

## Role of government in assisting Australian exporters

- 6.1 This chapter addresses the role of the Australian Government in assisting exporters to find new markets for their products and services in the Middle East and North Africa (MENA) region. It examines the Australian Government's engagement strategies and its progress with resuming negotiations for a Free Trade Agreement with the Gulf Cooperation Council (GCC) countries. It discusses Australia's diplomatic footprint in the region, and what roles the Department of Agriculture and Water Resources, Department of Education and Training, Tourism Australia and the Department of Immigration and Border Protection can play in expanding trade and investment relationships. The chapter concludes with a discussion of the coordination of federal, state and territory trade promotion efforts in the Middle East.

### **Australia's strategy for engaging with the Middle East**

- 6.2 Austrade and the Department of Foreign Affairs and Trade (DFAT) have in the past year intensified efforts to facilitate greater trade and investment with the Middle East region. A key vehicle has been a regional promotion initiative - *Australia Unlimited MENA* (Middle East and North Africa) to showcase Australia's capabilities in key trade and services sectors of interest, and promote Australia as a premier investment and tourism destination.
- 6.3 During the course of the inquiry, the then Minister for Trade and Investment the Hon Andrew Robb AO MP opened and participated in the *Australia Unlimited MENA 2014 and 2015* programs, hosted in the United Arab Emirates (UAE), Saudi Arabia and Kuwait. These trade missions showcased a range of Australian capabilities in education, agriculture,

aquaculture and food production, resource and water management, sustainable urban development, sports, and tourism.<sup>1</sup>

- 6.4 According to DFAT, the then Trade Minister's visits in 2014 and 2015 were also aimed at building momentum towards restarting Free Trade Agreement (FTA) negotiations with the Gulf Cooperation Council (GCC). DFAT and Austrade believe the business culture of the Middle East values high level ministerial engagement in promoting trade, and have sought to facilitate increased ministerial contact to help strengthen relations.<sup>2</sup>
- 6.5 Focusing on an important food market, Austrade has hosted Australia's involvement at *Gulfood 2014*, the world's largest annual food and beverage show held in the UAE. Over 150 Australian companies attended in 2014 and Austrade also collaborated with state representative offices and Meat & Livestock Australia.<sup>3</sup>
- 6.6 Austrade and DFAT submitted that they are also 'working actively to facilitate visits and meetings with sovereign wealth funds and high net-worth individuals to promote investment'.<sup>4</sup>
- 6.7 DFAT's First Assistant Secretary of the Middle East and Africa Division, Mr Marc Innes-Brown, reported that DFAT also supported the Council for Australian-Arab Relations (CAAR) at an annual cost of \$440,000 to play a 'role in facilitating cultural and other links' such as funding and organising a water-energy-food nexus fora in the Middle East:
- That fora provided a clear role and facilitated expanding awareness of Australia's capabilities in an important sector in which there are significant complementarities...<sup>5</sup>
- 6.8 According to DFAT, CAARs has developed three flagship programs that will have a 'significant role in promoting mutual understanding and cultural links':
- International speakers program. CAAR funds a two-way flow of influential individuals between Australia and the Arab world, who do speaking tours, media and targeted meetings to provide a contemporary flow of information about issues;
  - Visiting fellowships program. CAAR funds talented academics from the Arab world to do research, teach and talk at Australian institutions; and

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

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

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

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

5 Mr Marc Innes-Brown, DFAT, *Committee Hansard*, Canberra, 26 November 2014, p. 8.

- Media internships program. CAAR funds Australian media students to visit the Middle East to have a look and work with media outlets in that part of the world.<sup>6</sup>

## Delegation discussions relating to Austrade strategies

- 6.9 During its visit to the UAE, Austrade's Senior Trade Commissioner, Mr Gerard Seeber, outlined to the Committee delegation that Austrade's strategic approach to the MENA region would include the following:
- Refocus Austrade's regional network on MENA initiatives building on Dubai as a transport hub;
  - Build on a broad promotional and public relations program to extend the message about Australia and the role it can play in future development of the region;
  - Focus on sectors in trade that are emerging as important to the GCC, where there is an ability to pay, and where Australia has experience and capability;
  - Consolidate relationships in higher education through visit programs and roundtables with key government entities associated with scholarship programs and promote educational institution to institution cooperation;
  - Engage specifically in presenting Australia's VET and skills training capability to the GCC countries increasing their emphasis on vocational training;
  - Reinforce connections made since 2012 with major investors from MENA to encourage further investment in Australia in infrastructure, tourism, resources and energy and agriculture, by linking them with state and territory government agencies, financial services, project managers and professional service firms;
  - Continue to build federal and state level cooperation in the MENA region by developing economic diplomacy strategies with DFAT to ensure alignment with Australia's key priorities; and
  - Contribute to preparations for negotiating a new GCC-Australia FTA.

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6 Mr Marc Innes-Brown, DFAT, *Committee Hansard*, Canberra, 26 November 2014, pp. 8 - 9.

## Resumption of FTA negotiations with the GCC

6.10 Discussions have begun with Gulf Cooperation Council (GCC) governments and officials about a possible resumption of free trade talks that commenced in 2007 and stalled in June 2009 after four rounds of negotiations.<sup>7</sup>

6.11 Australia is one of a number of countries negotiating FTAs with the GCC, however, the GCC has paused its trade negotiations with all partners pending a review of its trade agreement policy:

In March 2014, the GCC Ministerial Council approved the resumption of FTA negotiations, but made no announcement on when negotiations would resume and with which countries. The Australian Government is advocating strongly for a resumption of the Australia-GCC FTA negotiations.<sup>8</sup>

6.12 DFAT's submission states that pursuing an FTA with the GCC remains a priority for the Australian Government:

An FTA has the potential to facilitate a transformative growth in trade and investment with GCC countries, an area with strong growth prospects and large investment capacity. Tariff elimination would allow Australian primary producers to remain competitive and would reinforce Australia's standing as a valued supplier, particularly given the GCC is increasing its focus on food security issues.<sup>9</sup>

6.13 DFAT's Mr Innes-Brown stated that the GCC wants any negotiations on a FTA to be done as a bloc, not as individual Gulf state countries:

The issue is that the GCC amongst themselves have made a policy decision that they are going to do FTAs as a block, not individually...So it is not feasible talking about trying to negotiate individual FTAs when they themselves are not willing to do that. It is a policy decision, and that is the reality we are dealing with... It means there is a coordination issue amongst the GCC. They have to agree amongst themselves on policy decisions. Like any group, whether it be political or economic, there are some

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7 Department of Foreign Affairs and Trade, *Submission 9*, p. 33.

8 Department of Foreign Affairs and Trade, Australia-Gulf Cooperation Council (GCC) FTA <<http://dfat.gov.au/trade/agreements/agccfta/Pages/australia-gulf-cooperation-council-gcc-fta.aspx>>, viewed 17 November 2015.

9 Department of Foreign Affairs and Trade, *Submission 9*, p. 33.

differences of views on some things. That is just the landscape in which we have to operate.<sup>10</sup>

- 6.14 The Director of the Export Council of Australia, Mr Stephen Deady, recommended Australia pursue all bilateral trade opportunities alongside a GCC FTA. Mr Deady, who was a former trade negotiator at DFAT, argued that there were a range of options such as a bilateral investment agreement that may eventually become part of an FTA:

But if there are things that we could do short of an FTA with the UAE, I think they should be pursued. If there was leverage in a bilateral investment agreement or some other aspects of our trading relationship with the UAE, there are things that could be done: improve regulatory processes and costs of doing business, which do not have to be legally ratified through a formal free trade agreement. I think we can and should look at some of those.<sup>11</sup>

- 6.15 Mr Deady contended that the past has shown successfully negotiating a significant bilateral agreement with the UAE, as an example, may prove the catalyst for a region-wide agreement:

History is really proving that correct. If you look at what we did in our negotiations with, say, the ASEAN countries, the government started with negotiations with Singapore... We then built that up with further bilateral negotiations with a number of the ASEAN countries. That then morphed into the wider regional agreement with Australia, New Zealand and the ASEAN. So I think the best approach is the building-block approach – the bottom-up approach, as I describe it – to get there.<sup>12</sup>

- 6.16 The Managing Director of trade consultants Dearin & Associates, Ms Cynthia Dearin, recalled that negotiations for a free trade agreement with the UAE ceased in 2007:

That stopped in 2007 because essentially the GCC decided it would be better to negotiate an agreement as a bloc and in some ways that is right because that region has a lot more economic power as a bloc than as small countries. The UAE has 9.864 million population whereas Saudi Arabia has nearly 30 million. The four other states all have small populations. When you put them all together, it makes sense to negotiate with that bloc as a group. If

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

11 Mr Stephen Deady, Export Council of Australia, *Committee Hansard*, Canberra, 1 October 2014, p. 2.

12 Mr Stephen Deady, Export Council of Australia, *Committee Hansard*, Canberra, 1 October 2014, pp. 2 - 3.

we look at purely economics, the GCC has much greater purchasing and economic power than the rest of the region.<sup>13</sup>

- 6.17 Ms Dearin noted there was already significant harmony of laws and tariffs within the GCC that would facilitate the negotiations with the GCC:

At least with the GCC a lot of the rules are already harmonised. The tariff rate for most things is harmonised across the board and it makes it a lot easier. They are a lot closer to getting agreement. I think it may be challenging to get all six countries on the one page in a short space of time because that is just the nature of a multilateral negotiate but it is a good starting point.<sup>14</sup>

- 6.18 Mr Deady explained that any trade negotiations in the GCC will be very demanding on DFAT's and Austrade's resources:

If we are going to negotiate with the Middle East region, the GCC, it will be a GCC wide agreement. There are pluses in that – clearly, we can get a coherent sort of outcome. But I really do think it needs a great deal of preparatory work before you launch into those negotiations. That work is not quite as resource intensive as a negotiation. Negotiations are very resource intensive. That work is not wasted. It is a matter of dialogue, ministerial visits and various things to generate that interest and to really gauge a level of interest in the GCC, because the GCC in more than the recent past has not been able to conclude an agreement.<sup>15</sup>

- 6.19 According to Hassad Australia, which manages the Qatar Investment Authority's \$425 million investment in Australian agri-business, the impact of bilateral investments is 'often overlooked as an important part of bilateral trade negotiations and agreements':

There appears to be a high level of correlation between the extent of direct foreign investment from a particular country and the probability of a formal bilateral trade agreement (such as an FTA) entered into with that country by Australia.<sup>16</sup>

- 6.20 Hassad Australia cautioned the Australian Government against a trade focus too dominated by Asian markets because it believed much of Asia had the means, water and capacity to increase its own agricultural production, while the Middle East does not:

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13 Ms Cynthia Dearin, Dearin & Associates, *Committee Hansard*, Canberra, 13 May 2015, p. 10.

14 Ms Cynthia Dearin, Dearin & Associates, *Committee Hansard*, Canberra, 13 May 2015, p. 10.

15 Mr Stephen Deady, Export Council of Australia, *Committee Hansard*, Canberra, 1 October 2014, p. 3.

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

At present the potential to increase trade with Asia dominates much of the trade and agricultural policy debates in Australia. There is little doubt that Asian demand for food will increase in coming decades, but the region has considerable potential to increase its own agricultural production.<sup>17</sup>

- 6.21 According to Hassad Australia, the demand by 2020 for imported food by GCC countries will reach 70 per cent of total consumption, a higher need than many Asian markets:

Australian agricultural producers would be best served by an Australian Government trade and investment policy that is open, free and recognises that there are a number of prospective markets for Australian produce around the world.<sup>18</sup>

- 6.22 The Department of Agriculture's submission supports an Australia-GCC FTA would provide the opportunity to expand Australia's economic and trade relations with this key group of countries:

Removal of tariffs (even though they are currently generally low at 5 per cent) on Australian agricultural imports would increase their price competitiveness and avoid Australia falling behind should other countries, such as New Zealand, conclude FTAs with the GCC.<sup>19</sup>

- 6.23 The Department of Agriculture expects a comprehensive agreement could also help address differences between Australia and the GCC on sanitary and phytosanitary regulations, standards for inspection and testing, and certification requirements.<sup>20</sup>

- 6.24 The Department of Industry submission noted that if Australia can successfully negotiate an FTA with the GCC, then it has the potential to expand market access for Australian industrial products such as minerals and metals, and manufacturing interests, such as automotive parts, and machinery and equipment. The FTA could also reduce regulations and barriers for the provision of services in education, construction, engineering, architecture, health care, hospitality, and finance. It could also address a range of tariff and non-tariff barriers related to food exports and build long standing partnerships to improve food security in the Middle East.<sup>21</sup>

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

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

19 Department of Agriculture, *Submission 27*, p. 12.

20 Department of Agriculture, *Submission 27*, p. 12.

21 Department of Industry and Science, *Submission 26*, p. 8.

- 6.25 The failure to conclude a free trade agreement with either the GCC or any of the countries of the region means that the MENA is one of the few regions of the world where Australia has no special status as a trade and investment partner.<sup>22</sup>
- 6.26 Chairman of the Australian Processor Council of the Australian Meat Industry Council, David Larkin, explained why his industry's members welcome a free trade agreement with the GCC:
- The demand that we have recently seen in terms of an increase has taken Australian agricultural exports, particularly red meat, away from being a world commodity to a product that is now demanded and marketed and priced. Clearly we are at the very forefront of the change... [AMIC member Fletcher International Exports] is of the view that we should be entering into trade negotiations with countries that are imminent in terms being our large trading partners but that are not on the radar today. GCC is an absolute no-brainer in that regard. India is another one.<sup>23</sup>
- 6.27 In a price-sensitive region such as the Middle East, Australian Dairy Farmers' Mr Griffin asserted that a free trade agreement with the GCC could have an enormous influence on trade. Mr Griffin wanted the free trade agreement negotiations to resume because the GCC represents Australia's top dairy customers in the region - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE:
- Negotiations have stalled in recent years and we understand that Saudi Arabia had put the negotiations on hold while it reviewed the potential for a domestic auto manufacturing industry within the kingdom. Given recent announcements by vehicle manufacturers in Australia, this should no longer be a concern for the Saudis.<sup>24</sup>
- 6.28 The Australian dairy industry is concerned about delays to a free trade deal with the Gulf states because its international competitors may take advantage and it wants the Australian government to 'seek to reopen negotiations and expedite the conclusions of an FTA with the GCC as soon as it is possible'.<sup>25</sup>

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22 Dearin & Associates, *Submission 17*, p. 5.

