sanctions are removed:

ATC have seen and felt the market in Iran and the insatiable desire of every age group to bring the country up to speed with the Western world. Consumer goods will be sought after. Australian Turntable Company's Iranian agent based in Tehran has identified hospitality in particular and tourism accommodation to be the new growth sector. ATC sees tremendous opportunities in Iran because of the issues around space.¹⁹⁹

Israel

- 3.252 While Australia's second-biggest oil and gas producer Woodside Petroleum withdrew from an agreement to buy a quarter of Israel's largest natural gas field Leviathan for \$US2.5 billion in 2014,²⁰⁰ Australian companies remain well-placed to meet the capability needs of Israel's emerging energy industry. Other key opportunities include continued growth in livestock exports (cattle and sheep), research and development cooperation (in environmental technologies, cyberspace, biotechnology and agro-business), and inwards investment from Israeli technology companies.²⁰¹
- 3.253 Partnerships between Australian and Israeli companies are increasing in a number of sectors. Toll Energy, a major Australian logistics supplier to the oil and gas industry, signed an agreement with an Israeli company to represent them in Australia. Israeli companies such as Netafim (irrigation equipment) and Checkpoint (software) also invest in Australia. Research collaboration is strong, with Israeli technology firm AORA Solar working with the University of South Australia. Israel's Technion has also

198 Australian Turntable Company, *Answers to Question on Notice*, No. 4, p. 3.

199 Australian Turntable Company, *Answers to Question on Notice*, No. 4, pp. 3-4.

200 Angela Macdonald-Smith, *Woodside pulls out of Leviathan project*, The Sydney Morning Herald online, 21 May 2014, viewed 6 April 2016, <<http://www.smh.com.au/business/mining-and-resources/woodside-pulls-out-of-leviathan-project-20140520-38ncc.html>>.

201 Department of Foreign Affairs and Trade, *Submission 9*, p. 41.

partnered with the University of Sydney on computing development projects.²⁰²

Committee comment

- 3.254 The Committee notes the strong growth in the Middle East populations and the expansion of their middle classes is driving demand for food, water and also for new infrastructure including roads, electricity supply, schools, hospitals and housing. This is opening up opportunities for Australian food exporters and service providers to provide what Middle Eastern people.
- 3.255 The Committee notes the breadth of opportunities presented in evidence; including:
- Strong demand for Australian expertise in design, engineering and construction of infrastructure, public transport and hotels related to the upcoming events in Qatar such as the FIFA World Cup in 2022 and the Dubai World Expo 2020 in the UAE;
 - Australian companies with experience in water infrastructure and sustainable water usage will be in demand to share their knowledge in one of the world's driest regions;
 - Provision of Australian healthcare services;
 - The increase in flights between Australia and the UAE has opened up opportunities for exporting of fresh produce from Australia such as chilled sheep meat and beef, dairy products, seafood, fruits and vegetables direct to markets in the Middle East; and
 - Scope for Australian education providers, both in Australia and in the Middle East, to educate and train thousands of young Middle Eastern people at universities and vocational education and training colleges.
- 3.256 The Committee expects good opportunities for Australian exporters in the markets of the UAE, Saudi Arabia, Iran, Kuwait, Qatar, Morocco, and Israel.
- 3.257 The Committee supports the removal of trade sanctions with Iran and the Australian Government's re-opening of its Austrade office in Tehran. The Committee notes the positive experience of the Australian Turntable Company and its Executive Chairman, Mr Paul Chapman, with the doing business in Iran as an engineering firm from regional Victoria.

202 Department of Foreign Affairs and Trade, *Submission 9*, p. 41.

3.258 The Committee urges these opportunities to be explored further by the Australian Government and industry.



The Committee delegation visited the Jeddah Islamic Port, Saudi Arabia.



The delegation and Australian Ambassador Dr Ralph King meeting Vice Speaker of the Shura Council, HE Dr Mohammed Amin Jefri, in Riyadh, Saudi Arabia



The delegation with members of the Shura Council, Saudi Arabia, including the Chair of the Saudi-Australia Friendship Committee, HE Dr Abdul-Rahman bin Ahmad Hejjan (Far right)



The delegation inside the Shura Council chamber with a member of the Council, Dr Eltham Mahjoob Hassanain, during a non-sitting day in Riyadh, Saudi Arabia



The delegation at round table with members of the Saudi Australia Business Council



Australian rail consultant Mr Kent Donaldson (left), Saudi Arabia Rail's Eng. Hani A Daghistani with Senator Alex Gallacher at the Northern Sector train station near Riyadh



The delegation member, Senator Alex Gallacher with Saudi Arabia Rail staff and the Australian Ambassador, Dr Ralph King, inside the new Northern Sector train station



The delegation tour the Saudi Arabia-Aviation Australia Riyadh College's hangar



The delegation visit the home of Shura Council member HE Dr Sultan bin Hasan Al-Sultan



Automated milking at the Almarai dairy farm in Al-Kharj, Saudi Arabia



Milking of some of the 48,000 cows at the Almarai dairy in Al-Kharj, Saudi Arabia



Committee delegation meets with leading Saudi women from the Shura Council and the Al Sayeda Khadijah Bint Khowailid Centre for Businesswomen in Jeddah.



Delegation meets the successful candidate for Jeddah Municipal Election, Dr Lama Al Sulaiman (2nd from left), Shura Council's Dr Thoraya Ahmed Obaid, and campaign team.