23 Mr David Larkin, Australian Meat Industry Council, *Committee Hansard*, Sydney, 9 September 2014, p. 14.

24 Mr Chris Griffin, Australian Dairy Farmers, *Committee Hansard*, Melbourne, 17 October 2014, p. 22.

25 Mr Chris Griffin, Australian Dairy Farmers, *Committee Hansard*, Melbourne, 17 October 2014, pp. 22 - 23.



6.29 Mr Griffin commented that most dairy imports enter the GCC countries at an applied tariff of five per cent so any international competitors that have the tariff removed will benefit from a significant cost advantage:

If one of Australia's major competitors such as the EU and New Zealand manage to complete and implement an FTA with the GCC before Australia, Australian dairy would find itself at a significant commercial disadvantage for dairy trade into the region.<sup>26</sup>

6.30 The General Manager of Trade and Industry Strategy for Dairy Australia, Mr Charlie McElhone, observed that an international competitor like New Zealand enjoyed a few advantages when negotiating FTAs because their dairy industry dominates with production of 20 billion litres of milk, of which 95 per cent is exported, and is more than double Australia's 9.2 billion litres:

I would note that New Zealand, because of the strength of dairy in their economy and also because they do not have probably as many of the sensitive domestic industries that Australia has – for instance, they do not have a sugar industry or a rice industry, and that is just from an agricultural perspective – that does give them somewhat of an advantage when they are doing these FTAs.<sup>27</sup>

## Delegation discussions relating to a GCC FTA

6.31 The Committee delegation visited four member countries of the Gulf Cooperation Council (UAE, Saudi Arabia, Kuwait, and Qatar) to investigate trade issues, and why negotiations on a free trade agreement (FTA) with the GCC, which stalled in 2009, had not resumed despite the interest of the Australian Government.

6.32 The Committee delegation was made aware that negotiating a FTA with Australia may not seem a priority in a Middle East region beset with security issues in a number of countries such as Syria, Iraq, Libya and Yemen, along with Jordan and Lebanon trying to cope with thousands of refugees from the Syria conflict.

6.33 While a number of senior ministers and businesspeople from the UAE, Kuwait and Saudi Arabia shared their support with the Committee

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26 Mr Chris Griffin, Australian Dairy Farmers, *Committee Hansard*, Melbourne, 17 October 2014, p. 23.

27 Mr Charlie McElhone, Dairy Australia, *Committee Hansard*, Melbourne, 17 October 2014, p. 24.

- delegation for negotiating trade deals with Australia, there appeared little optimism about the FTA negotiations resuming.
- 6.34 During the Committee delegation's visit to Dubai, the UAE's Minister of State for Foreign Affairs, HE Dr Anwar Gargash, expressed frustration with the lack of progress on the FTA. Dr Gargash commented on the strong bilateral relationship with Australia and re-affirmed the UAE's support for re-commencing GCC FTA negotiations. Dr Gargash said the UAE would push the issue again at the GCC Foreign Ministers meetings.
- 6.35 At a delegation meeting with the UAE's Minister of Economy, HE Sultan bin Saeed Almansoori at the Ministry of Economy, in Dubai, the Minister reaffirmed that the UAE government had no problems with an FTA, and if there was a problem, then it may well be with another country. Sultan Almansoori stated that the FTA would work well for the both Australia and the GCC countries including the UAE too. He believed the trade potential to be very large.
- 6.36 Sultan Almansoori also advised that the UAE was looking to encouraging innovation and would welcome an MOU on cooperation with relevant Australian institutions in the areas of innovation in education, healthcare, renewable energy, water, logistics, aviation and space. He noted this MOU could be delivered quickly on the UAE side because of the UAE's interest in innovation, industry, and food security, and they are seeking to find a reliable country like Australia to share these interests in developing innovation in these fields. Sultan Almansoori asserted that the UAE wanted to invest in food industries so the Emirates can create a food reserve, with a focus mostly on wheat, which it regards as a vital food.
- 6.37 When the Committee delegation visited Saudi Arabia to meet with the Ministry of Commerce and Industry's Deputy Minister for Foreign Affairs, Dr Abdullah Al-Obaid, he said that the delays in reopening negotiations for a GCC FTA were due to it needing a study on the impact of an FTA. Dr Al-Obaid said the Saudi government had wanted a study done to see what the priorities should be. He said that the GCC also have a lot of countries all wanting to do an FTA with the region.
- 6.38 At a meeting with the Shura Council in Riyadh, the Ambassador of Saudi Arabia to Australia, HE Mr Nabil Mohammed A. Al Saleh declared that that Saudi Arabia was aware that Australia wanted to negotiate a GCC FTA, but Saudi Arabia was more interested in signing a bilateral trade agreement, and Australia should sign a double taxation agreement and a MOU on investment with Saudi Arabia.
- 6.39 These views on the GCC FTA were supported by a member of the Saudi Australia Business Council, Mr Usama Al-Kurdi, who argued that the Saudia Arabia needed to do more than an FTA. Mr Al-Kurdi supported

- negotiating bilateral agreements on trade, investments and double taxation, instead of waiting for an FTA.
- 6.40 In Kuwait, the Committee delegation held a meeting at the Ministry of Foreign Affairs with Assistant Foreign Minister for Americas, Ms Reem M. Al-Khaled, who indicated that Kuwait supports a GCC FTA. Ms Al-Khaled advised that there are problems with the GCC negotiating collectively and suggested it would be probably better for Australia to discuss a bilateral agreement so both countries can move forward.
- 6.41 The Speaker of the Kuwait National Assembly, HE Mr Marzouq Ali Al-Ghanim, welcomed the delegation to the Kuwaiti parliament and expressed confidence that while trade relations were a government issue, the parliament would support any agreements on investments and bilateral trade with Australia.
- 6.42 The then Australian Ambassador to the UAE and Qatar, Mr Pablo Kang, noted that resuming negotiations on the FTA with the GCC may be further delayed. Mr Kang discussed with the Committee delegation some alternatives that the Australian Government could consider.
- 6.43 At a food sector roundtable in Dubai, Australia rice exporter SunRice told the Committee delegation that it would welcome a GCC FTA so it could be put on a more level playing field with rice growers in Egypt in the GCC market. Australian rice is 50 per cent more expensive than Egyptian rice.

## **Committee comment**

- 6.44 The Committee shares the view that there would be significant benefits for Australia and the GCC from a comprehensive free trade agreement that liberalises both goods and services trade, and facilitates investment.
- 6.45 The Committee supports efforts by the Australian Government to resume negotiations on a comprehensive agreement that was suspended by the GCC in 2009. The Committee considers that discussions between governments to resume the GCC FTA negotiations should continue to be prioritised.
- 6.46 However, during discussions in the UAE and Kuwait, the Committee delegation gained the clear impression that it will be difficult for negotiations on a free trade agreement with the GCC to resume.
- 6.47 The Committee shared the frustration of senior government ministers and officials in the UAE and Kuwait with the lack of progress in negotiations on a GCC FTA, as expressed to the Committee delegation during its visit to the Middle East in December 2015.

- 6.48 The Committee agrees with the advice of those ministers, and also government officials and businesspeople in Saudi Arabia, that if resumption of the GCC FTA negotiations remained stalled, then Australia should pursue bilateral trade agreements, services and investment agreements, double taxation agreements, and memorandums of understandings (MOU) with countries including the UAE, Saudi Arabia, Kuwait and Qatar. The Committee notes from the delegation's visit to the Middle East that the UAE government appear the most open to negotiating bilateral agreements with Australia.
- 6.49 The Committee welcomes the suggestions of Australian diplomats and trade officials, and also Australian businesspeople with experience in the Middle East, for alternative proposals to grow trade relations should the negotiations on a GCC FTA remained stalled. The Committee supports the establishment of a Joint Economic Committee with the UAE Government. This Joint Committee could then become the mechanism for Australia and the UAE's ministers of trade and government officials to discuss trade and economic issues, and also assist negotiations with the UAE on a services and investment agreement. The Joint Committee could also be used as a forum for discussing an MOU, as proposed by the UAE's Minister for the Economy to begin.

**Recommendation 4**

The Committee recommends that the Australian Government prioritise resumption of negotiations and conclusion of a comprehensive free trade agreement with the Gulf Cooperation Council.

**Recommendation 5**

The Committee recommends that, in the event the Gulf Cooperation Council (GCC) does not wish to resume negotiations on a free trade agreement by 2017, the Australian Government pursue bilateral trade, services and investment agreements with individual GCC member nations, and give priority to negotiating agreements with the UAE, Saudi Arabia, Kuwait and Qatar.

**Recommendation 6**

The Committee recommends that the Australian Government propose the formation of a Joint Economic Committee with the UAE as a forum for:

- bilateral discussions on trade and economic issues;
- negotiations on a services and investment agreement; and
- developing a memorandum of understanding on innovation in sectors prioritised by the Joint Economic Committee.

**Recommendation 7**

The Committee recommends that the Australian Government investigate the potential benefits of negotiating double taxation agreements with Gulf Cooperation Council member countries. The Committee further recommends that priority be given to reaching taxation agreements with the UAE, Saudi Arabia, Kuwait and Qatar.

### Recommendation 8

**The Committee recommends that the Australian Government pursue bilateral trade agreements with other Middle Eastern nations outside of the Gulf Cooperation Council, with priority given to Iran, Egypt, Morocco, Jordan and Israel.**

## Australia's diplomatic footprint in the Middle East

6.50 Australia is represented across the region by nine posts in 10 locations:

- Abu Dhabi and Dubai in the UAE;
- Amman, Jordan;
- Baghdad, Iraq;
- Beirut, Lebanon;
- Cairo, Egypt (covering Egypt and Syria);
- Kuwait City, Kuwait;
- Riyadh, Saudi Arabia (covering Saudi Arabia, Bahrain, Oman and Yemen);
- Tehran, Iran; and
- Tel Aviv, Israel.<sup>28</sup>

6.51 There is also a Australian Representative Office in Ramallah, Palestinian Territories.

6.52 A new Australian embassy is expected to open in Doha, Qatar in September 2016. Australia's post in Paris, France, has non-resident accreditation for Morocco and Algeria, while the Embassy in Rome, Italy, has responsibility for Libya, and the High Commission in Malta has responsibility for Tunisia.<sup>29</sup>

6.53 Austrade has offices and trade commissioners in:

- Saudi Arabia covering Bahrain, Egypt, Lebanon and Oman;
- Kuwait covering Jordan and Iraq; and
- the UAE in both Dubai and Abu Dhabi covering Morocco, Qatar and Iran (until Austrade re-opens its office in Iran in 2016). A new Austrade office will also open within the new Australian embassy in Qatar in late 2016.

28 Department of Foreign Affairs and Trade, *Submission 9*, p. 5.

29 Department of Foreign Affairs and Trade, *Submission 9*, p. 5.

6.54 The diplomatic representatives of Tunisia and Morocco told the Committee that Australia should have a diplomatic presence in at least one of the nations of the Maghreb<sup>30</sup> region of North Africa, not in Europe, if it wants to grow trade. The Ambassador of Tunisia, HE Mr Nabil Lakhal, observed that it would be challenging for Australian diplomats to involve themselves in Tunisia from the High Commission in Malta:

What we want is for Australia to have the will to discover our countries; and, of course, our ambition is to see Australia opening an embassy in Tunisia. We have an embassy here. I know that it will not be very easy, but at the same time you have no presence in the Maghreb.<sup>31</sup> All the Maghreb countries are represented here, but Australia has no embassy in the Maghreb, so it is very important. I think that it is very important to have an embassy in Tunisia that will follow what is happening.<sup>32</sup>

6.55 The Charge d'Affaires at interim of the Embassy of the Kingdom of Morocco, Mr Rachid Ismaili, also queried the effectiveness of Australia's Embassy in France serving Morocco:

In my personal opinion, one of the problems for the relationship between Australia, the Middle East and North Africa, economically speaking, is that Australia is under-represented overseas.<sup>33</sup>

6.56 In the 2015-16 federal budget, the Australian Government allocated \$98 million to open five new overseas missions, including a new Middle East post in Qatar.

6.57 There are more than 4,500 Australian expatriates living in Qatar, primarily working in professional fields including healthcare, education and construction management. Currently, they receive consular service from the Australian embassy in Abu Dhabi in the UAE. The new Australian embassy in Qatar should open in late 2016 in Doha with three DFAT staff, one Austrade staff and 11 locally engaged staff.

6.58 DFAT supports expansion of its diplomatic footprint in the Middle East:

Having a diplomatic mission based in important markets is often central to expanding commercial links and garnering a share of host Government business. Subject to budget issues, continued

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30 A region of northwest Africa that includes Morocco, Algeria, Tunisia and Libya.

31 A region of northwest Africa that includes Morocco, Algeria, Tunisia and Libya.

32 Ambassador Nabil Lakhal, Embassy of the Republic of Tunisia, *Committee Hansard*, Canberra, 11 February 2015, p. 4.

33 Mr Rachid Ismaili, Charge d'Affaires at interim, Embassy of the Kingdom of Morocco, *Committee Hansard*, Canberra, 11 February 2015, p. 5.

consideration could be given to expanding Australia's diplomatic footprint in the region.<sup>34</sup>

6.59 There was support at a public hearing held with ambassadors and diplomatic representatives of Middle Eastern countries in Australia for a stronger diplomatic presence in North Africa in countries such as Morocco, Tunisia and Algeria.

6.60 The Ambassador of Jordan, HE Mrs Rima Alaadeen, told the Committee that Australia's diplomatic footprint in the Middle East did not reflect the relations it has with the Arab world. Ambassador Alaadeen said while 14 Arab countries out of 22 were diplomatically represented in Australia, Australia was disadvantaged by only having eight missions in the Arab world. She saw potential with better representation for Australia to grow its relatively small \$16 billion in two-way trade with the Arab world:

Since the onset of the so-called Arab Spring, there has been a step back by Australian investors and business people going to do business. Also, when you look at the numbers, the Arab world is a relatively small bloc compared to other areas. Take Jordan for instance. The population of Jordan is now 10 million but we are a gateway for a billion. It is the same for Egypt and the same for other countries. We are extremely active in the commercial world with different free trade association agreements, so we need to look from that context.<sup>35</sup>

6.61 DFAT's Mr Innes-Brown stated that 'budget constraints' have to be considered when opening new missions overseas:

It is true that we have a number of countries represented in Canberra for which we do not have diplomatic representation in their countries. Sometimes it is a question of weighing up the actual level of activity and whether it can justify the considerable expense of running a mission. They are considerations that DFAT and Austrade executives have to make.<sup>36</sup>

6.62 Director of the Export Council of Australia, Mr Deady, maintained that the Australian business community and exporters need to keep telling DFAT about issues or lack of support overseas to help resolve them:

I think industry should be pushing Austrade and should be pushing DFAT. The T in DFAT means trade. They have to get up there and say that there is a commercial aspect of our foreign

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34 Department of Foreign Affairs and Trade, *Submission 9*, p. 35.

35 Ambassador Rima Alaadeen, Embassy of the Hashemite Kingdom of Jordan, *Committee Hansard*, Canberra, 11 February 2015, p. 5.

36 Mr Marc Innes-Brown, DFAT, *Committee Hansard*, Canberra, 26 November 2014, p. 2.



relations which is absolutely critical and that these are the problems they face in these markets and that they want them to be aware of these things and dealing with them as actively as possible.<sup>37</sup>

- 6.63 Dearin & Associates' Ms Dearin argued if resources were not an issue then having more of a diplomatic presence across MENA would make a difference in building trade:

They are connected because having representation in a country is important for promoting that trade relationship. The Middle East and North Africa region is no different to any other place. Countries want you to have a presence in-country to demonstrate that you are serious. There is always the problem of finite resources and how you maximise those to get the best return and the greatest impact.<sup>38</sup>

- 6.64 Chairman of ATC Mr Chapman supported the work done by Austrade for trade opportunities in the Middle East but believed smaller companies may not be the priority:

Austrade, is a very valuable friend of ATC but because of its structure, it seems to need to concentrate on bigger business issues and connections. However, one recent experience with Austrade was with Austrade's Ms Amanda Hodges in the Dubai office and without a doubt Amanda assisted ATC in a way never experienced before. Her time, contacts and expertise dealing with a local Dubai company was perfect. Personally I think Austrade could copy some aspects of the Victorian Government model and maybe attract more companies. The impression we get with Austrade is that often they have to deal with non-business issues which distracts their people from more productive outcomes.<sup>39</sup>

- 6.65 The Senior Policy Manager for Australian Dairy Farmers, Mr David Losberg, offered that dairy exporters welcome the support of the government agencies in the Middle East and want more:

Austrade, the Department of Foreign Affairs and Trade and certainly the Department of Agriculture through the agricultural counsellors: our feedback is they do a good job. The role they do is appreciated, but there are only so many agricultural counsellors.

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37 Mr Stephen Deady, Export Council of Australia, *Committee Hansard*, Canberra, 1 October 2014, p. 9.

38 Ms Cynthia Dearin, Dearin & Associates, *Committee Hansard*, Canberra, 13 May 2015, p. 9.

39 Australian Turntable Company, *Answers to Question on Notice*, 28 October 2014, p. 2.

We recognise they do a great job. That is why we keep pushing for more of them, fundamentally, just to expand that network.<sup>40</sup>

6.66 The CEO of the Arab Bank Australia, Mr Joseph Rizk, warned that if Australia wants to grow trade and improve investment relations with the Middle East, then it must work harder and be more consistent in building closer relationships with the governments and leading decision makers of the region. Also, in the Middle East, governments are much more involved.<sup>41</sup>

6.67 Mr Rizk argued that Australia needed to build-up its presence through its diplomatic and trade representation across the region. Mr Rizk believed Australian governments in recent decades have been too inconsistent in how they manage their relationships in the Middle East:

I do not know whether it is because of changes of government, budgetary issues or whether the political issues re-direct the level of interest, but I assure you that, if you look at who invests in terms of longer-term opportunities in that region, be it from Europe, from the Americas or from Asia, they have played their cards there for quite a number of years and they have established themselves. That is why they win a substantial amount of contracts and supply the region to a greater degree than where Australia does. I think this is where we need to sort of concentrate our focus if we are genuine about the region.<sup>42</sup>

6.68 Mr Rizk advised the importance of keeping successful Austrade commissioners who are performing exceptionally well in their Middle Eastern posts for longer terms due to the value placed on person to person relationships in the region:

If you have got the right people based in those regions and you give them the opportunity to really align themselves with business and governments over there, then you have a recipe for success. But you cannot do it by sending somebody over there for three years and then saying, 'Hold on, we'll redeploy that person somewhere else in the world'.<sup>43</sup>

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40 Mr David Losberg, Australian Dairy Farmers, *Committee Hansard*, Melbourne, 17 October 2014, p. 25.

41 Mr Joseph Rizk, Arab Bank of Australia, *Committee Hansard*, Canberra, 18 June 2014, p. 1.

42 Mr Joseph Rizk, Arab Bank of Australia, *Committee Hansard*, Canberra, 18 June 2014, p. 1.

43 Mr Joseph Rizk, Arab Bank of Australia, *Committee Hansard*, Canberra, 18 June 2014, p. 4.

6.69 Austrade does not have a trade office in Morocco but employs a Moroccan to work as a Trade Correspondent representing Australian interests. He reports to the Senior Trade Commissioner in Austrade's Dubai office.<sup>44</sup>

6.70 Austrade's General Manager of Growth and Emerging Markets, Mr Grame Barty, explained that opening a new office in Morocco could assist with trade and 'sometimes companies follow' Austrade's initiatives:

There are two aspects of our end market. One is to make an initial sale for end of the market in the first place, but the second trick is to be able to sustain that. They are two completely different things. One of the things we would really like to see grow around that is the ability to establish a bridgehead where one company's success will lead to another company entering, and then slowly we build a cluster [of Australian companies]. Once we see a cluster, then we can start to reinforce it and really sell the benefits.<sup>45</sup>

6.71 DFAT's Mr Innes-Brown told the Committee DFAT had in the past considered Morocco for establishing an Australian embassy but commercial activity was still relatively small. In 2014-15, two-way trade with Morocco was worth nearly \$68 million with Australia exporting \$33 million in merchandise of mostly sheep meat, beef and butter:

...if you are looking at the actual current value of commercial activity in which to base decisions, it is a bit hard to make the case.<sup>46</sup>

6.72 Austrade does not have a trade commissioner or representatives based in Cairo, Egypt, or in Muscat, Oman either. Austrade's office in Saudi Arabia takes responsibility for Egypt, Oman and Bahrain.

6.73 Rice exporter SunRice indicated that it is looking to grow markets in North Africa but had limited assistance from Austrade in 2014, which does not have offices in those countries:

One of a number of areas of opportunity for expansion is North Africa, namely Algeria, Tunisia and Morocco. As part of our preliminary assessment activity, we have made contact with Austrade in the region but to date have received limited support. There is a valuable opportunity for greater assistance and co-operation from government and relevant agencies in supporting Australian export businesses during the critical and costly

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

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

46 Mr Marc Innes-Brown, DFAT, *Committee Hansard*, Canberra, 26 November 2014, p. 5.

development period prior to entering a new market and the launch phase of a new brand.<sup>47</sup>

- 6.74 The Managing Director of Seventh Sense, Mr Ibrahim Awad, explained while his company did not use Austrade's services to establish itself in the Middle East, he had welcomed Austrade's support in making business contacts in recent years. Mr Awad still believes Austrade needs to be more aware of business opportunities in the UAE:

With regards to Austrade, I think that they do a very good job. They come across as united. They have been very helpful since we have known them but I do not really think that they have their feet on the ground and I do not really think that they have their finger on the pulse. In my discussions with them, we were aware of a lot more opportunities and projects than they were, and that is because we were on the ground and working closely with clients and knew about a lot more opportunities.<sup>48</sup>

- 6.75 Mr Barty asserted that Austrade does takes an active role in developing strategies to promote of Australian food produce in the UAE:

...they are clearly aware of the premium products. We are active in promoting those. But their real and primary concern is in staple foods. In the way that we devise that, it is around foods for human-critical needs, which is basically grains and some protein, horticultural products, which could be both necessary or desirable, and then desirable premium products, and how we package and position those. Clearly, the Emirates is a highly sophisticated, diversified market and they are very receptive to premium Australian produce.<sup>49</sup>

- 6.76 Mr Alan Oppenheim of Ego Pharmaceuticals, said his company tends to only use Austrade and DFAT's services when entering into new markets:

We will typically go into the Austrade office a few times to simply learn about the market and learn about the industry and more. We do not expect Austrade to be experts in pharmaceuticals or our market but to give us some general information. That is usually about the time we use Austrade. The only other time we might use them is if there is the occasional block or an occasional issue, or some weird curve ball, when we may occasionally talk to them.<sup>50</sup>

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47 SunRice, *Submission 31*, p. 21.

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

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

50 Mr Alan Oppenheim, Ego Pharmaceuticals, *Committee Hansard*, Melbourne, 17 October 2014, p.

- 6.77 SunRice argued that relevant government and industry bodies such as the Australia Arab Chamber of Commerce and Industry should 'support Australian companies exporting to the Middle East through initiatives that help to deliver tangible commercial outcomes via increased trade opportunities and/or awareness of its products'.<sup>51</sup>
- 6.78 Australian company Mainstream Aquaculture's head of aquaculture, Dr Paul Harrison, offered how useful both Austrade and DFAT had been organising meetings with potential clients for companies like theirs attending the Victorian Government's Super Trade Missions in Dubai:
- ...Austrade were particularly helpful for us because, once we were going there, we then sent them a list of what we wanted to do, and they just came back and flooded us with potential meetings that we could have. We did a couple of things where we were specifically targeting business that we had boiling away, and we used each one as an opportunity to spread out a little bit wider and to network. From that, there were some discussions around what we might be able to do, with Austrade in particular, when we start getting into a region – to use their facilities, their offices, their contacts and personnel...<sup>52</sup>
- 6.79 Dr Harrison found benefits from Austrade or DFAT having a physical presence across the Middle East and Mainstream Aquaculture being able access their knowledge or facilities for meetings:
- Again, most of our experience is through the inductions that you do through the Super Trade Missions, but the cultural sensitivities of particular regions are important; you are travelling around everywhere and you are learning as you go, so it is very, very helpful to have a guide. Certainly, if we were going to go anywhere to generate new business, the closest Austrade office would be our first contact. From a business perspective, it helps. You do not ever know what exact role it plays, but if you are having meetings with somebody, you can meet them in a coffee shop or you can meet them in a trade office; it is a perception...<sup>53</sup>
- 6.80 The CEO of the AACCI, Mrs Moss-Wright, observed why she believes some countries are more successful in securing contracts in the Middle East:

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51 SunRice, *Submission 31*, p. 12.

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

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

The level of support that the Australian government shows to industry participants going into the region is significantly less than that of their competitors. For instance, there would be a senior envoy from the UK in there every six weeks.<sup>54</sup>

- 6.81 Queensland businessman and exporter of AustraBlend soil conditioner, Mr Michael Farrar, who has been exporting horticultural products to the Middle East for 40 years, warned the Committee about the pitfalls of Austrade's cost recovery fees and charges:

The practice of cost recovery for Austrade's commissioners and personnel has in my view been counter-productive. The garnering of export opportunities and the projection of our coordinated national export philosophy is a highly specialised matter but if seasoned exporters choose not to engage these services, then the potential for Austrade in particular, to effectively play out its role is significantly diminished...they are operating in ignorance of what may be very significant opportunities...<sup>55</sup>

- 6.82 Mr Farrar has himself avoided using Austrade services since cost recovery was introduced:

When Austrade was established and cost recovery became a part of it, we were aghast. We feel that Australian exporters need every effort. They are taxpaying entities and why in the name of goodness should they have to pay a substantial sum of money per hour for information that maybe they have themselves or certainly they would choose to access if they could? We would never pay it. I would speak for an awful lot of experienced operators who would never pay it.<sup>56</sup>

- 6.83 Austrade advised that, for a uniform fee of \$275 per hour in all overseas markets, Austrade offers a tailored service to Australian businesses or organisations seeking to export or expand their export markets into emerging markets.<sup>57</sup> Austrade's tailored services provide customised information specific to an export company's requirements. When Austrade's tailored services are commissioned by an Australian export business, a proposal outlining anticipated costs will be prepared for the exporter's agreement prior to commencing the work:

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

55 AustraBlend Pty Ltd-AustraHort Pty Ltd, *Submission 51*, pp. 3 - 4.

56 Mr Michael Farrar, Private capacity, *Committee Hansard*, Canberra, 13 May 2015, p. 6.

57 Austrade, Austrade Services – Assisting Australian business in international markets, <<http://www.austrade.gov.au/Australian/How-Austrade-can-help/Trade-services/trade-services>>, viewed 18 March 2015.

The Australian Government requires Austrade to recover costs where we work intensively in the direct interest and for the benefit of an individual Australian business. As a result, tailored trade services that require more than two (2) hours of Austrade time are charged on a fee for service basis.<sup>58</sup>

- 6.84 According to Austrade, it will deliver these services through its advisers' network across key trade markets around the world. Austrade states it can assist exporters by compiling key information on the market they are targeting and talking directly to local industry players to gauge their interest in meeting an Australian exporter and reviewing their products or services, which Austrade claims saves the exporter valuable time.<sup>59</sup>
- 6.85 Austrade's tailored services include:
- Market or country research;
  - Potential partner and customer identification;
  - Appointments during an exporter's market visit;
  - Follow-up to initial introductions;
  - Market promotions.<sup>60</sup>

## Committee comment

- 6.86 The Committee supports Austrade's annual trade mission initiative, *Australia Unlimited MENA*, as a vehicle for showcasing Australian exporters and capabilities in key trade and services sectors of interest, and also promoting Australia as a tourism destination. These trade missions showcase Australia's education, agriculture, aquaculture and food production, resource and water management, sustainable urban development, sports, and tourism sectors.
- 6.87 The Committee also welcomes the opening of a new Australian Embassy and accompanying Austrade office in Qatar as an opportunity to grow trade and investment in the lead up to Qatar hosting the 2022 FIFA World Cup.

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58 Austrade, Austrade Services – Assisting Australian business in international markets, <<http://www.austrade.gov.au/about/programs-and-services/Programs-and-Services>>, viewed 18 March 2015.

59 Austrade, Austrade Services – Assisting Australian business in international markets, <<http://www.austrade.gov.au/Australian/How-Austrade-can-help/Trade-services/trade-services>>, viewed 18 March 2015.

60 Austrade, Austrade Services – Assisting Australian business in international markets, <<http://www.austrade.gov.au/Australian/How-Austrade-can-help/Trade-services/trade-services>>, viewed 18 March 2015.

- 6.88 The Committee recognises the potential of the Iranian market opening up following the removal of trade sanctions, and welcomes the re-opening of an Austrade office in Tehran to advise and assist Australian exporters.
- 6.89 The Committee notes the concerns of the diplomatic representatives of both Morocco and Algeria about the lack of Australia representation across North Africa. Australia has an embassy in Cairo but no Austrade office despite Australia exporting \$512 million in merchandise to Egypt, mostly wheat and vegetables. Despite the modest trading relationship with Morocco, the Committee supports Australia opening an embassy and Austrade office in Morocco, as another gateway to markets in both Europe and Africa. The Committee notes the role of Austrade's trade correspondent in Morocco.
- 6.90 The Committee agrees with the assessment by the CEO of the Arab Bank Australia, Mr Joseph Rizk, of how important having a presence in-country is to building longer term relationships in MENA, and that it is unrealistic to expect the trade commissioner in the UAE to also cover Morocco.
- 6.91 A range of Australian businesspeople and bankers told the Committee how important the role of Australian embassies and Austrade offices in the Middle East are for growing trade and holding meetings.
- 6.92 The Committee notes the observations of the Australia Arab Chamber of Commerce and Industry about the more generous government support for exporters by competitor countries such as Germany, the UK, and US, in comparison to Australia.
- 6.93 The Committee was made aware of some exporters' concerns about the level of business acumen and export expertise that Austrade trade commissioners, commercial counsellors and other advisers had to offer in Australia and overseas. The Committee notes that Austrade needs its advisers to be more business orientated, more proactive in their pursuit of export opportunities and more understanding of the challenges businesses encounter in delivering exports.
- 6.94 The Committee believes that Austrade should recruit staff with business experience and place a greater emphasis on developing the business expertise of its advisers by providing first-hand experience of the issues faced by exporters, especially by the small to medium-sized enterprises.
- 6.95 The Committee also notes the concerns of an Australian exporter about Austrade seeking to charge \$275 an hour in cost recovery fees when an exporter seeks to use its services beyond two hours.



### **Recommendation 9**

The Committee recommends that the Department of Foreign Affairs and Trade increase Australia's diplomatic representation in North Africa by opening a new post in Morocco that also covers Algeria and Tunisia, and opening Austrade offices in Egypt and Morocco.

### **Recommendation 10**

The Committee recommends that Austrade:

- seek to recruit staff with business experience;
- enhance the business acumen of its advisers by ensuring that staff training includes regular, on-the-ground engagement with small to medium-sized exporters, and exposure to their issues and perspectives; and
- review the purpose and impact of charging a cost recovery fee per hour for its services to Australia's small and medium-sized enterprises when they seek advice on exporting, and examine whether doubling the initial two hours of free consultation would encourage more exporters to take Austrade's advice and thereby improve their export strategies and decision making.

### **Recommendation 11**

The Committee recommends that the Australian Government continue Middle East-specific commercial promotion to showcase Australia's capabilities to supply high quality goods and services, such as food, education and tourism.

## **Promoting Australia to sovereign wealth funds for investment**

- 6.96 According to DFAT and Austrade, it remains important for Australia to have a specific trade and investment promotion agenda for its key markets in the Middle East:

- Austrade's *Australia Unlimited* commercial promotion program was held in the region in 2013, 2014 and 2015 and presented Australian capabilities in key sectors; and
  - Continued Ministerial engagement will be important to advance Australia's commercial interests with the Middle East, where such high-level relationships are important for securing commercial outcomes.<sup>61</sup>
- 6.97 DFAT submitted that Australia's diplomatic missions in the Gulf states have been active in encouraging sovereign wealth funds to invest in Australia, and that there have been some substantial new investments in recent years.<sup>62</sup>
- 6.98 During visits to the UAE and Saudi Arabia in 2014 and 2015, and to Kuwait and Qatar in 2015, the then Trade and Investment Minister the Hon Andrew Robb AO MP conveyed the message that Australia was 'open for business'<sup>63</sup> and encouraged key sovereign wealth funds in these Gulf states to consider opportunities, including in northern Australia. According to DFAT, a number of these 'funds and key personalities are interested in additional visits and investments in Australia':
- Austrade and DFAT will need to continue to work, including with State governments, to organise appropriate programs and promotional events. Ongoing briefings in market by senior Government officials, both Federal and State, on specific investment opportunities and updates on investment regulations and taxation issues will remain important.<sup>64</sup>
- 6.99 The Embassy of Kuwait submitted that it was important that there were more high level visits between Australia and Kuwait by ministers, parliamentarians and officials:
- Exchanging formal visits between officials and decision makers from our countries and Australia is of a high importance and is welcomed from our side in order to create more sustainable opportunities for communication and mutual research in fields that are of a great matter for both sides.<sup>65</sup>
- 6.100 Austrade's Mr Barty observed that the visits by the former Australian Trade Minister in recent years had often prompted 'new and heightened interest' from Middle Eastern sovereign wealth funds in investing in Australia:

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61 Department of Foreign Affairs and Trade, *Submission 9*, p. 34.

62 Department of Foreign Affairs and Trade, *Submission 9*, p. 33.

63 Department of Foreign Affairs and Trade, *Submission 9*, p. 33.

64 Department of Foreign Affairs and Trade, *Submission 9*, p. 33.

65 Embassy of the State of Kuwait, *Answers to Question on Notice*, No. 8, p. 1.

...there definitely appears to be some increased intent across the board of sovereign wealth funds across the Gulf coast to look more significantly at opportunities in Australia. There is probably a preference for brownfields opportunities and they are clearly focused on return on investment. So they are not just going to buy anything. But they are also interested in securing supply chains for food and they would be willing to invest in infrastructure and production capability where that makes sense. There is a lot of interest in Australia's north...<sup>66</sup>

## Committee comment

- 6.101 The Committee supports continuation of Austrade's annual trade mission initiative - *Australia Unlimited MENA*.
- 6.102 The Committee notes the importance of continued Ministerial level engagement to advance Australia's commercial interests in the Middle East, where the established business culture values high-level, face-to-face relationships as particularly important for encouraging the region's sovereign wealth funds to invest in Australia, and secure commercial outcomes.
- 6.103 The Committee notes Austrade's view that Ministerial visits from Australia to the Middle East have had a positive impact on encouraging the region's sovereign wealth funds to consider investment opportunities in Australia. The Committee encourages DFAT to continue using its Special Visitors Program to introduce influential Middle Eastern business people, executives of Gulf states' sovereign wealth funds and government leaders to come to Australia, meet federal and state ministers, and examine the range of investment opportunities available across Australia.
- 6.104 The Committee also acknowledges the particular support of the Embassy of Kuwait for a continuation of these high-level visits to and from the Middle East to encourage further trade and investment opportunities.

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<sup>66</sup> Mr Grame Bartly, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 4.

## Recommendation 12

**The Committee recommends that the Australian Government encourage Middle East sovereign wealth funds to invest in Australia through a nationally coordinated marketing of Australia by federal, state and territory governments, including high-level visits to and from the Middle East to promote opportunities, and explain Australia's investment and taxation requirements.**

## The Department of Agriculture Consul (Middle East)

- 6.105 The Department of Agriculture has more than 30 agricultural specialists working in Australian missions in key overseas markets. The role of these counsellors is to develop and maintain markets for Australia's agricultural exports. The counsellors are based in 16 countries, including the UAE. In January 2016, the Australian Government announced the establishment of five new agricultural counsellors including a new counsellor in Saudi Arabia.<sup>67</sup>
- 6.106 The Committee heard wide support from Australian business representatives for the efforts of the Department of Agriculture's Consul (Middle East) posted in the UAE for assisting Australian exporters gain greater or easier market access to the Middle East. The Consul helped exporters with navigating the regulations, labelling and other issues. A second Consul to help cover the whole Middle East North Africa (MENA) region was appointed in 2016 to be based at the Australian mission in Riyadh and assist exporters with gaining access into the Saudi Arabian market.<sup>68</sup>
- 6.107 The Australian Dairy Industry strongly supports the Department of Agriculture's agricultural counsellor programs, whose primary function is to help maintain market access for agricultural exports such as dairy and meat, and assist with overcoming the technical barriers to trade that exist.
- 6.108 The Australian Dairy Industry believes the agricultural counsellor posts play a major role in Australia's efforts to remove or lower market access barriers for agricultural products; facilitate trade; monitor emerging

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67 Department of Agriculture, Overseas network, viewed 11 April 2016, <<http://www.agriculture.gov.au/market-access-trade/overseas-network>>.

68 Department of Agriculture, Overseas network, viewed 11 April 2016, <<http://www.agriculture.gov.au/market-access-trade/overseas-network>>.

international issues; help resolve quarantine issues; and provide briefings and assist with visiting delegations.<sup>69</sup>

- 6.109 The Australian Dairy Industry advised there would be benefits from having representation in key markets such as the Middle East, as well as representation in key competitor countries.<sup>70</sup>
- 6.110 A Board Member of Australian Dairy Farmers, Mr Chris Griffin, told the Committee he would welcome an expansion of the agricultural counsellor program into Saudi Arabia because it is 'very useful in its ability to assist the Australian dairy industry in overcoming technical market access issues'.<sup>71</sup>
- 6.111 The General Manager of Trade and Industry Strategy for Dairy Australia, Mr Charlie McElhone, agreed describing the role of agricultural counsellors as 'invaluable' in government to government negotiations about issues faced by Australian exporters:

But at the end of the day, in terms of direct engagement, we are very much hamstrung in being able to take the final channel. The ag counsellors... build the relationships; make sure the doors are open when those shipments are held up at the border when there are issues like the expiry date issue that I mentioned; and make sure we have an avenue to present the case and to keep that relationship going at the correct levels within government to make sure that that trade flows, and flows at the least cost possible or the most reasonable or fairest cost possible. They are invaluable.<sup>72</sup>

## Committee comment

- 6.112 Owing to the growing importance of Australian agricultural exports into the Middle East, the Committee supports the expansion of the Department of Agriculture Consul program beyond the current Consul in the UAE. A new Consul should be posted in Saudi Arabia.
- 6.113 The Committee noted the wide support across the Australian food export industry for the role of the Department of Agriculture Consul based in the UAE in helping exporters to gain market access and navigate the myriad of regulations on food safety, expiry dates and quarantine across MENA. The industry highlighted the importance of the counsellor as an

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69 Australian Dairy Industry, *Answers to Question on Notice*, No. 5, p. 2.

70 Australian Dairy Industry, *Answers to Question on Notice*, No. 5, p. 2.

71 Mr Chris Griffin, Australian Dairy Farmers, *Committee Hansard*, Melbourne, 17 October 2014, p. 23.

72 Mr Charlie McElhone, Dairy Australia, *Committee Hansard*, Melbourne, 17 October 2014, p. 28.

Australian government official able to gain access to Middle Eastern government officials to help resolve issues.

- 6.114 Considering the value placed on the Department of Agriculture Consul's role in removing or lowering market access barriers for agricultural products, monitoring emerging international issues and helping to resolve quarantine issues, the Committee sees merit in extending the program into an emerging market such as Iran to help Australian food exporters get established. Morocco may also benefit from an Agricultural Consul post in the future, if and when an Australian Embassy may be established there.

### **Recommendation 13**

**The Committee recommends that the Department of Agriculture and Water Resources expand its counsellor network in the Middle East by posting an agricultural consul in Iran to assist food exporters gain greater access into this market.**

## **Department of Education and Training in MENA**

- 6.115 The Department of Education and Training has an international network of counsellors to assist the Australian Government engage with partner countries on matters related to education, and help grow the numbers of international students from the Middle East, which was 13,759 in 2014-15. The role of the counsellors in the network is to exchange information and advice with host countries, and in-country institutions and organisations.
- 6.116 According to the Department of Education and Training, the 'network is uniquely placed through several offices world-wide to build strong partnerships internationally'.<sup>73</sup>
- 6.117 According to DFAT, many Australian education institutions and providers have made inroads into the Middle East region, with several such as University of Wollongong having established a presence in the UAE and Kuwait, 'further opportunities exist, especially in technical and vocational training'.<sup>74</sup>

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73 Department of Education and Training, viewed 19 April 2016, <<https://internationaleducation.gov.au/international-network/pages/default.aspx>>.

74 Department of Foreign Affairs and Trade, *Submission 9*, p. 34.

- 6.118 DFAT submitted that having a dedicated education representative from the Department of Education and Training based in the region would support increased engagement in education, research and training, and facilitate stronger government and institutional linkages:

Many of the education, research and training opportunities in the Gulf stem from the ability of the Australian Government to develop and maintain strong relations with governments in the region. Government decision-making in the region directs scholarship numbers, helps to catalyse institution-to-institution linkages, and provides leadership for the broader community's education choices.<sup>75</sup>

- 6.119 According to DFAT, Australian posts in the region believe a specific Department of Education and Training counsellor based in the region would help address many of the issues, and to ensure Australia received a 'greater amount of Middle Eastern government-directed education business'. The resource would also assist in building collaboration and research linkages between Australian institutions and the region, increasing recognition of Australian qualifications, and creating flow-on benefit to bilateral trade and investment.<sup>76</sup>

- 6.120 DFAT submitted there was previously a Department of Education position based in Dubai, which was withdrawn in July 2010:

Given the ongoing significance of the Middle East region, including for inwards student numbers, we recommend that consideration be given to re-establishing a Department of Education [and Training] position based in the Middle East. This was subject to new resourcing being made available.<sup>77</sup>

## Committee comment

- 6.121 The Committee notes the Department of Education and Training already has an extensive network of counsellors throughout Asia and India where the bulk of Australia's international student come from, and one counsellor each in North and South America, and also a counsellor in Paris with another counsellor 300 kilometres away in Brussels.
- 6.122 The Committee notes the withdrawal of the Department's previous representative in the Middle East from Dubai, in 2010, and sees merit in

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75 Department of Foreign Affairs and Trade, *Submission 9*, p. 34.

76 Department of Foreign Affairs and Trade, *Submission 9*, p. 34.

77 Department of Foreign Affairs and Trade, *Submission 9*, p. 34.

the position being returned. If possible, the consul should be located in Saudi Arabia, where nearly 9,000 international students to Australia come from. It would be important for the Australian Department of Education and Training to have a point of contact for Saudi Arabia's Ministry of Education, which oversees Saudi's extensive scholarship program. An Australian education representative, based in Riyadh, could help strengthen relationships with the Saudi Education Department. The presence of an education counsellor may also help with resolving any issues for some of the Saudi students at Australian schools, colleges or universities, and also actively promote Australian universities and vocational education and training colleges to the Gulf states' education ministers that fund the student scholarships.

- 6.123 The Australian Education representative could also actively pursue research collaborations between Australian and Middle Eastern universities.

#### **Recommendation 14**

**The Committee recommends that the Department of Education and Training expand its overseas counsellor network into the Middle East by posting an education consul in Saudi Arabia.**

### **Tourism Australia's marketing of Australia**

- 6.124 Tourism Australia (TA) markets Australia in the Middle East in partnership with the states and territories, airlines, travel trade, and in collaboration with Austrade and DFAT.<sup>78</sup>
- 6.125 In the Middle East, Tourism Australia's marketing focus is on the UAE and Saudi Arabia, and its typical target customer is the high spending Gulf national, aged 35-54 years, travelling with family and friends, and residing in the UAE (Dubai and Abu Dhabi) and Saudi Arabia (Riyadh).<sup>79</sup>
- 6.126 In 2014-15, Tourism Australia allocated \$250,000 to marketing activities in the Middle East. Tourism Australia's strategy for the Middle East was to focus on its *There's nothing like Australia* global campaign, with specific targeting of the high spending UAE and Saudi Arabian nationals.<sup>80</sup>

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78 Tourism Australia, *Submission 53*, p. 3.

79 Tourism Australia, *Submission 53*, p. 3.

80 Tourism Australia, *Submission 53*, p. 3.



- 6.127 According to Tourism Australia's submission, listed under current arrangements, it would not allocate the \$250,000 it spent on marketing in the Middle East in 2014-15 for promoting Australia as a destination for Middle Eastern tourists in 2015-16:

Whilst TA will not undertake specific tourism marketing campaign activity in the Middle East in 2015/16, posts are encouraged to access the Tourism Australia's online image and video galleries to support any projects that include a promotional component. Middle East consumers will have access to the agency's campaigns via its global digital and social media channels such as the Australia.com website and the Australia.com Facebook page, with more than 6 million 'fans' worldwide.<sup>81</sup>

Tourism Australia has 12 international TA offices in Shanghai, China; Hong Kong; Jalan Sultan Ismail, Malaysia; Tokyo, Japan; Seoul, Korea; Singapore; Mumbai, India; New Zealand; Toronto, Canada; Los Angeles, United States; London, United Kingdom; Frankfurt, Germany; and three representative offices in Boulogne-Billancourt, France; Milan, Italy; and Sao Paulo, Brazil.<sup>82</sup>

- 6.128 Vice President of International, Government & Environment Affairs at Emirates Airline, Mr Will Lofberg, told the Committee he was 'surprised to be told there is not actually an [Tourism Australia] office in the Gulf' but also aware of the debate about where Tourism Australia should locate its international offices:

I think that, the way things work there, you can only do so much online; you need to have a presence there. I suggest it makes sense [for Tourism Australia] to have a presence. I am not saying it has to be Dubai, but logically it is the hub for the region. Given the Qantas shift [to partner with Emirates], there is some sense to it. It would be sensible to have some boots on the ground there [in the UAE]. We have a big partnership with them – a \$14 million tourism co-promotion. It has been very successful over the last decade or so. But, particularly in terms of the UAE and Gulf market, it would help if they had a presence on the ground. They do a lot, and I know that from comments from some of our colleagues that are closer to this on the destination management side.<sup>83</sup>

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81 Tourism Australia, *Submission 53*, p. 3.

82 Tourism Australia, viewed 18 April 2016, <<http://www.tourism.australia.com/contact-us.aspx>>.

83 Mr Will Lofberg, Emirates Airline, *Committee Hansard*, Canberra, 29 October 2014, p. 4.

6.129 DFAT's Mr Innes-Brown confirmed that Tourism Australia did not have a dedicated office promoting Australia as a tourism destination in the Middle East:

The Tourism Australia position is that, given the numbers, it is not a priority area. The numbers do not warrant a dedicated office. That is the Tourism Australia position.<sup>84</sup>

6.130 The then Director of Aviation Policy at the Tourism and Transport Forum, Justin Wastnage, said:

Tourism Australia is obviously constrained by the amount of money it has, which is falling in real terms, and it has to make strategic priorities. So it decides not unreasonably to devote the bulk of its spending in those markets which are going to generate the most return – that is, China, North America, the UK.<sup>85</sup>

6.131 But Mr Wastnage argued that for every dollar spent on tourism marketing in the broader sense, including offices and including campaigns, there was a \$15 return on that investment in spend in country.<sup>86</sup>

6.132 Tourism Australia submitted that there is a significant opportunity to focus on potential tourism infrastructure investors who are based in the Middle East.<sup>87</sup>

6.133 Tourism Australia supported Austrade's *Australia Unlimited* programs and participated in tourism trade events in this market, such as the Riyadh Travel Fair in Saudi Arabia. This type of activity will include the relaunch of the Aussie specialist online training program for local travel agents, helping to improve the skills and knowledge of agents to more effectively sell Australian tourism products.<sup>88</sup>

## Committee comment

6.134 The Committee notes with disappointment that Tourism Australia will not undertake a specific tourism marketing campaign in the Middle East in 2015-16, after the withdrawal of its modest \$250,000 marketing allocation the previous financial year.

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84 Mr Marc Innes-Brown, DFAT, *Committee Hansard*, Canberra, 26 November 2014, p. 3.

85 Mr Justin Wastnage, Tourism and Transport Forum, *Committee Hansard*, Canberra, 18 March 2015, p. 9.

86 Mr Justin Wastnage, Tourism and Transport Forum, *Committee Hansard*, Canberra, 18 March 2015, p. 9.

87 Department of Foreign Affairs and Trade, *Submission 9*, p. 18.

88 Department of Foreign Affairs and Trade, *Submission 9*, p. 18.

- 6.135 The Committee doubts that encouraging Australia's diplomatic posts in the Middle East to access Tourism Australia's online image and video galleries to support any promotional campaigns would compensate for a professionally-run marketing campaign.
- 6.136 The Committee notes the withdrawal from marketing to a region that TA had once identified as a key growth market with the potential to reach \$1 billion in expenditure per annum. Considering the high numbers of tourists flying to Australia on board Qantas, Virgin Australia, Emirates, Etihad and Qatar Airways, and the TA's wish to be in a marketing partnerships with these airlines, plus the Gulf investors in Australian hotel chains, the Committee recommends that this decision be reconsidered.

### **Recommendation 15**

**The Committee recommends Tourism Australia reverse removal of the \$250,000 Middle East marketing campaign allocation to better promote Australia as a family-friendly tourism destination for tourists from the Gulf states.**

### **Recommendation 16**

**The Committee recommends that Tourism Australia open a representative office in the Gulf states to better coordinate tourism marketing campaigns for Australia with airlines based in the UAE and Qatar, and Australian carriers.**

## **Airline partnerships**

- 6.137 Tourism Australia submitted that each year it invests in significant partnerships with Middle Eastern airlines to promote travel to Australia. The majority of this partnership investment is used to encourage visitors from the United Kingdom, Germany, France and Italy.<sup>89</sup>
- 6.138 Tourism Australia invests almost \$4.5 million annually in partnerships with Middle Eastern airlines, a figure that is matched by the airlines to promote travel to Australia. Tourism Australia has three-year promotion agreements with both Etihad and Emirates Airlines that commenced in

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<sup>89</sup> Tourism Australia, *Submission 53*, p. 3.

2012. In 2013, for example, Tourism Australia partnered with Etihad Airways, Tourism Victoria and TEQ in the UAE, Saudi Arabia, and Qatar to promote holiday packages and flights into Brisbane and Melbourne.<sup>90</sup>

### *Etihad*

6.139 During 2014, Etihad carried 140,400 tourists to Australia, an increase of 16 per cent compared to calendar year 2013. Etihad carried 2 per cent of Australia's total international air traffic in 2014 but its share is growing.<sup>91</sup>

6.140 Vice President of International and Public Affairs at Etihad Airways, Mr Vijay Poonoosamy, submitted that the airline regarded Australia as one of its 'most important tourism partners':

We have invested significantly in relationships with tourism authorities and with major, iconic institutions in order to support visitor growth to Australia and pursue passenger growth for the airline.<sup>92</sup>

6.141 In November 2014, Etihad renewed its strategic marketing partnership with Tourism Australia to promote Australia as a destination to international leisure and business travellers:

Under the new arrangements, Tourism Australia and Etihad Airways doubled the total value of the original three-year marketing agreement to \$12 million, making it one of our most important partnerships with tourism authorities around the world. The agreement also builds on previous campaigns we have conducted with state tourism bodies including Tourism Queensland, Tourism Western Australia and Tourism NSW.<sup>93</sup>

6.142 Tourism Australia recently signed a new Memorandum of Understanding (MOU) with Etihad Airways, committing both organisations to invest a total of \$30m over the next five years to promote travel to Australia.<sup>94</sup>

6.143 Tourism Australia and Etihad ran a major \$1.9 million *Restaurant Australia* campaign in the UK across TV, digital and print channels. The campaign includes a competitive fare, and also highlights Australia's unique coastal and nature experiences. Etihad is a major sponsor of the Australian Tourism Exchange (ATE), supporting ATE14 and ATE15 by bringing buyers from the UK and Europe to the event.<sup>95</sup>

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90 Department of Foreign Affairs and Trade, *Submission 9*, p. 18.

91 Tourism Australia, *Submission 53*, p. 3.

92 Etihad Airways, *Submission 47*, p. 4.

93 Etihad Airways, *Submission 47*, p. 4.

94 Tourism Australia, *Submission 53*, p. 3.

95 Tourism Australia, *Submission 53*, p. 3.

*Emirates*

- 6.144 Emirates carried 648,200 tourists to Australia, in 2014, 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.<sup>96</sup>
- 6.145 Tourism Australia and Emirates worked together on marketing campaigns in the UK and Europe between 2008 and 2014. During this time, Emirates was Tourism Australia's largest marketing partner in terms of value in the UK and Europe:
- In mid-2014, Emirates advised TA of its intention to conduct marketing on its own, and not in partnership with any tourist board globally, due to a change in its strategy. While TA was able to increase its partnerships with other airlines in affected markets, including Etihad, Tourism Australia is very keen to re-establish its partnership with Emirates. Emirates operates a substantial number of flights to Australia from the UK and Europe, and remains a key strategic partner for TA in these markets.<sup>97</sup>
- 6.146 The Victorian Government indicated that it is also seeking to capitalise on the increased aviation links and marketing itself as a tourism destination in the Middle East, especially to residents of the Gulf states.<sup>98</sup>
- 6.147 Victoria attracted 29,315 arrivals from GCC countries for the year ending September 2013, representing an increase of 18 per cent on the previous year. An estimated 25,248 of these visitors were from the UAE which represents 86 per cent of all GCC arrivals to Victoria. Tourism Victoria believes there is considerable scope to attract more tourists.<sup>99</sup>
- 6.148 Australia is claimed to have strong appeal in the GCC market which is seeking family attractions, shopping, unique wildlife and city experiences which the Victorian Government believe are some of Melbourne's key product strengths. Tourism Victoria wants Melbourne to be seen as an ideal gateway to Australia on the back of direct air access which has been enhanced through the Qantas and Emirates partnership.<sup>100</sup>
- 6.149 Melbourne is being promoted as the ideal destination for the Arab family market segment, which is Tourism Victoria's primary target market, on the back of the unique family attractions such as the Penguins at Phillip Island and Sovereign Hill in Ballarat. The Victorian snowfields also

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

97 Tourism Australia, *Submission 53*, p. 3.

98 Victorian Government, *Answers to Question on Notice*, 17 October 2014, pp. 7 - 8.

99 Victorian Government, *Answers to Question on Notice*, 17 October 2014, p. 8.

100 Victorian Government, *Answers to Question on Notice*, 17 October 2014, p. 7.

provide a unique experience for the GCC market and the Victorian snow season coincides with the peak GCC travel period.<sup>101</sup>

- 6.150 Whilst the Middle East as a whole offers good potential tourism arrivals, the focus of the Victorian Government through Tourism Victoria is primarily on attracting tourists from the Gulf countries, especially the UAE.<sup>102</sup>

## **Building Brand Australia awareness**

- 6.151 Austrade manages the *Building Brand Australia* program to enhance awareness of contemporary Australian skills and capability and enrich Australia's global reputation through the *Australia Unlimited* nation brand. In consultation with the education sector, Austrade has also developed and delivers the *Future Unlimited* brand to expand awareness of Australia as a high-quality education provider and as a destination for international students. Austrade is also responsible for *Match Australia*, a new sports business program promoting Australia as a destination for business, tourism, and education.<sup>103</sup>

- 6.152 The Managing Director of Ego Pharmaceuticals, Mr Alan Oppenheim, argued that Australia could build on its reputation for quality. He told the Committee that Middle Eastern people buy millions of dollars of Ego skincare products each year despite intense competition from large multinational pharmaceutical companies because he believed Australia enjoyed a reputation for high quality in the region. He recalled a global study of countries as brands and Australia came out well:

...the vast majority of people put their own country as the best in the world. Australia was No. 2 in terms of brand. But there were some countries which put Australia above their own country – and they refused to name which ones they were. This is in terms of Australia as a brand...I think that puts it in context.<sup>104</sup>

- 6.153 The Chief Executive Officer of the Australian Food and Grocery Council (AFGC), Mr Gary Dawson, observed:

You do have different categories within food that are more advanced in terms of their export branding than others, and you

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101 Victorian Government, *Answers to Question on Notice*, 17 October 2014, p. 8.

102 Victorian Government, *Answers to Question on Notice*, 17 October 2014, p. 8.

103 Department of Foreign Affairs and Trade, *Submission 9*, p. 4.

104 Mr Alan Oppenheim, Ego Pharmaceuticals, *Committee Hansard*, Melbourne, 17 October 2014, p. 4.

do have differences between categories that make it hard to come up with a concept that could carry across all our food. In my view, markets work these things out. I am not sure that we need to be overly hung up on settling on a single brand. I can see the advantages of it from a marketing point of view.<sup>105</sup>

6.154 Mr Dawson suggested:

...does it make more sense to encourage strong food brands that have a really strong presence in Australia to build their own brand in some of these markets? That is an interesting discussion at the moment. We are seeing it within dairy, where we are not going to have a Fonterra equivalent in Australia, we do not think. We are going to have a number of significant dairy players looking to build their share in export markets. Ultimately, it is up to them how they do that – whether they want to build their own brand in those markets, because they are big enough to do that.<sup>106</sup>

6.155 Rice exporter SunRice stated that an opportunity to deepen commercial links with countries of the Middle East would be via greater promotion of Australia's food export industry and products in the region. SunRice submitted:

Other countries trading in the Middle East have programs in place to promote their strengths and attributes to key stakeholders, including retail customers and consumers, which has given them a powerful advantage. This has included a number of SunRice competitors' countries and we have seen first-hand how this has positively impacted perceptions of their products, and in turn, delivered improved trade performance.<sup>107</sup>

6.156 SunRice's submission argued that there was a need for the government to assist in the funding of Australian food export development programs in competition against subsidised competitors from the United States:

For example, SunRice is in daily competition with US suppliers who are receiving substantial reimbursement for eligible advertising and other related expenses as part of the US Department of Agriculture's Market Access Program (MAP). According to USDA figures, the Program has spent approximately \$2.1 billion over the past 14 years and is currently spending about

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105 Mr Gary Dawson, Australian Food and Grocery Council, *Committee Hansard*, Canberra, 9 September 2015, p. 3.

106 Mr Gary Dawson, Australian Food and Grocery Council, *Committee Hansard*, Canberra, 9 September 2015, p. 3.

107 SunRice, *Submission 31*, p. 19.

\$200 million annually to promote US agricultural products in foreign markets. The importance of Australian food exports needs to be recognised and supported further by the Australian Government to ensure this valuable industry continues to grow.<sup>108</sup>

- 6.157 SunRice states it has been compelled to 'go it alone' to build its business in the highly competitive Middle East region without receiving any financial assistance from the Federal Government. This has allegedly placed a burden on SunRice and gives its main competitors such as the US rice growers a large advantage:

SunRice would like to see an innovative funding program established to help stimulate and strengthen Australia's position as a major supplier of branded food products to overseas markets, including the Middle East.<sup>109</sup>

- 6.158 SunRice recommends the Australian Government establish a government-sponsored organisation with a specific charter to focus on nurturing and promoting Australian food products across the Middle East.<sup>110</sup>

## **Delegation discussions relating to food exports**

- 6.159 The Committee delegation attended a roundtable lunch in Dubai with the representatives of major food Australian exporters in the UAE.
- 6.160 Food importer Choithrams' group import manager told the roundtable that for Choithrams to nurture Australian brands of food, they will need funds. The United States has a branding program for exporters and suggested that Australia could take a leaf out of US approach.
- 6.161 Sunrice's General Manager Khaldoun Hallak told the Committee delegation that Sunrice would welcome some branding support since more than 50 per cent of Middle Eastern consumers were brand driven and only about 10 to 15 per cent are purely price focused. Sunrice spends more than \$100,000 on marketing its brand in the region, but its biggest rivals the rice growers of California, spend much more with assistance from the US Government.
- 6.162 During a meeting with the UAE's Minister of Economy, HE Sultan bin Saeed Almansoori at the Ministry of Economy, in Dubai, noted that there was a general awareness of Australian products, services, and opportunities for investment, but Australia was not as pervasive locally as
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108 SunRice, *Submission 31*, p. 21.

109 SunRice, *Submission 31*, p. 21.

110 SunRice, *Submission 31*, p. 19.



it could be. Sultan Almansoori observed Australia's strong focus was on Asia.

## Committee comment

- 6.163 The Committee agrees with the merits of building a national food brand to help develop an Australian identity for future food and beverage exports. In the Middle East there was a lack of a clear national brand on Australian food products on the shelves. While many Australian food producers enjoy a reputation for exporting clean, green and safe food and beverages, how this will translate into a national food brand that is acceptable to small and big brands alike remains a significant challenge.
- 6.164 The Committee notes that some major exporters such as food company SunRice, would like an innovative fund established to provide government support of marketing campaigns to compete against the well-backed American rice growers.

## State and territory government trade offices and trade missions

- 6.165 The state governments of Victoria, NSW, Western Australia and Queensland fund and operate their own state trade and investment offices in the Middle East based in the UAE, with their commissioners based in either Dubai or Abu Dhabi.
- 6.166 At the Trade and Investment Ministers' Meeting in Cairns on 15 September 2014, federal, state and territory ministers agreed to adopt a 'Team Australia' approach in both promoting Australia's strengths to the world and in pursuing commercial opportunities.<sup>111</sup>
- 6.167 The ministers agreed to identify high quality investment projects within their jurisdictions and work together to address regulatory barriers to capital. The ministers also agreed to commission their departments to develop joint promotional events and business missions suitable for a coordinated, Team Australia approach.<sup>112</sup>
- 6.168 At an earlier Trade and Investment Ministers' Meeting held in Canberra in 2014, the ministers endorsed five new National Investment Priorities: food

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111 A Robb (the then Minister for Trade and Investment), *Trade and Investment Ministers adopt 'Team Australia' approach*, media release, Parliament House, Canberra, 12 September 2014.

112 A Robb (the then Minister for Trade and Investment), *Trade and Investment Ministers adopt 'Team Australia' approach*, media release, Parliament House, Canberra, 12 September 2014.

and agribusiness; resources and energy; economic infrastructure; tourism infrastructure; advanced manufacturing services, and technology.<sup>113</sup>

- 6.169 According to DFAT, in recent years there have been many commercial promotion and business trips to the Middle East region by state and local government representatives and business councils. There has been some coordination with state governments on major promotion events such as *Australia Unlimited* and *Gulfood*. DFAT believes there is an opportunity for more discussions with councils about developing a more strategic approach towards the Middle East:

However, feedback from the region, including from our diplomatic missions, suggests more could be done to present a unified and strategic team Australia approach to commercial promotion. In particular, some visits by business councils have not been well planned and coordinated, including with our diplomatic missions, and have created discordant messaging. These instances have not helped advance the general reputation of Australian business in markets. A key issue is the plethora of councils often working at cross purposes with each other, and prompting confusion in some markets where there is one peak commercial body.<sup>114</sup>

- 6.170 The Chief Executive Officer of the Arab Bank Australia, Mr Joseph Rizk, argued that the prevalence of state and territory governments sending ministers and trade missions to the Middle East was confusing for governments, investors and businesses, alike in the Middle East:

Our approach as a country to the region has been very, very fragmented in terms of localities approaching the region. Quite often the state government of Victoria, New South Wales, Queensland or WA sends delegations over there and approach the market on the basis that they are a state. They do not go in there as a one-nation approach – a one-team approach – and that is quite confusing to the market, especially if you have got somebody who says, 'We're from Victoria.' They say, 'Well, where's Victoria?' 'New South Wales – oh, is that in the UK?' There are very, very few countries in the world that approach that region – or any other region, I think – on the basis that they are a state of a country.<sup>115</sup>

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113 A Robb (the then Minister for Trade and Investment), *Trade and Investment Ministers adopt 'Team Australia' approach*, media release, Parliament House, Canberra, 12 September 2014.

114 Department of Foreign Affairs and Trade, *Submission 9*, p. 35.

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

- 6.171 Mr Rizk gave an example of the sort of feedback he received from a range of Middle Eastern banks and investors about their meetings with a state and territory trade mission:

I used to visit the region for trade purposes and go to banks. They said, 'We had a delegation from Australia today, from Victoria.' I asked, 'What did they say?' They said, 'The only place to do business in all of Australia is Victoria.' That is not a good message.<sup>116</sup>

- 6.172 Queensland businessman, Mr Michael Farrar, of AustraBlend, who had been exporting horticultural products to the Middle East for 40 years, submitted there were too many trade missions from all levels of Australian government and business to that region:

We run trade missions federally, by state and by region and organisations, the effect of which is spreading the messages too thinly thus I feel we need to rationalise this approach and rather than a multiplicity of visitations, have one authority, adequately resourced that can present a much more deliberate and focused export effort. Such an organisation would need to draw from industry to complement its management even if consultatively, to ensure the requisite vigour and trade experience is available to be drawn upon.<sup>117</sup>

- 6.173 Mr Farrar stated from his knowledge of Queensland alone, there were visitations to the Middle East in recent years from federal government, from Trade and Investment Queensland, from the Gold Coast City Council, from the Brisbane City Council, and from the Australia Arab Chamber of Commerce and Industry:

In my view this discordant approach could well give the target markets the impression that we are uncoordinated in our export efforts, the very last impression we need to give and I'm confident that this excess is mirrored in every other state with the possible exception of Tasmania. There are many 'empire builders' amongst the bureaucracies that encourage industry to participate in these events and to some real degree, I see their objectives as being the driver and not the mission outcomes, that impression is very likely to negatively impact in any target market.<sup>118</sup>

- 6.174 The Managing Director of trade consultants Dearin & Associates, Ms Cynthia Dearin, argued that trade missions accompanying a minister's

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

117 AustraBlend Pty Ltd-AustraHort Pty Ltd, *Submission 51*, pp. 2 - 3.

118 AustraBlend Pty Ltd-AustraHort Pty Ltd, *Submission 51*, p. 3.

visit can be effective despite delegation fatigue in the Middle East, as long as Australian exporters follow-up from their contacts made:

...the reality is that if you want to do business, particularly in the Middle East and North Africa, you have to spend time on the ground as a business person or, if you are a minister in government, as a minister. There is not really any other way of getting around the need for face-to-face contact. If there are a lot of people wanting to do business and that generates a lot of delegations...I think the only danger is where delegations go and then there is no follow-up. But, really, the onus is on the people who go on the delegation to have the conversations and the meetings that they need while they are on that mission, and then to conduct the follow-up afterwards.<sup>119</sup>

6.175 Ms Dearin believed missions that work best are seemingly the more focused ones with not too many different sectors competing for attention:

You have people in the education sector. You have people in agribusiness. You have people in sustainable development. You cannot put all those people into one mission and send them off, because what happens then is you get a very diffuse mission that does not achieve anything. But by splitting your delegations into targeted missions, targeting one or a maximum of two sectors, you can actually get a result. When you put a bunch of people doing the same or similar things together with people who are interested in procuring those goods and services, you actually see things start to happen.<sup>120</sup>

6.176 Austrade's General Manager of Growth and Emerging Markets, Mr Grame Barty, explained Australia was a federation, and the states and territories were quite 'within their rights to do what they like and go about it how they like':

The difference, we would say, is that sometimes it is very difficult for international markets to understand the provinces of countries. There are very few provinces which have their own brand – California, the state of Texas, perhaps London, maybe some other places – I am sure for any of us it would be hard to name provinces in South Africa or India, for example. Therefore, sometimes the desire to create a brand is not necessarily achieved where the brand that the public is looking for is Australia. That is what markets perceive as Australia. Sometimes markets get

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119 Ms Cynthia Dearin, Dearin & Associates, *Committee Hansard*, Canberra, 13 May 2015, p. 8.

120 Ms Cynthia Dearin, Dearin & Associates, *Committee Hansard*, Canberra, 13 May 2015, p. 8.

confused when they think they have had an Australian mission but it was actually the Queensland mission and now this is the Victorian mission and next week it is the Gold Coast mission. There is mission fatigue in markets, so we have to be very careful about how we manage that. We do like to coordinate and control how we package and position the Australian brand.<sup>121</sup>

- 6.177 Mr Barty added that Austrade takes a strategic national approach to growing trade, and shares that with the states and territories:

From an Austrade point of view, we tend to take an Australian approach and we usually take a more strategic review of the market. Also, we can look not only cross-regionally but cross-sectorally and we have the capacity to do that...Austrade develops market strategies and market plans for each region and globally, including for the Middle East and North Africa region, and we share those with the states. The strategies include what our priorities are, where our resources are, what our focus is and where we are spending our time and money.<sup>122</sup>

- 6.178 Mr Barty conceded that states may not always respond to the suggested Austrade strategies:

Sometimes the states will actively join and sometimes the states are quite keen to be independent. Queensland and Victoria, in particular, are very keen to be independent and like to promote their brand. That is slightly problematic for us because we may well run a major mission and a month later they will run a smaller one. There is only so much attention you can get in a market.<sup>123</sup>

- 6.179 DFAT's Mr Innes-Brown raised the feedback from the heads of missions in the Middle East concerned about the plethora of trade missions from states and business organisations to the Gulf states at times:

We might have a federal government promotion and then a trade mission will suddenly be announced and go through in close proximity to something else that has been organised and so on. There is a limited ability to absorb. You have one opportunity every few months to engage key business people. Often there is just a lack of coordination. It is not just the state governments. We put in our report that our heads of mission have found it very difficult with private business organisations coming through. There is a lack of coordination, a lack of focus, they are often

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121 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 9.

122 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 9.

123 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 9.

poorly thought through and at times you can expend capital and energy for no particular good outcome. It is an ongoing issue, particularly in the Gulf.<sup>124</sup>

6.180 Mr Barty said that an important part of the service that Austrade provides on trade promotion was 'consistency'.<sup>125</sup>

6.181 AustraBlend's Mr Farrar, believes that it may be Austrade that has become too big and unwieldy, competing against the smaller, more client focused state trade commissioners, who often succeed linking exporters to potential customers in the Middle East:

In essence they become at war with one another because there are so many different entities attempting to do the same thing. In reality, you have to look at the number of exporters there are in Australia. You have to decide whether there is a great deal more potential for more exports to the region. Then you have to look at the capacity to service that and whether we could do it better by coordinating our activities state by state. That is an issue, and I know only too well the issues that could derive from that. But, if within the state we focus on the specific exports of value, it is my view that if a representative of industry were talking to the authorities then a better outcome would result.<sup>126</sup>

6.182 Mr David Mitford-Burgess, a consultant with the Links Group, which assists businesses from Australia with getting established in the UAE and Qatar, welcomed the work of state trade missions promoting their exporters:

From my experience, the states are very active. I saw New South Wales, Victoria and South Australia actively seeking to do business in the Middle East. Generally, it was around food, hospitality and construction, but they were certainly there. They have a presence there. From the federal level, other than a few ministers coming through and maybe shaking hands with sheikhs or having a breakfast speech I did not see much at all. Most of the transactions, I believe, were between the state entities and the local associations. There is the Australian Business Council Dubai and an Australian council in Abu Dhabi, and these people were doing

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124 Mr Marc Innes-Brown, DFAT, *Committee Hansard*, Canberra, 26 November 2014, p. 9.

125 Mr Grame Barty, Austrade, *Committee Hansard*, Canberra, 26 November 2014, p. 9.

126 Mr Michael Farrar, Private capacity, *Committee Hansard*, Canberra, 13 May 2015, p. 5.

a lot of networking at the state level. At the federal level, I cannot recall...<sup>127</sup>

- 6.183 Mr Mitford-Burgess described the Links Group's experiences meeting with the New South Wales Trade and Investment office in the UAE as positive:

There is a local guy on the ground and our company regularly meets with him. There is cooperation between the two. Being a government department, they are not going to say, 'You must go to Links or you must use us,' but at least they do advise people that there is this organisation. 'If you want to protect your ownership, your intellectual property or whatever, here is a company you can talk to.' We are not the only ones.<sup>128</sup>

- 6.184 The Victorian Government, which manages a trade office in Dubai and runs a range of trade missions to the region, believes there is a role for both state and Commonwealth governments in promoting trade and investment with Australia, and that the 'roles are complementary and mutually reinforcing'.<sup>129</sup>

- 6.185 All states and territories were invited to participate in the federal parliamentary inquiry, but only Victoria and Queensland made submissions. The Northern Territory declined the invitation due its insignificant trade and investment relations with the Middle East.

- 6.186 The Victorian Government believed its direct and detailed knowledge of Victorian businesses, industries and institutions meant that it has bipartisan support across all levels of government to take action to improve the trade performance of Victorian firms across a number of areas.<sup>130</sup>

- 6.187 According to the Victorian Government, the Commonwealth and the states have separate roles in the Middle East and these roles are mutually beneficial:

States need to be able to tailor approaches to their local economic profile and competitive advantages and generally have closer links to business. The Commonwealth is not in a position to have the same local knowledge and level of engagement with businesses. In contrast, the Commonwealth is well placed to negotiate

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127 Mr David Mitford-Burgess, The Links Group, *Committee Hansard*, Sydney, 9 September 2014, p. 29.

128 Mr David Mitford-Burgess, The Links Group, *Committee Hansard*, Sydney, 9 September 2014, p. 30.

129 Victorian Government, *Answers to Question on Notice*, No. 6, p. 7.

130 Victorian Government, *Answers to Question on Notice*, No. 6, p. 7.

arrangements and build relationships with national governments in the Middle East which benefit Australia as a whole.<sup>131</sup>

6.188 The Commissioner for Victoria, based in Dubai, submitted he worked very closely with his colleagues in Austrade, and also the Australian Ambassadors in the region, joining together on a number of projects and trade mission activities. Austrade's extensive geographic footprint was very important in facilitating those activities.<sup>132</sup>

6.189 The main trade areas the Victorian Government sees a role for itself and also for other state and territory governments, are in:

- Opening doors - Support from the senior levels of state government can make a significant difference in gaining access to centrally governed markets or places where government-to-government contacts are essential for building relationships. State governments can assist companies with introductions, meetings and other in-market support.
- Strengthening connections - A key aspect of building international trade ties is fostering business links between local exporters and potential clients in emerging markets.
- Promoting Victoria's specific offering - The Commonwealth Government promotes Australia as a whole in overseas markets. The Victorian Government has an important role to play in targeting messages that will develop in-market awareness of what Victoria has to offer.
- Increasing business skills - The state government can help local firms access the advice and expertise they need to build their understanding about exporting or particular markets, grow their existing export operations, adopt more sophisticated international business models, set or join global supply chains and establish joint ventures.
- Addressing information asymmetries - The state government can redress these asymmetries or lack of information about Victoria by raising awareness in global markets about Victoria's export capabilities and investment and skilled and business migration opportunities in the state.
- Advocating for market access - State governments can be effective advocates for the removal of trade barriers and for their state's economic and industry interests to be considered in national negotiations on free trade.
- Fostering collaboration and innovation - The state government can foster greater collaboration and innovation by bringing together groups of companies across various industries to

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131 Victorian Government, *Answers to Question on Notice*, No. 6, p. 4.

132 Victorian Government, *Answers to Question on Notice*, No. 6, p. 4.



jointly target major projects and export opportunities overseas.<sup>133</sup>

- 6.190 CEO of the AFGC, Mr Dawson, welcomed the work of the Victorian Government Business Office in promoting its food manufacturing sector by becoming a 'point of contact on the ground to enable easier contact with the retailers, importers and distributors':

Whether it is the Victorian government representative or Austrade, we think they play a critical role. The UAE is interesting. Certainly in terms of processed food, the growth in the UAE has been the lion's share of the growth for the Middle East generally... What the Victorians have done is impressive, really. Under different governments there, they have recognised that their food manufacturing sector is a critical component of the economy and they are more active than any state and probably more active federally in getting trade missions together, getting the message out and linking the people in the market.<sup>134</sup>

- 6.191 The Chairman of ATC Mr Chapman also supported the 'extraordinary' work done by the Victorian Government Business Office in Dubai<sup>135</sup> making connections for smaller Australian companies seeking to make inroads into the Middle East:

The Victorian Government Business Offices do a wonderful job in connecting businesses in the Middle East. Their strength is in the intimate knowledge of MENA and a large network to interact with. Kassem Younes in particular is a quality advocate of Victorian companies whilst John Butler and team are always accessible. Victorian Government Trade Missions to the Middle East have always delivered successful outcomes for ATC. The Vic Government's real attraction for small companies is that they provide a free service.<sup>136</sup>

- 6.192 Victoria regards its Super Trade Mission activities in the Middle East as particularly important for opening doors in those markets. There have been four Super Trade Missions (STMs) to the Middle East (2012, 2013, 2014 and 2015), with the 2013 and 2014 mission also visiting Turkey. In total, the missions in 2012, 2013 and 2014 visited nine cities across five countries in the region (UAE, Oman, Qatar, Saudi Arabia and Turkey).

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133 Victorian Government, *Answers to Question on Notice*, No. 6, p. 7.

134 Mr Gary Dawson, Australian Food and Grocery Council, *Committee Hansard*, Canberra, 9 September 2015, p. 2.

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

136 Australian Turntable Company, *Answers to Question on Notice*, No. 4, p. 2.

- 6.193 The response from business and industry to the first three STMs to the Middle East and Turkey was positive, with Victorian companies involved in the 2012, 2013 and 2014 missions anticipating increased export sales of over \$750 million for the two year period following the mission for the three missions combined.<sup>137</sup>
- 6.194 Approximately 55 per cent of these expected increased sales were reported by companies in the Victorian food and beverage industry, particularly those in the meat and livestock, and dairy sectors.<sup>138</sup>
- 6.195 According to Victoria's submission, the missions also strengthen business links between Victoria and the Middle East. For example in the 2014 Super Trade Mission to the Middle East and Turkey, companies reported 600 new overseas business connections had been made on the mission.
- 6.196 Mainstream Aquaculture's head of aquaculture, Dr Paul Harrison, argued that the company had directly benefited from the Victorian Government's Super Trade Missions to Middle East. To maximise the business opportunities in countries such as Saudi Arabia, Dr Harrison believes the networking needs to begin a few months ahead of the departure date going to a Super Trade Mission:
- ...with any sort of networking, the more contacts you make, the more opportunities you have. Most of the time you are actually working on your own; you are just doing your own business. But with a Super Trade Mission you are constantly, each day, coming back to functions and you have hundreds of business owners there; everybody is out there, and you hear something. So we have made an extraordinary number of contacts that have at least turned into lead generation for us. Business that we have closed I think has been supported directly by the trade missions in Saudi Arabia, but some was also generated ahead of time, in the lead-in.<sup>139</sup>
- 6.197 Mr Stephen Harvey, the Managing Director of Meateng, a small engineering firm specialising in designing and project managing new meat processing facilities, welcomed the Victorian government subsidising the travel on trade missions:
- ...the Vic government will subsidise our travel by \$2,000 to \$3,000 on an export trade mission. That is useful to us. It is a handout – let us be straightforward about that. When I am operating in

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137 Victorian Government, *Answers to Question on Notice*, No. 6, p. 2.

138 Victorian Government, *Answers to Question on Notice*, No. 6, pp. 2 – 3.

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

Australia, if I travel to Queensland doing work for a client I will take another day out and piggyback my travel costs off that paid travel and go and visit other clients to build work. To go and do that into the Middle East, you have to add another zero to the end of those costs....That is why that subsidy by the Victorian government is one improvement on the situation. The Victorian government does seem to have some very well-connected people...<sup>140</sup>

## Committee comment

- 6.198 The Committee notes the observations of DFAT, Austrade and Australian businesses of the dangers of excessive number of missions and promotions from various states, which have at times been uncoordinated and caused confusion in the MENA markets.
- 6.199 The preparedness of states, notably Victoria, to promote its businesses and its products is laudable, and widely supported by Victorian exporters who have been on the state's Super Trade Missions to the UAE. It is encouraging to hear that the Victorian Government and Federal Government have worked together effectively in Dubai.
- 6.200 The Committee agrees that the federal government should primarily concern itself with promoting the nation as a whole. However, the Committee believes that it would benefit all Australian jurisdictions if trade promotion efforts were better coordinated, particularly in the Middle East, which presents significant cultural and other challenges.
- 6.201 Also while some jurisdictions such as Victoria are commendably proactive, smaller jurisdictions are clearly less well positioned to promote their state's or territory's products and services.
- 6.202 The Committee firmly believes that the efforts of state and territory governments, competing often for the same trade and investment opportunities in the MENA, need to be better coordinated.
- 6.203 While the Committee does not wish to stifle the efforts of the leading states, it would be a concern for the Committee if a representative of one of the states and territories reflected adversely on another jurisdiction's potential.
- 6.204 For these reasons, the Committee recommends that the Australian Government, together with the state and territory governments, and

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140 Mr Stephen Harvey, Meateng, *Committee Hansard*, Melbourne, 17 October 2014, p. 9.

relevant business councils, review Australia's approach to promoting Australia's commercial interests in the MENA.

- 6.205 The Committee is pleased to note the decisions of the Council of Australian Governments (COAG) Trade and Investment Ministers Council, held on 15 September 2014, to better coordinate upcoming missions and promotions between Commonwealth, state and territory governments.

### **Recommendation 17**

**The Committee recommends that the Australian Government undertake a joint study with state and territory governments of Australia's trade promotion efforts in the Middle East, with a view to making reforms that will ensure a better coordinated, unified and coherent approach to promoting Australia's commercial interests in the Middle East region.**

## **Supply chain costs**

- 6.206 Eastern Australian grain handler, GrainCorp, submitted that targeted investment from industry and federal and state governments could improve the returns available to eastern Australian grain growers by up to an average of \$10/tonne; through the reduction in rail costs and improved supply chain reliability and performance. In addition, it would keep exports of eastern Australian grain into key regions, such as the Middle East, competitive.<sup>141</sup>
- 6.207 According to GrainCorp, government co-investment in rail with industry participants, such as GrainCorp, could deliver substantial benefits to the competitiveness of Australia's grain exports, in addition to significant public benefits:
- GrainCorp estimated the average \$10/tonne improvement in prices bid at grain silos would translate into a \$180 million annual injection into communities in regional eastern Australia, based on average 18 million tonne crop;
  - GrainCorp expected the portion of bulk grain travelling by rail to port would increase from current low of 50 per cent to at least 70 per cent.

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141 GrainCorp, *Submission 42*, p. 5.

GrainCorp anticipated this would reduce road movements by 1 million tonnes, or 25,000 truck movements a year, with associated road repair, safety and amenity benefits; and

- GrainCorp argued this co-investment would ‘support an improvement to the balance of trade of \$500 million per annum within 10 years, based on grain production and grain exports increasing by 2 million tonnes per annum’<sup>142</sup>, in line with the historical yield trend:

Critically however, supporting government investment is required to extend government-owned rail sidings at many of the key export sites. This would enable these sites to handle unit-trains, by reducing the need to break and shunt trains and allow trains to be cycled far more quickly between country and port, unlocking substantial train productivity benefits.<sup>143</sup>

- 6.208 Western Australian grain exporter, CBH Group, offered that it would be supportive of any Government efforts to establish a policy and investment framework that ensures wherever possible that the agriculture sector, and grain growers in particular, can be competitive with producers from other international origins of supply:

This for example might include a focus on ensuring growers have access to supply chain infrastructure in Australia (rail, road and ports) that facilitate efficient and effective exports to international markets or negotiating more favourable terms of trade.<sup>144</sup>

- 6.209 As an indicative figure, GrainCorp submitted that the required investment from government in improving rail sidings would be around \$50 million. Over the longer term, further investment from Commonwealth and State governments would be required to increase track weight load limits and standardise gauges, through projects such as:

- Reinstating missing rail links; and
- Improving track condition to allow increased payload weights and improved productivity of branch lines.<sup>145</sup>

- 6.210 GrainCorp acknowledged that funding responsibility for rail is split across federal and state jurisdictions, but believed the Australian Government has a significant role in improving a critical part of Australia’s supply chain:

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142 GrainCorp, *Submission 42*, p. 5.

143 GrainCorp, *Submission 42*, p. 5.

144 CBH Group, *Submission 24*, p. 5.

145 GrainCorp, *Submission 42*, p. 5.

However GrainCorp believes that the Federal Government has a critical role to play in co-ordinating the response from all levels of government to this investment challenge.<sup>146</sup>

## Committee comment

- 6.211 The Committee agrees that there would be benefit in the Australian Government working with state governments to review the adequacy of rail sidings, grain loading facilities and track conditions along strategic freight train networks in order to improve the loading and delivery of wheat and barley by train to ports. Improvements to the supply chain can help make exports of Australian wheat and barley more competitive in the Middle East.

### Recommendation 18

**The Committee recommends that the Australian Government, in collaboration with state governments, review the adequacy of rail sidings, grain loading facilities and railway track conditions on strategic freight train routes, with a view to making a joint submission to Infrastructure Australia for funding improvements to raise the productivity of grain exporters.**

## Visas for visitors, students and businesspeople

- 6.212 The Department of Immigration and Border Protection (DIBP) has officers in Australian diplomatic missions in the following MENA countries: Egypt; the United Arab Emirates; Lebanon; Jordan and Iran. Officers in these posts perform a range of tasks, although each of these posts process visa applications as part of the role. Depending on the individual post structure, visa decisions are made by either Australian based staff or appropriately delegated locally-engaged staff.<sup>147</sup>
- 6.213 The DIBP also has satellite offices in Tel Aviv (Israel) and Riyadh (Saudi Arabia). These offices are staffed by locally-engaged staff reporting to Australian officers in their parent post. The Tel Aviv office provides visa

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<sup>146</sup> GrainCorp, *Submission 42*, p. 5.

<sup>147</sup> Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 23.

services to Israel and the Palestinian Territories and reports to Berlin, Germany, due to local sensitivities. Riyadh provides visa and citizenship lodgement services for clients in Saudi Arabia.<sup>148</sup>

- 6.214 The DIBP locates staff based on a wide variety of factors. These include the nature of engagement required on immigration, customs and border protection issues in a particular post or region, resources, visa caseload size and/or complexity and to maximize processing efficiencies:

Currently, visa and citizenship services for clients in Morocco are managed in Cairo. There are no plans to place DIBP staff in Morocco or any other MENA countries other than those where DIBP staff are currently located.<sup>149</sup>

- 6.215 As noted in the previous chapter, the CEO of the Australia Arab Chamber of Commerce and Industry, Mrs Suzannah Moss-Wright, sees a need for a short-stay visa for aspiring businesspeople and investors with significant assets from the Middle East, especially in response to the United Kingdom and the United States of America relaxing their visas laws:

For some individuals, if you are coming from Saudi Arabia or if you are an Iraqi national, resident in Jordan, it is very, very difficult to get into Australia. All their assets are still in the Middle East. They do not want to stay here. They want to come here and they want to do business. They want to see what opportunities there are, and we are losing out on our ability to showcase ourselves because we make it either next to impossible or impossible for them to get visas. ... The UK has relaxed its visa laws. The US has done the same. You can get a tourism visa into the US from the Middle East within three days.<sup>150</sup>

- 6.216 The DIBP submitted that Australia has a 'very competitive student visa process which already compares favourably with key competitors and supports the sustainable growth of the international education sector':

Recent research conducted by the Institute of International Education indicates that prospective students perceived Australia to have a less complex student visa process than the United States, United Kingdom and Canada. Australia's student visa process will be made even more competitive through the introduction of the

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148 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 23.

149 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 35.

150 Mrs Suzannah Moss-Wright, Australia Arab Chamber of Commerce and Industry, *Committee Hansard*, Canberra, 25 June 2014, p. 3.

simplified student visa framework (SSVF) and the expansion of online lodgement, intended for implementation in mid-2016.<sup>151</sup>

6.217 The DIBP had 'not undertaken a formal comparison of Australia's electronic lodgement systems with those of other countries'.<sup>152</sup> Despite a lack of a formal comparison of Australia's electronic lodgement systems, the DIBP believed Australia's visitor visa programme compares favourably with its key competitors and supports the competitiveness of Australia's tourism industry. The introduction of online lodgement for visitor visas was said to have increased the ease of access to the product.<sup>153</sup>

6.218 According to the DIBP, Australia also has a few advantages in visa processing that some of the other countries do not have:

For example, we do not require to see everybody's passport, because we no longer need to put a visa label in people's passports; we handle that electronically, whereas most of our comparator countries still provide a physical label in people's passports. That delays cases, often by a week or more, because of the postal delays in sending passports in and waiting for them to come back.<sup>154</sup>

6.219 Some other comparable countries also require universal interview of applicants.<sup>155</sup>

6.220 The DIBP does not have the capacity and staff resources at Australian embassies, high commissions and consulates to undertake face-to-face interactions with every visitor visa applicant or even with every student visa applicant:

There are 5½ million visa applications every year. It is really a question of resources. Our focus is around trying to determine which of those applicants it is important for us to see and speak to directly. We are improving our ability to identify those through traditional means but also through improved data analytics so that we can stream visas that are high risk for those sorts of reasons... There is a very high volume of student visas as well. A lot of them are very low risk. One of the measures that have been taken over the last few years on the policy front has been to streamline visa processing for some elements of the caseload and

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151 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 26.

152 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 5.

153 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 26.

154 Mr Jim Williams, Department of Immigration and Border Protection, *Committee Hansard*, Canberra, 4 March 2015, p. 4.

155 Mr Jim Williams, Department of Immigration and Border Protection, *Committee Hansard*, Canberra, 4 March 2015, p. 4.



rely on the industry to do some of the face-to-face engagement and vetting of people. That has been very successful.<sup>156</sup>

- 6.221 In recognition of the high rate of visa compliance by tourists from UAE, Qatar and Oman, the United Kingdom has announced it will establish a new electronic visa waiver program for Emirati, Omani and Qatari nationals. However, the DIBP advised that it was not considering expanding access to the Electronic Travel Authority (ETA) visa system to visitors from these Gulf states. The ETA programme was introduced in 1996 and has not been expanded to citizens of more countries beyond Europe, the United States, Canada and some Asian nations in over a decade:

Given subsequent advances in technology and changes in the nature of global travel, expanding access to the ETA programme is not being considered.<sup>157</sup>

- 6.222 No comparative assessment has been done of Australia's visa application centres in the Middle East with other countries' centres, though it does share centres with the United Kingdom, according to the Department of Immigration and Border Protection.<sup>158</sup>

- 6.223 The then Director of Aviation Policy at the Tourism and Transport Forum, Justin Wastnage, told the inquiry that the TTF had put the idea of offering VIP services through passport control and Customs at Australian airports to the government and there was some agreement in principle to look at a cost-recovery model.<sup>159</sup>

- 6.224 Mr Wastnage believes Australia could provide better service at airport border controls to the luxury travellers similar to the service offered to visiting high-ranking representatives of foreign governments:

At the government level we do but we do not have it for wealthy individuals who want a higher level of service. That is one service but another service may be families with kids or it may be non-English speakers. What there needs to be in place is an ability for Customs and the border agencies more broadly to offer new

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156 Mr Jim Williams, Department of Immigration and Border Protection, *Committee Hansard*, Canberra, 4 March 2015, p. 6.

157 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 27.

158 Mr Jim Williams, Department of Immigration and Border Protection, *Committee Hansard*, Canberra, 4 March 2015, p. 4.

159 Mr Justin Wastnage, Tourism and Transport Forum, *Committee Hansard*, Canberra, 18 March 2015, p. 9.

services for new markets but not at the expense of the existing service or the existing tax base.<sup>160</sup>

- 6.225 As part of its 2015-16 Budget submission to Government, the Border-Related Fees, Taxes and Charges Review Taskforce recommended the establishment of a user-pays regime as a way of promoting more consistent levels of service to industry across Australia's international airports:

The Department of Immigration and Border Protection is working with the Department of Agriculture and Water Resources to explore the feasibility of fee-for-service border clearance.<sup>161</sup>

The Hon Bruce Scott MP  
Chair  
Trade Sub-Committee

4 May 2016

The Hon Teresa Gambaro MP  
Chair  
Joint Standing Committee on  
Foreign Affairs, Defence and Trade

4 May 2016

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160 Mr Justin Wastnage, Tourism and Transport Forum, *Committee Hansard*, Canberra, 18 March 2015, p. 9.

161 Department of Immigration and Border Protection, *Answers to Question on Notice*, No. 12, p. 31.